HEARTLAND PAYMENT SYSTEMS INC
Form 10-Q
November 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File No. 001-32594

HEARTLAND PAYMENT SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-3755714
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

90 Nassau Street, Princeton, New Jersey 08542
(Address of principal executive offices) (Zip Code)
(609) 683-3831
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer	x	Accelerated filer	o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

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

As of November 2, 2015, there were 36,755,918 shares of the registrant's Common Stock, $0.001 par value, outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Condensed Financial Statements

Heartland Payment Systems, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands, except share data)
(unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$43,148	$70,793
Funds held for customers	180,458	176,492
Receivables, net	258,378	234,104
Investments	107	106
Inventory	10,279	12,048
Prepaid expenses	21,625	22,658
Current tax assets	749	15,082
Current deferred tax assets, net	12,311	9,308
Total current assets	527,055	540,591
Capitalized customer acquisition costs, net	83,192	73,107
Property and equipment, net	168,244	154,303
Goodwill	475,317	425,712
Intangible assets, net	197,254	192,553
Deposits and other assets, net	1,677	1,507
Total assets	$1,452,739	$1,387,773
Liabilities and Equity		
Current liabilities:		
Due to sponsor banks	$49,266	$31,165
Accounts payable	58,576	58,460
Customer fund deposits	180,458	176,492
Processing liabilities	119,884	119,398
Current portion of accrued buyout liability	17,471	15,023
Current portion of borrowings	48,793	36,792
Current portion of unearned revenue	53,150	46,601
Accrued expenses and other liabilities	49,050	41,517
Total current liabilities	576,648	525,448
Deferred tax liabilities, net	59,057	45,804
Reserve for unrecognized tax benefits	8,630	7,315
Long-term borrowings	450,041	523,122
Long-term portion of accrued buyout liability	38,175	32,970
Long-term portion of unearned revenue	3,025	2,354
Total liabilities	1,135,576	1,137,013
Commitments and contingencies (Note 11)	—	—
Equity		
	37	36

Common stock, $0.001 par value, 100,000,000 shares authorized, 36,752,588 and 36,344,921 shares issued and outstanding at September 30, 2015 and December 31, 2014		
Additional paid-in capital	271,171	255,921
Accumulated other comprehensive loss	(8)	(130)
Retained earnings (accumulated deficit)	45,963	(5,067)
Total equity	317,163	250,760
Total liabilities and equity	$1,452,739	$1,387,773

See accompanying notes to condensed consolidated financial statements.

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Heartland Payment Systems, Inc. and Subsidiaries
Condensed Consolidated Statements of Income
(In thousands, except per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Total revenues	$705,667	$600,626	$1,983,818	$1,706,768
Costs of services:				
Interchange	425,572	373,372	1,194,461	1,059,241
Dues, assessments and fees	65,506	57,864	180,548	163,218
Processing and servicing	85,817	69,328	246,227	204,985
Customer acquisition costs	15,501	12,289	44,284	34,907
Depreciation and amortization	11,541	7,981	33,382	20,472
Total costs of services	603,937	520,834	1,698,902	1,482,823
General and administrative	59,216	49,381	174,212	137,241
Total expenses	663,153	570,215	1,873,114	1,620,064
Income from operations	42,514	30,411	110,704	86,704
Other income (expense):				
Interest income	29	33	82	95
Interest expense	(3,647)	(2,142)	(11,178)	(4,450)
Other, net	(9)	3,581	(309)	3,869
Total other (expense) income	(3,627)	1,472	(11,405)	(486)
Income before income taxes	38,887	31,883	99,299	86,218
Provision for income taxes	15,006	11,727	37,274	34,579
Net income	23,881	20,156	62,025	51,639
Less: Net loss attributable to noncontrolling interests	—	(302)	—	(2,011)
Net income attributable to Heartland	$23,881	$20,458	$62,025	$53,650
Earnings per common share:				
Basic	$0.65	$0.57	$1.69	$1.47
Diluted	$0.64	$0.56	$1.67	$1.44
Weighted average number of common shares outstanding:				
Basic	36,744	36,069	36,600	36,388
Diluted	37,281	36,850	37,186	37,249
Dividends declared per share:	$0.10	$0.085	$0.30	$0.255

See accompanying notes to condensed consolidated financial statements.

