WESTERN UNION CO

FORM 10-Q
(Quarterly Report)

Filed 10/30/09 for the Period Ending 09/30/09

Address	12500 EAST BELFORD AVENUE ENGLEWOOD, CO 80112
Telephone	(720) 332-3361
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SIC Code	7389 - Business Services, Not Elsewhere Classified
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, 2009

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)**	**20-4531180** **(I.R.S. Employer Identification No.)**
12500 EAST BELFORD AVENUE **ENGLEWOOD, CO** **(Address of principal executive offices)**	**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 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, 2009, 692,108,687 shares of our common stock were outstanding.

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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,	
	2009	2008	2009	2008
Revenues:				
Transaction fees	$1,040.0	$1,098.6	$2,998.4	$3,200.7
Foreign exchange revenue	237.6	238.7	659.9	681.0
Commission and other revenues	36.5	40.1	111.3	108.7
Total revenues	1,314.1	1,377.4	3,769.6	3,990.4
Expenses:				
Cost of services	742.6	785.6	2,112.0	2,343.6
Selling, general and administrative	290.0	216.6	693.5	626.1
Total expenses*	1,032.6	1,002.2	2,805.5	2,969.7
Operating income	281.5	375.2	964.1	1,020.7
Other income/(expense):				
Interest income	1.9	8.7	8.4	39.1
Interest expense	(39.3)	(40.4)	(119.1)	(128.7)
Derivative gains/(losses), net	0.4	(14.4)	(2.4)	(10.0)
Other income/(expense), net	2.0	3.9	(3.6)	12.4
Total other expense, net	(35.0)	(42.2)	(116.7)	(87.2)
Income before income taxes	246.5	333.0	847.4	933.5
Provision for income taxes	65.5	92.2	222.3	254.1
Net income	$ 181.0	$ 240.8	$ 625.1	$ 679.4
Earnings per share:				
Basic	$ 0.26	$ 0.33	$ 0.89	$ 0.92
Diluted	$ 0.26	$ 0.33	$ 0.89	$ 0.91
Weighted-average shares outstanding:				
Basic	698.4	724.9	702.0	736.0
Diluted	701.6	737.2	703.9	747.6

* As further described in Note 8, total expenses include amounts for related parties of $66.0 million and $80.4 million for the three months ended September 30, 2009 and 2008, respectively, and $191.3 million and $233.4 million for the nine months ended September 30, 2009 and 2008, respectively.

See Notes to Condensed Consolidated Financial Statements.

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THE WESTERN UNION COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in millions, except per share amounts)

	September 30, 2009	December 31, 2008
Assets		
Cash and cash equivalents	$ 1,625.4	$ 1,295.6
Settlement assets	1,256.1	1,207.5
Property and equipment, net of accumulated depreciation of $322.3 and $284.0, respectively	198.3	192.3
Goodwill	2,146.6	1,674.2
Other intangible assets, net of accumulated amortization of $329.5 and $276.5, respectively	505.5	350.6
Other assets	482.3	858.1
Total assets	$ 6,214.2	$ 5,578.3
Liabilities and Stockholders' Equity/(Deficiency)		
Liabilities:		
Accounts payable and accrued liabilities	$ 512.3	$ 385.7
Settlement obligations	1,256.1	1,207.5
Income taxes payable	511.4	381.6
Deferred tax liability, net	276.3	270.1
Borrowings	3,052.4	3,143.5
Other liabilities	278.1	198.0
Total liabilities	5,886.6	5,586.4
Commitments and contingencies (Note 7)		
Stockholders' equity/(deficiency):		
Preferred stock, $1.00 par value; 10 shares authorized; no shares issued	—	—
Common stock, $0.01 par value; 2,000 shares authorized; 694.9 shares and 709.6 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	6.9	7.1
Capital surplus/(deficiency)	23.2	(14.4)
Retained earnings	425.6	29.2
Accumulated other comprehensive loss	(128.1)	(30.0)
Total stockholders' equity/(deficiency)	327.6	(8.1)
Total liabilities and stockholders' equity/(deficiency)	$ 6,214.2	$ 5,578.3

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, 2009	Nine Months Ended September 30, 2008
Cash flows from operating activities		
Net income	$ 625.1	$ 679.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	41.1	46.5
Amortization	70.4	60.4
Other non-cash items, net	39.0	49.4
Increase/(decrease) in cash, excluding the effects of acquisitions, resulting from changes in:		
Other assets	(20.8)	(63.4)
Accounts payable and accrued liabilities	88.4	63.5
Income taxes payable	131.2	103.0
Other liabilities	(16.4)	(13.5)
Net cash provided by operating activities	958.0	925.3
Cash flows from investing activities		
Capitalization of contract costs	(18.2)	(68.8)
Capitalization of purchased and developed software	(8.6)	(15.5)
Purchases of property and equipment	(40.1)	(40.7)
Acquisition of businesses, net of cash acquired	(514.9)	(18.2)
Proceeds from/(increase in) receivable for securities sold	234.9	(298.1)
Notes receivable issued to agents	—	(1.0)
Repayments of notes receivable issued to agents	17.4	18.9
Net cash used in investing activities	(329.5)	(423.4)
Cash flows from financing activities		
Net repayments of commercial paper	(82.8)	(256.2)
Net proceeds from issuance of borrowings	496.6	—
Principal payments on borrowings	(500.0)	—
Proceeds from exercise of options	12.7	296.2
Common stock repurchased	(225.2)	(1,205.4)
Net cash used in financing activities	(298.7)	(1,165.4)
Net change in cash and cash equivalents	329.8	(663.5)
Cash and cash equivalents at beginning of period	1,295.6	1,793.1
Cash and cash equivalents at end of period	$1,625.4	$ 1,129.6
Supplemental cash flow information:		
Interest paid	$ 104.9	$ 92.5
Income taxes paid	$ 111.3	$ 158.2

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 transfer, providing people with fast, reliable and convenient ways to send money 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 (formerly consumer-to-business)—the processing of payments from consumers or businesses to other businesses. The Company's business payments are available to be made to a variety of organizations including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. As described further in Note 3, "Acquisitions," the Company acquired Canada-based Custom House, Ltd. ("Custom House"), a provider of international business-to-business payment services, which is included in this segment. Custom House facilitates cross-border, cross-currency payment transactions. While the Company continues to pursue further international expansion of its offerings in this segment, the segment's revenue was primarily generated in the United States during all periods presented.

All businesses that have not been classified into the consumer-to-consumer or global business payments segments are reported as "Other" and include the Company's money order and prepaid services businesses. Prior to October 1, 2009, the Company's money orders were issued by Integrated Payment Systems Inc. ("IPS"), a subsidiary of First Data Corporation ("First Data"), to consumers at retail locations primarily in the United States and Canada. Effective October 1, 2009, the Company assumed the responsibility for issuing money orders as discussed further in Note 9, "Settlement Assets and Settlement Obligations." The Company also offers Western Union branded Visa ® and Mastercard ® prepaid cards and provides certain prepaid services for third parties.

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. As of September 30, 2009, the amount of net assets subject to these limitations totaled approximately $170 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.

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

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.

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 in part due to seasonality of the business. 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, 2009 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, 2008.

Consistent with industry practice, the accompanying Condensed Consolidated Balance Sheets are unclassified due to the short-term nature of Western Union’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.

Fair Value Measurements

On January 1, 2009, the Company began disclosing the fair value level classification in accordance with the valuation hierarchy for certain non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. This policy is most applicable to the Company’s business combinations, where the values of the intangible assets and goodwill acquired in a purchase are derived utilizing one of the three recognized approaches: the market approach, the income approach or the cost approach. These valuation techniques use primarily unobservable Level 3 inputs which require significant management judgment and estimation. The remaining assets and liabilities are also valued using one of the three approaches, however, fair value for these assets and liabilities often approximates carrying value. Refer to Note 3, “Acquisitions.”

The Company monitors its investments in debt securities to determine if these securities are in an other-than-temporary impairment position. Factors that could indicate an impairment exists include, but are not limited to: earnings performance, changes in credit rating or adverse changes in the regulatory or economic environment of the asset. If potential impairments exist, the Company assesses whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The Company had no material other-than-temporary impairments for both the three and nine months ended September 30, 2009 and 2008.

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Business Combinations

Effective January 1, 2009, the Company accounts for business combinations achieved in stages by re-measuring any noncontrolling equity investments in the acquiree to fair value as of the acquisition date immediately before obtaining control. All re-measurement gains and losses are recognized in earnings and the total fair values of the identifiable assets, liabilities and any noncontrolling interests are recorded in the consolidated balance sheet. Also effective January 1, 2009, the Company expenses all costs as incurred related to or involved with an acquisition in “Selling, general and administrative” expenses. Any contingent consideration related to the acquisition is recognized at its acquisition date fair value with subsequent changes in fair value generally reflected in earnings. Any adjustments to the assessed fair values of the assets, liabilities and any noncontrolling interests made subsequent to the acquisition date but within the measurement period, due to facts that existed at the acquisition date, are recorded as an adjustment to goodwill. All other adjustments are recorded in income, including changes in tax contingencies. Refer also to Note 3, “Acquisitions.”

Subsequent Events Review

The Company has evaluated subsequent events through the date of the submission of filing of this Form 10-Q, October 30, 2009.

2. 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 year, and therefore, reduce the dilutive effect.

For the three months ended September 30, 2009 and 2008, there were 30.0 million and 5.7 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, 2009 and 2008, there were 38.1 million and 7.4 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. During the three and nine months ended September 30, 2009, the average market price of the Company’s common stock was lower than the exercise price for most of its outstanding options, resulting in higher anti-dilutive shares than in the comparable prior periods.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Basic weighted-average shares outstanding	698.4	724.9	702.0	736.0
Common stock equivalents	3.2	12.3	1.9	11.6
Diluted weighted-average shares outstanding	701.6	737.2	703.9	747.6

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

3. Acquisitions

Custom House, Ltd.

On September 1, 2009, the Company acquired Canada-based Custom House, a provider of international business-to-business payment services, for $371.0 million. The acquisition of Custom House will allow the Company to enter the international business-to-business payments market. Custom House facilitates cross-border, cross-currency payment transactions. These payment transactions are conducted through various channels including the telephone and internet. The significant majority of Custom House’s revenue is from exchanges of currency at the spot rate enabling customers to make cross-currency payments. The credit risk arising from these spot foreign currency exchange contracts is largely mitigated, as in most cases Custom House requires the receipt of funds from customers before releasing the associated cross-currency payment. In addition, this business writes foreign currency forward and option contracts for their customers to facilitate future payments. The duration of these derivatives contracts is generally nine months or less. The significant majority of Custom House’s revenue is generated from transactions involving different currencies, in which Custom House generates revenue based on the difference between the exchange rate set by Custom House to the customer and the rate at which Custom House is able to acquire currency or forward and option contracts. This foreign exchange revenue is recorded at the time the customer initiates a trade with Custom House. The results of operations for Custom House have been included in the Company’s consolidated financial statements from the date of acquisition, September 1, 2009.

The Company recorded the assets and liabilities of Custom House at fair value. The following table summarizes the preliminary allocation of purchase price:

Assets:	
Cash acquired	$ 2.5
Settlement assets	152.5
Property and equipment	6.5
Goodwill	274.3
Other intangible assets	118.1
Other assets	75.8
Total assets	$629.7
Liabilities:	
Accounts payable and accrued liabilities	$ 23.1
Settlement obligations	152.5
Deferred tax liability, net	31.9
Other liabilities	51.2
Total liabilities	258.7
Total consideration, including cash acquired	$371.0

The valuation of assets acquired resulted in $118.1 million of identifiable intangible assets, $99.8 million of which were attributable to customer and other contractual relationships and were valued using an income approach and $18.3 million of other intangibles, which were valued using both income and cost approaches. These fair values were derived using primarily unobservable Level 3 inputs which require significant management judgment and estimation. For the remaining assets and liabilities, fair value approximated carrying value. The intangible assets related to customer and other contractual relationships are being amortized over 10 to 12 years. The remaining intangibles are being amortized over three to five years. The goodwill recognized of $274.3 million is attributable to the projected long-term business growth in current and new markets.

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

All goodwill relates entirely to the global business payments segment. The preliminary assessment of goodwill expected to be deductible for United States income tax purposes is approximately $225.1 million. The net deferred tax liability of $31.9 million and the resulting impacts on goodwill are preliminary and will be completed once the Company finalizes its tax review for this acquisition. In addition, the Company will finalize the accounts associated with the working capital settlement required by the purchase agreement, which may also result in an adjustment to goodwill.

FEXCO

On February 24, 2009, the Company acquired the money transfer business of European-based FEXCO, one of the Company’s largest agents providing services in a number of European countries, primarily the United Kingdom, Spain, Sweden and Ireland. The acquisition of FEXCO’s money transfer business will assist the Company in the implementation of the Payment Services Directive (“PSD”) in the European Union by providing an initial operating infrastructure platform. The PSD will allow the Company to operate under a single license in the 27 European Union countries and, in those European Union countries where the Company has been limited to working with banks, post-banks and foreign exchange houses, to expand its network to additional classes of trade. The acquisition does not impact the Company’s revenue, because the Company was already recording 100% of the revenue arising from money transfers originating at FEXCO’s subagents. As of the acquisition date, the Company no longer incurs commission costs for transactions related to FEXCO; rather, the Company now pays commissions directly to former FEXCO subagents, resulting in lower overall commission expense. The Company’s operating expenses include costs attributable to FEXCO’s operations subsequent to the acquisition date.

Prior to the acquisition, the Company held a 24.65% interest in FEXCO Group Holdings (“FEXCO Group”), which was a holding company for both the money transfer business as well as various unrelated businesses. The Company surrendered its 24.65% interest in FEXCO Group as non-cash consideration, which had an estimated fair value of $86.2 million on the acquisition date, and paid €123.1 million ($157.4 million) as additional consideration for 100% of the common shares of the money transfer business, resulting in a total purchase price of $243.6 million. The Company recognized no gain or loss in connection with the disposition of its equity interest in the FEXCO Group, because its estimated fair value approximated its carrying value. The Company recorded the assets and liabilities of FEXCO at fair value. The following table summarizes the allocation of purchase price for this acquisition:

Assets:	
Cash acquired	$ 11.8
Settlement assets	43.0
Property and equipment	3.1
Goodwill	190.6
Other intangible assets	74.9
Other assets	2.3
Total assets	$325.7
Liabilities:	
Accounts payable and accrued liabilities	$ 2.7
Settlement obligations	43.0
Income taxes payable	0.2
Deferred tax liability, net	19.2
Other liabilities	17.0
Total liabilities	82.1
Total consideration, including cash acquired	$243.6

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The valuation of assets acquired resulted in $74.9 million of identifiable intangible assets, $64.8 million of which were attributable to the network of subagents, which were valued using an income approach, and $10.1 million relating to other intangibles, which were valued using both income and cost approaches. These fair values, along with the fair value of the Company's 24.65% interest in FEXCO Group, were derived using primarily unobservable Level 3 inputs which require significant management judgment and estimation. For the remaining assets and liabilities, fair value approximated carrying value. The subagent network intangible assets are being amortized over 10 to 15 years. The remaining intangibles are being amortized over two to three years. The goodwill recognized of $190.6 million is attributable to growth opportunities that will arise from the Company directly managing its agent relationships via 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 and $91.1 million is expected to be deductible for income tax purposes.

Other acquisitions

In December 2008, the Company acquired 80% of its existing money transfer agent in Peru for a purchase price of $35.0 million. The aggregate consideration paid was $29.7 million, net of a holdback reserve of $3.0 million. The Company acquired cash of $2.3 million as part of the acquisition. The $3.0 million holdback reserve will be paid in annual $1.0 million increments beginning December 2009, subject to the terms of the agreement. The results of operations of the acquiree have been included in the Company's consolidated financial statements since the acquisition date. The purchase price allocation resulted in $10.1 million of identifiable intangible assets, a significant portion of which were attributable to the network of subagents acquired by the Company. The identifiable intangible assets are being amortized over three to 10 years and goodwill of $27.1 million was recorded, most of which is expected to be deductible for income tax purposes. In addition, the Company has the option to acquire the remaining 20% of the money transfer agent and the money transfer agent has the option to sell the remaining 20% to the Company within 12 months after December 2013 at fair value.

In August 2008, the Company acquired the money transfer assets from its then-existing money transfer agent in Panama for a purchase price of $18.3 million. The consideration paid was $14.3 million, net of a holdback reserve of $4.0 million. In 2009, $1.7 million of the holdback reserve was paid and the remainder is scheduled to be paid in approximately equal installments in August 2010 and 2011, subject to the terms of the agreement. The results of operations of the acquiree have been included in the Company's consolidated financial statements since the acquisition date. The purchase price allocation resulted in $5.6 million of identifiable intangible assets, a significant portion of which were attributable to the network of subagents acquired by the Company. The identifiable intangible assets are being amortized over three to seven years and goodwill of $14.2 million was recorded, which is not expected to be deductible for income tax purposes.

