

MoneyGram Payment Systems, Inc. and Subsidiaries

(A Wholly Owned Subsidiary of MoneyGram Payment Systems
Worldwide, Inc., a Wholly Owned Subsidiary of MoneyGram International, Inc.)

Consolidated Financial Statements as of December 31, 2020 and 2019, and for each of the Two Years in the Period
Ended December 31, 2020, and Independent Auditors' Report

MONEYGRAM PAYMENT SYSTEMS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of MoneyGram Payment Systems Worldwide, Inc., a Wholly Owned Subsidiary of MoneyGram International, Inc.)

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KPMG LLP
Suite 1400
2323 Ross Avenue
Dallas, TX 75201-2721

Independent Auditors' Report

The Board of Directors
MoneyGram Payment Systems, Inc.:

We have audited the accompanying consolidated financial statements of MoneyGram Payment Systems, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholder's equity for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MoneyGram Payment Systems, Inc. and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Dallas, Texas
March 30, 2021

(continued)

MONEYGRAM PAYMENT SYSTEMS, INC. AND SUBSIDIARIES
(A Wholly Owned Subsidiary of MoneyGram Payment Systems Worldwide, Inc., a Wholly Owned Subsidiary of MoneyGram International, Inc.)
CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31,	2020	2019
<i>(Amounts in millions, except share data)</i>		
ASSETS		
Cash and cash equivalents	\$ 196.1	\$ 146.8
Settlement assets	3,702.9	3,237.0
Property and equipment, net	148.1	176.1
Goodwill	442.2	442.2
Intercompany receivables, net	27.3	164.9
Other assets	179.3	172.6
Total assets	<u>\$ 4,695.9</u>	<u>\$ 4,339.6</u>
LIABILITIES		
Payment service obligations	\$ 3,702.9	\$ 3,237.0
Pension and other postretirement benefits	74.5	77.5
Accounts payable and other liabilities	291.4	328.9
Intercompany payables	—	116.8
Total liabilities	<u>4,068.8</u>	<u>3,760.2</u>
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
STOCKHOLDER'S EQUITY		
Common stock, \$0.01 par value, 1,000 shares authorized, one share issued and outstanding	—	—
Additional paid-in capital	2,110.6	2,055.8
Retained loss	(1,425.1)	(1,412.9)
Accumulated other comprehensive loss	(58.4)	(63.5)
Total stockholder's equity	<u>627.1</u>	<u>579.4</u>
Total liabilities and stockholder's equity	<u>\$ 4,695.9</u>	<u>\$ 4,339.6</u>

See Notes to the Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31,	2020	2019
<i>(Amounts in millions)</i>		
REVENUE		
Fee and other revenue	\$ 1,197.2	\$ 1,230.4
Investment revenue	20.0	54.7
Total revenue	1,217.2	1,285.1
EXPENSES		
Fee and other commissions expense	603.6	613.4
Investment commissions expense	3.6	23.3
Direct transaction expense	45.8	25.5
Total commissions and direct transaction expenses	653.0	662.2
Compensation and benefits	223.8	228.4
Transaction and operations support ⁽¹⁾	109.5	206.2
Occupancy, equipment and supplies	61.4	60.9
Depreciation and amortization	64.4	73.8
Total operating expenses	1,112.1	1,231.5
OPERATING INCOME	105.1	53.6
Other expenses		
Other non-operating expense	4.5	36.8
Total other expense	4.5	36.8
Income before income taxes	100.6	16.8
Income tax expense	27.8	8.5
NET INCOME	\$ 72.8	\$ 8.3

(1) 2020 and 2019 includes \$50.2 million and \$11.3 million of related party market development fees, respectively. See Note 17 — *Related Parties* for further details.

See Notes to the Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31,	2020	2019
<i>(Amounts in millions)</i>		
NET INCOME	\$ 72.8	\$ 8.3
OTHER COMPREHENSIVE INCOME		
Net change in unrealized holding loss on available-for-sale securities arising during the period, net of tax benefit of \$0.1 and \$0.0 for the years ended December 31, 2020 and 2019, respectively	(0.4)	(0.3)
Net change in pension liability due to amortization of prior service credit and net actuarial loss, net of tax benefit of \$0.5 and \$0.7 for the years ended December 31, 2020 and 2019, respectively	1.7	2.1
Pension settlement charge, net of tax benefit of \$7.2 for the year ended December 31, 2019	—	24.1
Valuation adjustment for pension and postretirement benefits, net of tax benefit of \$(1.0) and \$(2.0) for the years ended December 31, 2020 and 2019, respectively	(3.4)	(6.6)
Unrealized non-U.S. dollar translation adjustments, net of tax expense (benefit) of \$0.2 and \$(0.3) for the years ended December 31, 2020 and 2019, respectively	7.2	(0.2)
Other comprehensive income	5.1	19.1
COMPREHENSIVE INCOME	\$ 77.9	\$ 27.4

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CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	2020	2019
<i>(Amounts in millions)</i>		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 72.8	\$ 8.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64.4	73.8
Signing bonus amortization	54.5	46.4
Provision for deferred income taxes	(0.5)	(9.7)
Change in right-of-use assets	9.9	15.5
Non-cash compensation and pension expense	10.3	44.0
Signing bonus payments	(58.7)	(29.1)
Change in other assets and intercompany receivables, net	122.7	(9.1)
Change in lease liabilities	(15.3)	(15.8)
Change in accounts payable and other liabilities and intercompany payables	(134.7)	48.1
Other non-cash items, net	(0.4)	3.3
Net cash provided by operating activities	<u>125.0</u>	<u>175.7</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(40.8)	(54.5)
Net cash used in investing activities	<u>(40.8)</u>	<u>(54.5)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend to parent	(84.2)	(119.1)
Payments to tax authorities for stock-based compensation	(0.7)	(0.8)
Capital contribution	50.0	—
Net cash used in financing activities	<u>(34.9)</u>	<u>(119.9)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	49.3	1.3
CASH AND CASH EQUIVALENTS—Beginning of year	146.8	145.5
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 196.1</u>	<u>\$ 146.8</u>
Supplemental cash flow information:		
Cash payments for taxes, net of refunds	\$ 5.6	\$ 4.5

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CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY

<i>(Amounts in millions)</i>	Common Stock	Additional Paid-In Capital	Retained Loss	Accumulated Other Comprehensive Loss	Total
January 1, 2019	\$ —	\$ 2,049.8	\$ (1,317.2)	\$ (67.5)	\$ 665.1
Net income	—	—	8.3	—	8.3
Dividend to parent	—	—	(119.1)	—	(119.1)
Stock-based compensation activity	—	6.0	—	—	6.0
Cumulative effect of adoption of ASU 2016-16	—	—	15.1	(15.1)	—
Other comprehensive loss	—	—	—	19.1	19.1
December 31, 2019	—	2,055.8	(1,412.9)	(63.5)	579.4
Net income	—	—	72.8	—	72.8
Dividend to parent	—	—	(84.2)	—	(84.2)
Capital contribution	—	50.0	—	—	50.0
Stock-based compensation activity	—	4.8	(0.8)	—	4.0
Other comprehensive income	—	—	—	5.1	5.1
December 31, 2020	<u>\$ —</u>	<u>\$ 2,110.6</u>	<u>\$ (1,425.1)</u>	<u>\$ (58.4)</u>	<u>\$ 627.1</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business and Basis of Presentation

MoneyGram Payment Systems, Inc. (the “Company” or “MPSI”) is a wholly owned subsidiary of MoneyGram Payment Systems Worldwide, Inc. (“Worldwide”), which is a wholly owned subsidiary of MoneyGram International, Inc. (“MGI”). References to “MPSI,” the “Company,” “we,” “us” and “our” are to MoneyGram Payment Systems, Inc. and its subsidiaries. References to “MoneyGram” are to MoneyGram International, Inc. and its subsidiaries.

Nature of Operations — MoneyGram offers products and services under its two reporting segments: Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfer services and bill payment services to consumers through two primary distribution channels: retail and digital. Through our Retail Channel, we offer services through third-party agents, including retail chains, independent retailers, post offices and other financial institutions. Additionally, we have limited Company-operated retail locations. We offer services such as moneygram.com, mobile solutions, account deposit and kiosk-based services as part of our Digital Channel. The Financial Paper Products segment provides official check outsourcing services and money orders through financial institutions and agent locations.

Basis of Presentation — The accompanying consolidated financial statements of the Company are prepared in conformity with generally accepted accounting principles in the United States of America (“GAAP”). The Consolidated Balance Sheets are unclassified due to the timing uncertainty surrounding the payment of settlement obligations.

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

Impact of Novel Coronavirus (“COVID-19”) Pandemic On Our Financial Statements — The global spread of COVID-19 and the unprecedented impact of the COVID-19 pandemic is complex and ever-evolving. In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended extensive containment and mitigation measures worldwide. The outbreak reached all of the regions in which we do business, and governmental authorities around the world implemented numerous measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, border closings, quarantines, shelter-in-place orders, shutdowns, limitations or closures of non-essential businesses, school closures and social distancing requirements. The global spread of COVID-19 and resulting government actions taken in response to the virus have caused, and may continue to cause significant economic and business disruption, volatility and financial uncertainty, and a continued significant global economic downturn. This has had, and may continue to have, negative impact on our workforce, agents, customers, financial markets, consumer spending and credit markets.

Earlier in the first half of 2020, we assessed various accounting estimates and other matters, including those that require consideration of forecasted financial information, in context of the unknown future impacts of COVID-19 using information that was reasonably available to us at the time. The accounting estimates and other matters we assessed included, but were not limited to, our goodwill and other long-lived assets, allowance for credit losses, Pension and other Postretirement Benefits and valuation allowances for tax assets. Based on our assessment of these estimates, MoneyGram recorded an increase in its deferred tax asset valuation allowance of \$3.2 million related to balances which existed at the beginning of the year. See Note 13 — *Income Taxes* for more information related to our deferred tax asset valuation allowance adjustments made during 2020. Later in the first half of 2020, governmental authorities began lifting some restrictions such as quarantines, shutdowns and some shelter-in-place orders. As the restrictions started to ease, the ability to transact on a more normal basis began to return.

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Notwithstanding such positive trends, the impact of the COVID-19 pandemic worsened in certain jurisdictions resulting in increased or resumed shelter-in-place and shutdown orders.

During the second half of 2020, the effects of the pandemic persisted in most of the world, with varying degrees of government responses. Quarantines, shutdowns, shelter-in-place orders and travel restrictions still existed in most countries. Economic recessionary pressure, such as high unemployment and business failures resulting from the COVID-19 pandemic continued to be seen throughout the U.S. and international landscape. Remittance was classified as an essential service in virtually all countries, which kept a significant number of physical locations open, but also accelerated a trend of consumers moving to digital product offerings when practical and available.

There were no other material impact to our Consolidated Financial Statements as of and for the year ended December 31, 2020, based on the MoneyGram's assessment of its estimates. As additional information becomes available to us, our future assessment of these estimates, including our expectations at the time regarding the duration, scope and severity of the pandemic, as well as other factors, could materially and adversely impact our Consolidated Financial Statements in future reporting periods.

Principles of Consolidation — The consolidated financial statements include the accounts of the Company. Intercompany profits, transactions and account balances have been eliminated in consolidation, other than those with MGI or Worldwide. "Intercompany receivable, net" and "Intercompany payable" on the Consolidated Balance Sheets as of December 31, 2020 and 2019 are presented on a separate net basis with MGI and Worldwide, respectively. The Company reflects intercompany income tax receivables and payables in "Other assets" and "Accounts payable and other liabilities," respectively, as further disclosed in Note 13 — *Income Taxes*.

The Company participates in various trust arrangements (special purpose entities or "SPEs") related to official check processing agreements with financial institutions and structured investments within the investment portfolio. As the Company is the primary beneficiary and bears the primary burden of any losses, the SPEs are consolidated in the consolidated financial statements. The assets and obligations of the SPEs are recorded in the Consolidated Balance Sheets in a manner consistent with the assets and obligations of the Company. As of December 31, 2020 and 2019, the Company had only one remaining SPE.

Reclassification — Certain prior amounts have been reclassified in order to conform to the current year presentation. In 2020, the Company changed the presentation of its right-of-use assets and associated lease liabilities in the accompanying Consolidated Balance Sheets and Consolidated Statements of Cash Flows. Increases to our right-of-asset and liabilities that result from new operating leases, extension of existing operating leases or modifications of existing operating leases are excluded from the Consolidated Statements of Cash Flows as these are non-cash items in period they occur.

For the years ended December 31, 2020 and 2019, the non-cash increase in our right-of-use assets and corresponding lease liabilities associated with new, extended or modified operating leases totaled \$15.0 million and \$11.6 million, respectively.