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Heartland Payment Systems, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(In thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	$23,881	$20,156	$62,025	$51,639
Other comprehensive income (loss):				
Reclassification of losses (gains) on investments, net of income tax of $(7), $5, $(7) and $108	12	(6)	12	(170)
Unrealized gains (losses) on investments, net of income tax of $11, $(5), $16 and $5	28	(8)	43	6
Unrealized gains on derivative financial instruments, net of income tax of $17, $28, $50 and $83	11	45	67	140
Comprehensive income	23,932	20,187	62,147	51,615
Less: Comprehensive loss attributable to noncontrolling interests	—	(302)	—	(2,011)
Comprehensive income attributable to Heartland	$23,932	$20,489	$62,147	$53,626

See accompanying notes to condensed consolidated financial statements.

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Heartland Payment Systems, Inc. and Subsidiaries
Condensed Consolidated Statements of Equity
(In thousands)
(unaudited)

	Heartland Stockholders' Equity							
	Common Stock							
	Shares	Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Noncontrolling Interests	Total Equity
Nine Months Ended September 30, 2014								
Balance, January 1, 2014	36,951	$37	$245,055	$ (88)	$35,960	$(20,489)	$ 6,188	$266,663
Issuance of common stock– options exercised	346	—	4,482	—	—	—	—	4,482
Issuance of common stock – RSU's vested	230	—	(5,225)	—	—	—	—	(5,225)
Excess tax benefit on employee share-based compensation	—	—	5,670	—	—	—	—	5,670
Repurchase of common stock	(1,348)	—	—	—	—	(54,455)	—	(54,455)
Retirement of treasury stock	—	(1)	(12,368)	—	(62,575)	74,944	—	—
Share-based compensation	—	—	10,936	—	—	—	—	10,936
Acquisition of noncontrolling interest	—	—	3,577	—	—	—	(4,177)	(600)
Other comprehensive loss	—	—	—	(24)	—	—	—	(24)
Dividends on common stock	—	—	—	—	(9,249)	—	—	(9,249)
Net income (loss) for the period		—	—	—	53,650	—	(2,011)	51,639
Balance, September 30, 2014	36,179	$36	$252,127	$ (112)	$17,786	$—	$ —	$269,837
Nine Months Ended September 30, 2015								
Balance, January 1, 2015	36,345	$36	$255,921	$ (130)	$(5,067)	$—	$ —	$250,760
Issuance of common stock–	173	—	2,677	—	—	—	—	2,677

options exercised								
Issuance of common stock – RSU’s vested	235	1	(7,145)	—	—	—	—	(7,144)
Excess tax benefit on employee share-based compensation	—	—	5,578	—	—	—	—	5,578
Share-based compensation	—	—	14,140	—	—	—	—	14,140
Other comprehensive income	—	—	—	122	—	—	—	122
Dividends on common stock	—	—	—	—	(10,995)	—	—	(10,995)
Net income for the period	—	—	—	—	62,025	—	—	62,025
Balance, September 30, 2015	36,753	$37	$271,171	$ (8)	$45,963	$—	$ —	$317,163

See accompanying notes to condensed consolidated financial statements.