4. Receivable for Securities Sold

On September 15, 2008, Western Union requested redemption of its shares in the Reserve International Liquidity Fund, Ltd. (the "Fund"), a money market fund, totaling $298.1 million. Western Union included the value of the receivable in "Other assets" in the Condensed Consolidated Balance Sheet as of December 31, 2008. At the time the redemption request was made, the Company was informed by the Reserve Management Company, the Fund's investment advisor (the "Manager"), that the Company's redemption trades would be honored at a $1.00 per share net asset value. In 2009, the Company received partial distributions totaling $234.9 million from the Fund ($193.6 million and $41.3 million in January and June 2009, respectively). The Company continues to vigorously pursue collection of the remaining balance and believes it has a right to full payment of the remaining amount based on the written and verbal representations from the Manager and the Company's legal position. However, given the increased uncertainty surrounding the numerous third-party legal claims associated with the Fund, the Company reserved $12 million representing the estimated impact of a pro-rata distribution of the Fund during the three months ended June 30, 2009. As of September 30, 2009, the Company had a remaining receivable balance of $51.2 million, net of the related reserve, which is included in "Other assets" in the Condensed Consolidated Balance Sheet. If further deterioration occurs in the underlying assets in the Fund, or if the Fund incurs legal and/or administrative costs during the distribution process, the Company may record additional reserves related to the remaining receivable balance, which could negatively affect its financial position, results of operations and cash flows.

5. Restructuring and Related Expenses

Missouri and Texas Closures

During 2008, the Company closed substantially all of its facilities in Missouri and Texas and did not renew the Company's collective bargaining agreement with the unionized workers employed at these locations. The decision also resulted in the elimination of certain management positions in these same facilities and resulted, along with other actions, in the Company no longer having employees working in the United States under a collective bargaining agreement.

The Company incurred severance and employee related benefit expenses for all union and certain affected management employees, facility closure expenses and other expenses associated with the relocation of these operations to existing Company facilities and third-party providers, including costs related to hiring, training, relocation, travel and professional fees.

The Company incurred cumulative total expenses of $46.3 million comprised of $13.1 million, $7.3 million, $7.8 million and $18.1 million in severance and other employee related costs, asset write-offs and incremental depreciation, lease terminations and other restructurings expenses, respectively, through December 31, 2008. No additional restructuring and related expenses were incurred in the three and nine months ended September 30, 2009.

Other Reorganizations

Also during 2008, in addition to the Missouri and Texas closures, the Company restructured some of its operations and relocated or eliminated certain shared service and call center positions. The relocated positions were moved to the Company's existing facilities or outsourced service providers in 2008.

The Company incurred cumulative total expenses of $36.6 million comprised of $31.2 million, $0.6 million and $4.8 million in severance and other employee related costs, asset write-offs and incremental depreciation and other restructuring expenses, respectively, through December 31, 2008. No additional restructuring and related expenses were incurred in the three and nine months ended September 30, 2009.

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THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

Total Plans

The following table summarizes the activity for the related restructuring accrual balances for the nine months ended September 30, 2009 (in millions):

	Restructuring accrual balances at December 31, 2008	Cash Payments	Restructuring accrual balances at September 30, 2009
Missouri and Texas Closures:			
Severance and employee related	$ 2.7	$ (2.5)	$ 0.2
Other	0.3	(0.3)	—
Total	$ 3.0	$ (2.8)	$ 0.2
Other Reorganizations:			
Severance and employee related	$ 22.1	$ (18.5)	$ 3.6
Other	0.7	(0.6)	0.1
Total	$ 22.8	$ (19.1)	$ 3.7

For the year ended December 31, 2008, the Company recognized cumulative expenses of $62.8 million and $20.1 million in "Cost of services" and "Selling, general and administrative," respectively. The Company did not incur any material restructuring and related expenses in the three and nine months ended September 30, 2009. Restructuring and related expenses reflected in the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2008 were as follows (in millions):

	Three Months Ended September 30, 2008	Nine Months Ended September 30, 2008
Cost of services	$ 1.1	$ 43.0
Selling, general and administrative	2.1	7.3
Total restructuring and related expenses, pre-tax	$ 3.2	$ 50.3
Total restructuring and related expenses, net of tax	$ 2.5	$ 30.3

THE WESTERN UNION COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

The following table summarizes the restructuring and related expenses, including expenses recorded through September 30, 2008, along with the additional expenses incurred through December 31, 2008, by reportable segment (in millions). While these items were identifiable to the Company's segments, these expenses were 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
First quarter 2008	$ 18.5	$ 4.5	$ 1.2	$24.2
Second quarter 2008	13.5	8.7	0.7	22.9
Third quarter 2008	0.8	2.2	0.2	3.2
Expenses incurred through September 30, 2008	32.8	15.4	2.1	50.3
Expenses incurred from October 1, 2008 through December 31, 2008	23.3	8.0	1.3	32.6
Total cumulative expenses through December 31, 2008	$ 56.1	$ 23.4	$ 3.4	$82.9

6. 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 Western Union measures fair value, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

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

	September 30, 2009			
	Fair Value Measurement Using			Assets/ Liabilities at Fair Value
	Level 1	Level 2	Level 3	
Assets:				
State and municipal debt instruments	$ —	$ 316.5	$ —	$ 316.5
Debt securities issued by foreign governments	0.1	1.6	—	1.7
Derivatives	—	124.4	1.4	125.8
Total assets	$ 0.1	$ 442.5	$ 1.4	$ 444.0
Liabilities:				
Derivatives	$ —	$ 100.3	$ —	$ 100.3
Total liabilities	$ —	$ 100.3	$ —	$ 100.3

The Level 3 assets above represent an immaterial portion of the derivatives portfolio related to the Custom House acquisition for which credit judgments are deemed to be a significant input to the determination of fair value.

No non-recurring fair value adjustments were recorded in the three and nine months ended September 30, 2009, except those associated with the acquisitions as disclosed in Note 3, “Acquisitions.”

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 maturities.

Fixed and floating rate notes are carried at their discounted notional amounts, except for portions of notes hedged by interest rate swap agreements. The fair market values of fixed and floating rate notes are based on market quotations as of September 30, 2009. The Company’s borrowings had a carrying value and fair value of $3,052.4 million and $3,243.4 million, respectively, at September 30, 2009 and had a carrying value and fair value of $3,143.5 million and $2,846.7 million, respectively, at December 31, 2008 (see Note 13).

7. Commitments and Contingencies

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

During the three and nine months ended September 30, 2009, the Company recorded an accrual of $71.0 million for an anticipated agreement and settlement with the State of Arizona. The anticipated agreement and settlement includes resolution of all outstanding legal issues and claims with the State and a multi-state agreement to fund a not-for-profit organization promoting safety and security along the United States and Mexico border. The accrual includes amounts for reimbursement to the State of Arizona for its costs associated with this matter. As part of the anticipated agreement, the Company expects to make certain investments in its compliance programs of approximately $23 million to be incurred over the next two to three years. While the $71.0 million in charges were identifiable to the Company’s consumer-to-consumer segment, 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. As the agreement has not yet been finalized, the accrual and related amounts are subject to change.

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 from the United States to the Dominican Republic during the last several years. The Company is cooperating fully with the DOJ investigation. Due to the stage of the DOJ investigation, the Company is unable to predict the outcome of the investigation or the possible loss or range of loss, if any, associated with the resolution of any charges that may be brought against the Company.

The Company had $85.5 million in outstanding letters of credit and bank guarantees at September 30, 2009 with expiration dates through 2015, certain 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.

In May 2007, the Company initiated litigation against MoneyGram Payment Systems, Inc. (“MoneyGram”) for infringement of the Company’s Money Transfer by Phone patents by MoneyGram’s FormFree service. On September 24, 2009, a jury found that MoneyGram was liable for patent infringement and awarded the Company $16.5 million in damages. In accordance with its policies, the Company does not recognize gain contingencies in earnings until realization and collectability are assured and, therefore, due to MoneyGram’s challenges to the verdict, the Company has not recognized any amounts in its Consolidated Statement of Income through September 30, 2009.

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Pursuant to the separation and distribution agreement with First Data in connection with Western Union's spin-off from First Data on September 29, 2006 ("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 14).

8. 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, 2009 and 2008 totaled $52.2 million and $80.4 million, respectively, and $151.9 million and $233.4 million for the nine months ended September 30, 2009 and 2008, respectively. Commission expense recognized for FEXCO prior to February 24, 2009, the date of the acquisition, were considered related party transactions.

In July 2009, the Company appointed 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 $13.8 million and $39.4 million, respectively, for the three and nine months ended September 30, 2009 related to these agents.

9. Settlement Assets and Settlement Obligations

Settlement assets represent funds received or to be received from agents for unsettled money transfers and consumer payments. Western Union records corresponding settlement obligations relating to amounts payable under money transfer and 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.

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

	September 30, 2009	December 31, 2008
Settlement assets:		
Cash and cash equivalents	$ 192.0	$ 42.3
Receivables from selling agents and business-to-business customers	745.9	759.6
Investment securities	318.2	405.6
	$ 1,256.1	$ 1,207.5
Settlement obligations:		
Money transfer and payment service payables	$ 854.6	$ 799.5
Payables to agents	401.5	408.0
	$ 1,256.1	$ 1,207.5

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Receivables from international business-to-business customers arise from cross-currency payment transactions in the global business payments segment. Receivables (for currency to be received) and payables (for the cross-currency payment to be made) are recognized at trade date for these transactions. The credit risk arising from these spot foreign currency exchange contracts is largely mitigated, as in most cases Custom House requires the receipt of funds from customers before releasing the associated cross-currency payment.

Investment securities consist primarily of high-quality state and municipal debt instruments. Substantially all of the Company's investment securities were marketable securities during the periods presented. The Company is required to maintain specific high-quality, investment grade securities and such investments are restricted to satisfy outstanding settlement obligations in accordance with applicable state regulations. Western Union does not hold investment securities for trading purposes. All 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. At September 30, 2009, 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, 2009 and 2008 were $4.9 billion and $1.5 billion, respectively.

During 2008, the Company increased its investment securities primarily through the addition of various state and municipal variable rate demand note securities which 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 maturity dates through 2047. 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. As a result, this has increased the frequency of purchases and proceeds received by the Company.

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

September 30, 2009	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains
State and municipal obligations	$ 311.5	$316.5	$ 5.0	$ —	$ 5.0
Debt securities issued by foreign governments	1.7	1.7	—	—	—
	$ 313.2	$318.2	$ 5.0	$ —	$ 5.0

December 31, 2008	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains/ (Losses)
State and municipal obligations	$ 400.1	$401.7	$ 2.5	$ (0.9)	$ 1.6
Debt securities issued by foreign governments	4.0	3.9	—	(0.1)	(0.1)
	$ 404.1	$405.6	$ 2.5	$ (1.0)	$ 1.5

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The following summarizes contractual maturities of investment securities as of September 30, 2009 (in millions):

	Fair Value
Due within 1 year	$ 34.0
Due after 1 year through 5 years	187.9
Due after 5 years through 10 years	13.8
Due after 10 years	82.5
	$318.2

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 back to the issuer prior to its contractual maturity.

Effective October 1, 2009 (the "Transition Date"), in accordance with the agreement signed on July 18, 2008, Integrated Payment Systems Inc. ("IPS"), a subsidiary of First Data Corporation ("First Data"), assigned and transferred to the Company certain operating assets used by IPS to issue Western Union branded money orders and approximately $860 million of cash sufficient to satisfy all outstanding money order liabilities. On the Transition Date, the Company assumed IPS's role as issuer of the money orders, including its obligation to pay outstanding money orders, and terminated the existing agreement whereby IPS paid Western Union a fixed return on the outstanding money order balances. Following the Transition Date, Western Union invested the cash received from IPS in high-quality, investment grade securities, primarily tax exempt United States state and municipal securities, in accordance with applicable regulations, which are the same as those currently governing the investment of the Company's United States originated money transfer principal. Prior to the Transition Date, the Company had entered into interest rate swaps on certain of its fixed rate notes to reduce its exposure to fluctuations in interest rates. Through a combination of the revenue generated from these investment securities and the anticipated interest expense savings resulting from the interest rate swaps, the Company estimates that it should be able to retain, subsequent to the Transition Date, a comparable after-tax rate of return through 2011 as it was receiving under its agreement with IPS. Refer to Note 12 for additional information on the interest rate swaps.

Subsequent to the Transition Date, all revenue generated from the investment portfolio is being retained by the Company. IPS will continue to provide to the Company clearing services necessary for payment of the money orders in exchange for the payment by the Company to IPS of a per-item administrative fee. The Company will no longer provide to IPS the services required under the original money order agreement or receive from IPS the fee for such services.

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10. 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,	
	2009	2008	2009	2008
Net income	$ 181.0	$ 240.8	$ 625.1	$ 679.4
Unrealized gains/(losses) on investments securities:				
Unrealized gains/(losses)	3.1	(3.4)	6.1	(3.8)
Tax (expense)/benefit	(1.2)	1.3	(2.3)	1.4
Reclassification adjustment for (gains)/losses	(0.9)	2.6	(2.6)	4.3
Tax expense/(benefit)	0.4	(1.0)	1.0	(1.6)
Net unrealized gains/(losses) on investment securities	1.4	(0.5)	2.2	0.3
Unrealized (losses)/gains on hedging activities:				
Unrealized (losses)/gains	(32.2)	86.7	(52.8)	41.5
Tax benefit/(expense)	6.0	(12.2)	9.8	(7.2)
Reclassification adjustment for (gains)/losses	(5.7)	11.5	(38.6)	38.7
Tax expense/(benefit)	0.8	(1.3)	5.8	(5.2)
Net unrealized (losses)/gains on hedging activities (a)	(31.1)	84.7	(75.8)	67.8
Foreign currency translation adjustments:				
Foreign currency translation adjustments	4.9	(13.1)	(17.4)	(2.2)
Tax (expense)/benefit	(1.5)	4.6	6.3	0.8
Reclassification adjustment for disposal of investment (b)	—	—	(23.1)	—
Tax expense (b)	—	—	8.1	—
Net foreign currency translation adjustments	3.4	(8.5)	(26.1)	(1.4)
Unrealized gains/(losses) on pension liability:				
Unrealized loss	—	—	—	(1.0)
Tax benefit	—	—	—	0.1
Reclassification adjustment for losses	0.9	4.4	2.7	5.8
Tax benefit	(0.3)	(1.6)	(1.1)	(2.1)
Net unrealized gains on pension liability	0.6	2.8	1.6	2.8
Total other comprehensive income	$ 155.3	$ 319.3	$ 527.0	$ 748.9

(a) The beginning balance in "Accumulated other comprehensive loss" in the Condensed Consolidated Balance Sheet at January 1, 2009 related to hedging activities was a gain of $45.5 million and the ending balance at September 30, 2009 was a loss of $30.3 million. See Note 12, "Derivatives-Cash Flow Hedges" for more information on the unrealized (losses)/gains on hedging activities.

(b) The nine months ended September 30, 2009 includes the impact to the foreign currency translation account of the surrender of the Company's interest in the FEXCO Group. See Note 3, "Acquisitions."

11. Employee Benefit Plans

Defined Benefit Plans

The Company has two frozen defined benefit pension plans for which it has a recorded unfunded pension obligation of $102.1 million and $107.1 million as of September 30, 2009 and December 31, 2008, respectively, which were included in "Other liabilities" in the Condensed Consolidated Balance Sheets. No contributions were

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made to these plans by the Company in 2008. Due to the closure of one of its facilities in Missouri (see Note 5) and a recent agreement with the Pension Benefit Guaranty Corporation, the Company funded $4.1 million into one of its subsidiary's pension plans during the third quarter of 2009. Pursuant to final guidance issued by the Internal Revenue Service ("IRS") in September 2009, the Company made certain interest rate elections under the Pension Protection Act which will require it to fund approximately $15 million to the plans in 2010, which is less than was previously anticipated.

The following table provides the components of net periodic benefit cost/(income) for the defined benefit pension plans (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest cost	$ 5.9	$ 6.1	$ 17.7	$ 18.2
Expected return on plan assets	(6.2)	(6.8)	(18.5)	(20.6)
Amortization of actuarial loss	0.9	0.6	2.7	2.0
Employee termination costs	—	—	—	2.8
Net periodic benefit cost/(income)	$ 0.6	$ (0.1)	$ 1.9	$ 2.4

During the second quarter of 2008, the Company recorded $2.8 million of expenses related to the termination of certain retirement eligible union and management plan participants in connection with the restructuring and related activities, as disclosed in Note 5.

12. Derivatives

The Company is exposed to foreign currency 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. Subsequent to the acquisition of Custom House, 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 to (b) facilitate cross-currency business-to-business payments by writing derivatives to customers and entering into offsetting derivatives with established financial institution counterparties, or by holding sufficient foreign currency positions to cover those transactions, to mitigate the derivative risk. Foreign currency forward and option contracts and interest rate swaps of varying maturities are used in these activities.

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 consumer-to-consumer business. At September 30, 2009, 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. The Company assesses the effectiveness of these foreign currency forward contracts 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 related to its consumer-to-consumer business. 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 Company executes these derivatives with established financial institutions. The substantial majority of these financial institutions have credit ratings of “A-” or better from a major credit rating agency. The credit risk inherent in these 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 hedge, on a quarterly basis and as circumstances warrant. 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.

The aggregate United States dollar notional amounts of foreign currency forward contracts held by the Company as of September 30, 2009 were as follows (in millions):

Contracts not designated as hedges:	
Euro	$288.4
British pound	37.4
Other	60.2
Contracts designated as hedges:	
Euro	$498.7
Canadian dollar	98.1
British pound	89.7
Other	78.8

Foreign Currency—Global Business Payments

As a result of the acquisition of Custom House, 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 payout transactions for its customers but hedges the foreign currency risk arising from these contracts by entering into offsetting contracts with established financial institution counterparties (economic hedge contracts), or by holding sufficient foreign currency positions to cover those transactions. The derivatives written are part of the broader portfolio of foreign currency positions arising from its cross-currency business-to-business payments operation, which includes significant spot exchanges of currency in addition to forwards and options. None of these contracts are designated as accounting hedges. The duration of these derivative contracts is generally nine months or less. To mitigate credit risk, the Company performs credit reviews of the customer contracts on an ongoing basis.