Subsequent Events — These consolidated financial statements were issued on March 30, 2021. Subsequent events have been evaluated through this date.

Note 2 — Summary of Significant Accounting Policies

Cash and cash equivalents — The Company defines cash and cash equivalents and settlement cash and cash equivalents as cash on hand and all highly liquid debt instruments with original maturities of three months or less at the purchase date.

Settlement assets and payment service obligations — The Company records payment service obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. These obligations are recognized by the Company at the time the underlying transaction occurs. The Company records corresponding settlement assets, which represent funds received or to be received for unsettled money transfers, money orders and consumer payments. Settlement assets consist of settlement cash and cash equivalents, receivables and investments. Payment service obligations primarily consist of outstanding payment instruments; amounts owed to financial institutions for funds paid to the Company to cover clearings of official check payment instruments, remittances and clearing adjustments; amounts owed to agents for funds paid to consumers on behalf of the Company; commissions owed to financial institution customers and agents for instruments sold; amounts owed to investment brokers for purchased securities and unclaimed instruments owed to various states.

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Receivables, net (included in settlement assets) — The Company has receivables due from financial institutions and agents for payment instruments sold and amounts advanced by the Company to certain agents for operational and local regulatory purposes. These receivables are outstanding from the day of the sale of the payment instrument until the financial institution or agent remits the funds to the Company. The Company provides an allowance for the portion of the receivable estimated to become uncollectible based on its history of collection experience, known collection issues, such as agent suspensions and bankruptcies, consumer credit card chargebacks and insufficient funds and other matters the Company identifies in its routine collection monitoring. Receivables are generally considered past due one day after the contractual remittance schedule, which is typically one day to three days after the sale of the underlying payment instrument. Receivables are generally written off against the allowance one year after becoming past due.

The following summary details the activity within the allowance for credit losses for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Beginning balance	\$ 4.6	\$ 7.3
Provision	14.3	6.5
Write-offs, net of recoveries	(9.4)	(9.2)
Ending balance	<u>\$ 9.5</u>	<u>\$ 4.6</u>

Investments (included in settlement assets) — The Company classifies securities as available-for-sale. The Company has no securities classified as trading or held-to-maturity. Time deposits and certificates of deposits with original maturities of up to 24 months are classified as interest-bearing investments and recorded at amortized cost. Securities held for indefinite periods of time, including any securities that may be sold to assist in the clearing of payment service obligations or in the management of the investment portfolio, are classified as available-for-sale securities. These securities are recorded at fair value, with the net after-tax unrealized gain or loss recorded within "Accumulated other comprehensive loss" in the stockholders' deficit section of the Consolidated Balance Sheets. Realized gains and losses and other-than-temporary impairments are recorded in the Consolidated Statements of Operations under "Total other expenses."

Interest income on residential mortgage-backed securities for which risk of credit loss is deemed remote is recorded utilizing the level yield method. Changes in estimated cash flows, both positive and negative, are accounted for with retrospective changes to the carrying value of investments in order to maintain a level yield over the life of the investment. Interest income on residential mortgage-backed securities for which risk of credit loss is not deemed remote is recorded under the prospective method as adjustments of yield. Additionally, the Company applies the cost recovery method of accounting for interest to some of the investments within the available-for-sale portfolio as it believes it is probable that it will not recover all, or substantially all, of its principal investment and interest for its asset-backed and other securities given the sustained deterioration in the investment and securities market, the collapse of many asset-backed securities and the low levels to which the securities have been written down.

The Company evaluates all residential mortgage-backed and other asset-backed investments for impairment based on management's evaluation of the underlying reasons for the decline in fair value on an individual security basis. When an adverse change in expected cash flows occurs, and if the fair value of a security is less than its carrying value, the investment is written down to fair value through a permanent reduction to its amortized cost in the period the impairment occurs. Securities gains and losses are recognized upon the sale, call or maturity of securities using the specific identification method to determine the cost basis of securities sold.

Fair Value of Financial Instruments — Financial instruments consist of cash and cash equivalents, settlement cash and cash equivalents, investments, derivatives, payment service obligations and debt. The carrying values of cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and payment service obligations approximate fair value. The carrying value of debt is stated at amortized cost; however, for disclosure purposes the fair value is estimated. See Note 5 — *Fair Value Measurement* for information regarding the principles and processes used to estimate the fair value of financial instruments.

Derivative Financial Instruments — The Company recognizes derivative financial instruments in the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value is recognized through "Transaction and operations support" in the Consolidated Statements of Operations in the period of change. See Note 7 — *Derivative Financial Instruments* for additional disclosure.

Property and Equipment — Property and equipment includes computer hardware, computer software, signage, equipment at agent locations, office furniture and equipment and leasehold improvements, and is stated at cost net of accumulated

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depreciation and amortization. Property and equipment is depreciated and amortized using a straight-line method over the useful life or term of the lease or license. The cost and related accumulated depreciation and amortization of assets sold or disposed of are removed from the financial statements, with the resulting gain or loss, if any, recognized within “Occupancy, equipment and supplies” in the Consolidated Statements of Operations. See Note 8 — *Property and Equipment* for additional disclosure.

The following table summarizes the estimated useful lives by major asset category:

<u>Type of Asset</u>	<u>Useful Life</u>
Computer hardware	3 years
Computer software	5 - 7 years
Signage	3 years
Equipment at agent locations	3 - 7 years
Office furniture and equipment	7 years
Leasehold improvements	10 years

Tenant allowances for leasehold improvements are capitalized as leasehold improvements upon completion of the improvement and amortized over the shorter of the remaining term of the lease or 10 years. Computer software includes acquired and internally developed software.

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for property and equipment, the carrying value of the asset is reduced to the estimated fair value.

Goodwill and Intangible Assets — Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate. Intangible assets are recorded at their estimated fair value at the date of acquisition. In the year following the period in which identified intangible assets become fully amortized, the fully amortized balances are removed from the gross asset and accumulated amortization amounts. Intangible assets with indefinite lives are not amortized. Intangible assets that are not amortized are evaluated for impairment on a quarterly basis. As of December 31, 2020, the Company had no indefinite-lived intangible asset and as of December 31, 2019, the Company's only indefinite-lived intangible asset was cryptocurrency. Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for intangible assets, the carrying value of the asset is reduced to the estimated fair value.

Intangible assets with finite lives are amortized using a straight-line method over their respective useful lives as follows:

<u>Type of Intangible Asset</u>	<u>Useful Life</u>
Contractual and customer relationships	3-15 years
Non-compete agreements	3-5 years
Developed technology	5-7 years

Goodwill is not amortized but is instead subject to impairment testing. The Company evaluates its goodwill for impairment annually as of October 1 of each year or more frequently if impairment indicators arise in accordance with Accounting Standards Codification (“ASC”) Topic 350, *Intangibles - Goodwill and Other*. When testing goodwill for impairment, the Company may elect to perform either a qualitative test or a quantitative test to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, the Company considers the impact of any changes to the following factors: macroeconomic, industry and market factors, cost factors, and changes in overall financial performance, as well as any other relevant events and uncertainties impacting a reporting unit. If the qualitative assessment does not conclude that it is more likely than not that the estimated fair value of the reporting unit is greater than the carrying value, the Company performs a quantitative analysis. In a quantitative test, the carrying value of the reporting unit is compared to its estimated fair value. If the fair value of a reporting unit exceeds its carrying amount, there is no impairment. If not, to the extent the carrying amount of the reporting unit exceeds its fair value, an impairment charge of the reporting unit’s

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goodwill would be recognized; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit.

Payments on Long-Term Contracts — The Company makes payments to certain agents and financial institution customers as an incentive to enter into long-term contracts. The payments, or signing bonuses, are generally required to be refunded pro rata in the event of nonperformance under, or cancellation of, the contract by the customer. Signing bonuses are viewed as prepaid commissions expense and are, therefore, capitalized and amortized over the life of the related contract. Amortization of signing bonuses on long-term contracts is recorded within “Fee and other commissions expense” in the Consolidated Statements of Operations. The carrying values of the signing bonuses are reviewed whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Income Taxes — The provision for income taxes is computed based on the pre-tax income (loss) included in the Consolidated Statements of Operations. Deferred tax assets and liabilities are recorded based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax basis, and operating loss and tax credit carry-forwards on a taxing jurisdiction basis. The Company measures deferred tax assets and liabilities using enacted statutory tax rates that will apply in the years in which the Company expects the temporary differences to be recovered or paid. The Company's ability to realize deferred tax assets depends on the ability to generate sufficient taxable income within the carry-back or carry-forward periods provided for in the tax law. The Company establishes valuation allowances for its deferred tax assets based on a more-likely-than-not threshold. To the extent management believes that recovery is not likely, a valuation allowance is established in the period in which the determination is made.

The legislation commonly known as the "Tax Cuts and Jobs Act," and also known as H.R. 1 - 115th Congress (the "TCJA"), includes global intangible low-taxed income ("GILTI") provisions, which impose a U.S. income inclusion on foreign income in excess of a deemed return on tangible assets of foreign corporations. In accordance with ASC 235-10-50, the Company elected in the fourth quarter of 2018 to treat GILTI inclusions as a current period expense when incurred under ASC Topic 740, "Income Taxes."

The liability for unrecognized tax benefits is recorded as a non-cash item within “Accounts payable and other liabilities” in the Consolidated Balance Sheets. The Company records interest and penalties for unrecognized tax benefits within “Income tax expense” in the Consolidated Statements of Operations. See Note 13— *Income Taxes* for additional disclosure.

Non-U.S. Dollar Translation — The Company converts assets and liabilities of foreign operations to their U.S. dollar equivalents at rates in effect at the balance sheet dates and records the translation adjustments within “Accumulated other comprehensive loss” in the Consolidated Balance Sheets. Income statements of foreign operations are translated from the operation’s functional currency to U.S. dollar equivalents at the average exchange rate for the month. Non-U.S. dollar exchange transaction gains and losses are reported within “Transaction and operations support” in the Consolidated Statements of Operations.

Revenue Recognition — The Company earns revenues from consideration specified in contracts with customers and recognizes revenue when it satisfies its performance obligations by transferring control over its services and products to customers. Revenue is recognized net of any taxes collected from customers that are subsequently remitted to governmental authorities. The following is a description of the principal activities, separated by reporting segments, from which the Company generates revenues. For tabular revenue disclosures see Note 15 — *Revenue Recognition*.

Global Funds Transfer Segment:

Money transfer fee revenue — The Company earns money transfer revenues primarily from consumer transaction fees and the management of currency exchange spreads on money transfer transactions involving different “send” and “receive” currencies. Fees are collected from consumers at the time of transaction. In a cash-to-cash money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally a fixed fee or is based on a percentage of the fee charged to the consumer. When a money transfer transaction is initiated at a MoneyGram-owned store, kiosk or via our online platform, typically only the receiving agent earns a commission. Each money transfer is considered a separate agreement between the Company and the consumer and includes only one performance obligation that is satisfied at a point in time, which is when the funds are made available for pick up. Money transfer funds are typically available for pick up within 24 hours of being sent. The consumer is in control of the service, as the consumer picks the “send” and “receive” locations as well as the transaction currency. Normally, the Company provides fee refunds to consumers only if the transaction is canceled within 30 minutes of initiating the transfer and the transfer amount has not been picked up by the receiver. As such, fee refunds are accounted for within the same period as the origination of the transaction and no liability for the amount of expected returns is recorded on the Consolidated Balance Sheets. The Company recognizes revenues on a gross basis for money transfer services

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as the Company is considered the principal in these transactions. Under our loyalty programs for money transfer services, consumers earn rewards based on transaction frequency. In 2018, the Company introduced the MoneyGram Plus Rewards program, which allows members to earn discounts on future transactions. The MoneyGram Plus Rewards program activity for the years ended December 31, 2020 and 2019 was insignificant to the Company's results of operations.

Bill payment services fee revenue — Bill payment revenues are earned primarily from fees charged to consumers for each transaction completed. Our primary bill payment service offering is our ExpressPayment service, which we offer at substantially all of our money transfer agent locations, at certain agent locations in select Caribbean and European countries and through our digital solutions. Through our bill payment services, consumers can complete urgent bill payments, pay routine bills, or load and reload prepaid debit cards with cash at an agent location or with a credit or debit card. We offer consumers same-day and two or three-day payment service options; the service option is dependent upon our agreement with the biller. Each bill payment service is considered a separate agreement with the consumer and includes only one performance obligation that is satisfied at a point in time, when the funds are transferred to the designated institution, which is generally within the same day. The consumer is in control of the service, as the consumer picks out the "send" location and time. MoneyGram does not offer refunds for bill payment services and revenue is recognized on a gross basis as the Company is considered the principal in these transactions.