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Heartland Payment Systems, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities		
Net income	$62,025	$51,639
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of capitalized customer acquisition costs	44,420	38,056
Other depreciation and amortization	46,283	33,516
Addition to loss reserves	2,528	3,000
Provision for doubtful receivables	4,991	3,010
Deferred taxes	3,611	8,361
Share-based compensation	14,140	10,936
Write off of fixed assets and other	1,223	(3,315)
Changes in operating assets and liabilities:		
Increase in receivables	(27,594)	(11,339)
Decrease (increase) in inventory	1,896	(287)
Payment of signing bonuses, net	(33,855)	(27,647)
Increase in capitalized customer acquisition costs	(20,650)	(18,349)
Decrease (increase) in current tax assets	19,870	(2,957)
Decrease in prepaid expenses, deposits and other assets	1,190	29
Excess tax benefits on employee share-based compensation	(5,578)	(5,670)
Increase in reserve for unrecognized tax benefits	1,315	1,136
Increase in due to sponsor banks	18,101	22,074
Decrease in accounts payable	(1,443)	(12,509)
Increase (decrease) in unearned revenue	4,620	(2,414)
Decrease in accrued expenses and other liabilities	(2,809)	(12,304)
Decrease in processing liabilities	(2,076)	(29,016)
Payouts of accrued buyout liability	(12,861)	(9,621)
Increase in accrued buyout liability	20,514	15,199
Net cash provided by operating activities	139,861	51,528
Cash flows from investing activities		
Purchase of investments	(1,546)	(31,017)
Sales of investments	—	17,215
Maturities of investments	1,800	—
Decrease in funds held for customers	42,055	18,849
Decrease in customer fund deposits	(42,309)	(5,064)
Acquisitions of businesses, net of cash acquired	(60,969)	(355,066)
Capital expenditures	(42,734)	(39,140)
Net cash used in investing activities	(103,703)	(394,223)
Cash flows from financing activities		
Proceeds from borrowings, net	171,000	436,392
Principal payments on borrowings	(232,063)	(17,500)
Proceeds from exercise of stock options	2,677	4,482
Excess tax benefits on employee share-based compensation	5,578	5,670

Repurchases of common stock	—	(54,455)
Dividends paid on common stock	(10,995)	(9,249)
Net cash (used in) provided by financing activities	(63,803)	365,340
Net (decrease) increase in cash	(27,645)	22,645
Cash at beginning of year	70,793	71,932
Cash at end of period	$43,148	$94,577
Supplemental cash flow information		
Cash paid during the period for:		
Interest	$9,946	$3,559
Income taxes	12,311	28,038

See accompanying notes to condensed consolidated financial statements.

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Heartland Payment Systems, Inc. and Subsidiaries
Notes To Condensed Consolidated Financial Statements
(unaudited)

1. Organization and Operations

Basis of Financial Statement Presentation— The accompanying consolidated financial statements include those of Heartland Payment Systems, Inc. (the "Company," “we,” “us,” or “our”) and its wholly-owned subsidiaries, Heartland Payroll Solutions, Inc., Heartland Payment Solutions, Inc., Heartland Acquisition LLC, TouchNet Information Systems, Inc. (“TouchNet”) and Heartland Commerce, Inc. The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany balances and transactions with the Company's subsidiaries have been eliminated upon consolidation.

The accompanying condensed consolidated financial statements are unaudited. In the opinion of the Company's management, the unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the Company's financial position at September 30, 2015, its results of operations for the three and nine months ended September 30, 2015 and 2014 and changes in equity and cash flows for the nine months ended September 30, 2015 and 2014. Results of operations reported for interim periods are not necessarily indicative of the results to be expected for the year ending December 31, 2015. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Form 10-K"). For a summary of all significant accounting policies, refer to Note 2 of the 2014 Form 10-K. The December 31, 2014 Condensed Consolidated Balance Sheet was derived from the audited 2014 consolidated financial statements.

Out of Period Adjustments Recorded in Prior Year—In the second quarter of 2014, the Company recorded out-of-period adjustments decreasing its revenue and increasing bad debt expense (included in Processing and Servicing in its Consolidated Statements of Income) by $1.4 million and $0.9 million, respectively. These adjustments related to immaterial errors that originated in 2013 in the Company's Heartland School Solutions business. These adjustments included revenue which was incorrectly recorded in prior periods and a reassessment of the collectability of certain customer accounts receivable. These out-of-period adjustments reduced earnings before income taxes and net income in the year ended December 31, 2014 by $2.3 million and $1.4 million, respectively, and reduced diluted earnings per share by $0.04. The Company considered existing guidance in evaluating whether a restatement of prior financial statements was required as a result of these misstatements. The guidance requires corrections of errors to be recorded by restatement of prior periods, if material. The Company quantitatively and qualitatively assessed the materiality of the errors and concluded that the errors were not material to its earnings for the year ended December 31, 2014, and accordingly, no restatement of prior period financial statements was warranted.