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The aggregate United States dollar notional amounts of foreign currency customer forward contracts held by the Company as of September 30, 2009 were approximately $1.0 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 also entered into a forward contract, with a notional amount of approximately 230 million Canadian dollars ($210 million), to offset foreign exchange rate fluctuations on a Canadian dollar denominated position in connection with the purchase of Custom House. This contract is not designated as an accounting hedge.

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 balance 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.

At September 30, 2009, the Company held interest rate swaps in an aggregate notional amount of $750 million on its 5.400% notes due 2011. The notional amounts outstanding at September 30, 2009 included interest rate swaps entered into by the Company to reduce the economic exposure from fluctuations in interest rates as a result of the Company assuming IPS's role as issuer of the Company's money orders (see Note 9).

During the first quarter of 2009, the Company terminated an interest rate swap with a notional amount of $110 million and received cash, excluding interest, of $14.6 million related to this swap, the offset of which was recognized in "Borrowings" and will be reclassified as a reduction to "Interest expense" over the life of the related 5.930% notes due 2016.

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Balance Sheet

The following table summarizes the fair value of derivatives reported in the Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2008 (in millions):

	Derivative Assets						Derivative Liabilities				
		Fair Value						Fair Value			
	Balance Sheet Location	September 30, 2009		December 31, 2008			Balance Sheet Location	September 30, 2009		December 31, 2008	
Derivatives—hedges:											
Interest rate fair value hedges – Corporate	Other assets	$	43.7	$	48.9		Other liabilities	$	—	$	—
Foreign currency cash flow hedges – Consumer-to-consumer	Other assets		11.2		65.0		Other liabilities		42.8		6.7
Total		$	54.9	$	113.9			$	42.8	$	6.7
Derivatives—undesignated:											
Foreign currency – Global business payments	Other assets	$	69.8	$	—		Other liabilities	$	52.3	$	—
Foreign currency – Consumer-to-consumer	Other assets		1.1		2.9		Other liabilities		5.2		4.1
Total		$	70.9	$	2.9			$	57.5	$	4.1
Total derivatives		$	125.8	$	116.8			$	100.3	$	10.8

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, 2009 and 2008 (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, 2009 and 2008 (in millions):

	Gain Recognized in Income on Derivatives (b)						Loss Recognized in Income on Related Hedged Item (b)				
	Income Statement Location	Amount					Income Statement Location	Amount			
Derivatives		September 30, 2009		September 30, 2008		Hedged Items		September 30, 2009		September 30, 2008	
Interest rate contracts	Interest expense	$	9.0	$	1.5	Fixed-rate debt	Interest expense	$	(3.9)	$	(0.7)
Total gain/(loss)		$	9.0	$	1.5			$	(3.9)	$	(0.7)

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The following table presents the location and amount of gains/(losses) from fair value hedges for the nine months ended September 30, 2009 and 2008 (in millions):

	Gain Recognized in Income on Derivatives (b)				Gain/(Loss) Recognized in Income on Related Hedged Item (b)		
	Income Statement Location	Amount			Income Statement Location	Amount	
Derivatives		September 30, 2009	September 30, 2008	**Hedged Items**		September 30, 2009	September 30, 2008
Interest rate contracts	Interest expense	$ 10.0	$ 1.9	Fixed-rate debt	Interest expense	$ 2.8	$ (0.4)
Total gain/(loss)		$ 10.0	$ 1.9			$ 2.8	$ (0.4)

Cash Flow Hedges

The following table presents the location and amount of gains/(losses) from cash value hedges for the three months ended September 30, 2009 and 2008 (in millions):

	Amount of (Loss)/Gain Recognized in OCI on Derivatives (Effective Portion)		Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Gain/(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) (c)		
			Income Statement Location	Amount		Income Statement Location	Amount	
Derivatives	September 30, 2009	September 30, 2008		September 30, 2009	September 30, 2008		September 30, 2009	September 30, 2008
Foreign currency contracts	$ (32.2)	$ 86.7	Revenue	$ 6.1	$ (11.1)	Derivative gains/(losses), net	$ 1.0	$ (16.6)
Interest rate contracts (d)	—	—	Interest expense	(0.4)	(0.4)	Derivative gains/(losses), net	—	—
Total (loss)/gain	$ (32.2)	$ 86.7		$ 5.7	$ (11.5)		$ 1.0	$ (16.6)

The following table presents the location and amount of gains/(losses) from cash value hedges for the nine months ended September 30, 2009 and 2008 (in millions):

	Amount of (Loss)/Gain Recognized in OCI on Derivatives (Effective Portion)		Gain/(Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) (c)		
			Income Statement Location	Amount		Income Statement Location	Amount	
Derivatives	September 30, 2009	September 30, 2008		September 30, 2009	September 30, 2008		September 30, 2009	September 30, 2008
Foreign currency contracts	$ (52.8)	$ 41.5	Revenue	$ 39.8	$ (37.5)	Derivative gains/(losses), net	$ (0.7)	$ (11.6)
Interest rate contracts (d)	—	—	Interest expense	(1.2)	(1.2)	Derivative gains/(losses), net	—	—
Total (loss)/gain	$ (52.8)	$ 41.5		$ 38.6	$ (38.7)		$ (0.7)	$ (11.6)

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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, 2009 and 2008 (in millions):

	Gain/(Loss) Recognized in Income on Derivatives				
	Income Statement Location	Amount			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Derivatives		2009	2008	2009	2008
Foreign currency contracts (f)	Foreign exchange revenue	$ 1.4	$ —	$ 1.4	$ —
Foreign currency contracts (a)	Selling, general and administrative	(23.0)	33.5	(9.5)	6.5
Foreign currency contracts (e)	Derivative gains/(losses), net	(1.7)	4.1	(3.6)	1.6
Total (loss)/gain		$ (23.3)	$ 37.6	$ (11.7)	$ 8.1

(a) 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. The loss of $23.0 million and $9.5 million generated by the undesignated foreign currency contracts for the three and nine months ended September 30, 2009, respectively, was offset by a foreign exchange gain on settlement assets and obligations and cash balances of $20.6 million and $3.0 million, respectively. The foreign exchange gain of $33.5 million and $6.5 million generated by the undesignated foreign currency contracts for the three and nine months ended September 30, 2008, respectively, was offset by a foreign exchange loss on settlement assets and obligations and cash balances of $36.3 million and $10.3 million, respectively.

(b) The net gain of $5.1 million and $0.8 million in interest expense in the three months ended September 30, 2009 and 2008, respectively, and the net gain of $12.8 million and $1.5 million in interest expense in the nine months ended September 30, 2009 and 2008, respectively, from the fair value hedges represents the net interest benefit accrued on the swaps during the period. The fair value of all future receipts and payments on the swaps are completely offset by changes in the value of the hedged debt.

(c) 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.

(d) The Company incurred an $18.0 million loss on the termination of these swaps in 2006 which is included in “Accumulated other comprehensive loss” in the Condensed Consolidated Balance Sheets and is reclassified as an increase to “Interest expense” over the life of the related notes.

(e) The derivative contracts used in the Company’s revenue hedging program are not designated as hedges in the final month of the contract.

(f) The Company uses foreign currency forward and option contracts as part of its international business-to-business payments operation. The derivative contracts are managed as part of a broader currency portfolio that includes non-derivative currency exposures. However, the Company hedges the foreign currency risk arising from these contracts by entering into offsetting contracts with established financial institution counterparties, or by holding sufficient foreign currency positions to cover those transactions.

An accumulated other comprehensive pre-tax loss of $8.0 million related to the foreign currency forward contracts is expected to be reclassified into revenue within the next 12 months as of September 30, 2009. Approximately $1.7 million of losses on the forecasted debt issuance hedges are expected to be recognized in interest expense within the next 12 months as of September 30, 2009. 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

13. Borrowings

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

	September 30, 2009		December 31, 2008	
	Carrying Value	Fair Value (e)	Carrying Value	Fair Value (e)
Due in less than one year:				
Commercial paper	$ —	$ —	$ 82.9	$ 82.9
Term loan (a)	—	—	500.0	500.0
Due in greater than one year:				
5.400% notes, net of discount, due 2011 (b)	1,037.5	1,066.6	1,042.8	962.9
6.500% notes, net of discount, due 2014 (c)	498.5	557.1	—	—
5.930% notes, net of discount, due 2016 (d)	1,012.9	1,088.5	1,014.4	903.5
6.200% notes, net of discount, due 2036	497.5	525.2	497.4	391.4
Other borrowings	6.0	6.0	6.0	6.0
Total borrowings	$ 3,052.4	$ 3,243.4	$ 3,143.5	$ 2,846.7

(a) The term loan due in December 2009 ("Term Loan") was paid and financed with the issuance of the 6.500% notes due 2014 ("2014 Notes") on February 26, 2009.

(b) At September 30, 2009 and December 31, 2008, the Company held interest rate swaps related to the 5.400% notes due 2011 ("2011 Notes") with an aggregate notional amount of $750 million and $550 million, respectively. During 2008, the Company terminated an aggregate notional amount of $195 million of interest rate swaps. The Company received cash, excluding interest, of $10.7 million on the termination of these swaps, the offset of which is reflected in "Borrowings" and will be reclassified as a reduction to "Interest expense" over the life of the 2011 Notes.

(c) The 2014 Notes were issued on February 26, 2009 and the proceeds were used to redeem the Term Loan.

(d) At December 31, 2008, the Company held an interest rate swap related to the 5.930% notes due 2016 ("2016 Notes") with an aggregate notional amount of $110 million. During the first quarter of 2009, the Company terminated the swap. The Company received cash, excluding interest, of $14.6 million on the termination of this swap, the offset of which is reflected in "Borrowings" and will be reclassified as a reduction to "Interest expense" over the life of the 2016 Notes. For further information regarding the interest rate swap, refer to Note 12, "Derivatives."

(e) At December 31, 2008, the fair value of commercial paper approximated its carrying value due to the short term nature of the obligations. The fair value of the Term Loan approximated its carrying value as it was a variable rate loan and Western Union credit spreads did not move significantly between the date of the borrowing (December 5, 2008) and December 31, 2008. The fair value of the fixed rate notes is determined by obtaining quotes from multiple independent banks and excludes the impact of discounts and related interest rate swaps.

Exclusive of discounts and the fair value of the interest rate swaps, maturities of borrowings as of September 30, 2009 are $1.0 billion in 2011, $500 million in 2014 and $1.5 billion thereafter.

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited)

2014 Notes

On February 26, 2009, the Company issued $500 million of aggregate principal amount of 2014 Notes to repay the balance of the Term Loan which was scheduled to mature in December 2009. Interest with respect to the 2014 Notes is payable semiannually on February 26 and August 26 each year based on the fixed per annum interest rate of 6.500%. The 2014 Notes contain covenants that, among other things, limit or restrict the ability of the Company and certain of its subsidiaries to grant certain types of security interests or enter into sale and leaseback transactions. The Company may redeem the 2014 Notes at any time prior to maturity at the greater of par or the applicable make whole premium.

14. Income Taxes

The Company’s effective tax rates on pre-tax income for the three months ended September 30, 2009 and 2008 were 26.6% and 27.7%, respectively, and 26.2% and 27.2% for the nine months ended September 30, 2009 and 2008, respectively. The Company continues to benefit from an increasing proportion of profits being foreign-derived and therefore taxed at lower rates than its combined federal and state tax rates in the United States. In addition, in the second quarter of 2008, the Company implemented additional foreign tax efficient strategies consistent with its overall tax planning which impacted its effective tax rate for all subsequent periods.

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, 2009 and December 31, 2008, was $456.0 million and $361.2 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 $447.4 million and $352.4 million as of September 30, 2009 and December 31, 2008, 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 $3.9 million and $2.8 million in interest and penalties during the three months ended September 30, 2009 and 2008, respectively, and $10.4 million and $9.3 million during the nine months ended September 30, 2009 and 2008, respectively. The Company has accrued $45.9 million and $35.8 million for the payment of interest and penalties at September 30, 2009 and December 31, 2008, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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Subject to the matter referenced in the paragraph below, the Company has identified no other uncertain tax position for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within 12 months, except for recurring accruals on existing uncertain tax positions. The change in unrecognized tax benefits during the nine months ended September 30, 2009 is substantially attributable to such recurring accruals.

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 2002 through 2006. The Company's United States federal income tax returns since the Spin-off are also eligible to be examined. The IRS has issued a report of the results of its examination of the United States federal consolidated income tax return of First Data for 2002, and the Company believes that the resolution of the adjustments that affect the Company proposed in the report will not result in a material change to the Company's financial position. In addition, 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 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, 2009, interest on the alleged amounts due for unagreed adjustments would be approximately $28 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 2003, and, accordingly, the alleged amounts due related to such restructuring largely are attributable to 2004. On March 20, 2009, the Company filed a petition in the United States Tax Court contesting those adjustments with which it does not agree. The Company believes its overall reserves are adequate, including those associated with the adjustments alleged in the Notice of Deficiency. If the IRS' position in the Notice of Deficiency is sustained, the Company's tax provision related to 2003 and later years would materially increase. The Irish income tax returns of certain subsidiaries for the years 2004 and forward are eligible to be examined by the Irish tax authorities, although no examinations have commenced.

At September 30, 2009, no provision had been made for United States federal and state income taxes on foreign earnings of approximately $1.9 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.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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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 50% 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 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.

15. Stock Compensation Plans

2006 LTIP

In February 2009, the Compensation Committee of the Company's board of directors granted the Company's executives long-term incentive awards under the 2006 Long-Term Incentive Plan ("2006 LTIP") which consisted of one-third restricted stock units, one-third stock option awards and one-third performance-based cash awards. The performance-based cash awards are based on strategic performance objectives for the next two years and are payable in equal installments on the second and third anniversaries of the award, assuming the applicable performance objectives are satisfied. Based on their contributions to the Company and additional assumed responsibilities, certain executives received an incremental grant of restricted stock units which fully vest on the fourth anniversary of the grant date. Additionally, non-executive employees of the Company participating in the 2006 LTIP received annual equity grants of 50% stock option awards and 50% restricted stock units, representing a change from the 75% stock option awards and 25% restricted stock awards or units previously granted under the 2006 LTIP. The employee stock option awards vest in 25% increments on each of the first through fourth anniversaries of the grant date and restricted stock units vest in full on the third anniversary of the grant date.

Stock Option Activity

A summary of Western Union stock option activity for the nine months ended September 30, 2009 was as follows (options and aggregate intrinsic value in millions):

	Nine Months Ended September 30, 2009			
	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at January 1,	43.6	$ 19.11		
Granted	3.7	12.27		
Exercised	(1.1)	13.08		
Cancelled/forfeited	(1.9)	18.98		
Outstanding at September 30,	44.3	$ 18.69	5.1	$ 59.4
Options exercisable at September 30,	37.1	$ 19.10	4.5	$ 35.2

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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As of September 30, 2009 and 2008, approximately 42% and 48%, respectively, of outstanding options to purchase shares of common stock of the Company were held by employees of First Data.

The total intrinsic value of stock options exercised during the nine months ended September 30, 2009 and 2008 were $3.7 million and $132.2 million, respectively.

Restricted Stock Awards and Restricted Stock Units

A summary of Western Union activity for restricted stock awards and units for the nine months ended September 30, 2009 is listed below (awards/units in millions):

	Nine Months Ended September 30, 2009	
	Number Outstanding	Weighted-Average Grant-Date Fair Value
Non-vested at January 1,	1.2	$ 20.32
Granted	1.7	12.35
Vested	(0.6)	18.94
Forfeited	(0.1)	17.95
Non-vested at September 30,	2.2	$ 14.59

Stock-Based Compensation

The following table sets forth the total impact on earnings for stock-based compensation expense recognized in the Condensed Consolidated Statements of Income resulting from stock options, restricted stock awards and restricted stock units for the three and nine months ended September 30, 2009 and 2008 (in millions, except per share data).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Stock-based compensation expense	$ (8.7)	$ (6.3)	$ (24.9)	$ (19.8)
Income tax benefit from stock-based compensation expense	2.8	1.9	7.7	6.1
Net income impact	$ (5.9)	$ (4.4)	$ (17.2)	$ (13.7)
Earnings per share:				
Basic	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)
Diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.02)

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The Company used the following assumptions for the Black-Scholes option pricing model to determine the value of Western Union options granted.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Stock options granted:				
Weighted-average risk-free interest rate	2.8%	3.5%	2.0%	3.0%
Weighted-average dividend yield	0.2%	0.2%	0.2%	0.2%
Volatility	38.2%	32.3%	46.6%	31.3%
Expected term (in years)	5.8	5.8	5.6	5.9
Weighted-average fair value	$ 7.47	$ 10.01	$ 5.38	$ 7.68

All assumptions used to calculate the fair market value of Western Union's stock options granted during the nine months ended September 30, 2009 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, 2008, except for changes in the volatility calculation. The Company updated the historical portion of its volatility assumption to include a blend of Western Union and First Data stock data instead of peer group historical volatility which was used prior to 2009.

16. Segments

As previously described in Note 1, the Company classifies its businesses into two reportable segments: consumer-to-consumer and global business payments. Operating segments are defined as components of an enterprise which constitute businesses, about which separate financial information is available that is evaluated regularly by the Company's chief operating decision maker ("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, anywhere in the world. The segment, which consists of three regions, is now managed as two areas, primarily to 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 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 (formerly consumer-to-business) segment processes payments from consumers or businesses to other businesses. The results of the Company's existing consumer-to-business operations as well as the newly acquired Custom House business have been combined in this segment as both are focused on facilitating payments. For further information on Custom House, see Note 3, "Acquisitions."