Other revenue — Includes breakage income, fees from royalties, contract terminations, insufficient funds and other one-time charges. The Company recognizes breakage revenue for unclaimed money transfers when the likelihood of consumer pick-up becomes remote based on historical experience and there is no requirement for remitting balances to government agencies.

Financial Paper Products Segment:

Money order fee revenue — Consumers use our money orders to make payments in lieu of cash or personal checks. We generate revenue from money orders by charging per item and other fees, as well as from the investment of funds underlying outstanding money orders. The Company contracts with agents and/or financial institutions for this product and associated services. We sell money orders under the MoneyGram brand and on a private label or on a co-branded basis with certain agents and financial institutions in the U.S. The Company recognizes revenue when an agent sells a money order because the funds are immediately made available to the consumer. As such, each sale of a money order and related service is considered a separate performance obligation that is satisfied at a point in time.

Official check outsourcing services fee revenue — Official checks are used by consumers where a payee requires a check drawn on a bank. Financial institutions also use official checks to pay their own obligations. Like money orders, the Company generates revenue from official check outsourcing services through U.S. banks and credit unions by charging per item and other fees, as well as from the investment of funds underlying outstanding official checks. The Company's consumer for official checks is considered the financial institution. The official checks services and products are considered a bundle of services and products that are provided to the financial institution on an ongoing basis. As such, revenue from these services is recognized on a monthly basis. Revenue corresponds directly with the value of MoneyGram's services and/or products completed to date and for which the Company has a right to invoice. Monthly revenue may vary based on the number of official checks issued and other ancillary services provided to the financial institution.

Other revenue — Includes fees from money order service revenue, proof adjustments, early contract terminations, money order photo and replacement fees and other one-time charges. The Company recognizes service revenue from money orders that have not been redeemed within a one-year period from issuance. Proof adjustment fees are generally unresolved and not recouped as they pertain to immaterial bank variances. The Company recognizes as revenue the net proof adjustments amount on a monthly basis.

Investment Revenue:

Investment revenue, which is not within the scope of ASC Topic 606 per ASC 606-10-15-2, is earned from the investment of funds generated from the sale of payment instruments, primarily official checks and money orders, and consists of interest income, dividend income, income received on our cost recovery securities and amortization of premiums and discounts. Investment revenue varies depending on the level of investment balances and the yield on our investments.

Fee and Other Commissions Expense — The Company incurs fee commissions primarily related to our Global Funds Transfer services. In a money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally either a fixed fee or is based on a percentage of the fee charged to the consumer. The agent initiating the transaction and the receiving agent also earn non-U.S. dollar exchange commissions, which are generally based on a percentage of the non-U.S. dollar exchange spread. In a bill payment transaction, the agent initiating the transaction receives a commission that is generally based on a percentage of the fee charged to the consumer and, in limited circumstances, the biller receives a

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commission that is based on a percentage of the fee charged to the consumer. The Company generally does not pay commissions to agents on the sale of money orders, except, in certain limited circumstances, for large agents where we may pay a fixed commission based on total money order transactions.

Investment Commissions Expense — Investment commissions expense consists of amounts paid to financial institution customers based on short-term interest rate indices times the average outstanding cash balances of official checks sold by the financial institution. Investment commissions are recognized each month based on the average outstanding balances of each financial institution customer and their contractual variable rate for that month.

Direct Transaction Expense — Direct transaction expense includes expenses related to the processing of money transfers, such as customer authentication and funding costs.

Market Development Fees — Market development fees are fees paid by Ripple Labs Inc. (“Ripple”) to the Company for developing and bringing liquidity to foreign exchange markets, facilitated by their On Demand Liquidity (“ODL”) platform, and providing a reliable level of foreign exchange trading activity. The liquidity services provided by the Company are not considered distinct under ASC Topic 606, *Revenue from Contracts with Customers*, and consequently MoneyGram recognizes fees received for market development services as vendor consideration in accordance with ASC Topic 705, *Cost of Sales and Services*. The fees are presented as a contra expense to offset costs incurred to Ripple and are recorded as incurred within “Transaction and operations support” in the Consolidated Statements of Operations. Per the terms of the commercial agreement, the Company does not pay fees to Ripple for its usage of the ODL platform and there are no claw back or refund provisions.

For the year ended December 31, 2020 and 2019, market development fees were \$50.2 million and \$11.3 million, respectively. Additionally, as of December 31, 2020, the Company had no receivable from Ripple for market development fees. As of December 31, 2019, the Company had a receivable from Ripple for market development fees of \$0.9 million. For more information on the Ripple commercial agreement, see Note 17 — *Related Parties*.

Marketing and Advertising Expense — Marketing and advertising costs are expensed as incurred or at the time the advertising first takes place and are recorded in the “Transaction and operations support” line in the Consolidated Statements of Operations. Marketing and advertising expense was \$16.2 million and \$48.1 million for 2020 and 2019, respectively.

Stock-Based Compensation — Stock-based compensation awards are measured at fair value at the date of grant and expensed using the straight-line method over their vesting or service periods. For grants to employees, expense, net of estimated forfeitures, is recognized in the “Compensation and benefits” line and expense for grants to non-employee directors is recorded in the “Transaction and operations support” line in the Consolidated Statements of Operations. The Company accounts for modifications to its share-based payment awards in accordance with the provisions of ASC Topic 718, *Compensation - Stock Compensation*. Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at that date, and is recognized as compensation cost on the date of modification (for vested awards) or over the remaining vesting or service period (for unvested awards). Any unrecognized compensation cost remaining from the original award is recognized over the vesting period of the modified award. See Note 12 — *Stock-Based Compensation* for additional disclosure of the Company’s stock-based compensation.

Recently Adopted Accounting Standards — In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20): Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefits Plans*. The amendments in this standard require that entities now disclose the weighted-average interest credit ratings for cash balance plans and other plans with promised interest credit ratings and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period, as well as clarify and remove certain other disclosures. This standard is effective for fiscal years ending after December 15, 2020, and, as such, its disclosure requirements is reflected in the 2020 Annual Report, see Note 10 — *Pension and Other Benefits*. This standard does not impact our consolidated financial statements.

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Recently Issued Accounting Standards and Related Developments Not yet Adopted — In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The new credit impairment standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans and other instruments, entities will be required to use a new forward-looking expected loss model that generally will result in the earlier recognition of allowances for credit losses. For available-for-sale debt securities with unrealized losses, entities will measure credit losses in a manner similar to what they do today, except that the losses will be recognized as allowances rather than as reductions in the amortized cost of the securities. To further assist with adoption and implementation of ASU 2016-13, the FASB issued the following ASUs:

- ASU 2018-19 (Issued November 2018) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*
- ASU 2019-04 (Issued April 2019) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*
- ASU 2019-05 (Issued May 2019) — *Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief*
- ASU 2019-10 (Issued November 2019) — *Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*
- ASU 2019-11 (Issued November 2019) — *Codification Improvements to Topic 326, Financial Instruments - Credit Losses*
- ASU 2020-02 (Issued February 2020) — *Financial Instruments - Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842) (SEC Update)*
- ASU 2020-03 (Issued March 2020) — *Codification Improvements to Financial Instruments*

ASU 2019-10 changed the effective date of ASU 2016-13 for public business entities that meet the definition of a U.S. Securities and Exchange Commission ("SEC") filer but that are eligible to be a smaller reporting company to fiscal years beginning after December 15, 2022. MoneyGram is a smaller reporting company and, as such, will adopt the amendments in these standards in 2023. We are still evaluating these ASUs, but we do not believe the adoption will have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments in this ASU provide, if certain criteria are met, optional expedients and exceptions for applying the GAAP requirements for contract modifications, hedging relationships and sales or transfers of debt securities that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform through December 31, 2022. The adoption of this ASU is optional and the election can be made anytime during the effective period. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. MoneyGram is currently evaluating the impact of this standard and has not yet determined whether we will elect the optional expedients.

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. This ASU changes how entities account for convertible instruments and contracts in an entity's own equity and simplifies the accounting for convertible instruments by removing certain separation models for convertible instruments. This ASU also modifies the guidance on diluted earnings per share calculations. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. We are currently evaluating the impact of this standard on our consolidated financial statements.

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Note 3 — Reorganization Costs

In 2019, the Company committed to an operational plan to reduce overall operating expenses, including the elimination of approximately 120 positions across the Company (the "2019 Organizational Realignment"). In the first half of 2020, this number was revised to approximately 100 positions as the operational plan drew closer to completion. The workforce reduction was designed to streamline operations and structure the Company in a way that is more agile and aligned around our plan to execute market-specific strategies tailored to different segments. The workforce reduction was substantially completed in the first quarter of 2020 with \$8.5 million of costs incurred consisting primarily of one-time termination benefits for employee severance and related costs, which are recorded within "Compensation and benefits" on the Consolidated Statements of Operations in the Global Funds Transfer reporting segment.

The following table is a roll-forward of the reorganization costs accrual as of December 31, 2020:

<i>(Amounts in millions)</i>	2019 Organizational Realignment
Balance, December 31, 2019	\$ 4.6
Expenses	1.7
Cash payments	(6.3)
Balance, December 31, 2020	\$ —

The following table is a summary of the total cumulative reorganization costs incurred to date in operating expenses as of December 31, 2020:

<i>(Amounts in millions)</i>	Total
Balance, December 31, 2019	\$ 6.8
First quarter 2020	0.7
Second quarter 2020	0.7
Third quarter 2020	(0.3)
Fourth quarter 2020	0.6
Total cumulative reorganization costs incurred to date	\$ 8.5

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Note 4 — Settlement Assets and Payment Service Obligations

MoneyGram's primary licensed entities are MoneyGram Payment Systems, Inc. ("MPSI"), MoneyGram International SRL and MoneyGram International Limited, which enable us to offer our money transfer service in the European Economic Area as well as around the globe. MPSI is regulated by various U.S. state agencies that generally require the Company to maintain a pool of assets with an investment rating bearing one of the three highest grades as defined by a nationally recognized rating agency ("permissible investments") in an amount equal to the payment service obligations, as defined by each state, for those regulated payment instruments, namely teller checks, agent checks, money orders and money transfers. The regulatory payment service assets measure varies by state but in all cases excludes investments rated below A-. The most restrictive states may also exclude assets held at banks that do not belong to a national insurance program, varying amounts of accounts receivable balances and/or assets held in the SPE. The regulatory payment service obligations measure varies by state but in all cases is substantially lower than the Company's payment service obligations as disclosed in the Consolidated Balance Sheets as the Company is not regulated by state agencies for payment service obligations primarily resulting from outstanding cashier's checks.

We are also subject to licensing or other regulatory requirements in various other jurisdictions. Licensing requirements may include minimum net worth, provision of surety bonds or letters of credit, compliance with operational procedures, agent oversight and the maintenance of settlement assets in an amount equivalent to outstanding payment service obligations, as defined by our various regulators.

The regulatory and contractual requirements do not require the Company to specify individual assets held to meet its payment service obligations, nor is the Company required to deposit specific assets into a trust, escrow or other special account. Rather, the Company must maintain a pool of liquid assets sufficient to comply with the requirements. No third-party places limitations, legal or otherwise, on the Company regarding the use of its individual liquid assets. The Company is able to withdraw, deposit or sell its individual liquid assets at will, with no prior notice or penalty, provided the Company maintains a total pool of liquid assets sufficient to meet the regulatory and contractual requirements. Regulatory requirements also require MPSI to maintain positive net worth, with certain states requiring that MPSI maintain positive tangible net worth. The Company was in compliance with its contractual and financial regulatory requirements as of December 31, 2020.

The following table summarizes the amount of settlement assets and payment service obligations as of December 31:

<i>(Amounts in millions)</i>	2020	2019
Settlement assets:		
Settlement cash and cash equivalents	\$ 1,883.2	\$ 1,531.1
Receivables, net	825.0	715.5
Interest-bearing investments	991.2	985.9
Available-for-sale investments	3.5	4.5
	<u>\$ 3,702.9</u>	<u>\$ 3,237.0</u>
Payment service obligations	\$ (3,702.9)	\$ (3,237.0)

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Note 5 — Fair Value Measurement

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

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

- *Available-for-sale investments* — For residential mortgage-backed securities issued by U.S. government agencies, fair value measures are obtained from an independent pricing service. As market quotes are generally not readily available or accessible for these specific securities, the pricing service measures fair value through the use of pricing models utilizing reported market quotes adjusted for observable inputs, such as market prices for comparable securities, spreads, prepayment speeds, yield curves and delinquency rates. Accordingly, these securities are classified as Level 2 financial instruments.