Use of Estimates— The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates include, among other things, the accrued buyout liability, capitalized customer acquisition costs, goodwill and intangible asset impairment review, revenue recognition for multiple element arrangements, loss reserves, certain accounts payable and accrued expenses and certain tax assets and liabilities as well as the related valuation allowances, if any. Actual results could differ from those estimates.

Business Description—The Company’s primary business is to provide payment processing services to merchants throughout the United States. This involves providing end-to-end electronic payment processing services to merchants by facilitating the exchange of information and funds between them and cardholders' financial institutions. To accomplish this, the Company undertakes merchant set-up and training, transaction authorization and electronic draft capture, clearing and settlement, merchant accounting, merchant assistance and support, and risk management. The

Company also provides additional services, including those provided through its subsidiaries, such as:

- Integrated commerce solutions, payment processing, higher education loan services and open and closed-loop payment solutions to higher-education institutions through Campus Solutions,
- School nutrition, point-of-sale solutions ("POS"), and associated payment solutions, including online prepayment solutions, to kindergarten through 12th grade ("K-12") schools through Heartland School Solutions,

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Heartland Payment Systems, Inc. and Subsidiaries
Notes To Condensed Consolidated Financial Statements—(Continued)
(unaudited)

- Full-service payroll processing and related tax filing services, through Heartland Payroll Solutions, and
- Others including (1) prepaid and stored-value card solutions through Micropayments, (2) POS solutions and other adjacent business service applications through Heartland Commerce, and (3) marketing solutions including loyalty and gift cards which the Company provides through Heartland Marketing Solutions.

Approximately 72% of the Company's revenue is derived from processing and settling Visa and MasterCard bankcard transactions for its merchant customers. Because the Company is not a "member bank" as defined by Visa and MasterCard, in order to process and settle these bankcard transactions for its merchants, the Company has entered into sponsorship agreements with member banks. Visa and MasterCard rules restrict the Company from performing funds settlement or accessing merchant settlement funds and require that these funds be in the possession of the member bank until the merchant is funded. A sponsorship agreement with a member bank permits the Company to route Visa and MasterCard bankcard transactions under the member bank's control and identification numbers to clear credit and signature debit bankcard transactions through Visa and MasterCard. A sponsorship agreement also enables the Company to settle funds between cardholders and merchants by delivering funding files to the member bank, which in turn transfers settlement funds to the merchants' bank accounts. These restrictions place the settlement assets and obligations under the control of the member bank.
The sponsorship agreements with the member banks require, among other things, that the Company abide by the bylaws and regulations of the Visa and MasterCard networks, and certain sponsor banks require a cash balance in a deposit account. If the Company were to breach a sponsorship agreement and under certain other circumstances, the sponsor banks may terminate the agreement and, under the terms of the agreement, the Company would have six months to identify an alternative sponsor bank. The Company is generally dependent on its sponsor banks, Visa and MasterCard for notification of any compliance breaches. As of September 30, 2015, the Company has not been notified of any such issues by its sponsor banks, Visa or MasterCard.

As of September 30, 2015, the Company is party to three bank sponsorship agreements.

- Processing for the majority of the Company's small and mid-sized merchants (referred to as "Small and Midsized Enterprises," or "SME merchants") is performed under a February 8, 2012, sponsorship agreement with Wells Fargo Bank, N.A. ("WFB"). The WFB sponsorship agreement is in effect until February 8, 2016 and would automatically renew for three years unless either party provides written notice of non-renewal to the other party. On November 5, 2015, the Company provided written notice of non-renewal to WFB. Under the terms of the WFB sponsorship agreement, the Company has up to six months beyond February 8, 2016 to complete a conversion of its SME merchants to another sponsorship arrangement.

On November 5, 2015, the Company entered into a sponsorship agreement with Deutsche Bank Trust Company Americas ("Deutsche Bank") for its SME merchants. The Company is highly confident it will complete the conversion of its SME merchants to the Deutsche Bank sponsorship arrangement within the six-month conversion period beginning February 8, 2016. The sponsorship agreement with Deutsche Bank involves substantially the same terms as applied in the February 8, 2012 agreement with WFB. The agreement with Deutsche Bank is for a five-year term expiring on November 5, 2020 and will automatically renew for successive one-year periods unless either party provides six months written notice of non-renewal to the other party.