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. Expenses incurred in connection with the development of certain new service offerings, including costs to develop mobile money transfer services, new prepaid service offerings and costs incurred in connection with mergers and acquisitions are included in "Other."

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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During the three and nine months ended September 30, 2009, the Company recorded an accrual of $71.0 million for an anticipated agreement and settlement with the State of Arizona. The anticipated agreement and settlement includes resolution of all outstanding legal issues and claims with the State and a multi-state agreement to fund a not-for-profit organization promoting safety and security along the United States and Mexico border. While this item was identifiable to the Company's consumer-to-consumer segment, it was 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 the settlement accrual, refer to Note 7.

During the three and nine months ended September 30, 2008, the Company incurred expenses of $3.2 million and $50.3 million, respectively, for restructuring and related activities, which were not allocated to the 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 5.

The following table presents the Company's reportable segment results for the three and nine months ended September 30, 2009 and 2008 (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
Consumer-to-consumer:				
Transaction fees	$ 875.9	$ 925.2	$2,497.1	$2,664.8
Foreign exchange revenue	229.3	237.8	650.1	678.6
Other revenues	12.6	15.1	39.8	33.9
	1,117.8	1,178.1	3,187.0	3,377.3
Global business payments:				
Transaction fees	153.8	163.1	471.0	506.1
Foreign exchange revenue	8.3	0.9	9.8	2.4
Other revenues	9.2	12.4	29.1	37.1
	171.3	176.4	509.9	545.6
Other:				
Transaction fees	10.3	10.3	30.3	29.8
Commission and other revenues	14.7	12.6	42.4	37.7
	25.0	22.9	72.7	67.5
Total consolidated revenues	$1,314.1	$1,377.4	$3,769.6	$3,990.4
Operating income:				
Consumer-to-consumer	$ 308.9	$ 327.7	$ 889.2	$ 906.8
Global business payments	41.6	46.6	136.2	152.5
Other	2.0	4.1	9.7	11.7
Total segment operating income	352.5	378.4	1,035.1	1,071.0
Anticipated agreement and settlement (see Note 7)	(71.0)	—	(71.0)	—
Restructuring and related expenses	—	(3.2)	—	(50.3)
Total consolidated operating income	$ 281.5	$ 375.2	$ 964.1	$1,020.7

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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 throughout this report as well as those discussed under "Risk Factors" included within the Annual Report on Form 10-K for the year ended December 31, 2008. 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 general economic conditions and economic conditions in the regions and industries in which we operate; 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; changes in immigration laws, patterns and other factors related to migrants; technological changes, particularly with respect to e-commerce; 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 and terrorist financing, and/or changing regulatory or enforcement interpretations of those laws; failure to resolve pending legal issues with the State of Arizona in a satisfactory manner; our ability to attract and retain qualified key employees and to manage our workforce successfully; 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; political conditions and related actions in the United States and abroad which may adversely affect our businesses and economic conditions as a whole; failure to maintain sufficient amounts or types of regulatory capital to meet the changing requirements of our regulators worldwide; significantly slower growth or declines in the money transfer market and other markets in which we operate; failure to implement agent contracts according to schedule; our ability to maintain our agent network and biller relationships under terms consistent with or more advantageous to us than those currently in place; interruptions of United States government relations with countries in which we have or are implementing material agent contracts; deterioration in consumers' and clients' confidence in our business, or in money transfer providers generally; failure to manage credit and fraud risks presented by our agents, clients and consumers, or non-performance by our banks, lenders, or other financial services providers or insurers; adverse rating actions by credit rating agencies; liabilities and unanticipated developments resulting from litigation and regulatory investigations and similar matters, including costs, expenses, settlements and judgments; changes in United States or foreign laws, rules and regulations including the Internal Revenue Code, and governmental or judicial interpretations thereof; our ability to favorably resolve tax matters with the Internal Revenue Service and other tax authorities; changes in industry standards affecting our business; changes in accounting standards, rules and interpretations; 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 and card-based payment providers; our failure to develop and introduce new products, services and enhancements, and gain market acceptance of such products; 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 intellectual property protection; any material breach of *security of or interruptions in any of our systems; mergers, acquisitions and integration of acquired businesses and technologies into our company and the realization of anticipated synergies from these acquisitions; adverse consequences from our spin-off from First Data Corporation ("First Data"), including resolution of certain ongoing matters; 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; decisions to change our business mix; cessation of various services provided to us by third-party vendors; catastrophic events; and management's ability to identify and manage these and other risks.*

Overview

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

- Consumer-to-consumer money transfer services, provided primarily through a global network of third-party agents using our multicurrency, 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 (formerly consumer-to-business), which allows for the processing of payments from consumers or businesses to other businesses. Our business payments are available to be made to a variety of organizations, including utilities, auto finance companies, mortgage servicers, financial service providers, government agencies and other businesses. On September 1, 2009, we acquired Canada-based Custom House, Ltd. ("Custom House"), a provider of international business-to-business payment services, which is included in this segment. Custom House facilitates cross-border, cross-currency payment transactions. While we continue to pursue further international expansion of our offerings in this segment, the segment's revenue was primarily generated in the United States during all periods presented.

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, 2009 included:

- We generated $1,314.1 million and $3,769.6 million, respectively, in total consolidated revenues compared to $1,377.4 million and $3,990.4 million, respectively, for the comparable periods in the prior year, representing a decline of 5% and 6%, respectively. The acquisition of Custom House contributed $7.9 million to revenue for both the three and nine months.
- We generated $281.5 million and $964.1 million, respectively, in consolidated operating income compared to $375.2 million and $1,020.7 million, respectively, for the comparable periods in the prior year. This represented a decrease of 25% and 6%, respectively. Operating income declined primarily due to an accrual of $71.0 million resulting from an anticipated agreement and settlement which includes the resolution of all outstanding legal issues and claims with the State of Arizona and a multi-state agreement to fund a not-for-profit organization promoting safety and security along the United States and Mexico border (the "settlement accrual"). The prior year results included $3.2 million and $50.3 million, respectively, in restructuring and related expenses.
- Our operating income margin was 21% and 26%, respectively, compared to 27% and 26%, respectively, for the comparable periods in the prior year. The current results included the settlement accrual, while the prior year results included the restructuring and related expenses mentioned above.
- Consolidated net income was $181.0 million and $625.1 million, respectively, down 25% and 8%, respectively, compared to the same periods in the prior year. The current results included the settlement

accrual of $53.9 million, net of tax, while the prior year results included $2.5 million and $30.3 million, respectively, in restructuring and related expenses, net of tax.

- Our consumers transferred $19 billion and $52 billion, respectively, in consumer-to-consumer principal, of which $17 billion and $48 billion, respectively, related to cross-border principal, which represented a decrease of 5% and 6%, respectively, in consumer-to-consumer principal and a 5% decline for both periods in cross-border principal over the comparable periods in the prior year.
- Consolidated cash flows provided by operating activities were $958.0 million, an increase of 4% over the comparable nine month period in the prior year.
- We completed two acquisitions in the nine months ended September 30, 2009. In February 2009, we completed the acquisition of the money transfer business of one of our largest agents, European-based FEXCO, for $243.6 million, including $157.4 million of cash consideration. As described above, we purchased Custom House in September 2009 for cash consideration of $371.0 million.

Adoption of Fair Value Accounting Standards

On January 1, 2009, we began disclosing the fair value level classification in accordance with the valuation hierarchy for certain non-financial assets and liabilities that are recognized or disclosed at fair value on a non-recurring basis. This policy is most applicable to our business combinations, where the values of the intangible assets and goodwill acquired in a purchase are derived utilizing one of the three recognized approaches: the market approach, the income approach or the cost approach. These valuation techniques use primarily unobservable Level 3 inputs which require significant management judgment and estimation. The remaining assets and liabilities are also valued using one of the three approaches, however, fair value for these assets and liabilities often approximates carrying value.

We monitor our investments in debt securities to determine if these securities are in an other-than-temporary impairment position. Factors that could indicate an impairment exists include, but are not limited to: earnings performance, changes in credit rating or adverse changes in the regulatory or economic environment of the asset. If potential impairments exist, we assess whether we have the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. We had no material other-than-temporary impairments for both the three and nine months ended September 30, 2009 and 2008.

Business Combinations

Effective January 1, 2009, we account for business combinations achieved in stages by re-measuring any noncontrolling equity investments in the acquiree to fair value as of the acquisition date immediately before obtaining control. All re-measurement gains and losses are recognized in earnings and the total fair values of the identifiable assets, liabilities and any noncontrolling interests are recorded in the consolidated balance sheet. Also effective January 1, 2009, we expense all costs as incurred related to or involved with an acquisition in “selling, general and administrative” expenses. Any contingent consideration related to the acquisition is recognized at its acquisition date fair value with subsequent changes in fair value generally reflected in earnings. Any adjustments to the assessed fair values of the assets, liabilities and any noncontrolling interests made subsequent to the acquisition date but within the measurement period, due to facts that existed at the acquisition date, are recorded as an adjustment to goodwill. All other adjustments are recorded in income, including changes in tax contingencies.

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, 2009 compared to the same periods in 2008. 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.

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During the three and nine months ended September 30, 2009, we recorded an accrual of $71.0 million for an anticipated agreement and settlement with the State of Arizona. The anticipated agreement and settlement includes resolution of all outstanding legal issues and claims with the State and a multi-state agreement to fund a not-for-profit organization promoting safety and security along the United States and Mexico border. While this item was identifiable to our consumer-to-consumer segment, it was 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 the settlement accrual, refer to "Selling, general and administrative" expenses.

We incurred expenses of $3.2 million and $50.3 million for the three and nine months ended September 30, 2008, respectively, for restructuring and related activities, which were not allocated to the segments. 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."

Overview

The following table sets forth our results of operations for the three and nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(in millions, except per share amounts)	**2009**	**2008**	**% Change**	**2009**	**2008**	**% Change**
Revenues:						
Transaction fees	$ 1,040.0	$ 1,098.6	(5)%	$2,998.4	$3,200.7	(6)%
Foreign exchange revenue	237.6	238.7	0%	659.9	681.0	(3)%
Commission and other revenues	36.5	40.1	(9)%	111.3	108.7	2%
Total revenues	1,314.1	1,377.4	(5)%	3,769.6	3,990.4	(6)%
Expenses:						
Cost of services	742.6	785.6	(5)%	2,112.0	2,343.6	(10)%
Selling, general and administrative	290.0	216.6	34%	693.5	626.1	11%
Total expenses	1,032.6	1,002.2	3%	2,805.5	2,969.7	(6)%
Operating income	281.5	375.2	(25)%	964.1	1,020.7	(6)%
Other income/(expense):						
Interest income	1.9	8.7	(78)%	8.4	39.1	(79)%
Interest expense	(39.3)	(40.4)	(3)%	(119.1)	(128.7)	(7)%
Derivative gains/(losses), net	0.4	(14.4)	*	(2.4)	(10.0)	*
Other income/(expense), net	2.0	3.9	*	(3.6)	12.4	*
Total other expense, net	(35.0)	(42.2)	(17)%	(116.7)	(87.2)	34%
Income before income taxes	246.5	333.0	(26)%	847.4	933.5	(9)%
Provision for income taxes	65.5	92.2	(29)%	222.3	254.1	(13)%
Net income	$ 181.0	$ 240.8	(25)%	$ 625.1	$ 679.4	(8)%
Earnings per share:						
Basic	$ 0.26	$ 0.33	(21)%	$ 0.89	$ 0.92	(3)%
Diluted	$ 0.26	$ 0.33	(21)%	$ 0.89	$ 0.91	(2)%
Weighted-average shares outstanding:						
Basic	698.4	724.9		702.0	736.0	
Diluted	701.6	737.2		703.9	747.6	

* Calculation not meaningful

Revenues Overview

The majority of transaction fees and foreign exchange revenue are contributed by our consumer-to-consumer segment, which is discussed in greater detail in “Segment Discussion.” Consolidated revenues declined 5% and 6% over the prior year during the three and nine months ended September 30, 2009, respectively. The revenue decrease was attributable in part to the strengthening of the United States dollar compared to most other foreign currencies, which adversely impacted revenue by approximately 3% and 4%, respectively, for the three and nine months ended September 30, 2009, as discussed below. Also impacting revenue was the weakening global economy resulting in slowing transaction growth, geographic mix, product mix including a higher percentage of revenue earned from intra-country activity which has lower revenue per transaction than cross-border transactions and price decreases.

The Europe, Middle East, Africa and South Asia (“EMEASA”) region, which represented 46% and 45% of our total consolidated revenue for the three and nine months ended September 30, 2009, respectively, experienced revenue declines and slower transaction growth rates during the three and nine months ended September 30, 2009 compared to the corresponding periods in the prior year. The revenue declines were driven by the stronger United States dollar and the other factors discussed earlier related to the consolidated results. The acquisition of FEXCO’s money transfer business did not have an impact on our revenue as we were already recognizing 100% of the revenue arising from money transfers originating at FEXCO’s subagents.

The Americas region (including North America, Latin America, the Caribbean and South America), which represented 31% and 32%, respectively, of our total consolidated revenue for both the three and nine months ended September 30, 2009, experienced revenue and transaction declines due to the overall weak United States economy.

The global business payments segment, which is discussed in greater detail in “Segment Discussion,” also experienced revenue declines during the three and nine months ended September 30, 2009 compared to the corresponding periods in the prior year. Revenue was adversely impacted by the weak economic situation in the United States and by a mix shift to lower revenue per transaction products in a portion of this segment. Offsetting these declines were the results of our Custom House acquisition, which contributed $7.9 million of revenue for both the three and nine months ended September 30, 2009.

Foreign exchange revenue decreased for the three and nine months ended September 30, 2009 over the corresponding previous periods at a rate relatively consistent with the decrease in our revenue from our international consumer-to-consumer business outside of the United States. This decrease was partially offset by foreign exchange revenue of $7.4 million from Custom House for both the three and nine months ended September 30, 2009.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a reduction to transaction fee and foreign exchange revenue for the three and nine months ended September 30, 2009 of $31.1 million and $151.9 million, respectively, over the same periods in the prior year, net of foreign currency hedges, that would not have occurred had there been constant currency rates. The impact to earnings per share during the periods was less than the revenue impact due to the translation of expenses and our foreign currency hedging program. The majority of our foreign currency exchange rate exposure is related to the EMEASA region. We expect a negative impact on our full year 2009 revenue due to changes in exchange rates between the United States dollar and other currencies.

Operating expenses overview

Restructuring and related expenses

For the three and nine months ended September 30, 2008, restructuring and related expenses of $1.1 million and $43.0 million, respectively, are classified within “cost of services” and $2.1 million and $7.3 million, respectively, are classified within “selling, general and administrative” in the condensed consolidated statements of income. These restructuring and related expenses are associated with the closure of our facilities in Missouri and Texas and other reorganization plans executed in the first three quarters of 2008. No expenses were recognized for these restructurings in 2009.

Cost of services

Cost of services primarily consists of agent commissions and expenses for call centers, settlement operations, and related information technology costs. Expenses within these functions include personnel, software, equipment, telecommunications, bank fees, depreciation and amortization and other expenses incurred in connection with providing money transfer and other payment services. Cost of services decreased for both the three and nine months ended September 30, 2009 compared to the corresponding previous periods due primarily to agent commissions, which decrease as revenues decrease, the strengthening of the United States dollar compared to most other foreign currencies which resulted in a favorable impact on the translation of our expenses, reduced commissions resulting from the acquisition of FEXCO and cost savings related to the 2008 restructurings, offset by incremental operating costs, including increased bad debt expense. Although bad debt expense has increased, we expect our annual losses associated with bad debts to continue to be less than 1% of our annual revenue. Also contributing to the decrease in the nine months ended September 30, 2009 was the restructuring costs incurred in 2008 which did not recur in 2009. Cost of services as a percentage of revenue was 57% and 56%, respectively, for the three and nine months ended September 30, 2009 and 57% and 59% for the three and nine months ended September 30, 2008, respectively. The decrease in cost of services as a percentage of revenue for both the three and nine months ended September 30, 2009, compared to the corresponding period in 2008, was generally due to reduced commissions resulting from the acquisition of FEXCO, selective agent commission initiatives, costs savings related to the 2008 restructurings, offset somewhat by incremental operating costs, including increased bad debt expense. Also impacting the decrease in cost of services as a percentage of revenue for the nine months ended September 30, 2009 compared to the corresponding period in 2008 were restructuring costs incurred in 2008 that did not recur in 2009.

Selling, general and administrative

Selling, general and administrative expenses ("SG&A") increased for the three and nine months ended September 30, 2009 compared to the corresponding period in the previous year due to the settlement accrual described below, incremental costs associated with the acquisition of FEXCO and Custom House including costs related to evaluating and closing these acquisitions, offset by better leveraging of our marketing expenses. SG&A for the nine months ended September 30, 2009 compared to the corresponding period in the previous year was also impacted by restructuring costs incurred in 2008 which did not recur in 2009.

During the three and nine months ended September 30, 2009, we recorded an accrual of $71.0 million for an anticipated agreement and settlement with the State of Arizona. The anticipated agreement and settlement includes resolution of all outstanding legal issues and claims with the State and a multi-state agreement to fund a not-for-profit organization promoting safety and security along the United States and Mexico border. The accrual includes amounts for reimbursement to the State of Arizona for its costs associated with this matter. As part of the anticipated agreement, we expect to make certain investments in our compliance programs of approximately $23 million to be incurred over the next two to three years.