For asset-backed and other securities, which include investments in limited partnerships, market quotes are generally not available. The Company utilizes broker quotes to measure market value, if available. Because the inputs and assumptions that brokers use to develop prices are unobservable, valuations that are based on brokers' quotes are classified as Level 3. Also, the Company uses pricing services that utilize pricing models based on market observable and unobservable data. The observable inputs include quotes for comparable securities, yield curves, default indices, interest rates, historical prepayment speeds and delinquency rates. These pricing models also apply an inactive market adjustment as a significant unobservable input. Accordingly, asset-backed and other securities valued using third-party pricing models are classified as Level 3.

- *Derivative financial instruments* — Derivatives consist of forward contracts to manage income statement exposure to non-U.S. dollar exchange risk arising from the Company's assets and liabilities denominated in non-U.S. dollar currencies. The Company's forward contracts are well-established products, allowing the use of standardized models with market-based inputs. These models do not contain a high level of subjectivity, and the inputs are readily observable. Accordingly, the Company has classified its forward contracts as Level 2 financial instruments. See Note 7 — *Derivative Financial Instruments* for additional disclosure on the Company's forward contracts.

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There were no transfers between Level 1 and Level 2, or transfers into or out of level 3 of the fair value hierarchy. The following table summarizes the Company's financial assets and liabilities measured at fair value by hierarchy level on a recurring basis:

<i>(Amounts in millions)</i>	Level 2	Level 3	Total
December 31, 2020			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	\$ 3.0	\$ —	\$ 3.0
Asset-backed and other securities	—	0.5	0.5
Forward contracts	0.1	—	0.1
Total financial assets	\$ 3.1	\$ 0.5	\$ 3.6
Financial liabilities:			
Forward contracts	\$ 2.2	\$ —	\$ 2.2
December 31, 2019			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	\$ 3.6	\$ —	\$ 3.6
Asset-backed and other securities	—	0.9	0.9
Forward contracts	—	—	—
Total financial assets	\$ 3.6	\$ 0.9	\$ 4.5
Financial liabilities:			
Forward contracts	\$ 0.8	\$ —	\$ 0.8

The following table provides a roll-forward of the asset-backed and other securities classified as Level 3, which are measured at fair value on a recurring basis for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Beginning balance	\$ 0.9	\$ 1.2
Change in unrealized losses	(0.4)	(0.3)
Ending balance	\$ 0.5	\$ 0.9

Assets and liabilities that are disclosed at fair value — The carrying amounts for the Company's cash and cash equivalents, settlement cash and cash equivalents, receivables, interest-bearing investments and payment service obligations approximate fair value as of December 31, 2020 and 2019.

The Company records the investments in its Pension Plan trust at fair value. The majority of the Pension Plan's investments is common/collective trusts held by the Pension Plan's trustee. The fair values of the Pension Plan's investments are determined based on the current market values of the underlying assets. See Note 10 — *Pension and Other Benefits* for additional disclosure of investments held by the Pension Plan.

Assets and liabilities measured at fair value on a non-recurring basis — Assets and liabilities that are measured at fair value on a non-recurring basis relate primarily to the Company's property and equipment, goodwill and other intangible assets, which are remeasured only in the event of an impairment.

Fair value remeasurements are normally based on significant unobservable inputs (Level 3). Tangible and intangible asset fair values are derived using accepted valuation methodologies. If it is determined an impairment has occurred, the carrying value of the asset is reduced to fair value with a corresponding charge to "Other expenses" in the Consolidated Statements of Operations.

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Note 6 — Investment Portfolio

The Company's portfolio is invested in cash and cash equivalents, interest-bearing investments and available-for-sale investments as described in Note 2 — *Summary of Significant Accounting Policies*. The following table shows the components of the investment portfolio as of December 31:

<i>(Amounts in millions)</i>	2020	2019
Cash	\$ 2,076.8	\$ 1,675.4
Money market securities	2.5	2.5
Cash and cash equivalents ⁽¹⁾	2,079.3	1,677.9
Interest-bearing investments	991.2	985.9
Available-for-sale investments	3.5	4.5
Total investment portfolio	\$ 3,074.0	\$ 2,668.3

⁽¹⁾ For purposes of the disclosure of the investment portfolio as a whole, the cash and cash equivalents balance includes settlement cash and cash equivalents.

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

Interest-bearing Investments — Interest-bearing investments consist of time deposits and certificates of deposit with maturities of up to 24 months and are issued from financial institutions rated A- or better as of December 31, 2020.

Available-for-sale Investments — Available-for-sale investments consist of residential mortgage-backed securities and asset-backed and other securities. The following table is a summary of the amortized cost and fair value of available-for-sale investments:

<i>(Amounts in millions)</i>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2020				
Residential mortgage-backed securities	\$ 2.6	\$ 0.4	\$ —	\$ 3.0
Asset-backed and other securities	0.2	0.5	(0.2)	0.5
Total	<u>\$ 2.8</u>	<u>\$ 0.9</u>	<u>\$ (0.2)</u>	<u>\$ 3.5</u>
December 31, 2019				
Residential mortgage-backed securities	\$ 3.3	\$ 0.3	\$ —	\$ 3.6
Asset-backed and other securities	0.2	0.7	—	0.9
Total	<u>\$ 3.5</u>	<u>\$ 1.0</u>	<u>\$ —</u>	<u>\$ 4.5</u>

As of December 31, 2020 and 2019, 86% and 80%, respectively, of the fair value of the available-for-sale portfolio were invested in residential mortgage-backed securities issued by U.S. government agencies. These securities have the implicit backing of the U.S. government and the Company expects to receive full par value upon maturity or pay-down, as well as all interest payments.

Gains and Losses — For the years ended December 31, 2020 and 2019, the Company had no realized gains or losses. As of December 31, 2020 and 2019, net unrealized gains, net of tax of \$1.2 million and \$1.6 million, respectively, were included in the Consolidated Balance Sheets within "Accumulated other comprehensive loss."

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Investment Ratings — In rating the securities in its investment portfolio, the Company uses ratings from Moody's Investor Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch"). If the rating agencies have split ratings, the Company uses the lower of the highest two out of three ratings across the rating agencies for disclosure purposes. If the institution has only two ratings, the Company uses the lower of the two ratings for disclosure purposes. Securities issued or backed by U.S. government agencies are included in the AAA rating category. Investment grade is defined as a security having a Moody's equivalent rating of Aaa, Aa, A or Baa or an S&P or Fitch equivalent rating of AAA, AA, A or BBB. The Company's investments consisted of the following ratings as of December 31:

<i>(Amounts in millions, except percentages)</i>	2020			2019		
	Number of Securities	Fair Value	Percent of Investments	Number of Securities	Fair Value	Percent of Investments
Investment grade	9	\$ 3.0	86 %	10	\$ 3.6	80 %
Below investment grade	35	0.5	14 %	35	0.9	20 %
Total	44	\$ 3.5	100 %	45	\$ 4.5	100 %

Had the Company used the lowest rating from the rating agencies in the information presented above, there would be no change to the classifications as of December 31, 2020 and 2019.

Contractual Maturities — Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations, sometimes without call or prepayment penalties. Maturities of residential mortgage-backed and asset-backed and other securities depend on the repayment characteristics and experience of the underlying obligations.

Fair Value Determination — The Company uses various sources of pricing for its fair value estimates of its available-for-sale portfolio. The percentage of the portfolio for which the various pricing sources were used is as follows as of December 31, 2020 and 2019: 95% and 94% used a third-party pricing service and 5% and 6% used broker quotes, respectively.

Note 7 — Derivative Financial Instruments

The Company uses forward contracts to manage its non-U.S. dollar needs and non-U.S. dollar exchange risk arising from its assets and liabilities denominated in non-U.S. dollars. While these contracts may mitigate certain non-U.S. dollar risk, they are not designated as hedges for accounting purposes and will result in gains and losses. The Company also reports gains and losses from the spread differential between the rate set for its transactions and the actual cost of currency at the time the Company buys or sells in the open market.

The following net gains related to assets and liabilities denominated in non-U.S. dollars are included within "Transaction and operations support" in the Consolidated Statements of Operations and within "Net cash provided by operating activities" in the Consolidated Statements of Cash Flows:

<i>(Amounts in millions)</i>	2020	2019
Net realized non-U.S. dollar gain (loss)	\$ 26.6	\$ (7.4)
Net (loss) gain from the related forward contracts	(11.9)	11.2
Net gains from non-U.S. dollar transactions and related forward contracts	\$ 14.7	\$ 3.8

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As of December 31, 2020 and 2019, the Company had \$643.8 million and \$349.1 million, respectively, of outstanding notional amounts relating to its non-U.S. dollar forward contracts. As of December 31, 2020 and 2019, the Company reflects the following fair values of derivative forward contract instruments in its Consolidated Balance Sheets:

<i>(Amounts in millions)</i>	Balance Sheet Location	Gross Amount of Recognized Assets		Gross Amount of Offset		Net Amount of Assets Presented in the Consolidated Balance Sheets	
		2020	2019	2020	2019	2020	2019
Forward contracts	Other assets	\$ 1.0	\$ 0.2	\$ (0.9)	\$ (0.2)	\$ 0.1	\$ —

<i>(Amounts in millions)</i>	Balance Sheet Location	Gross Amount of Recognized Liabilities		Gross Amount of Offset		Net Amount of Liabilities Presented in the Consolidated Balance Sheets	
		2020	2019	2020	2019	2020	2019
Forward contracts	Accounts payable and other liabilities	\$ 3.1	\$ 1.0	\$ (0.9)	\$ (0.2)	\$ 2.2	\$ 0.8

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

The Company is exposed to credit loss in the event of non-performance by counterparties to its derivative contracts. The Company actively monitors its exposure to credit risk through the use of credit approvals and credit limits and by selecting major international banks and financial institutions as counterparties. Collateral generally is not required of the counterparties or of the Company. In the unlikely event the counterparty fails to meet the contractual terms of the derivative contract, the Company's risk is limited to the fair value of the instrument. The Company has not had any historical instances of non-performance by any counterparties, nor does it anticipate any future instances of non-performance.

Note 8 — Property and Equipment

The following table is a summary of "Property and equipment, net" as of December 31:

<i>(Amounts in millions)</i>	2020	2019
Computer hardware and software	\$ 512.8	\$ 503.6
Signage	56.1	53.3
Equipment at agent locations	48.9	59.2
Office furniture and equipment	28.4	28.4
Leasehold improvements	27.0	26.5
Total property and equipment	673.2	671.0
Accumulated depreciation and amortization	(525.1)	(494.9)
Total property and equipment, net	\$ 148.1	\$ 176.1

Depreciation and amortization expense for property and equipment for 2020 and 2019 was \$63.9 million and \$73.2 million, respectively. No impairments of property and equipment were recorded during 2020 and 2019.

At December 31, 2020 and 2019, the Company had \$0.5 million and \$5.9 million, respectively, in accrued purchases of property and equipment included within "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

During 2020 and 2019, the Company had nominal losses related to disposals of its property and equipment.

For the years ended December 31, 2020 and 2019, software development costs of \$28.2 million and \$48.3 million, respectively, were capitalized. At December 31, 2020 and 2019, there were \$105.3 million and \$114.6 million, respectively, of unamortized software development costs included in property and equipment.

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As of December 31, 2020 and 2019, the Company had \$1.5 million and \$2.2 million, respectively, in net capitalized implementation costs related to hosting arrangements that are service contracts. These costs are recorded within "Other assets" in the Consolidated Balance Sheets and the related amortization is recorded in the same line item in the Consolidated Statements of Operations as other fees associated with the service arrangements.

Note 9 — Goodwill and Intangible Assets

Goodwill — The Company's goodwill balance was \$442.2 million as of December 31, 2020 and 2019, and all relates to the Global Funds Transfer segment. The Company performed an annual assessment of goodwill during the fourth quarter of 2020 and 2019. No impairments of goodwill were recorded in 2020 and 2019.

Intangibles — All of the Company's intangible assets are included within "Other assets" in the Consolidated Balance Sheets. As of December 31, 2020, the Company had no cryptocurrency indefinite-lived intangible assets.

The following table is a summary of finite-lived intangible assets as of December 31:

<i>(Amounts in millions)</i>	2020			2019		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Contractual and customer relationships	\$ 4.1	\$ (3.2)	\$ 0.9	\$ 4.1	\$ (2.6)	\$ 1.5
Developed technology	0.6	(0.5)	0.1	0.6	(0.5)	0.1
Total finite-intangible assets	\$ 4.7	\$ (3.7)	\$ 1.0	\$ 4.7	\$ (3.1)	\$ 1.6

Intangible asset amortization expense for 2020 and 2019 was \$0.5 million and \$0.6 million, respectively. The estimated future intangible asset amortization expense is \$0.6 million and \$0.4 million for 2021 and 2022, respectively.

Note 10 — Pension and Other Benefits

Pension Benefits — The Company's Pension Plan is a frozen, non-contributory funded plan under which no new service or compensation credits are accrued by the plan participants. Cash accumulation accounts continue to be credited with interest credits until participants withdraw their money from the Pension Plan. It is the Company's policy to fund at least the minimum required contribution each year plus additional discretionary amounts as available and necessary to minimize expenses of the plan.