- In November 2009, the Company entered into a sponsorship agreement with The Bancorp Bank ("TBB") to sponsor processing for the Company's Network Services merchants, which are predominantly petroleum industry merchants of all sizes (referred to as "Network Services Merchants"), and since October 2013, certain of the Company's SME merchants. In August 2015, the agreement with TBB automatically renewed until February 2017. The agreement with TBB expires in February 2017 and will automatically renew for successive one-year periods unless either party provides six months written notice of non-renewal to the other party.

- On March 24, 2011, the Company entered into a sponsorship agreement with Barclays Bank Delaware to sponsor processing for certain of the Company's large national merchants. In September 2015, the agreement with Barclays Bank Delaware automatically renewed until March 2017. The agreement with Barclays Bank Delaware expires in March 2017 and will automatically renew for successive one-year periods unless either party provides six months written notice of non-renewal to the other party.

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Heartland Payment Systems, Inc. and Subsidiaries
Notes To Condensed Consolidated Financial Statements—(Continued)
(unaudited)

The following is a breakout of the Company’s total Visa and MasterCard settled card processing volume for the month ending September 30, 2015 by percentage processed under its individual bank sponsorship agreements:

Sponsor Bank	% of September 2015 Bankcard Processing Volume
Wells Fargo Bank, N.A.	71%
The Bancorp Bank	20%
Barclays Bank Delaware	9%

The Company also provides card transaction processing for DFS Services, LLC ("Discover") and is designated as an acquirer by Discover. The agreement with Discover allows the Company to acquire, process and fund transactions directly through Discover's network without the need of a bank sponsor. The Company processes Discover transactions similarly to the way it processes Visa and MasterCard transactions. The Company must comply with Discover's acquirer operating regulations and uses its sponsor banks to assist in funding its merchants' Discover transactions.

Under a prior sales and servicing program agreement with American Express Travel Related Services Company, Inc. ("American Express") the Company: (a) provided solicitation services by signing new-to-American Express merchants directly with American Express; (b) provided transactional support services on behalf of American Express to the Company's American Express accepting merchants; and (c) provided processing, settlement, customer support and reporting to merchants, similar to the services provided for the merchants' Visa, MasterCard and Discover transactions. In May 2014, the Company began offering a new American Express Card Acceptance Program (referred to as "OptBlue") to new merchants. The Company converted a majority of its existing merchants who were processing under the prior sales and servicing agreement with American Express to OptBlue during the third quarter of 2014. As a participant in OptBlue, the Company acquires, contracts, and establishes pricing, as well as provides customer service to merchants, similar to the transaction processing services the Company provides through Discover, Visa and MasterCard. The Company also uses its sponsor banks to assist in funding its merchants' American Express transactions.

New Accounting Pronouncements— From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standards setting bodies that the Company adopts as of the specified effective date.

In May 2014, the FASB issued guidance on revenue from contracts with customers, which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses in particular contracts with more than one performance obligation as well as the accounting for some costs to obtain or fulfill a contract with a customer and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. Entities can transition to the standard either retrospectively or as a cumulative-effect adjustment as of the date of adoption. On July 9, 2015, the FASB voted to approve a one-year deferral of the effective date. This made the new guidance effective December 15, 2017 for annual reporting periods beginning after that date. The FASB also approved early adoption of the standard, but not before the original effective date which was for reporting periods beginning after December 15, 2016. The Company has not yet selected a transition method and is currently assessing the impact the adoption of this guidance will have on the Company's consolidated financial statements and disclosures.

In April 2015, the FASB issued guidance on debt issuance costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. In August 2015, the FASB issued updated guidance to clarify that an entity may elect to present debt issuance costs related to a line-of-credit arrangement as an asset, regardless of whether or not there are any outstanding borrowings on the line-of-credit arrangement. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The new guidance should be applied on a retrospective basis. The effect on the Company’s consolidated financial statements is still being evaluated.