During the three and nine months ended September 30, 2009, marketing related expenditures, principally classified within SG&A, were approximately 4.5% of revenue due to timing of marketing initiatives and better leveraging of our marketing expenditures. For the three and nine months ended September 30, 2008, marketing expenditures were approximately 5.5% of revenue. Marketing related expenditures include advertising, events, loyalty programs and the cost of employees dedicated to marketing activities. When making decisions with respect to marketing investments, we review opportunities for advertising and other marketing related expenditures together with opportunities for fee adjustments, as discussed in "Segment Discussion," and other initiatives in order to maximize the return on these investments.

Interest income

Interest income decreased during both the three and nine months ended September 30, 2009 compared to the same periods in the prior year primarily due to lower short-term interest rates.

Interest expense

Interest expense decreased during both the three and nine months ended September 30, 2009 compared to the same periods in the prior year due to lower short-term interest rates on certain debt with floating interest rates and lower average borrowing balances.

Derivative gains/(losses), net

Derivative gains/(losses), net for the three and nine months ended September 30, 2009 and 2008 relate primarily to the portion of the change in fair value of foreign currency accounting hedges that is excluded from the measurement of effectiveness, which includes (a) differences between changes in forward rates and spot rates and (b) gains or losses on the contract and any offsetting positions during periods in which the instrument is not designated as a hedge. Although the majority of changes in the value of our hedges are deferred in accumulated other comprehensive income or loss until settlement (i.e., spot rate changes), the remaining portion of changes in value are recognized in income as they occur. The lower amounts recognized in 2009 compared to the same periods in the prior year are the result of the significant volatility in the credit markets during the third quarter of 2008.

Other income/(expense), net

Other income/(expense), net decreased during both the three and nine months ended September 30, 2009 compared to the corresponding periods in 2008 due to a decline in earnings on our equity method investments, primarily as a result of an absence of equity method earnings for FEXCO subsequent to the acquisition date. The decrease in other income/(expense), net during the nine months ended September 30, 2009 was also driven by a $12 million reserve taken against our receivable from the Reserve International Liquidity Fund during the second quarter of 2009.

Income taxes

Our effective tax rates on pretax income were 26.6% and 26.2% for the three and nine months ended September 30, 2009, respectively, and 27.7% and 27.2% for the three and nine months ended September 30, 2008, respectively. 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. In addition, in the second quarter of 2008, we implemented additional foreign tax efficient strategies consistent with our overall tax planning which impacted our effective tax rate for all subsequent periods. Recent proposed changes to United States international tax law, if enacted, could potentially adversely affect our future effective tax rate. We are closely monitoring the proposed changes, and the potential effect on our future effective tax rate will depend on the final form of any new law.

We have established contingency reserves for material, known tax exposures, including potential tax audit adjustments with respect to our international operations restructured in 2003, whereby our income from certain foreign-to-foreign money transfer transactions has been taxed at relatively low foreign tax rates compared to our combined federal and state tax rates in the United States. As of September 30, 2009, the total amount of unrecognized tax benefits is a liability of $501.9 million, including accrued interest and penalties. 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 United States Internal Revenue Service ("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, 2009, interest on the alleged amounts due for unagreed adjustments would be approximately $28 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. On March 20, 2009, we filed a petition in the United States Tax Court contesting those adjustments with which we do not agree. We believe our overall reserves are adequate, including those associated with adjustments alleged in the Notice of Deficiency. If the IRS' position in the Notice of Deficiency is sustained, our tax provision related to 2003 and later years would materially increase.

Earnings per share

During the three and nine months ended September 30, 2009, basic earnings per share were $0.26 and $0.89, respectively, and diluted earnings per share were $0.26 and $0.89, 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, 2009 and 2008, there were 30.0 million and 5.7 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, 2009 and 2008, there were 38.1 million and 7.4 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. 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 year, and therefore, reduce the dilutive effect. The increase in anti-dilutive shares is primarily due to the majority of our outstanding options having an exercise price higher than our average market price for the three and nine months ended September 30, 2009.

Of the 44.3 million outstanding options to purchase shares of our common stock as of September 30, 2009, approximately 42% were held by employees of First Data.

Earnings per share decreased for the three and nine months ended September 30, 2009, respectively, compared to the same periods in the prior year as a result of the previously described factors impacting net income, offset by lower weighted-average shares outstanding. The lower number of shares outstanding for both periods was driven by stock repurchases exceeding stock option exercises from January 1, 2008 through September 30, 2009.

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." Expenses incurred in connection with the development of certain new service offerings, including costs to develop mobile money transfer services, new prepaid service offerings and costs incurred in connection with mergers and acquisitions are included in "Other."

During the three and nine months ended September 30, 2009, we recorded an accrual of $71.0 million for an anticipated agreement and settlement with the State of Arizona. The anticipated agreement and settlement includes resolution of all outstanding legal issues and claims with the State and a multi-state agreement to fund a not-for-profit organization promoting safety and security along the United States and Mexico border. While this item was identifiable to our consumer-to-consumer segment, it was 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 the settlement accrual, refer to "Operating expenses overview."

We incurred expenses of $3.2 million and $50.3 million for restructuring and related activities during the three and nine months ended September 30, 2008, respectively, which were not allocated to segments. 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, 2009 and 2008.

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Consumer-to-consumer (a)				
EMEASA	46%	45%	45%	44%
Americas	31%	33%	32%	34%
APAC	8%	7%	8%	7%
Total consumer-to-consumer	85%	85%	85%	85%
Global business payments	13%	13%	13%	14%
Other	2%	2%	2%	1%
	100%	100%	100%	100%

(a) 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 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.

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, 2009.

(dollars and transactions in millions)	Three Months Ended September 30, 2009	2008	% Change	Nine Months Ended September 30, 2009	2008	% Change
Revenues:						
Transaction fees	$ 875.9	$ 925.2	(5)%	$2,497.1	$2,664.8	(6)%
Foreign exchange revenue	229.3	237.8	(4)%	650.1	678.6	(4)%
Other revenues	12.6	15.1	(17)%	39.8	33.9	17%
Total revenues	$1,117.8	$1,178.1	(5)%	$3,187.0	$3,377.3	(6)%
Operating income	$ 308.9	$ 327.7	(6)%	$ 889.2	$ 906.8	(2)%
Operating income margin	28%	28%		28%	27%	
Key indicator:						
Consumer-to-consumer transactions	50.1	48.8	3%	144.7	139.0	4%

The table below sets forth transaction and revenue growth/(decline) rates by region for the three and nine months ended September 30, 2009.

	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2009
Consumer-to-consumer transaction growth/(decline) (a)		
EMEASA	8%	11%
Americas	(4)%	(4)%
APAC	15%	19%
Consumer-to-consumer revenue growth/(decline) (a)		
EMEASA	(3)%	(4)%
Americas	(10)%	(9)%
APAC	5%	2%

(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 7% of consolidated Western Union revenues during both the three and nine months ended September 30, 2009 and 2008. No individual country, other than the United States, represented more than approximately 6% of our consolidated revenue for the three and nine months ended September 30, 2009.

Transaction fees and foreign exchange revenue

Consumer-to-consumer money transfer revenue declined 5% and 6% on transaction growth of 3% and 4% for the three and nine months ended September 30, 2009 over the same periods in 2008, respectively. The revenue decline is attributable in part to the strengthening of the United States dollar compared to most other foreign currencies, which adversely impacted revenue growth by approximately 2% and 4% for the three and nine months ended September 30, 2009, respectively, as discussed below. Also impacting revenue was the weakening global economy resulting in slowing transaction growth, geographic mix, product mix including a higher percentage of revenue earned from intra-country activity which has lower revenue per transaction than cross border transactions and price decreases. Our international consumer-to-consumer business experienced a revenue decline of 3% and 4% on transaction growth of 6% and 8% for the three and nine months ended September 30, 2009, respectively. Our international business represents all transactions other than transactions between and within the United States and Canada and transactions to and from Mexico. Our international consumer-to-consumer business outside of the United States also experienced revenue declines on transaction increases for the three and nine months ended September 30, 2009 as a result of the same factors described above.

Revenue in our EMEASA region declined 3% and 4%, respectively, during both the three and nine months ended September 30, 2009 compared to the same periods in 2008. Our largest European markets experienced revenue declines during the three and nine months ended September 30, 2009 as compared to the same periods in 2008. The revenue declines in the EMEASA region were primarily driven by the impact of translating foreign currency denominated revenues into the United States dollar, as further described below, and slowing transaction growth. Also impacting EMEASA revenue was geographic mix and price decreases. Our money transfer business to India for the three and nine months ended September 30, 2009 versus the same periods in 2008 continued to grow with transaction growth of 16% and 27%, respectively, and revenue growth of 8% and 12%, respectively. Over the same periods, transaction growth in the Gulf States continued to be strong. However, revenue and transaction growth for both India and the Gulf States moderated in the three months ended September 30, 2009 compared to the first half of 2009.

Americas revenue and transactions declined for the three and nine months ended September 30, 2009 compared to the same periods in 2008. Contributing to the overall decline in the Americas region was the domestic business which experienced revenue declines of 15% and 12% on transaction declines of 9% and 8% for the three and nine months ended September 30, 2009, respectively. However, transaction trends in our United States outbound business remained stable throughout the first nine months of 2009. Our Mexico business also contributed to the overall decline in the Americas region with revenue declines of 18% and 16%, respectively, on transaction declines of 13% for both the three and nine months ended September 30, 2009. Our United States domestic and Mexico business revenue declined due to the weak economy in the United States. Our Mexico revenues were also impacted by selective price decreases and our closure of certain Vigo branded agents, substantially all of which were small retailers, in the first half of 2009, due to credit concerns.

APAC revenue increased 5% and 2%, respectively, on transaction growth of 15% and 19%, respectively, for the three and nine months ended September 30, 2009 compared to the same period in 2008. The APAC region’s revenues have been impacted by translating foreign currency denominated revenues into the United States dollar, as further described below, as well as moderating transaction growth. China’s revenue and transactions both increased 7% for the three months ended September 30, 2009, due to the improvement in the Chinese economy and implementation of business growth initiatives. China revenue declined 6% on 2% transaction growth for the nine months ended September 30, 2009.

Foreign exchange revenue decreased for the three and nine months ended September 30, 2009 over the corresponding previous periods at a rate relatively consistent with the decrease in our revenue from our international consumer-to-consumer business outside of the United States.

Fluctuations in the exchange rate between the United States dollar and currencies other than the United States dollar have resulted in a reduction to transaction fee and foreign exchange revenue for the three and nine months ended September 30, 2009 of $24.4 million and $137.5 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 majority of our exposure is related to the EMEASA region. We expect a negative impact on our full year 2009 revenue due to continuing fluctuations in exchange rates between the United States dollar and other currencies.

We have historically implemented and will likely implement future strategic fee reductions and actions to reduce foreign exchange spreads, where appropriate, taking into account growth opportunities and competitive factors. Fee decreases and foreign exchange actions generally reduce margins, but are done in anticipation that they will result in increased transaction volumes and increased revenues over time. For the full year 2009, we expect that such fee decreases and foreign exchange actions will be around 2% of total Western Union revenue compared to 1% for the full year 2008.

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 drive 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 400,000 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, 2009, more than 85% of agent locations in the United States, Canada and Western Europe (representing at least one of our three money transfer brands) 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 decreased 6% and 2%, respectively, during the three and nine months ended September 30, 2009, compared to the same periods in 2008 due to a decline in revenue, offset somewhat by lower agent commission costs and savings realized from the 2008 restructurings. The change in the operating income margin for the three and nine months ended September 30, 2009 as compared to the same periods in the prior year was driven by these same factors.

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, 2009 and 2008.

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	2008	% Change	2009	2008	% Change
(dollars and transactions in millions)						
Revenues:						
Transaction fees	$ 153.8	$ 163.1	(6)%	$ 471.0	$ 506.1	(7)%
Foreign exchange revenue	8.3	0.9	*	9.8	2.4	*
Other revenues	9.2	12.4	(26)%	29.1	37.1	(22)%
Total revenues	$ 171.3	$ 176.4	(3)%	$ 509.9	$ 545.6	(7)%
Operating income	$ 41.6	$ 46.6	(11)%	$ 136.2	$ 152.5	(11)%
Operating income margin	24%	26%		27%	28%	
Key indicator:						
Global business payments transactions	105.0	103.3	2%	315.5	308.3	2%

* Calculation not meaningful

Revenues

During the three and nine months ended September 30, 2009, the global business payments segment revenue was adversely impacted by the weak economic situation in the United States and by a mix shift to lower revenue per transaction products in a portion of this segment. Many United States consumers who would use our services are having difficulty paying their bills and are unable to obtain credit in any form, resulting in our handling fewer bill payments. Although the segment's revenues were primarily generated in the United States for the three and nine months ended September 30, 2009, we expect the proportion of international revenue will grow in future periods as a percentage of total revenue due to the acquisition of Custom House.

On September 1, 2009, we completed the acquisition of Canada-based Custom House, a provider of international business-to-business payment services. Custom House facilitates cross-border, cross-currency payment transactions. The significant majority of Custom House's revenue is from exchanges of currency at the spot rate enabling customers to make cross-currency payments. The credit risk arising from these spot foreign currency exchange contracts is largely mitigated, as in the majority of cases Custom House requires the receipt of funds from customers before releasing the associated cross-currency payment. In addition, this business writes foreign currency forward and option contracts for their customers to facilitate future payments. The duration of these derivatives contracts is generally nine months or less. The significant majority of Custom House's revenue is generated from transactions involving different currencies, in which Custom House generates revenue based on the difference between the exchange rate set by Custom House to the customer and the rate at which Custom House is able to acquire currency or forward and option contracts. This foreign exchange revenue is recorded at the time the customer initiates a trade with Custom House. The acquisition of Custom House contributed $7.9 million to total revenue, primarily included in foreign exchange revenue, and approximately 50,000 transactions for both the three and nine months ended September 30, 2009.

Transaction growth during the three and nine months ended September 30, 2009 compared to the corresponding periods in the prior year was driven by our United States electronic-based and South America cash-based bill payments businesses, both of which carry a lower revenue per transaction than our United States cash-based bill payment business.

Operating income

For the three and nine months ended September 30, 2009, operating income decreased compared to the same periods in the prior year primarily due to operating income declines related to the United States-based bill payments business, offset slightly by the savings generated from the 2008 restructurings.

The decline in operating income margin in the segment is due to the factors described above and continues to be impacted by the decline in the United States cash-based bill payments business which has a higher operating income margin than our South America and electronic businesses. Also impacting operating income margin were operating and integration costs associated with the acquisition of Custom House.

Other

The following table sets forth other results for the three and nine months ended September 30, 2009 and 2008.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(dollars in millions)	2009	2008	% Change	2009	2008	% Change
Revenues	$ 25.0	$ 22.9	9%	$ 72.7	$ 67.5	8%
Operating income	$ 2.0	$ 4.1	(51)%	$ 9.7	$ 11.7	(17)%
Operating income margin	8%	18%		13%	17%	

Revenues

Revenue increased for the three and nine months ended September 30, 2009 compared to the comparable periods in the prior year due to higher earnings from our money order business.

Effective October 1, 2009 (the “Transition Date”), in accordance with the agreement signed on July 18, 2008, Integrated Payment Systems Inc. (“IPS”), a subsidiary of First Data Corporation (“First Data”), assigned and transferred to us certain operating assets used by IPS to issue Western Union branded money orders and approximately $860 million of cash sufficient to satisfy all outstanding money order liabilities. On the Transition Date, we assumed IPS’s role as issuer of the money orders, including its obligation to pay outstanding money orders, and terminated the existing agreement whereby IPS paid Western Union a fixed return on the outstanding money order balances. Following the Transition Date, we invested the cash received from IPS in high-quality, investment grade securities, primarily tax exempt United States state and municipal securities, in accordance with applicable regulations, which are the same as those currently governing the investment of our United States originated money transfer principal. Prior to the Transition Date, we had entered into interest rate swaps on certain of our fixed rate notes to reduce our exposure to fluctuations in interest rates. Through a combination of the revenue generated from these investment securities and the anticipated interest expense savings resulting from the interest rate swaps, we estimate that we should be able to retain, subsequent to the Transition Date, a comparable after-tax rate of return through 2011 as we were receiving under the agreement with IPS. However, the results of interest expense savings related to the swaps will be reflected in interest expense and will not impact operating income. Subsequent to the Transition Date, all revenue generated from the investment portfolio is being retained by us.

Operating income

During both the three and nine months ended September 30, 2009, the decrease in operating income was primarily due to increased costs related to acquisitions, offset by increased profits in our money order business.

Capital Resources and Liquidity

Our primary source of liquidity has been cash generated from our operating activities, driven 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, 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. In addition, we are subject to certain provisions in our 6.500% notes due 2014 (“2014 Notes”) and our derivative contracts which would require settlement or collateral posting in the event of a change in control combined with a downgrade below investment grade.

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 corporate use, except for assets subject to legal or regulatory restrictions. The assets subject to legal or regulatory restrictions include those located in countries outside of the United States containing restrictions from being transferred outside of those countries and cash and investment balances that are maintained by a regulated subsidiary to secure certain money transfer obligations initiated in the United States in accordance with applicable state regulations. 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 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 on our $1.5 billion revolving credit facility which is undrawn at September 30, 2009.

Cash and Investment Securities

As of September 30, 2009, we have cash and cash equivalents of $1.6 billion, of which $678.1 million 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.