Supplemental Executive Retirement Plans — The Company has obligations under various SERPs, which are unfunded non-qualified defined benefit pension plans providing postretirement income to their participants. As of December 31, 2020, all benefit accruals under the SERPs are frozen with the exception of one plan for which service is frozen but future pay increases are reflected for active participants. It is the Company's policy to fund the SERPs as benefits are paid.

The Company's Pension Plan and SERPs are collectively referred to as our "Pension".

Postretirement Benefits Other Than Pensions — The Company has an unfunded defined benefit postretirement plan ("Postretirement Benefits") that provides medical and life insurance for its participants. The Company amended the Postretirement Benefits to close it to new participants as of December 31, 2009. Effective July 1, 2011, the Postretirement Benefits was amended to eliminate eligibility for participants eligible for Medicare coverage. As a result of this plan amendment, the Company no longer receives the Medicare retiree drug subsidy. The Company's funding policy is to make contributions to the Postretirement Benefits as benefits are paid.

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Actuarial Valuation Assumptions — The measurement date for the Company's Pension and Postretirement Benefits is December 31. The following table is a summary of the weighted-average actuarial assumptions used in calculating net periodic benefit expense (income) and the benefit obligation for the years ended and as of December 31:

	Pension Plan		SERPs		Postretirement Benefits	
	2020	2019	2020	2019	2020	2019
Net periodic benefit expense (income):						
Discount rate for benefit obligation	3.23 %	3.57 %	3.18 %	4.32 %	3.33 %	4.41 %
Discount rate for interest cost	2.83 %	3.09 %	2.70 %	3.88 %	2.77 %	3.91 %
Expected return on plan assets	2.07 %	2.91 %	—	—	—	—
Cash balance interest crediting rate	1.73 %	2.75 %	—	—	—	—
Rate of compensation increase	—	—	5.75 %	5.75 %	—	—
Medical trend rate:						
Pre-65 initial healthcare cost trend rate	—	—	—	—	6.79 %	7.25 %
Post-65 initial healthcare cost trend rate	—	—	—	—	7.51 %	8.25 %
Pre and post-65 ultimate healthcare cost trend rate	—	—	—	—	4.50 %	4.50 %
Year ultimate healthcare cost trend rate is reached for pre/post-65, respectively	—	—	—	—	2027	2025
Benefit obligation:						
Discount rate	2.51 %	3.23 %	2.41 %	3.18 %	2.64 %	3.33 %
Cash balance interest crediting rate	1.36 %	1.73 %	—	—	—	—
Rate of compensation increase	—	—	5.75 %	5.75 %	—	—
Medical trend rate:						
Pre-65 initial healthcare cost trend rate	—	—	—	—	6.46 %	6.79 %
Post-65 initial healthcare cost trend rate	—	—	—	—	7.08 %	7.51 %
Pre and post-65 ultimate healthcare cost trend rate	—	—	—	—	4.50 %	4.50 %
Year ultimate healthcare cost trend rate is reached for pre/post-65	—	—	—	—	2028	2027

The Company utilizes a building-block approach in determining the long-term expected rate of return on plan assets. The expected return on plan assets is calculated using a calculated value of plan assets that is determined each year by adjusting the previous year's value by expected returns, benefit payments and contributions. Asset gains and losses are reflected as equal adjustments over a three-year period. Historical markets are studied and long-term historical relationships between equity securities and fixed income securities are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors, such as inflation and interest rates, are evaluated before long-term capital market assumptions are determined. The long-term portfolio return also takes proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed for reasonableness and appropriateness.

Actuarial gains and losses are amortized using the Corridor approach, by amortizing the balance exceeding 10% of the greater of the benefit obligation or the fair value of plan assets. The amortization period is primarily based on the average remaining expected life of plan participants for the Pension and the average remaining expected life of plan participants for the Postretirement Benefits. The Company estimated the interest cost components utilizing a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows.

Pension Assets — The Company employs a liability-driven investment approach whereby a mix of equity and fixed income securities are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income securities. Furthermore, equity securities are diversified across large and small capitalized securities and international securities. Other assets, such as real estate and high yield bonds, are used to further diversify equity allocations. Fixed income securities are primarily invested in a mix of investment grade corporate bonds, government bonds and a smaller allocation to non-investment grade debt. The Company uses a dynamic strategy to determine the allocation of return-seeking assets driven by the Pension Plan's funded ratio so that when the funded status increases above prescribed levels, the allocation to equities will decrease and fixed income increase proportionally. Investment risk is measured and monitored on an ongoing basis, including quarterly investment portfolio reviews and periodic liability measurements.

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As of December 31, 2020, the Pension assets consisted of approximately 8% in equity securities, 81% in fixed income and 11% in real estate.

The Company records its Pension Plan's assets at fair value as described in Note 5 — *Fair Value Measurement*. The following is a description of the Pension Plan's investments at fair value and valuation methodologies:

- *Common/collective trusts* — The fair values of the underlying funds in the common/collective trusts are valued based on the unit value established for each fund at each valuation date. The unit value of a collective investment fund is calculated by dividing the fund's net asset value on the calculation date by the number of units of the fund that are outstanding on the calculation date, which is derived from observable purchase and redemption activity in the collective investment fund. The Company's common/collective trusts are categorized in Level 2 to the extent that they are readily redeemable at their net asset value.
- *Real estate* — The Pension Plan trust holds an investment in a real estate development project that the Company considers to be a Level 3 asset for valuation purposes because it requires the use of unobservable inputs in its fair value measurement. The fair value of this investment represents the estimated fair value of the plan's related ownership percentage in the project based upon an appraisal of the underlying real property as of each balance sheet date. The fund investment strategy for this asset is long-term capital appreciation.

The following table is a summary of the Pension Plan's financial assets recorded at fair value, by hierarchy level:

<i>(Amounts in millions)</i>	Level 2	Level 3	Total
December 31, 2020			
Common/collective trusts			
Short-term investment fund	\$ 0.9	\$ —	\$ 0.9
Equity securities:			
Large cap	2.0	—	2.0
Small cap	0.5	—	0.5
International	1.2	—	1.2
Fixed income securities	36.3	—	36.3
Real estate	—	5.3	5.3
Total investments in the fair value hierarchy	<u>\$ 40.9</u>	<u>\$ 5.3</u>	<u>\$ 46.2</u>
December 31, 2019			
Common/collective trusts			
Short-term investment fund	\$ 1.9	\$ —	\$ 1.9
Equity securities:			
Large cap	1.4	—	1.4
Small cap	0.3	—	0.3
International	0.9	—	0.9
Fixed income securities	30.9	—	30.9
Real estate	—	5.1	5.1
Total investments in the fair value hierarchy	<u>\$ 35.4</u>	<u>\$ 5.1</u>	<u>\$ 40.5</u>

The Company does not have participant redemption restrictions for its common/collective trust investments. The following table sets forth additional disclosures for the Pension Plan assets fair value estimated using net asset value per share:

<i>(Amounts in millions)</i>	Fair Value	Redemptions Frequency (if currently eligible)	Redemption Notice Period
December 31, 2020	\$ 40.9	Daily	15 Days
December 31, 2019	\$ 35.4	Daily	15 Days

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Plan Financial Information - Net periodic benefit expense for the Pension includes the following components for the years ended December 31:

<i>(Amounts in millions)</i>	Pension		Postretirement Benefits	
	2020	2019	2020	2019
Settlement charge	\$ —	\$ 31.3	\$ —	\$ —
Interest cost	3.1	5.4	—	—
Expected return on plan assets	(0.8)	(2.7)	—	—
Amortization of net actuarial loss	2.0	2.6	0.1	0.1
Amortization of prior service cost	0.1	0.1	—	—
Net periodic benefit expense	\$ 4.4	\$ 36.7	\$ 0.1	\$ 0.1

Net periodic benefit expense for the Pension and Postretirement Benefits is recorded within "Other non-operating expense" on the Consolidated Statements of Operations.

In June 2019, the Company paid an insurance company \$1.2 million to assume a portion of its Pension Plan liability, without recourse. As a result of the sale, the Company reduced its Pension Plan liability by \$74.3 million and recognized a non-cash charge of \$31.3 million that represents a corresponding portion of the Pension Plan accumulated other comprehensive loss. The transfer of the Pension obligations was completed exclusively with the use of Pension assets and did not impact the Company's cash balance or liquidity position.

The following tables are a summary of the amounts recognized in other comprehensive income and net periodic benefit expense for the years ended December 31:

<i>(Amounts in millions)</i>	Pension	Postretirement Benefits
2020		
Net actuarial loss (gain)	\$ 4.5	\$ (0.1)
Amortization of net actuarial loss	(2.0)	(0.1)
Amortization of prior service cost	(0.1)	—
Total recognized in other comprehensive income	2.4	(0.2)
Total recognized in net periodic benefit expense	4.4	0.1
Total recognized in other comprehensive income and net periodic benefit expense	\$ 6.8	\$ (0.1)
2019		
Settlement charge	\$ (31.3)	\$ —
Net actuarial loss	8.5	0.1
Amortization of net actuarial loss	(2.6)	(0.1)
Amortization of prior service cost	(0.1)	—
Total recognized in other comprehensive income	(25.5)	—
Total recognized in net periodic benefit expense	36.7	0.1
Total recognized in other comprehensive income and net periodic benefit expense	\$ 11.2	\$ 0.1

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The following tables are a summary of the benefit obligation and plan assets, changes to the benefit obligation and plan assets, and the unfunded status of the Pension and Postretirement Benefits as of and for the years ended December 31:

<i>(Amounts in millions)</i>	Pension		Postretirement Benefits	
	2020	2019	2020	2019
Change in benefit obligation:				
Benefit obligation at the beginning of the year	\$ 117.3	\$ 191.3	\$ 0.7	\$ 0.6
Settlement impact	—	(75.5)	—	—
Interest cost	3.1	5.4	—	—
Actuarial loss (gain)	7.2	17.1	(0.1)	0.1
Benefits paid	(7.5)	(21.0)	—	—
Benefit obligation at the end of the year	<u>\$ 120.1</u>	<u>\$ 117.3</u>	<u>\$ 0.6</u>	<u>\$ 0.7</u>
Change in plan assets:				
Fair value of plan assets at the beginning of the year	\$ 40.5	\$ 115.3	\$ —	\$ —
Settlement impact	—	(75.5)	—	—
Actual return on plan assets	3.5	11.4	—	—
Employer contributions	9.7	10.3	—	—
Benefits paid	(7.5)	(21.0)	—	—
Fair value of plan assets at the end of the year	<u>\$ 46.2</u>	<u>\$ 40.5</u>	<u>\$ —</u>	<u>\$ —</u>
Unfunded status at the end of the year	\$ 73.9	\$ 76.8	\$ 0.6	\$ 0.7

In 2020, the net actuarial loss of \$7.2 million affecting the benefit obligation of the Pension was due to the decrease in discount rate and the net actuarial gain of \$0.1 million affecting the benefit obligation of the Postretirement Benefits was due to the decrease in liability resulting from participant deaths partially offset by the decrease in the discount rate.

In 2019, the net actuarial losses of \$17.1 million and \$0.1 million affecting the benefit obligation of the Pension and the Postretirement Benefits, respectively, was due to the decrease in the discount rate.

In October 2020, the Society of Actuaries issued updated mortality projection scales. The Company adopted the updated mortality projection scales on its measurement date, which decreased the Pension Plan benefit obligation. The unfunded status of the Pension Plan was \$5.3 million and \$8.9 million at December 31, 2020 and 2019, respectively, and the unfunded status of the SERPs was \$68.6 million and \$67.9 million at December 31, 2020 and 2019, respectively.