In April 2015, the FASB issued guidance that defines specific criteria entities must apply to determine if a cloud computing arrangement includes an in-substance software license. The new guidance clarifies that software licenses included in a cloud computing software should be accounted for in the same manner as other software licenses. This amendment is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2015. Early adoption is permitted. The new guidance can be applied on either a prospective or retrospective basis. The effect on the Company's consolidated financial statements is still being evaluated.

In July 2015, the FASB issued guidance to more clearly articulate the requirements for the subsequent measurement of inventory and related disclosures. The new guidance clarifies the basis for measuring inventory at the lower of cost and net realizable value. This amendment is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2016. Early adoption is permitted. The new guidance should be applied on a prospective basis. The effect on the Company's consolidated financial statements is still being evaluated.

In September 2015, the FASB issued guidance to simplify the accounting for measurement-period adjustments for business combinations. The new guidance eliminates the requirement to retrospectively account for adjustments made to provisional amounts recognized in a business combination. This amendment is effective for annual reporting periods, including interim periods within those periods, beginning after December 15, 2015. Early adoption is permitted. The new guidance should be applied on a prospective basis. The effect on the Company's consolidated financial statements is still being evaluated.

2. Supplementary Financial Statement Information

Cash—At September 30, 2015, cash included approximately $16.5 million of processing-related cash in transit and collateral, compared to approximately $17.8 million of processing-related cash in transit and collateral at December 31, 2014. Processing-related cash in transit and collateral includes merchant deposits, collateral deposits, and funds in transit relating to timing differences for the Company's card and non-card payment processing businesses.

Other Income (Expense)— Other income (expense) consists of interest income on cash and investments, the interest cost on the Company's borrowings, gains or losses on the disposal of assets, write downs of capitalized information technology development projects and other non-operating income or expense items.

As a result of the stock purchase agreement that the Company entered into on August 6, 2014 with the noncontrolling shareholders of Leaf Acquisition, LLC ("Leaf"), the Company was released from a contingent earn-out liability to those noncontrolling shareholders and recognized a pre- and after-tax gain of $3.6 million in the three and nine months ended September 30, 2014. The non-cash impact of the gain associated with the release of the contingent earn-out liability is recorded in "Other, net" in the Condensed Consolidated Statements of Income and "Write off of fixed assets and other" in the Condensed Consolidated Statement of Cash Flows.

Income Taxes—The Company accounts for income taxes by recognizing deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and the tax basis of assets and liabilities using enacted tax rates. The impact on deferred assets and liabilities of a change in tax rates is recognized in the period that the rate change is enacted. Valuation allowances are recorded when it is determined that it is more likely than not that a deferred tax asset will not be realized.

The provision for income taxes for the three and nine months ended September 30, 2015 and 2014 and the resulting effective tax rates were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			

Provision for income taxes	$15,006	$11,727	$37,274	$34,579
Effective tax rate	38.6 %	36.8 %	37.5 %	40.1 %

The effective tax rate for the three months ended September 30, 2015, reflects an increase as compared to the three months ended September 30, 2014 due to a benefit recognized in the three months ended September 30, 2014 for the permanent non-taxable status of the gain recognized on the release of a contingent earn-out liability to the former noncontrolling shareholders of Leaf.

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The decrease in the effective tax rate for the nine months ended September 30, 2015, as compared to the nine months ended September 30, 2014, primarily reflects the partial recognition of deferred tax benefits during the first quarter of 2015 from past accumulated losses of Leaf due to the generation of future taxable income resulting from the Company's acquisition of Dinerware, Inc. ("Dinerware"). The structure of this acquisition along with the corresponding preliminary purchase price allocation resulted in the recording of deferred tax liabilities on finite lived intangible assets that will provide a source of future taxable income. Additionally, the Company's effective tax rate benefited from its ability to utilize the losses generated from Leaf against consolidated taxable income since its August 6, 2014 acquisition of the shares held by the former noncontrolling shareholders of Leaf.