On September 15, 2008, we requested redemption of our shares in the Reserve International Liquidity Fund, Ltd. (the "Fund"), a money market fund, totaling $298.1 million. We included the value of the receivable in "other assets" in the condensed consolidated balance sheet as of December 31, 2008. This surplus cash was not required or used for daily operations. At the time the redemption request was made, we were informed by the Reserve Management Company, the Fund's investment advisor (the "Manager"), that our redemption trades would be honored at a $1.00 per share net asset value. In 2009, we received partial distributions totaling $234.9 million from the Fund ($193.6 million and $41.3 million in January and June 2009, respectively). We continue to vigorously pursue collection of the remaining balance and believe we have a right to full payment of the remaining amount based on the written and verbal representations from the Manager and our legal position. However, given the increased uncertainty surrounding the numerous third-party legal claims associated with the Fund, we reserved $12 million representing the estimated impact of a pro-rata distribution of the Fund during the three months ended June 30, 2009. As of September 30, 2009, we had a remaining receivable balance of $51.2 million, net of the related reserve, which is included in "other assets" in the condensed consolidated balance sheet. If further deterioration occurs in the underlying assets in the Fund, or if the Fund incurs legal and/or administrative costs during the distribution process, we may record additional reserves related to the remaining receivable balance, which could negatively affect our financial position, results of operations and cash flows.

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, included in settlement assets, were $318.2 million as of September 30, 2009. Substantially all of these investments are state and municipal debt instruments. 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. We do not hold investment securities for trading purposes, and all of our 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. We regularly monitor credit risk and attempt to mitigate our exposure by making high-quality investments. As of September 30, 2009, 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, 2009, there were no investments with a single issuer or individual securities representing more than 10% of our investment securities portfolio.

Effective October 1, 2009, IPS assigned and transferred to us certain operating assets used by IPS to issue Western Union branded money orders and approximately $860 million of cash sufficient to satisfy all outstanding money order liabilities.

Cash Flows from Operating Activities

During the nine months ended September 30, 2009 and 2008, cash provided by operating activities was $958.0 million and $925.3 million, respectively. Cash flows provided by operating activities increased for the nine months ended September 30, 2009 compared to the same period in the prior year primarily due to beneficial working capital fluctuations in 2009.

Financing Resources

On February 26, 2009, we issued $500 million aggregate principal amount of 2014 Notes to repay the balance of the term loan which was scheduled to mature in December 2009 ("Term Loan"). Interest with respect to the 2014 Notes is payable semiannually on February 26 and August 26 each year based on the fixed per annum interest rate of 6.500%. We may redeem the 2014 Notes at any time prior to maturity at the greater of par or the applicable make whole premium.

At September 30, 2009, we have outstanding borrowings of $3,052.4 million. These outstanding borrowings consisted of $3,046.4 million in unsecured fixed rate notes and associated swaps with maturities ranging from 2011 to 2036, including our 2014 Notes which were issued in February 2009 and used to repay our Term Loan as discussed above. We also have a $1.5 billion revolving credit facility available, diversified through a group of 15 participating institutions, to meet additional liquidity needs that might arise, and which is available to support borrowings under our commercial paper program. The largest commitment from any single financial institution within the total committed balance of $1.5 billion is approximately 20%. The substantial majority of the banks within this group had credit ratings of "A-" or better from a major credit rating agency as of September 30, 2009. As of September 30, 2009, there are no borrowings outstanding under the revolving credit facility.

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. 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 at September 30, 2009.

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 $1.5 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 $66.9 million and $125.0 million for the nine months ended September 30, 2009 and 2008, respectively. Amounts paid for new and renewed agent contracts were $18.2 million and $68.8 million during the nine months ended September 30, 2009 and 2008, respectively. Such contract costs will vary depending on the terms of existing contracts as well as the timing of new and renewed contract signings. Other capital expenditures during these periods included investments in our information technology infrastructure and purchased and developed software, and in the nine months ended September 30, 2008, the renovation of certain facilities.

Acquisition of Businesses

On February 24, 2009, we acquired the money transfer business of European-based FEXCO Group Holdings ("FEXCO Group") one of our largest agents providing services in a number of European countries, primarily the United Kingdom, Spain, Sweden and Ireland. We surrendered our 24.65% interest in FEXCO Group and paid €123.1 million ($157.4 million) as consideration for 100% of the common shares of the money transfer business and acquired cash of $11.8 million.

On September 1, 2009, we acquired Canada-based Custom House, a provider of international business-to-business payment services, for cash consideration of $371.0 million for 100% of the common shares of this business and acquired cash of $2.5 million.

Share Repurchases

Since September 2006, the Board of Directors has authorized common stock repurchases of up to $3.0 billion consisting of a $1.0 billion authorization in June 2008 ("2008 Authorization"), a $1.0 billion authorization in December 2007 ("2007 Authorization") and a $1.0 billion authorization in September 2006. Both the 2007 Authorization and the authorization in September 2006 have been fully utilized. During the nine months ended September 30, 2009 and 2008, 15.6 million and 50.4 million shares were repurchased for $225.0 million and $1,204.8 million, excluding commissions, at an average cost of $14.38 and $23.91 per share, respectively. As of September 30, 2009, $714.7 million remains available under the 2008 Authorization which expires December 31, 2009.

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 Plans

We have two frozen defined benefit pension plans for which we have a recorded unfunded pension obligation of $102.1 million as of September 30, 2009. Due to the closure of one of our facilities in Missouri and a recent agreement with the Pension Benefit Guaranty Corporation, we funded $4.1 million into one of our subsidiary's pension plans in the third quarter of 2009. Pursuant to final guidance issued by the IRS in September 2009, we made certain interest rate elections under the Pension Protection Act which will require us to fund approximately $15 million to the plans in 2010, which is less than was previously anticipated.

Other Commercial Commitments

We had $85.5 million in outstanding letters of credit and bank guarantees at September 30, 2009, with expiration dates through 2015, certain 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, 2009, our total amount of unrecognized income tax benefits is a liability of $501.9 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.

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 2008 Annual Report on Form 10-K, for which there were no material changes, included:

- Income taxes
- Derivative financial instruments
- Capitalized costs
- Goodwill impairment testing
- Stock-based compensation
- Restructuring and related activities

Risk Management

We are exposed to market risks arising from changes in market rates and prices, including changes in foreign currency exchange rates, 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. In certain consumer-to-consumer money transfer transactions involving different send and receive currencies, we generate revenue based on the difference between the exchange rate set by us to the consumer 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 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 risk 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 and allows us to better manage and mitigate risks associated with changes in foreign currency exchange rates.

With the acquisition of Custom House in the third quarter of 2009, our foreign exchange risk and associated foreign exchange risk management has increased due to the nature of this business. The significant majority of Custom House’s 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. We hedge foreign exchange risk arising from these contracts by entering into offsetting contracts with established financial institution counterparties, or by holding sufficient foreign currency positions to cover those transactions. The foreign exchange risk is actively managed and kept to minimal levels.

At December 31, 2008, 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 $24 million based on our forecast of consumer-to-consumer unhedged 2009 exposure to foreign currency. The exposure as of September 30, 2009 is not materially different based on our forecast of unhedged exposure to foreign currency through September 30, 2010. 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, 2009 of $1.7 billion. Approximately $1.5 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 variable rate municipal securities and are included in our condensed consolidated balance sheets within “cash and cash equivalents” and “settlement assets.” Such assets classified as “cash and cash equivalents” are highly liquid investments with maturities of three months or less at the date of purchase and are readily convertible to cash. 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, fixed rate municipal bonds, which 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 market value of these fixed rate interest-bearing securities will decrease; conversely, a decrease to interest rates would result in an increase to the fair market 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 market 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/(deficiency)” on our condensed consolidated balance sheets.

As of September 30, 2009, $750 million of our total $3,052.4 million in borrowings was effectively floating rate debt through interest rate swap agreements, changing our fixed-rate debt to LIBOR-based floating rate debt, with average spreads of approximately 200 basis points above LIBOR. 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 September 30, 2009.

We review our overall exposure to floating and fixed rates by evaluating our net asset or liability position in each, also considering duration of the individual positions. We actively manage this mix of fixed versus floating exposure in an attempt to minimize risk, reduce costs and optimize returns. Our exposure to interest rates can be modified by changing the mix of our interest bearing assets, as well as 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 percent of floating rate debt, subject to market conditions. At September 30, 2009, our weighted-average interest rate on our borrowings outstanding, including our hedges, was approximately 5.2%.

A hypothetical 100 basis point increase in interest rates would result in a decrease to pre-tax income of approximately $7.5 million annually based on borrowings on September 30, 2009 that are sensitive to interest rate fluctuations. The same 100 basis point increase in interest rates, if applied to our cash and investment balances on September 30, 2009 that are sensitive to interest rate fluctuations, would result in an offsetting benefit to pre-tax income of approximately $15.0 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 that could arise, 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 instruments, 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.

On September 15, 2008, we requested redemption of our shares in the Reserve International Liquidity Fund, Ltd. (the “Fund”), a money market fund, totaling $298.1 million. In 2009, we received partial distributions totaling $234.9 million from the Fund ($193.6 million and $41.3 million in January and June 2009, respectively). We continue to vigorously pursue collection of the remaining balance and believe we have a right to full payment of the remaining amount based on the written and verbal representations from the Manager and our legal position. However, given the increased uncertainty surrounding the numerous third-party legal claims associated with the Fund, we reserved $12 million representing the estimated impact of pro-rata distribution of the Fund during the three months ended June 30, 2009. As of September 30, 2009, we had a remaining receivable balance of $51.2 million, net of the related reserve, which is included in “other assets” in the condensed consolidated balance sheet. If further deterioration occurs in the underlying assets in the Fund, or if the Fund incurs legal and/or administrative costs during the distribution process, we may record additional reserves related to the remaining receivable balance, which could negatively affect our financial position, results of operations and cash flows.

To manage our exposures to credit risk with respect to investment securities, money market investments 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 maintain our largest relationships with globally diversified financial institutions. Since January 1, 2009, we also limit our investment level to no more than $100 million with respect to individual funds.

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. Historically, and for the nine months ended September 30, 2009, our bad debt losses have been less than 1% of our revenues. We continue to monitor the credit worthiness of our agents, and we have closed agents at higher rates than in prior years, primarily small retailers in the United States. Closing agents may impact transactions and revenues.

As a result of our acquisition of Custom House, we are now exposed to credit risk relating to derivative financial instruments written by us to our customers. The duration of these derivative contracts is generally nine months or less. To mitigate risk, we perform credit reviews of the customer contracts on an ongoing basis. In addition, we may require certain customers to post 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.

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, 2009, 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, 2009, 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

There were no 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, 2009, and the related condensed consolidated statements of income for the three-month and nine-month periods ended September 30, 2009 and 2008, and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2009 and 2008. 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, 2008, and the related consolidated statements of income, cash flows, and stockholders' (deficiency)/equity/net investment in The Western Union Company for the year then ended (not presented herein) and in our report dated February 18, 2009, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph for the Company's adoption of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," effective January 1, 2007. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2008, 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
October 30, 2009

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of business, Western Union is subject to claims and litigation. Western Union'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 Western Union's financial position, results of operations or cash flows. Western Union 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 2008 Annual Report on Form 10-K.

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

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

	Total Number of Shares Purchased*	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs**	Remaining Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions)
July 1 – 31	7,178	$ 15.68	—	$ 839.7
August 1 – 31	4,463,432	$ 18.15	4,462,900	$ 758.7
September 1 – 30	2,584,752	$ 18.34	2,408,300	$ 714.7
Total	7,055,362	$ 18.22	6,871,200	

* 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.

** Since September 2006, the Board of Directors has authorized common stock repurchases of up to $3.0 billion consisting of a $1.0 billion authorization in June 2008 ("2008 Authorization"), a $1.0 billion authorization in December 2007 ("2007 Authorization") and a $1.0 billion authorization in September 2006. Both the 2007 Authorization and the authorization in September 2006 have been fully utilized. As of September 30, 2009, $714.7 million remains available under the 2008 Authorization for purchases through December 31, 2009. Management has 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. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits

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

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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: October 30, 2009	By:	/s/ Scott T. Scheirman **Scott T. Scheirman** **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer)**
Date: October 30, 2009	By:	/s/ Amintore T.X. Schenkel **Amintore T.X. Schenkel** **Senior Vice President, Chief Accounting Officer, and Controller (Principal Accounting Officer)**

EXHIBIT INDEX

Exhibit Number	Description
10	The Western Union Company Severance/Change in Control Policy, as Amended and Restated Effective September 24, 2009.*
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

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

THE WESTERN UNION COMPANY
SEVERANCE/CHANGE IN CONTROL POLICY
(Executive Committee Level)
Amended and Restated Effective September 24, 2009

1. Purpose

This severance/change in control policy (the "Policy") is maintained by The Western Union Company, a Delaware corporation ("Western Union"), to enable Western Union to offer a form of income protection to its Eligible Executives in the event their employment with the Company is involuntarily terminated other than for Cause or, in the event of a Change in Control, if their employment terminates involuntarily other than for Cause or for Good Reason during the twenty-four months following the Change in Control.

This Policy shall constitute a "welfare plan" within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and shall be construed in a manner consistent with such intent.

2. Effective Date

This Policy was originally adopted as of September 29, 2006 (the "Effective Date"). The Policy is hereby amended and restated effective September 24, 2009.

3. Definitions

Base Salary means the Eligible Executive's current annualized rate of base cash compensation as paid on each regularly scheduled payday for the Eligible Executive's regular work schedule as of his or her Termination Date, including any before-tax contributions that are deducted for Company benefit plan purposes. Base Salary shall not include taxable or nontaxable fringe benefits or awards, vacation, performance awards, bonus, commission or other incentive pay, or any payments which are not made on each regular payday, regardless of how such payments may be characterized.

Board means the Board of Directors of Western Union.

Cause means the willful and continued failure by an Eligible Executive to substantially perform the duties assigned by the Company (other than a failure resulting from Disability), the willful engagement by an Eligible Executive in conduct which is demonstrably injurious to the Company (monetarily or otherwise), any act of dishonesty, the commission of a felony, the continued failure by an Eligible Executive to meet performance standards, an Eligible Executive's excessive absenteeism or a significant violation by an Eligible Executive of any statutory or common law duty of loyalty to the Company.

Change in Control means

(a) the acquisition by any individual, entity or group (a "Person"), including any "person" within the meaning of Section 13(d)(3) or 14 (d)(2) of the Exchange Act, of beneficial ownership within the meaning of Rule 13d-3 promulgated under the Exchange Act, of 25% or more of either (i) the then outstanding shares of common stock of Western Union (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding securities of Western Union entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); excluding, however, the following: (A) any acquisition directly from Western Union (excluding any acquisition resulting from the exercise of an exercise, conversion or exchange privilege unless the security being so exercised, converted or exchanged was acquired directly from Western Union), (B) any acquisition by Western Union, (C) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by Western Union or any corporation controlled by Western Union or (D) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii), and (iii) of subsection (c) of this definition; provided further, that for purposes of clause (B), if any Person (other than Western Union or any employee benefit plan (or related trust) sponsored or maintained by Western Union or any corporation controlled by Western Union) shall become the beneficial owner of 25% or more of the Outstanding Common Stock or 25% or more of the Outstanding Voting Securities by reason of an acquisition by Western Union, and such Person shall, after such acquisition by Western Union, become the beneficial owner of any additional shares of the Outstanding Common Stock or any additional Outstanding Voting Securities and such beneficial ownership is publicly announced, such additional beneficial ownership shall constitute a Change in Control;

(b) the cessation of individuals who constitute the Board (the "Incumbent Board") as of the date this Policy is adopted by the Committee, to constitute at least a majority of such Incumbent Board; provided that any individual who becomes a director of Western Union subsequent to the date this Policy is adopted by the Committee whose election, or nomination for election by Western Union's stockholders, was approved by the vote of at least a majority of the directors then comprising the Incumbent Board shall be deemed a member of the Incumbent Board; and provided further, that any individual who was initially elected as a director of Western Union as a result of an actual or threatened solicitation by a Person other than the Board for the purpose of opposing a solicitation by any other Person with respect to the election or removal of directors, or any other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board shall not be deemed a member of the Incumbent Board;

(c) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Western Union (a "Corporate Transaction"); excluding, however, a Corporate Transaction pursuant to which (i) all or substantially all of the individuals or entities who are the beneficial owners, respectively, of the Outstanding Common Stock and the Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the outstanding securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation which as a result of such transaction owns Western Union or all or substantially all of Western Union's assets either directly or indirectly) in substantially the same proportions relative to each other as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and the Outstanding Voting Securities, as the case may be, (ii) no Person (other than Western Union; any employee benefit plan (or related trust) sponsored or maintained by Western Union or any corporation controlled by Western Union; the corporation resulting from such Corporate Transaction; and any Person which beneficially owned, immediately prior to such Corporate Transaction, directly or indirectly, 25% or more of the Outstanding Common Stock or the Outstanding Voting Securities, as the case may be) will beneficially own, directly or indirectly, 25% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the outstanding securities of such corporation entitled to vote generally in the election of directors and (iii) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

(d) the consummation of a plan of complete liquidation or dissolution of Western Union.

Committee means the Compensation and Benefits Committee of the Board or its delegate or successor.

Company means Western Union, including any of its 50% or more owned or controlled subsidiaries or any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise, including, without limitation, any successor due to a Change in Control) to substantially all of the business or assets of Western Union, except that for purposes of Section 16, the definition of Change in Control, and other provisions where the context so requires, Company means Western Union or any such successor.

Disability means the inability of the Eligible Executive to substantially perform such Eligible Executive's duties and responsibilities due to a physical or mental condition (i) that would entitle such Eligible Executive to benefits under the Company's long-term disability plan under which he or she is covered or, if the Committee deems it relevant, any disability rights provided as a matter of local law or (ii) if such Eligible Executive is not eligible for long-term disability benefits under any plan sponsored by the Company, that would, as determined by the Committee, entitle such Eligible Executive to benefits under the Company's long-term disability plan if the Eligible Executive were eligible therefor.