The following table summarizes the components recognized in the Consolidated Balance Sheets relating to the Pension and Postretirement Benefits as of December 31:

<i>(Amounts in millions)</i>	Pension		Postretirement Benefits		Total	
	2020	2019	2020	2019	2020	2019
Pension and other postretirement benefits liability	\$ 73.9	\$ 76.8	\$ 0.6	\$ 0.7	\$ 74.5	\$ 77.5
Accumulated other comprehensive loss:						
Net actuarial loss, net of tax	\$ 38.2	\$ 36.5	\$ 0.4	\$ 0.4	\$ 38.6	\$ 36.9
Prior service cost, net of tax	0.1	0.1	—	—	0.1	0.1
Total	<u>\$ 38.3</u>	<u>\$ 36.6</u>	<u>\$ 0.4</u>	<u>\$ 0.4</u>	<u>\$ 38.7</u>	<u>\$ 37.0</u>

The following table summarizes the benefit obligation and accumulated benefit obligation for the Pension Plan, SERPs and Postretirement Benefits fair value of plan assets as of December 31:

<i>(Amounts in millions)</i>	Pension Plan		SERPs		Postretirement Benefits	
	2020	2019	2020	2019	2020	2019
Benefit obligation	\$ 51.5	\$ 49.2	\$ 68.6	\$ 67.9	\$ 0.6	\$ 0.7
Accumulated benefit obligation	51.5	49.2	68.6	67.9	—	—
Fair value of plan assets	46.2	40.5	—	—	—	—

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The following table summarizes the estimated future benefit payments for the Pension and Postretirement Benefits for the years ended December 31:

<i>(Amounts in millions)</i>	2021	2022	2023	2024	2025	2026-2030
Pension	\$ 8.5	\$ 7.9	\$ 7.9	\$ 7.1	\$ 7.0	\$ 33.0
Postretirement benefits	—	—	—	—	—	0.1

Although the Company has no minimum required contribution for the Pension Plan in 2021, we expect to contribute \$4.0 million to the Pension Plan in 2021. The Company will continue to make contributions to the SERPs and the Postretirement Benefits to the extent benefits are paid. Aggregate benefits paid for the unfunded plans are expected to be \$5.7 million in 2021.

Employee Savings Plan — The Company has an employee savings plan that qualifies under Section 401(k) of the Internal Revenue Code of 1986, as amended. Contributions to, and costs of, the 401(k) defined contribution plan totaled \$3.7 million, \$4.5 million in 2020 and 2019, respectively.

International Benefit Plans — The Company's international subsidiaries have certain defined contribution plans. Contributions to, and costs related to, international plans were \$2.0 million and \$1.6 million for 2020 and 2019, respectively.

Note 11 — Accumulated Other Comprehensive Loss

The following table details the components of “Accumulated other comprehensive loss” as of December 31:

<i>(Amounts in millions)</i>	2020	2019
Net unrealized gains on securities classified as available-for-sale, net of tax	\$ 1.2	\$ 1.6
Cumulative non-U.S. dollar translation adjustments, net of tax	(20.9)	(28.1)
Pension and postretirement benefits adjustments, net of tax	(38.7)	(37.0)
Accumulated other comprehensive loss	\$ (58.4)	\$ (63.5)

The following table is a summary of the significant amounts reclassified out of each component of "Accumulated other comprehensive loss" during the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019	Statement of Operations Location
Pension and postretirement benefits adjustments:			
Amortization of prior service credit	\$ 0.1	\$ 0.1	"Other non-operating expense"
Amortization of net actuarial loss	2.1	2.7	"Other non-operating expense"
Settlement charge	—	31.3	"Other non-operating expense"
Total before tax	2.2	34.1	
Tax benefit, net	(0.5)	(7.9)	
Total, net of tax	\$ 1.7	\$ 26.2	
Total reclassified for the year, net of tax	\$ 1.7	\$ 26.2	

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The following table is a summary of the changes to Accumulated other comprehensive loss by component:

<i>(Amounts in millions)</i>	Net Unrealized Gains on Securities Classified as Available-for-sale, Net of Tax	Cumulative non-U.S. dollar Translation Adjustments, Net of Tax	Pension and Postretirement Benefits Adjustment, Net of Tax	Total
January 1, 2019	1.9	(24.2)	(45.2)	(67.5)
Cumulative effect of adoption of ASU 2018-02	—	(3.7)	(11.4)	(15.1)
Other comprehensive loss before reclassification	(0.3)	(0.2)	(6.6)	(7.1)
Amounts reclassified from accumulated other comprehensive loss	—	—	26.2	26.2
Net current year other comprehensive (loss) income	(0.3)	(0.2)	19.6	19.1
December 31, 2019	1.6	(28.1)	(37.0)	(63.5)
Other comprehensive (loss) income before reclassification	(0.4)	7.2	(3.4)	3.4
Amounts reclassified from accumulated other comprehensive loss	—	—	1.7	1.7
Net current year other comprehensive (loss) income	(0.4)	7.2	(1.7)	5.1
December 31, 2020	\$ 1.2	\$ (20.9)	\$ (38.7)	\$ (58.4)

In 2019, the Company adopted ASU 2018-02 and elected to reclassify the stranded tax effects resulting from the TCJA, which changed the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, among other things. The effect from the rate change resulted in a Pension and Postretirement Benefits adjustment reclassification of \$11.4 million from "Accumulated other comprehensive loss" to "Retained loss." Additionally, the Company reclassified \$3.7 million from cumulative non-U.S. dollar translation adjustment to "Retained loss" related to the rate reduction associated with the taxation of the Company's foreign subsidiaries.

Note 12 — Stock-Based Compensation

Employees of the Company participate in the stock compensation plans of MGI which provide for the grant of stock options, stock appreciation rights, restricted stock units and restricted stock awards (collectively, "share-based awards") to eligible employees of the Company. The expense associated with the fair value of MoneyGram share-based awards is allocated to the Company and is recorded in "Compensation and benefits" in the Consolidated Statements of Operations.

The calculated fair value of share-based awards is recognized as compensation cost using the straight-line method over the vesting or service period in the Company's financial statements. Stock-based compensation is recognized only for those share-based awards expected to vest, with forfeitures estimated at the date of grant and evaluated and adjusted periodically to reflect the Company's historical experience and future expectations. Any change in the forfeiture assumption will be accounted for as a change in estimate, with the cumulative effect of the change on periods previously reported being reflected in the financial statements of the period in which the change is made.

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The following table is a summary of the Company's stock-based compensation expense for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Expense recognized related to restricted stock units	5.8	7.2
Stock-based compensation expense	<u>\$ 5.8</u>	<u>\$ 7.2</u>

Stock Options — All outstanding option awards were granted with an exercise price equal to the closing market price of the Company's common stock on the date of grant. All outstanding stock option award agreements contain certain forfeiture and non-compete provisions.

There were no options granted in 2020 or 2019. All options granted in 2014, 2013 and 2012 have a term of 10 years. Prior to the fourth quarter of 2011, options granted were either time-based, vesting over a four-year period, or performance-based, vesting over a five-year period. All options issued after the fourth quarter of 2011 are time-based, with options granted in the fourth quarter of 2011 through the first part of 2014 vesting over a four-year period, and the remaining options granted in 2014 vesting over a three-year period, in an equal number of shares each year.

The following table is a summary of the Company's stock option activity for the year ended December 31, 2020:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000,000)
Options outstanding at December 31, 2019	409,296	\$ 19.34	2.4 years	\$ —
Forfeited/Expired	(131,334)	18.82		
Options outstanding, vested or expected to vest, and exercisable at December 31, 2020	277,962	\$ 19.58	1.8 years	\$ —

There were no options exercised in 2020 or 2019. As of December 31, 2020, the Company had no unrecognized stock option expense related to outstanding options.

Restricted Stock Units — In March 2020 and in February 2019, the Company granted time-based restricted stock units. The time-based restricted stock units vest in three equal installments on each anniversary of the grant date.

For purposes of determining the fair value of restricted stock units and performance-based restricted stock units, the fair value is calculated based on the stock price at the time of grant. For performance-based restricted stock units, expense is recognized if achievement of the performance goal is deemed probable, with the amount of expense recognized based on the Company's best estimate of the ultimate achievement level. For grants to employees, expense is recognized in the "Compensation and benefits" line and expense for grants to Non-Employee Directors is recorded in the "Transaction and operations support" line in the Consolidated Statements of Operations using the straight-line method over the vesting period.

The following table is a summary of the Company's restricted stock unit activity for the year ended December 31, 2020:

	Total Shares	Weighted Average Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000,000)
Restricted stock units outstanding at December 31, 2019	2,323,508	\$ 5.38	1.0 years	\$ 4.9
Granted	3,266,033	2.15		
Vested and converted to shares	(1,079,834)	6.70		
Forfeited	(138,488)	3.45		
Restricted stock units outstanding at December 31, 2020	<u>4,371,219</u>	<u>\$ 2.70</u>	1.0 years	\$ 23.9

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The following table is a summary of the Company's restricted stock and restricted stock unit compensation information for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Weighted-average grant-date fair value of restricted stock units vested during the year	\$ 7.2	\$ 9.8
Total intrinsic value of vested and converted shares	\$ 2.7	\$ 2.9

As of December 31, 2020, the Company's outstanding restricted stock units had unrecognized compensation expense of \$6.8 million with a remaining weighted-average vesting period of 1.0 years. Unrecognized restricted stock unit expense and the remaining weighted-average vesting period are presented using the Company's current estimate of achievement of performance goals. The Company had no cash-settled restricted stock units for the twelve months ended December 31, 2020.

Note 13 — Income Taxes

The Company's operations are included in the consolidated federal income tax return of MoneyGram. The consolidated federal income tax return of MoneyGram includes the income of the Company and income or loss activity of the other members of the tax filing group. Consolidated federal income tax expense is allocated by calculating income tax expense on income or loss activity of the other members of the tax filing group at the federal statutory income tax rate and allocating the residual federal income tax expense to the Company. In addition, all state and foreign tax expenses are allocated to the Company.

As the operating entity of the tax filing group, generally all cash tax payments are funded by, and refunds deposited to, the accounts of the Company and its subsidiaries. Any activity between the other members of the tax filing group are recorded through intercompany accounts.

The following table is a summary of the components of income before income taxes for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
U.S.	\$ 94.2	\$ 4.7
Foreign	6.4	12.1
Income before income taxes	<u>\$ 100.6</u>	<u>\$ 16.8</u>

Foreign income consists of income and losses from the Company's international subsidiaries. Most of the Company's wholly-owned subsidiaries recognize revenue based solely on services agreements with the primary U.S. operating subsidiary. The following table is a summary of the income tax expense for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Current:		
Federal	\$ 22.0	\$ 8.9
State	2.1	1.2
Foreign	4.2	8.1
Current income tax expense	<u>28.3</u>	<u>18.2</u>
Deferred:		
Federal	(2.3)	(6.4)
State	1.7	(2.1)
Foreign	0.1	(1.2)
Deferred income tax benefit	<u>(0.5)</u>	<u>(9.7)</u>
Income tax expense	<u>\$ 27.8</u>	<u>\$ 8.5</u>

As of December 31, 2020, the Company had a tax payable of \$27.1 million recorded in the "Accounts payable and other liabilities" and a tax receivable of \$4.8 million recorded in the "Other assets" in the Consolidated Balance Sheets. As of As of

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December 31, 2019, the Company had a tax payable of \$71.2 million recorded in the “Accounts payable and other liabilities” and a tax receivable of \$4.0 million recorded in the “Other assets” in the Consolidated Balance Sheets.

The following table is a reconciliation of the expected federal income tax expense at statutory rates to the actual tax expense for the years ended in December 31:

<i>(Amounts in millions)</i>	2020	2019
Income tax expense at statutory federal income tax rate	\$ 21.1	\$ 3.5
Tax effect of:		
State income tax, net of federal income tax effect	(0.7)	(1.3)
Valuation allowance	2.9	(0.2)
International taxes	1.5	3.4
Other net permanent differences	1.8	1.0
Change in tax reserve	—	1.2
Change in unrecognized tax benefits	2.4	—
Stock-based compensation	0.7	3.8
Impact from the TCJA	—	1.1
U.S. general business credits	(3.6)	(2.4)
BEAT	1.3	—
U.S. taxation of foreign earnings	(0.3)	0.3
Other	0.7	(1.9)
Income tax expense	<u>\$ 27.8</u>	<u>\$ 8.5</u>

In 2020, the Company recognized a tax expense of \$27.8 million on a pre-tax income of \$100.6 million. Our income tax rate was higher than the statutory rate primarily due to an increase in the valuation allowance, an increase in unrecognized tax benefits, non-deductible expenses a change in tax law, and foreign taxes, all of which were partially offset by U.S. general business credits. As a result of the issuance of the final Section 951A and Section 954 regulations by the U.S. Treasury Department and the Internal Revenue Service (the “IRS”) on July 20, 2020, the Company recognized a discrete tax benefit of \$1.0 million related to the direct effects of the GILTI high-tax exclusions being applied retroactively to tax years 2018 and 2019. Due to the interaction this adjustment had with the computation of BEAT, the Company’s 2018 BEAT liability increased by \$1.3 million resulting in a net tax expense of \$0.3 million for the change in law.

In 2019, the Company recognized a tax expense of \$8.5 million on a pre-tax income of \$16.8 million. Our income tax rate was higher than the statutory rate primarily due to the reversal of tax benefits on share-based compensation, non-deductible expenses and foreign taxes, all of which were partially offset by U.S. general business credits. In 2019, as a result of the issuance of the final Section 965 regulations by the U.S. Treasury Department and the Internal Revenue Service (“IRS”) on January 15, 2019, the Company recognized tax expense of \$1.1 million to revise its one-time transition tax liability, which resulted in no tax due as a result of offsetting foreign tax credits.

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The following table is a summary of the Company's deferred tax assets and liabilities as of December 31:

<i>(Amounts in millions)</i>	2020	2019
Deferred tax assets:		
Basis difference in revalued investments	\$ 54.0	\$ 55.3
Tax loss carryovers	16.9	16.8
Postretirement benefits and other employee benefits	8.4	7.9
Tax credit carryovers	2.3	1.5
Bad debt and other reserves	2.2	1.1
Lease liabilities	12.0	11.5
Depreciation and amortization	11.0	9.1
Interest expense carryovers	0.2	—
Other	7.3	10.4
Valuation allowance	(69.7)	(68.9)
Total deferred tax assets	<u>44.6</u>	<u>44.7</u>
Deferred tax liability:		
Depreciation and amortization	(66.0)	(67.6)
Lease right-of-use asset	(11.0)	(10.6)
Total deferred tax liability	<u>(77.0)</u>	<u>(78.2)</u>
Net deferred tax liability	<u>\$ (32.4)</u>	<u>\$ (33.5)</u>

The Company offsets deferred tax asset positions with deferred tax liability positions based on right to offset in each respective tax jurisdiction. As of December 31, 2020, net deferred tax asset positions of \$4.6 million were included in “Other assets” and net deferred tax liability positions of \$37.0 million were included in “Accounts payable and other liabilities” in the Consolidated Balance Sheets. As of December 31, 2019, net deferred tax asset positions of \$4.4 million were included in “Other assets” and net deferred tax liability positions of \$37.9 million were included in “Accounts payable and other liabilities” in the Consolidated Balance Sheets. The valuation allowances as of December 31, 2020 and 2019, primarily relate to basis differences in revalued investments, capital loss carryovers and, to a smaller extent, certain foreign tax loss carryovers.

The following table is a summary of the amounts and expiration dates of tax loss carry-forwards (not tax effected) and credit carry-forwards as of December 31, 2020:

<i>(Amounts in millions)</i>	Expiration Date	Amount
U.S. capital loss carry-forwards	2021 - 2025	\$ 34.5
U.S. tax credit carry-forwards	2025 - 2040	\$ 2.3

Unrecognized tax benefits are recorded in “Accounts payable and other liabilities” in the Consolidated Balance Sheets. The following table is a reconciliation of unrecognized tax benefits for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Beginning balance	\$ 18.2	\$ 17.9
Additions based on tax positions related to prior years	0.9	0.9
Additions based on tax positions related to current year	0.6	—
Settlements with cash or attributes	—	(0.1)
Reductions for tax positions of prior years and other	—	(0.5)
Ending balance	<u>\$ 19.7</u>	<u>\$ 18.2</u>

As of December 31, 2020 and 2019, the liability for unrecognized tax benefits was \$19.7 million and \$18.2 million, respectively, exclusive of interest and penalties. For 2020 and 2019, the net amount of unrecognized tax benefits that if recognized could impact the effective tax rate was \$19.7 million and \$18.2 million, respectively. The Company accrues interest and penalties for unrecognized tax benefits through “Income tax expense” in the Consolidated Statements of Operations. For

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2020 and 2019, the Company's accrual for interest and penalties increased by \$1.1 million and increased by \$1.0 million, respectively. As of December 31, 2020 and 2019, the Company had a liability of \$9.4 million and \$8.3 million, respectively, accrued for interest and penalties within "Accounts payable and other liabilities." As a result of the Company's litigation related to its securities losses discussed in more detail in Note 14 - *Commitments and Contingencies*, it is possible that there could be a significant decrease to the total amount of unrecognized tax benefits over the next 12 months. However, as of December 31, 2020, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax positions over the next 12 months.

Note 14 — Commitments and Contingencies

Letters of Credit — At December 31, 2020, the Company had no borrowings and nominal outstanding letters of credit under the First Lien Revolving Credit Facility.

Legal Proceedings — The matters set forth below are subject to uncertainties and outcomes that are not predictable. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigation matters. In relation to various legal matters, including those described below, the Company had \$57.0 million and \$57.5 million of estimated liability recorded within "Accounts payable and other liabilities" in the Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019, respectively. For the years 2020 and 2019, a nominal charge was recorded for legal proceedings.

Litigation Commenced Against the Company:

Class Action Securities Litigation — On November 14, 2018, a putative securities class action lawsuit was filed in the United States District Court for the Northern District of Illinois against MoneyGram and certain of its executive officers. The lawsuit asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and alleges that MoneyGram made material misrepresentations regarding its compliance with the stipulated order for permanent injunction and final judgment that MoneyGram entered into with the Federal Trade Commission ("FTC") in October 2009 and with the deferred prosecution agreement (the "DPA") that MoneyGram entered into with the U.S. Attorney's Office for the Middle District of Pennsylvania and the U.S. Department of Justice in November 2012. The lawsuit seeks unspecified damages, equitable relief, interest and costs and attorneys' fees. MoneyGram believes the case is without merit and is vigorously defending this matter. We are unable to predict the outcome, or the possible loss or range of loss, if any, related to this matter.

Shareholder Derivative Litigation — On February 19 and 20, 2019, two virtually identical shareholder derivative lawsuits were filed in the United States District Court for the Northern District of Texas. The suits, which were consolidated, purport to assert claims derivatively on behalf of MoneyGram against MoneyGram's directors and certain of its executive officers for violations of Sections 10(b), 14(a) and 20(a) of the Securities Exchange Act of 1934 and for common-law breach of fiduciary duty and unjust enrichment. The complaints asserted that the individual defendants caused MoneyGram to make material misstatements regarding MoneyGram's compliance with the stipulated order and DPA described below and breached their fiduciary duties in connection with MoneyGram's compliance programs. The lawsuit sought unspecified damages, equitable relief, interest and costs and attorneys' fees. On February 24, 2020, the United States District for the Northern District of Texas entered an agreed final judgment dismissing the consolidated case. On December 28, 2019, another MoneyGram shareholder filed a putative derivative action suit in the Court of Chancery of the State of Delaware, New Castle County, against certain of MoneyGram's officers and directors. The Delaware suit asserted claims for breach of fiduciary duty and other common law theories and sought unspecified damages on behalf of MoneyGram based on allegations that the individual defendants failed to take appropriate actions to prevent or remedy noncompliance with the stipulated order and DPA described below. On December 31, 2020, the Court of Chancery granted the motion to dismiss filed by MoneyGram and the individual defendants, holding that the complaint failed to plead particularized facts showing a substantial likelihood that MoneyGram's directors acted in bad faith. MoneyGram believes the Delaware case is without merit and intends to vigorously defend any appeal or further motion that the plaintiff may file. We are unable to predict the outcome, or the possible loss or range of loss, if any, related to this matter.

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Books and Records Requests — MoneyGram has received multiple requests from various putative shareholders for inspection of books and records pursuant to Section 220 of the Delaware General Corporation Law relating to the subject matter of the putative class and derivative lawsuits described in the preceding paragraphs. On February 26, 2019, two of these shareholders filed a petition in the Delaware Court of Chancery to compel MoneyGram to produce books and records in accordance with their request but have since dismissed their action. We are unable to predict the outcome, or the possible loss or range of loss, if any, related to these matters.

It is possible that additional shareholder lawsuits could be filed relating to the subject matter of the class action, derivative actions and Section 220 requests.

Other Matters — MoneyGram is involved in various other claims and litigation that arise from time to time in the ordinary course of the Company's business. Management does not believe that after final disposition any of these matters is likely to have a material adverse impact on MoneyGram's financial condition, results of operations or cash flows.

Government Investigations:

OFAC — In 2015, we initiated an internal investigation to identify any payments processed by MoneyGram that were violations of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") sanctions regulations. We notified OFAC of the internal investigation, which was conducted in conjunction with MoneyGram's outside counsel. On March 28, 2017, we filed a Voluntary Self-Disclosure with OFAC regarding the findings of our internal investigation. OFAC is currently reviewing the results of the MoneyGram's investigation. At this time, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition or operations, and we cannot predict when OFAC will conclude its review of our Voluntary Self-Disclosure.

Deferred Prosecution Agreement — In November 2012, we announced that a settlement was reached with the U.S. Attorney's Office for the Middle District of Pennsylvania (the "MDPA") and the U.S. Department of Justice, Criminal Division, Money Laundering and Asset Recovery Section (the "U.S. DOJ") relating to the previously disclosed investigation of transactions involving certain of our U.S. and Canadian agents, as well as fraud complaint data and the consumer anti-fraud program, during the period from 2003 to early 2009. In connection with this settlement, we entered into the Amended DPA with the MDPA and U.S. DOJ (collectively, the "Government") dated November 9, 2012.

On November 1, 2017, MoneyGram agreed to a stipulation with the Government that the five-year term of the MoneyGram's DPA be extended for 90 days to February 6, 2018. Between January 31, 2018 and September 14, 2018, MoneyGram agreed to enter into various extensions of the DPA with the Government, with the last extension ending on November 6, 2018. Each extension of the DPA extended all terms of the DPA, including the term of the monitorship for an equivalent period. The purpose of the extensions was to provide MoneyGram and the Government additional time to discuss whether MoneyGram was in compliance with the DPA.

On November 8, 2018, MoneyGram announced that it entered into (1) an Amendment to and Extension of Deferred Prosecution Agreement (the "Amended DPA") with the Government and (2) a Stipulated Order for Compensatory Relief and Modified Order for Permanent Injunction (the "Consent Order") with the FTC. The motions underlying the Amended DPA and Consent Order focus primarily on MoneyGram's anti-fraud and anti-money laundering programs, including whether MoneyGram had adequate controls to prevent third parties from using its systems to commit fraud. The Amended DPA amended and extended the original DPA entered into on November 9, 2012 by and between MoneyGram and the Government. The DPA, Amended DPA and Consent Order are collectively referred to herein as the "Agreements." On February 25, 2020, MoneyGram entered into an Amendment to and Extension of the DPA Agreement which extended the due date to November 8, 2020 for the final \$55.0 million payment due to the Government pursuant to the Amended DPA. On July 24, 2020, MoneyGram entered into the Second Amendment to the Amendment to and Extension of the Deferred Prosecution Agreement which further extended the due date of the \$55.0 million payment to May 9, 2021 and also reduced the frequency of the reporting requirements under the Amended DPA from monthly to quarterly. MoneyGram continues to engage in discussions with the Government regarding a potential reduction of the \$55.0 million payment. MoneyGram intends to fulfill its obligation regarding the final payment and the other terms of the Amended DPA.

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Under the Agreements, as amended, MoneyGram will, among other things, (1) pay an aggregate amount of \$125.0 million to the Government, of which \$70.0 million was paid in November 2018 and the remaining \$55.0 million must be paid by May 9, 2021, and is to be made available by the Government to reimburse consumers who were the victims of third-party fraud conducted through MoneyGram's money transfer services, and (2) continue to retain an independent compliance monitor until May 10, 2021 to review and assess actions taken by the Company under the Agreements to further enhance its compliance program. No separate payment to the FTC is required under the Agreements. If MoneyGram fails to comply with the Agreements, it could face criminal prosecution, civil litigation, significant fines, damage awards or regulatory consequences which could have a material adverse effect on MoneyGram's business, financial condition, results of operations and cash flows.

NYDFS — On June 22, 2018, MoneyGram received a request for production of documents from the New York Department of Financial Services (the "NYDFS") related to the subject of the DPA and FTC matters described above. This request followed previous inquiries by the NYDFS regarding certain of our New York based agents. Following the June 22, 2018 request for production, MoneyGram received and responded to several inquiries from the NYDFS related to this matter and has met with the NYDFS to discuss the matter. The NYDFS did not indicate what, if any, action it intended to take in connection with this matter, although it is possible that it could seek additional information, initiate civil litigation and/or seek to impose fines, damages or other regulatory consequences, any or all of which could have an adverse effect on MoneyGram's business, financial condition, results of operations and cash flows. MoneyGram is unable to predict the outcome, or the possible loss or range of loss, if any, that could be associated with this matter.

CFPB — On February 12, 2020, MoneyGram received a Report of Examination ("ROE") from the Consumer Financial Protection Bureau ("CFPB") stating that previous findings from a 2019 exam were not remediated, and the matter would be referred to its Enforcement Unit. On March 18, 2020, MoneyGram received a Civil Investigative Demand ("CID") from the CFPB's Enforcement Unit. On June 11, 2020, MoneyGram provided a timely response to the ROE describing the remedial actions taken and that the findings have been substantially remediated. On August 21, 2020, MoneyGram completed its production in response to the CID. At this time, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition or results of operations, and we cannot predict when the CFPB will conclude its review of the CID.