Eligible Executive means, effective prior to October 1, 2008, an individual who is designated by Western Union as an insider for purposes of Section 16 of the Exchange Act and who is a member of Western Union's Executive Committee on the earlier of his or her Termination Date or the date of a Change in Control. Effective October 1, 2008, Eligible Executive means an individual who is designated by Western Union as an insider for purposes of Section 16 of the Exchange Act and who is the Chief Executive Officer of Western Union or is an Executive Vice President of Western Union who reports directly to the Chief Executive Officer on the earlier of his or her Termination Date or the date of a Change in Control, provided that individuals who were Eligible Executives as defined under this Policy as of September 30, 2008 shall remain eligible for this Policy (other than individuals who have waived their eligibility for this Policy in writing).

Exchange Act means the Securities Exchange Act of 1934, as amended.

Good Reason means any one or more of the following: (i) action by the Company resulting in a material diminution of the Eligible Executive's titles or positions with the Company, (ii) a reduction in the Eligible Executive's Base Salary or bonus, or (iii) action by the Company to require the relocation of the Eligible Executive more than fifty (50) miles from the Eligible Executive's current principal work location without the executive's consent. Within 30 days after the Eligible Executive becomes aware of one or more actions or inactions described in the preceding sentence, the Eligible Executive shall deliver written notice to the Company of the action(s) or inaction(s) (the "Good Reason Notice"). The Company shall have 30 days after the Good Reason Notice is delivered to cure the particular action(s) or inaction(s). If the Company so effects a cure, the Good Reason Notice will be deemed rescinded and of no further force and effect.

Severance Benefits means the benefits payable to an Eligible Executive pursuant to this Policy, other than the Change in Control benefits payable pursuant to Sections 7(c)(ii)(b) and 8 hereof.

Severance Period means with respect to Western Union's Chief Executive Officer, the 36 consecutive month period commencing on the executive's Termination Date, and with respect to all other Eligible Executives, the 24 consecutive month period commencing on the Eligible Executive's Termination Date.

Termination Date means the date on which the Eligible Executive's employment with the Company terminates for a reason set forth under Section 5.

4. Eligibility

All Eligible Executives who have been on the Company's payroll for at least three months are eligible to receive benefits according to the terms of this Policy. Eligible Executives are not eligible for any benefits under this Policy during the first three months of their employment.

5. Eligible Termination Reasons

(a) Prior to the occurrence of a Change in Control, action by the Company to involuntarily terminate the employment of an Eligible Executive with the Company, but not including a separation from service on account of death, Disability or for Cause.

(b) After the occurrence of a Change in Control, (i) action by the Company to involuntarily terminate the employment of an Eligible Executive with the Company, but not including a separation from service on account of death, Disability or for Cause, or (ii) voluntary separation from service from the Company by an Eligible Executive for Good Reason during the twenty-four (24) month period commencing on the date of the Change in Control.

An Eligible Executive shall not be entitled to any benefits under this Policy upon a separation from service for an eligible termination reason under this Section 5 if the Eligible Executive becomes employed by any subsidiary or affiliate of Western Union (as determined under Internal Revenue Code ("Code") Section 414(b) or (c), but substituting a 50 percent ownership level for the 80 percent ownership level therein) immediately following his or her termination of employment from the Company by which the Eligible Executive is employed.

6. Non-Eligible Termination Reasons

A non-eligible termination reason is any reason for an Eligible Executive's separation from service by or from the Company that is not an eligible termination reason described in Section 5.

7. Severance and Change in Control Benefits. The provisions of this Section 7 are subject, without limitation, to the provisions of Section 9 hereof.

(a) Severance Pay. If an Eligible Executive's employment with the Company is terminated after the Effective Date for any reason set forth in Section 5, the Company shall pay to the Eligible Executive the following amounts in accordance with Section 10:

(i) An amount equal to 2 multiplied by the sum of (1) the Eligible Executive's Base Salary and (2) the target bonus payable to the Eligible Executive pursuant to the Company's Senior Executive Annual Incentive Plan (or the bonus plan then applicable to the Eligible Executive), for the year in which the Termination Date occurs.

(ii) A prorated amount of the Eligible Executive's target bonus under the Company's Senior Executive Annual Incentive Plan (or the bonus plan then applicable to the Eligible Executive) for the year in which the Termination Date occurs. Such prorated amount shall be equal to the product of (1) the Eligible Executive's target bonus for the year in which the Termination Date occurs and (2) the ratio of the number of days elapsed during such year prior to the Termination Date to 365. Notwithstanding the foregoing, the amount payable to an Eligible Executive under this Section 7(a)(ii) may not exceed the maximum bonus which could have been paid to the Eligible Executive under the Company's Senior Executive Annual Incentive Plan (or the bonus plan then applicable to the Eligible Executive) for the year in which the Termination Date occurs based on actual performance for such year.

(iii) For purposes of this subsection (a), if an Eligible Executive's annual target bonus has not yet been established for the year in which the Termination Date occurs, the Eligible Executive's annual target bonus for the immediately preceding year shall be used to determine the Eligible Executive's severance pay. If no such prior year target bonus exists with respect to the Eligible Executive, the target bonus established for a similarly situated Eligible Executive shall be used, as determined by the Committee.

(b) Continued Benefits Coverage . If an Eligible Executive's employment with the Company terminates after the Effective Date for any reason set forth in Section 5, the Eligible Executive and his or her eligible dependents shall be given the opportunity to elect continued group health coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended ("COBRA") with respect to all group health plans that are subject to COBRA in which the Eligible Executive and his or her dependents were participating immediately prior to such termination. Provided that the Eligible Executive (and/or his or her dependents) timely elects such coverage, the Company shall pay to the Eligible Executive, as an additional Severance Benefit, a lump sum approximately equal to the difference in cost between COBRA premiums and active employee premiums for 18 months of COBRA coverage as calculated by the Company in its discretion as of the Termination Date, which payment shall constitute taxable income to the Eligible Executive and which shall be paid in a lump sum in accordance with Section 10.

An Eligible Executive receiving Severance Benefits under this Policy shall also be entitled to receive during the Severance Period any financial planning benefits which the Eligible Executive was receiving as of the Termination Date, subject to the terms of the Executive Committee Financial Planning Program, but shall not be entitled to receive any other perquisites after the Termination Date. The Eligible Executive's continued group health coverage under this subsection shall cease as of the date the Eligible Executive becomes eligible to receive such benefits under a subsequent employer's benefit program, to the extent permitted under COBRA. Eligible Executives receiving Severance Benefits under this Policy are not eligible to continue contributions to the Company's qualified retirement plans or nonqualified deferred compensation program.

(c) Long-Term Incentive Awards

(i) Non-Change in Control .

a. Long-Term Incentive Awards Granted On and After February 17, 2009 . Effective for awards granted on and after February 17, 2009 to an Eligible Executive under The Western Union Company 2006 Long-Term Incentive Plan (or a successor plan) (the "LTIP"), if the Eligible Executive's employment with the Company is terminated for an eligible termination reason described in Section 5(a), then awards held by the Eligible Executive that are eligible to become fully vested and exercisable or payable contingent upon the Eligible Executive's continued employment and the passage of time (whether or not the Company or the Eligible Executive have attained any specified performance goals) ("Time Vested Awards"), other than awards classified by the Committee at the time of grant as "Career Shares" (if applicable to the Eligible Executive) and awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall vest on a prorated basis effective on the Eligible Executive's Termination Date. Such prorated vesting shall be calculated on a grant-by-grant basis by multiplying the unvested portion of each such award by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the Eligible Executive's Termination Date and the denominator of which is the number of days between the grant date and the date the award would have become fully vested had the Eligible Executive not terminated his or her employment. For awards subject to a graduated vesting schedule, the foregoing calculation shall be performed as if each vesting tranche of the award was a separate grant. Fractions of a share resulting from the calculations shall be rounded to the nearest whole share. The prorated portion of any nonqualified stock option and stock appreciation right awards that become vested in accordance with this subsection shall be exercisable until the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter.

If an Eligible Executive's employment with the Company is terminated during a performance period for an eligible termination reason described in Section 5(a), any cash Performance Grants (as defined in the LTIP) awarded to the Eligible Executive under the LTIP (if applicable) with respect to such performance period shall be payable on a prorated basis based upon actual performance results at the end of the applicable performance period as determined by the Committee in its sole discretion, and shall be paid at the time specified in the applicable award (and if applicable, deferral) agreement. Such prorated payment shall be calculated on a grant-by-grant basis by multiplying the Performance Grant award the Eligible Executive would have received had the Eligible Executive remained employed (based upon actual performance results at the end of the applicable performance period as determined by the Committee) by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the Eligible

Executive's Termination Date and the denominator of which is the number of days in the performance period. All other outstanding awards granted to the Eligible Executive under the LTIP on and after February 17, 2009, and any Time Vested Awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall be payable, if at all, in accordance with the terms of the LTIP and the applicable award (and, if applicable, deferral) agreements.

b. Long-Term Incentive Awards Granted Prior to February 17, 2009 . Effective for awards granted prior to February 17, 2009 to an Eligible Executive under the LTIP, if the Eligible Executive's employment with the Company is terminated for an eligible termination reason described in Section 5(a), all outstanding nonqualified stock options held by the Eligible Executive shall continue to vest solely on account of the passage of time during the Eligible Executive's Severance Period and, to the extent vested, shall be exercisable in accordance with their terms until the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter. All Stock Awards (as defined in the LTIP) held by an Eligible Executive whose employment with the Company is terminated for an eligible termination reason described in Section 5(a) shall vest on a prorated basis effective on the Eligible Executive's Termination Date. Such prorated vesting shall be calculated on a grant-by-grant basis by multiplying the number of unvested shares subject to each Stock Award by a fraction, the numerator of which is the number of days that have elapsed between the grant date and the Eligible Executive's Termination Date and the denominator of which is the number of days between the grant date and the date the shares would have become fully vested had the Eligible Executive not terminated his or her employment. Fractions of a share resulting from the calculations shall be rounded to the nearest whole share.

(ii) Change in Control .

a. Long-Term Incentive Awards Granted On and After February 17, 2009 . Effective for awards granted on and after February 17, 2009 to an Eligible Executive under the LTIP, if the Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5(b) during the 24-month period commencing on the effective date of a Change in Control, then Time Vested Awards held by the Eligible Executive (including but not limited to grants of nonqualified stock options, stock appreciation rights, restricted stock awards, and restricted stock unit awards), other than awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall become fully vested and exercisable or payable effective on the Eligible Executive's Termination Date. In the event this subsection applies, nonqualified stock options and stock appreciation rights granted to an Eligible Executive shall be exercisable until the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter. If an Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5(b) after the 24-month period commencing on the effective date of a Change in Control, then Time Vested Awards held by the Eligible

Executive, other than awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall vest on a prorated basis effective on the Eligible Executive's Termination Date, and such prorated vesting shall be calculated in the manner described in Section 7(c)(i)a above.

In the event of a Change in Control, any cash Performance Grants awarded to an Eligible Executive under the LTIP (if applicable) shall be converted into restricted cash (representing only a contingent, unfunded and unsecured obligation of the Company) as of the effective date of the Change in Control, such conversion to be based upon target performance if less than 50% of the performance period has elapsed as of the effective date of the Change in Control, or based upon actual performance results as determined by the Committee in its sole discretion if 50% or more of the performance period has elapsed as of the effective date of the Change in Control. If the Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5(b) during the 24-month period commencing on the effective date of a Change in Control, then such restricted cash shall be paid to the Eligible Executive in a lump sum within 30 days following the six month anniversary of the Eligible Executive's separation from service (or, if different, on the date specified in the applicable award and, if applicable, deferral agreement). In the event of a Change in Control, all other outstanding awards granted to the Eligible Executive under the LTIP, and any awards that provide for a deferral of compensation within the meaning of Code Section 409A, shall be payable, if at all, in accordance with the terms of the LTIP and the applicable award (and, if applicable, deferral) agreements.

b. Long-Term Incentive Awards Granted Prior to February 17, 2009 . In the event of a Change in Control, all outstanding awards granted prior to February 17, 2009 to an Eligible Executive under the LTIP shall become fully vested and exercisable or payable as of the effective date of the Change in Control. In the event this subsection applies, if the Eligible Executive's employment with the Company terminates for an eligible termination reason described in Section 5 (b) during the 24-month period beginning on the effective date of the Change in Control, then nonqualified stock options granted to the Eligible Executive shall remain exercisable until the end of the Eligible Executive's Severance Period (or, if earlier, the expiration of the original term of the award) but not thereafter.

(d) Legal Fees . Effective for Termination Dates occurring on or after the date of a Change in Control, if after exhausting the administrative remedies provided for in Section 20 herein, an Eligible Executive commences litigation regarding a bona fide claim for damages or other relief arising as a result of a claim for benefits under the Policy, and as a result thereof, whether by judgment or settlement, becomes entitled to receive benefits in an amount greater than prior to such litigation, the Company shall reimburse the reasonable legal fees and related expenses that are incurred by the Eligible Executive in connection with such litigation. Any such reimbursement shall be paid as soon as practicable following the resolution of the litigation, and in no event later than March 15 of the calendar year following the calendar year in which the resolution of such litigation occurs.

8. Certain Additional Payments

(a) In the event it is determined that any payments or benefits provided by the Company to or on behalf of an Eligible Executive who first became an Eligible Executive before April 30, 2009 (whether pursuant to the terms of this Policy or otherwise) (any such payments or benefits being referred to in this Section as “Payments”), but determined without taking into account any additional payments required under this Section, would be subject to the excise tax imposed by Code Section 4999, or any interest or penalties are incurred by the Eligible Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, collectively referred to herein as the “Excise Tax”), then the Eligible Executive shall be entitled to receive an additional payment (a “Gross-Up Payment”) in an amount so that after payment by the Eligible Executive of all federal, state and local taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any federal, state or local income taxes (and any interest and penalties imposed with respect thereto) and the Excise Tax imposed upon the Gross-Up Payment, the Eligible Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing, if it is determined that the Eligible Executive otherwise would be entitled to a Gross-Up Payment, but that the Payments to the Eligible Executive do not exceed 110% of the amount which is one dollar less than the smallest amount that would give rise to any Excise Tax (the “Reduced Amount”), then no Gross-Up Payment shall be made to the Eligible Executive and the Payments shall be reduced to the Reduced Amount. In such event, the reduction will occur in the following order: (i) reduction of cash payments; (ii) cancellation of accelerated vesting of equity awards; and (iii) reduction of other employee benefits. If acceleration of vesting of compensation from an Eligible Executive’s equity awards is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant unless the Eligible Executive elects in writing a different order for cancellation. Any Gross-Up Payment made pursuant to this Section 8(a) shall be made to the Eligible Executive no later than December 31 of the year following the year in which any Excise Tax is remitted to the taxing authority. No Gross-Up Payment shall be made pursuant to this Section 8 (a) to any Eligible Executive who first becomes an Eligible Executive on or after April 30, 2009.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be used in arriving at such determination, shall be made by the independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control (the “Accounting Firm”). In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint another nationally recognized independent registered public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). The Accounting Firm shall provide its calculations, together with detailed supporting documentation, to the Company and the Eligible Executive within fifteen (15) calendar days after the date on which the Eligible Employee’s right to Payment is triggered (if requested at that time by the Company or the Eligible Executive) or such other time as agreed between the Company and the Eligible Executive. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Eligible Executive within five business days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Eligible Executive, it shall furnish the Eligible Executive with a written opinion that no Excise Tax will be imposed. Any good faith determination by the Accounting Firm shall be binding upon the Company and the Eligible Executive. As a result of the uncertainty in the application of Code Section 4999 at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8(c) and the Eligible Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Eligible Executive. If the related Excise Taxes have been remitted to the taxing authority by the Eligible Executive, the Company shall reimburse the Eligible Executive for the Underpayment no later than December 31 of the year following the year in which the Excise Taxes were remitted to the taxing authority.

(c) The Eligible Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable, but no later than 10 business days after the Eligible Executive is informed in writing of such claim, and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Eligible Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Eligible Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Eligible Executive in writing prior to the expiration of such period that it desires to contest such claim, the Eligible Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim;

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred by the Eligible Executive in connection with such contest and shall indemnify and hold the Eligible Executive harmless, on an after-tax basis, for any Excise Tax or federal, state or local income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Eligible Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Eligible Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided further, that if the Company directs the Eligible Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Eligible Executive on an interest-free basis and shall indemnify and hold the Eligible Executive harmless, on an after-tax basis, from any Excise Tax or federal, state or local income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and provided further, that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Eligible Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Eligible Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. Any payment or cost owed to the Eligible Executive pursuant to this Section 8(c) shall be made no later than December 31 of the year following the year in which the related taxes are remitted to the taxing authority or, if no taxes are paid, the end of the taxable year following the year in which such contest is finally resolved.