Other Matters — MoneyGram is involved in various other government inquiries and other matters that arise from time to time. Management does not believe that after final disposition any of these other matters is likely to have a material adverse impact on MoneyGram's financial condition, results of operations or cash flows.

Actions Commenced by the Company:

Tax Litigation — The IRS completed its examination of MoneyGram's consolidated income tax returns through 2013 and issued Notices of Deficiency for 2005-2007 and 2009, and an Examination Report for 2008. The Notices of Deficiency and Examination Report disallow, among other items, approximately \$900.0 million of ordinary deductions on securities losses in the 2007, 2008 and 2009 tax returns. In May 2012 and December 2012, MoneyGram filed petitions in the U.S. Tax Court ("Tax Court") challenging the 2005-2007 and 2009 Notices of Deficiency, respectively. In 2013, MoneyGram reached a partial settlement with the IRS allowing ordinary loss treatment on \$186.9 million of deductions in dispute. In January 2015, the Tax Court granted the IRS's motion for summary judgment upholding the remaining adjustments in the Notices of Deficiency. MoneyGram filed a notice of appeal with the Tax Court on July 27, 2015 for an appeal to the U.S. Court of Appeals for the Fifth Circuit ("Fifth Circuit"). Oral arguments were held before the Fifth Circuit on June 7, 2016, and on November 15, 2016, the Fifth Circuit vacated the Tax Court's decision and remanded the case to the Tax Court for further proceedings. MoneyGram filed a motion for summary judgment in the Tax Court on May 31, 2017. On August 23, 2017, the IRS filed a motion for summary judgment and its response to MoneyGram's motion for summary judgment. The Tax Court directed the parties to agree to a joint stipulation of facts, which the parties filed with the court. Each party filed updated memorandums in support of its motions for summary judgment in the Tax Court. The Tax Court held oral arguments on this matter on September 9, 2019 and the Tax Court issued an opinion on December 3, 2019 denying MoneyGram's motion for summary judgment. MoneyGram disagrees with many of the U.S. Tax Court's findings and filed a Notice of Appeal to the Fifth Circuit on February 21, 2020. The matter is currently pending before the Fifth Circuit Court of Appeals.

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The January 2015 Tax Court decision was a change in facts which warranted reassessment of MoneyGram’s uncertain tax position. Although MoneyGram believes that it has substantive tax law arguments in favor of its position and has appealed the ruling, the reassessment resulted in MoneyGram determining that it is no longer more likely than not that its existing position will be sustained. Accordingly, MoneyGram re-characterized certain deductions relating to securities losses to be capital in nature, rather than ordinary. MoneyGram recorded a full valuation allowance against these losses in the quarter ended March 31, 2015. This change increased “Income tax expense” in the Consolidated Statements of Operations in the quarter ended March 31, 2015 by \$63.7 million. During 2015, MoneyGram made payments to the IRS of \$61.0 million for federal tax payments and associated interest related to the matter. The November 2016 Fifth Circuit decision to remand the case back to the Tax Court did not change MoneyGram’s assessment regarding the likelihood of whether these deductions would ultimately be sustained. Accordingly, no change in the valuation allowance was made for this matter as of December 31, 2020.

Pending the ultimate outcome of the Tax Court proceeding, MoneyGram may be required to file amended state returns and make additional cash payments of up to \$21.2 million on amounts that have previously been accrued. MoneyGram recently filed a Notice of Appeal to the Fifth Circuit on February 21, 2020, and therefore expects that any potential payment would not be due before 2021.

Note 15 — Revenue Recognition

The following table is a summary of the Company's revenue streams disaggregated by services and products for each segment and timing of revenue recognition for such services and products excluding other revenue for the years ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Global Funds Transfer revenue		
Money transfer fee revenue	\$ 1,083.4	\$ 1,102.1
Bill payment services fee revenue	46.2	59.4
Other revenue	21.3	21.8
Total Global Funds Transfer fee and other revenue	<u>\$ 1,150.9</u>	<u>\$ 1,183.3</u>
Financial Paper Products revenue		
Money order fee revenue	7.3	8.7
Official check outsourcing services fee revenue	7.4	8.7
Other revenue	31.6	29.7
Total Financial Paper Products fee and other revenue	46.3	47.1
Investment revenue	20.0	54.7
Total revenue	<u>\$ 1,217.2</u>	<u>\$ 1,285.1</u>
Timing of revenue recognition:		
Services and products transferred at a point in time	\$ 1,137.0	\$ 1,170.2
Products transferred over time	7.4	8.7
Total revenue from services and products	1,144.4	1,178.9
Investment revenue	20.0	54.7
Other revenue	52.8	51.5
Total revenue	<u>\$ 1,217.2</u>	<u>\$ 1,285.1</u>

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See Note 2 — *Summary of Significant Accounting Policies* the Company's accounting policies on revenue recognition. Due to the short-term nature of the Company's services and products, the amount of contract assets and liabilities on the Consolidated Balance Sheets as of December 31, 2020 and 2019, is negligible. Assets for unsettled money transfers, money orders and consumer payments are included within "Settlement assets" with a corresponding liability recorded within "Payment service obligations" on the Consolidated Balance Sheets. For more information on these assets and liabilities see Note 2 - *Summary of Significant Accounting Policies*.

Note 16 — Leases

The Company's leases consist primarily of operating leases for buildings, equipment and vehicles. Finance leases are immaterial. The ROU asset and the lease liability are calculated based on the remaining minimum rental payments under current leasing standards for existing operating leases. The reduction in the carrying amount of the ROU asset and changes in the lease liability are presented within "Operating activities" on the Consolidated Statements of Cash Flows. We elected the package of practical expedients, which permitted us to not reassess our prior conclusions about lease identification, lease classification and initial direct costs under the new standard. We did not elect the use of the hindsight practical expedient or the practical expedient pertaining to land easements, as the latter was not applicable to us. We also elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, we did not recognize ROU assets or lease liabilities. The Company elected the practical expedient to not separate lease and non-lease components for our real estate and vehicle leases.

The Company's various noncancellable operating leases for buildings, equipment and vehicles terminate through 2030. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As of December 31, 2020 and 2019, the leases had a weighted-average remaining lease term of 7.3 years and 6.2 years, respectively. As most of our leases do not provide an implicit rate, the Company utilized the portfolio approach in determining the discount rate. The portfolios were grouped based on lease type and geographical location. The Company considered the most relevant major interest rate in the specific geographical location such as the Prime Rate in the U.S. and U.K. or the collateralized interest rate for non-financial institutions of the European Central Bank. These rates were then adjusted for the Company's specific credit ratings or economic conditions and lease terms of the specific portfolio. As of December 31, 2020 and 2019, the weighted-average discount rate was 5.7% and 5.4%, respectively.

The Company recognizes rent expense for operating leases under the straight-line method over the term of the lease where differences between the monthly cash payments and the lease expense are offset to the ROU asset on the Consolidated Balance Sheets. Lease expense for buildings and equipment is included within "Occupancy, equipment and supplies" on the Consolidated Statements of Operations, while lease expense for our vehicles is included within "Compensation and benefits." Some of the Company's building leases include rent expense that is associated with an index or a rate. Subsequent changes from the original index or rate would be treated as variable lease expense. Furthermore, future changes to the non-lease components of our real estate and vehicle leases will be treated as variable lease expenses.

The following table is a summary of the Company's lease expense for its operating leases for the year ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Buildings, equipment and vehicle leases	\$ 15.0	\$ 15.8
Short-term and variable lease cost	1.2	1.7
Total lease cost	\$ 16.2	\$ 17.5

Supplemental cash flow information related to leases was as follows for the year ended December 31:

<i>(Amounts in millions)</i>	2020	2019
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 15.3	\$ 15.8
ROU assets obtained in exchange for lease obligations	15.0	11.6

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Maturities of operating lease liabilities as of December 31, 2020 were as follows:

<i>(Amounts in millions)</i>	Future Minimum Lease Payments	
2021	\$	14.0
2022		10.5
2023		7.9
2024		7.9
2025		7.6
Thereafter		25.4
Total		73.3
Less: present value discount		(14.2)
Lease liability - operating	\$	59.1

Note 17 — Related Parties

In June 2019, MoneyGram entered into a multiple element arrangement with Ripple Labs Inc. ("Ripple") consisting of two contracts: a securities purchase agreement (the "SPA") and a commercial agreement. Pursuant to the SPA, MoneyGram issued and sold to Ripple an aggregate of 6,237,523 shares of common stock at a purchase price of \$4.10 per share and warrants to purchase 5,957,600 shares of common stock ("Ripple Warrants") at a per share reference price of \$4.10 per share of common stock underlying the Ripple Warrant, exercisable at \$0.01 per underlying share of common stock pursuant to separate issuances of common stock and Ripple Warrants, one in June 2019 and another in November 2019. Through the commercial agreement, which is scheduled to expire on July 1, 2023, we utilized Ripple's ODL platform, as well as XRP, for cross-border foreign exchange currency settlements. MoneyGram was compensated by Ripple in XRP for developing and bringing liquidity to foreign exchange markets, facilitated by the ODL platform, and providing a reliable level of foreign exchange trading activity. We refer to this compensation as market development fees. On November 25, 2020, Ripple initiated the sale of 4,000,000 shares through a series of open market transactions that occurred from November 27, 2020 to December 14, 2020. As of December 31, 2020, Ripple held 2,237,523 shares of our common stock.

MoneyGram accounts for the XRP received as an indefinite-lived intangible asset, which is measured based on the fair market value of the XRP. Any future liquidation of such indefinite-lived intangible assets will result in capital gains or losses and will be recorded within "Occupancy, equipment and supplies" in the Consolidated Statement of Operations. See Note 9 — *Goodwill and Intangible Assets* for more information on the Company's indefinite-lived intangible assets.

MoneyGram recognizes the XRP fees received from Ripple as vendor consideration, which is presented as an offset to costs incurred to the vendor within "Transaction and operations support" in the Consolidated Statements of Operations. All activity related to the Ripple commercial agreement, including purchases and sales of XRP and consideration received in XRP, is presented as part of operating activities in the Consolidated Statement of Cash Flows. Per the terms of the commercial agreement, MoneyGram does not pay fees to Ripple for its usage of the ODL platform and there are no claw back or refund provisions.

On December 22, 2020, the SEC filed a lawsuit against Ripple alleging that they raised over \$1.3 billion through an unregistered, ongoing digital asset offering in violation of the registration provisions of the Securities Act of 1933. Subsequently, substantially all of the U.S.-based digital asset exchanges removed XRP from their platforms. MoneyGram ceased transacting with Ripple under the commercial agreement in early December 2020 and has not since resumed trading. Per the terms of the commercial agreement, MoneyGram does not pay fees to Ripple for its usage of the ODL platform or the related software and there are no clawback or refund provisions.

Related party transactions are not necessarily indicative of an arm's length transaction or comparable to a transaction that had been entered into with independent parties.

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The "Transaction and operations support" line on the Consolidated Statements of Operations includes market development fees of \$50.2 million and \$11.3 million for the years ended December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020, the "Other assets" line in the Consolidated Balance Sheets had no accounts receivable from Ripple and no cryptocurrency indefinite-lived intangible asset. As of December 31, 2019, accounts receivable and cryptocurrency indefinite-lived intangible asset were \$0.9 million and \$6.2 million, respectively.

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Note 18 — Subsequent Events

2021 Organizational Realignment — On January 11, 2021, MoneyGram committed to an operational plan to reduce overall operating expenses, including the elimination of approximately 90 positions across the Company and certain actions to reduce other ongoing operating expenses, including real estate-related expenses (the “2021 Organizational Realignment”). The actions are designed to streamline operations and structure MoneyGram in a way that will be more agile and aligned around its plan to execute market-specific strategies. The total expected cost of the 2021 Organizational Realignment is approximately \$9.7 million, which includes approximately \$6.2 million in one-time cash severance expenditures and \$3.5 million in real estate-related and other cash expenditures. MoneyGram expects the 2021 Organizational Realignment to reduce operating expenses by approximately \$18.0 million on an annualized basis. The Company anticipates the workforce reduction portion of the 2021 Organizational Realignment to be substantially completed in the first quarter of 2021 and related cash expenditures to be substantially paid out in 2021. MoneyGram’s estimates are based on a number of assumptions. Actual results may differ materially, and additional charges not currently expected may be incurred in connection with, or as a result of, the 2021 Organizational Realignment.

Termination of Ripple Agreement — On March 7, 2021, MoneyGram and Ripple signed an agreement to terminate, the commercial agreement between the parties that was originally entered into in June of 2019. As previously disclosed, the Company had ceased transacting under the commercial agreement in early December 2020. The Company did not resume transacting under the commercial agreement from that period through the termination date and as such, will not receive any market development fees in 2021.

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