(d) If, after the receipt by the Eligible Executive of an amount advanced by the Company pursuant to Section 8(c), the Eligible Executive becomes entitled to receive, and receives, any refund with respect to such claim, the Eligible Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Eligible Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Eligible Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Eligible Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. <u>Requirement of Release and Restrictive Covenant</u>

The provision of Severance Benefits under this Policy is conditioned upon the Eligible Executive timely signing an Agreement and Release (in a form satisfactory to the Company) which will include restrictive covenants and a comprehensive release of all claims. In this Agreement and Release, the Eligible Executive will be asked to release the Company and its directors, officers, employees and agents from any and all claims the Eligible Executive may have against them, including but not limited to any contract, tort, or wage and hour claims, and any claims under Title VII, the ADEA, the ADA, ERISA, and other federal, state, local or foreign laws. Under the Agreement and Release, the Eligible Executive must also agree not to solicit business similar to any business offered by the Company from any Company customer, not to advise any entity to cancel or limit its business with the Company, not to recruit, solicit, or encourage any employee to leave their employment with the Company, not to perform the same or substantially the same functions or job duties that the Eligible Executive performed for the Company for any business enterprise engaging in activities that compete with the business activities of the Company, not to disclose any of Company's trade secrets or confidential information, and not to disparage the Company or its employees in any way. These obligations are in addition to any other non-solicitation, noncompete, nondisclosure, or confidentiality agreements the Eligible Executive may have executed while employed by Company. No Severance Benefits will commence under this Policy prior to the eighth day following the date on which the Company has received the Eligible Executive's fully executed Agreement and Release.

10. <u>Method of Payment of Severance Benefits Under Sections 7(a) and 7(b)</u>

(a) Severance Benefits payable hereunder to an Eligible Executive pursuant to Section 7(a)(i) of this Policy on account of a separation from service for an eligible termination reason under Section 5(a) shall be paid in substantially equal installments consistent with the Company's payroll practice during the Eligible Executive's Severance Period and shall be paid in full no later than the end of such period. The prorated bonus for the year in which the Termination Date occurs payable hereunder to an Eligible Executive pursuant to Section 7(a)(ii) of this Policy on account of a separation from service for an eligible termination reason under Section 5(a) shall be paid to the Eligible Executive in a lump sum cash payment at the same time as bonus payments for such year are paid to other executives under the Company's Senior Executive Annual Incentive Plan (or other bonus plan applicable to the Eligible Executive for such year). The cash payment referenced in Section 7(b) of this Policy shall be made in a lump sum on or as soon as practicable after the first date on which the Eligible Executive begins to receive severance payments in accordance with the first sentence of this Section 10(a), and in no event later than March 15 of the calendar year following the calendar year in which the Eligible Executive's separation from service occurs.

(b) Severance Benefits payable hereunder to an Eligible Executive pursuant to Sections 7(a) and 7(b) of this Policy on account of a separation from service for an eligible termination reason under Section 5(b) shall be paid, if the Change in Control which makes Section 5(b) applicable constitutes a "change in control event" under Treasury Regulation §1.409A-3(i)(5), in a lump sum within 30 days following the Eligible Executive's separation from service, and, if such Change in Control does not constitute a "change in control event" under Treasury Regulation §1.409A-3(i)(5), in the manner set forth in Section 10(a).

(c) If an Eligible Executive dies after becoming eligible for Severance Benefits and executing an Agreement and Release but before full receipt of Severance Benefits, the remaining Severance Benefits, if any, will be paid to the Eligible Executive's estate in one lump sum upon the Eligible Executive's death. If an Eligible Executive dies after becoming eligible for Severance Benefits but prior to executing an Agreement and Release, his or her estate or representative may not execute an Agreement and Release and no Severance Benefits will be paid under this Policy. All payments will be net of amounts withheld with respect to taxes, offsets, or other obligations.

11. Offsets

(a) **Non-duplication of Benefits .** The Company may, in its discretion and to the extent permitted under applicable law, offset against the Eligible Executive's Severance Benefits under this Policy any other severance, termination, or similar benefits payable to the Eligible Executive by the Company, including, but not limited to any amounts paid under any employment agreement or other individual contractual arrangement, amounts paid pursuant to federal, state, or local workers' notification or office closing requirements, or statutory severance benefits or payments made on account of notice periods during which the Eligible Executive is released from further duties as provided pursuant to the law of any country or political subdivision thereof.

(b) **Debts and Property .** The Company also may, in its discretion and to the extent permitted under applicable law, offset against the Eligible Executive's Severance Benefits under this Policy the value of unreturned property and any outstanding loan, debt or other amount the Eligible Executive owes to the Company. The entire amount of any offset taken pursuant to this Section 11(b) shall not exceed $5,000 in any taxable year, and the offset shall be taken at the same time and in the same amount as such amount would have been otherwise due from the Eligible Executive.

(c) **Overpayment .** The Company may recover any overpayment of Severance Benefits made to an Eligible Executive or an Eligible Executive's estate under this Policy or, to the extent permitted by applicable law, offset any other overpayment made to the Eligible Executive against any Severance Benefits or other amount the Company owes the Eligible Executive or the Eligible Executive's estate.

12. Outplacement

In the Committee's sole and absolute discretion, Eligible Executives who are eligible for Severance Benefits under the Policy also may be eligible for outplacement services selected by the Company. Eligibility for and the scope of any outplacement services will be determined in the sole discretion of the Committee. Under no circumstances shall any Eligible Executive be eligible to receive a cash payment or any other benefit in lieu of outplacement services.

Any outplacement services provided under this Section 12 must be provided to the Eligible Employee no later than December 31 of the second calendar year following the calendar year in which the Termination Date occurs.

13. Re-employment and Other Employment

In the event an Eligible Executive is re-employed by the Company prior to the commencement of or within the Severance Period, the payment of any Severance Benefits payable with respect to the prior termination immediately will cease and such Severance Benefits shall no longer be payable under this Policy.

Subject to Section 9 of this Policy, if an Eligible Executive obtains employment (other than with the Company) while receiving Severance Benefits, the Eligible Executive shall continue to receive any remaining cash Severance Benefits in accordance with the payment schedule then in effect, but, except as otherwise required under applicable law, he or she will no longer be eligible to receive continued benefits under Section 7(b) of this Policy as of the date the Eligible Executive becomes eligible to receive such benefits under a subsequent employer's benefit programs.

14. Funding

This Policy is not funded, and payment of benefits hereunder shall be made solely from the general assets of the Company. An Eligible Executive entitled to benefits hereunder shall have only the rights of a general creditor of the Company.

15. Administration

This Policy shall be administered by the Committee, which as the Named Fiduciary shall have the absolute discretion and exclusive right to interpret, construe and administer the Policy and to make final determinations on all questions arising under the Policy, including but not limited to questions concerning eligibility for, the amount of and receipt of Policy benefits. All decisions of the Committee will be conclusive, final and binding upon the parties. Notwithstanding the foregoing, upon the occurrence of a Change in Control, determinations of the Committee hereunder shall be subject to *de novo* judicial review.

16. Amendment or Termination of the Policy

Western Union reserves the right to amend or terminate this Policy at any time in its sole discretion, provided, however , that during the period commencing upon the earliest of (a) the signing of a definitive agreement that, if consummated, would result in a Change in Control, (b) the filing of a tender offer with the Securities and Exchange Commission that, if accepted, would result in a Change in Control, or (c) the election of a director to the Board who is not a member of the Incumbent Board (each, a “Triggering Event”) and ending upon the earlier of (x) the date on which the Committee in its sole discretion determines that the Triggering Event will not actually result in a Change in Control, or (y) the 36-month anniversary of the Change in Control, the Company shall not amend or terminate this Policy as it applies to an Eligible Executive without the consent of such affected Eligible Executive. Notwithstanding the foregoing, this Policy may be amended at any time, without the consent of any Eligible Executive, as necessary or desirable to comply with the requirements, or avoid the application, of Code Section 409A.

17. Limitation on Individually Negotiated Severance Arrangements

As of the Effective Date, this Policy is intended to be the sole source of severance and change in control benefits for Eligible Executives. Absent prior Board approval, no individual agreement shall be entered into with any Eligible Executive or any person being considered for promotion or hire as an Eligible Executive which would provide severance or change in control-type benefits.

18. Section 409A

Notwithstanding any provision of this Policy, the Policy will be construed, administered or deemed amended as necessary to comply with the requirements of Code Section 409A to avoid taxation under Code Section 409A(a)(1) to the extent subject to Code Section 409A. The Committee, in its sole discretion shall determine the requirements of Code Section 409A applicable to the Policy and shall interpret the terms of the Policy consistently therewith. Under no circumstances, however, shall the Company or any affiliate or any of its or their employees, officers, directors, service providers or agents have any liability to any person for any taxes, penalties or interest due on amounts paid or payable under the Policy, including any taxes, penalties or interest imposed under Code Section 409A. The payments to Eligible Executives pursuant to this Policy are also 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 Policy are payable by reference to an Eligible Executive's "termination of employment," such term shall be deemed to refer to the Eligible Executive's "separation from service," within the meaning of Code Section 409A. Notwithstanding any other provision in this Policy, if an Eligible Executive is a "specified employee," as defined in Section 409A of the Code, as of the date of the Eligible Executive's separation from service, then to the extent any amount payable under this Policy (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Code Section 409A, (ii) is payable upon the Eligible Executive's separation from service and (iii) under the terms of this Policy would be payable prior to the six-month anniversary of the Eligible 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 the Eligible Executive's death.

19. <u>Miscellaneous</u>

No Eligible Executive shall vest in any entitlement to or eligibility for benefits under this Policy until he or she has satisfied all requirements for eligibility and the conditions required to receive the benefits specified in this Policy have been satisfied. No interest shall accrue on any benefit to which an Eligible Executive may be entitled under this Policy. No benefits hereunder, whether or not in pay status, shall be subject to any pledge or assignment, and no creditor may attach or garnish any Eligible Executive's Policy benefits. This Policy does not create any contract of employment or right to employment for any period of time. Employment with the Company is at-will, and may be terminated by either the Company or the Eligible Executive at any time for any reason.

20. <u>Review Procedure</u>

Executives eligible to receive benefits under this Policy will be notified of such eligibility as soon as administratively practicable after the event occurs which gives rise to the provision of Policy benefits. If an executive who believes he or she is eligible to receive Policy benefits does not receive such notice or disagrees with the amount of benefits set forth in such notice, or if an executive is informed that he or she is not eligible for benefits under this Policy, the executive (or his or her legal representative) may file a written claim for benefits with the Company's senior human resources executive or such other officer or body designated by the Committee for this purpose. The written claim must include the facts supporting the claim, the amount claimed, and the executive's name and mailing address.

If the claim is denied in part or in full, the Company's senior human resources executive (or other designated officer or body) will notify the executive by mail no later than 90 days after receipt of the written claim. If special circumstances require an extension of time for processing the claim, the executive will be notified in writing before the end of the initial 90-day period. If the claim is denied, the notice of denial will state the specific reasons for the denial, the provisions of the Policy on which the denial is based, a description of any additional information or material required by the Committee to consider the claim (if applicable), as well as an explanation as to why such information or material is necessary, an explanation of the Policy's review procedures and the time limits applicable to such procedures, as well as a statement of the executive's right to bring a civil action under ERISA Section 502(a) in the event of an adverse determination upon review.

An executive (or his or her legal representative) may appeal a denial by filing a written appeal with the Committee. The written appeal must be received no later than 60 days after the executive or legal representative received the notice of denial. During the same 60-day period, the executive or legal representative may have reasonable access to relevant documents, records, or other information and may submit written comments and supporting documents, records and other materials to the Committee. A document, record, or other information shall be considered relevant to the claim if such document, record, or other information (i) was relied upon in making the benefit determination, (ii) was submitted, considered, or generated in the course of making the benefit determination, without regard to whether such document, record, or other information was relied upon in making the benefit determination, or (iii) demonstrates compliance with the administrative processes and safeguards designed to ensure and verify that benefit claim determinations are made in accordance with the Policy and that, where appropriate, the Policy provisions have been applied consistently with respect to similarly situated executives or designated beneficiaries.

The Committee will review the appeal and notify the executive or legal representative by mail of its final decision within 60 days. If special circumstances require and extension of time for processing the claim, the executive will be notified in writing before the end of the initial 60-day period. If the claim is denied, the notice of denial will state the reason for the denial, references to the specific Sections of the Policy on which the denial is based, a statement that the executive may receive, upon request and free of charge, copies of all documents and information relevant to the appeal, a description of the Policy's claims and appeals procedures, and a statement of the executive's right to bring an action under Section 502 of ERISA.

Rights Under the Employee Retirement Income Security Act (ERISA)

As a participant in the Policy, an Eligible Executive is entitled to certain rights and protections under ERISA which provides that all Policy participants shall be entitled to:

Receive Information About The Policy And Benefits

The executive may examine, without charge, at the Policy administrator's office and at other specified locations such as worksites, all documents governing the policy and a copy of the latest annual report (Form 5500 Series) filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.

The executive may obtain, upon written request to the Policy administrator, copies of documents governing the operation of the Policy including copies of the latest annual report (Form 5500 Series). The Policy administrator may make a reasonable charge for the copies.

The executive may receive a summary of the Policy's annual financial report. The Policy administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions by Policy Fiduciaries

In addition to creating rights for Policy participants, ERISA imposes duties upon the people who are responsible for the operation of the Policy. The people who operate the Policy, called "fiduciaries" of the Policy, have a duty to do so prudently and in the interest of the Policy participants and beneficiaries. No one, including an executive's employer or any other person, may fire an executive or otherwise discriminate against an executive in any way to prevent such executive from obtaining a welfare benefit or exercising his or her rights under ERISA.

Enforcement of Rights

If an executive's claim for benefits is denied or ignored, in whole or in part, the executive has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps that can be taken to enforce the above rights. For example, if an executive requests a copy of Policy documents or the latest annual report from the Policy and does not receive them within 30 days, the executive may file suit in a Federal court. In such a case, the court may require the Policy administrator to provide the materials, and pay the executive up to $110 a day until the executive receives the materials, unless the materials were not sent because of reasons beyond the control of the Policy administrator. If an executive has a claim for benefits which is denied or ignored, in whole or in part, he or she may file suit in a state or Federal Court. If it should happen that the fiduciaries misuse Policy money, or if an executive is discriminated against for asserting his or her rights, the executive may seek assistance from the U.S. Department of Labor, or may file a suit in a Federal court. The court will decide who should pay court costs and legal fees. If the executive is successful the court may order the person the executive has sued to pay these costs and fees. If the executive loses, the court may order the executive to pay these costs and fees, for example, if it finds the executive's claim is frivolous.

Assistance With Questions

An executive who has questions about the Policy should contact the Policy administrator. If an executive has any questions about this statement or about his or her rights under ERISA, or if the executive needs assistance in obtaining documents from the Policy administrator, he or she should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in a telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, NW, Washington, D.C. 20210. The executive may also obtain certain publications about his or her rights and responsibilities under ERISA by calling the publication's hotline of the **Employee Benefits Security Administration.**

ADDITIONAL INFORMATION

The details on the following chart are provided for the Eligible Executive's information and possible use.

Name of Policy	Type of Policy	Policy Year:
The Western Union Company Severance/ Change in Control Policy (Executive Committee Level)	Welfare	1/1 - 12/31

Type of Policy Administration

Self-Administered

Policy Sponsor

The Western Union Company
12500 E. Belford Avenue
Englewood, CO 80112

Policy Administrator

Compensation and Benefits Committee of the Board of Directors
c/o The Western Union Company
Office of the General Counsel
12500 E. Belford Avenue
Englewood, CO 80112

Agent for Service of Legal Process

The Western Union Company
Office of the General Counsel
12500 E. Belford Avenue
Englewood, CO 80112

In addition, service of legal process may be made upon the Policy administrator.

Identification Number (Policy Sponsor)

20-4531180

Identification Number (Policy)

506

THE WESTERN UNION COMPANY
SEVERANCE/CHANGE IN CONTROL POLICY
(Executive Committee Level)

THIS DESCRIPTION OF THE WESTERN UNION COMPANY SEVERANCE/CHANGE IN CONTROL POLICY FOR EXECUTIVE COMMITTEE-LEVEL PARTICIPANTS SERVES AS THE OFFICIAL POLICY DOCUMENT AND AS THE LEGAL SUMMARY PLAN DESCRIPTION.

Exhibit 12

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Earnings:				
Income before income taxes	$ 246.5	$ 333.0	$847.4	$ 933.5
Fixed charges	43.5	43.6	130.5	139.2
Other adjustments	(0.7)	(2.6)	1.2	(4.0)
Total earnings (a)	$ 289.3	$ 374.0	$979.1	$1,068.7
Fixed charges:				
Interest expense	$ 39.3	$ 40.4	$119.1	$ 128.7
Other adjustments	4.2	3.2	11.4	10.5
Total fixed charges (b)	$ 43.5	$ 43.6	$130.5	$ 139.2
Ratio of earnings to fixed charges (a/b)	6.7	8.6	7.5	7.7

For purposes of calculating the ratio of earnings to fixed charges, earnings have been calculated by adding income before income taxes, fixed charges, 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.

Exhibit 15

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. 333-150722 and 333-147189) 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 April 30, 2009, August 4, 2009 and October 30, 2009 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, 2009, June 30, 2009, and September 30, 2009.

/s/ Ernst & Young LLP

Denver, Colorado
October 30, 2009

Exhibit 31.1

CERTIFICATIONS

I, Christina A. Gold, 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 periods 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 periods 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 periods 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: October 30, 2009

/s/ CHRISTINA A. GOLD

Christina A. Gold
Chief Executive Officer

Exhibit 31.2

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 periods 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 periods 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 periods 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: October 30, 2009

/s/ SCOTT T. SCHEIRMAN

Scott T. Scheirman
Executive Vice President and Chief Financial Officer

Exhibit 32

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, 2009 (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.

Christina A. Gold and Scott T. Scheirman certify that, to the best of her or his 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: October 30, 2009	/s/ CHRISTINA A. GOLD **Christina A. Gold** **Chief Executive Officer**
Date: October 30, 2009	/s/ SCOTT T. SCHEIRMAN **Scott T. Scheirman** **Executive Vice President and Chief Financial Officer**