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any, that are taken into account in the relevant period. Each quarter the Company updates its estimate of the annual effective tax rate, and if the Company's estimated tax rate changes, it makes a cumulative adjustment in that period.
The Company regularly evaluates its tax positions for additional unrecognized tax benefits and associated interest and penalties, if applicable. There are many factors that are considered when evaluating these tax positions including: interpretation of tax laws, recent tax litigation on a position, past audit or examination history, and subjective estimates and assumptions, which have been deemed reasonable by management. The Company does not expect any material changes to unrecognized tax benefits in the next twelve months. At September 30, 2015, the reserve for unrecognized tax benefits related to uncertain tax positions was $8.6 million, of which $5.8 million would, if recognized, impact the effective tax rate. At December 31, 2014, the reserve for unrecognized tax benefits related to uncertain tax positions was $7.3 million, of which $4.9 million would, if recognized, impact the effective tax rate.

Share–Based Compensation— The Company expenses employee share-based compensation under the fair value method. Share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as expense over the requisite service period. The Company grants three types of Restricted Share Units ("RSUs"): service-based RSUs, performance-based RSUs ("PRSUs"), and total shareholder return RSUs ("TRSUs"). The Company's Board of Directors approves grants of PRSUs and TRSUs with grant-specific vesting and performance target terms. The methods and assumptions used in the determination of the fair value of share-based awards and measurement of performance targets are consistent with those described in the 2014 Form 10-K. Share-based compensation costs recognized were $4.4 million and $3.4 million, respectively, for the three months ended September 30, 2015 and 2014 and $14.1 million and $10.9 million, respectively, for the nine months ended September 30, 2015 and 2014.

Common Stock Repurchases— On May 8, 2013, the Company's Board of Directors authorized the repurchase of up to $75 million of the Company's outstanding common stock. During the nine months ended September 30, 2014, the Company had repurchased 1,347,817 shares for $54.5 million at an average cost of approximately $40.40 per share. Total repurchases under this authorization were 1,882,417 shares for $74.9 million at an average cost of approximately $39.81 per share. Repurchases under this authorization were completed during the second quarter of 2014. These repurchases were made through the open market in accordance with applicable laws and regulations. On May 8, 2014, the Company's Board of Directors authorized the repurchase of up to $75 million of the Company's outstanding common stock. As of September 30, 2015, the Company has not repurchased any shares under the May 8, 2014 authorization.

The Company intends to fund any repurchases with cash flow from operations, existing cash on the balance sheet, and other sources, including the 2014 Revolving Credit Facility. The manner, timing and amount of repurchases, if any, will be determined by management and will depend on a variety of factors, including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements. The repurchase program may be modified or discontinued at any time.

Noncontrolling Interests— Prior to August 6, 2014, the Company owned 66.67% of the outstanding capital stock of Leaf. Noncontrolling shareholders' share of after-tax net loss of Leaf was included in Net loss attributable to noncontrolling interests in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2014. On August 6, 2014, the Company entered into a stock purchase agreement with the noncontrolling shareholders of Leaf under which it acquired all shares of Leaf common stock held by the noncontrolling shareholders. As a result of this transaction, Leaf became a wholly-owned subsidiary of the Company and there is no noncontrolling interest on the Condensed Consolidated Balance Sheet as of September 30, 2015 and December 31, 2014.

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Subsequent Events—The Company evaluated subsequent events through the issuance date with respect to the condensed consolidated financial statements as of and for the nine months ended September 30, 2015. On October 30, 2015, the Company acquired the stock of Menusoft Systems Corporation (a.k.a. “Digital Dining”) for a cash payment of $18.7 million. The purchase price was financed under the 2014 Revolving Credit Facility.

3. Acquisitions

Campus Solutions

TouchNet Information Systems, Inc.
On September 4, 2014, the Company completed the acquisition of TouchNet for a cash payment of $375 million, less a net working capital deficit, for all outstanding common shares. The purchase was funded through a new five-year $375 million term loan.

The transaction was accounted for under the acquisition method of accounting. Beginning September 4, 2014, TouchNet's results of operations are included in the Company's results of operations. The fair values of the TouchNet assets acquired and liabilities assumed were estimated as of their acquisition date. The excess of the purchase price over the net assets, approximately $221.6 million, was recorded as goodwill, which is deductible for income tax reporting. Acquisition-related costs of approximately $2.3 million for advisory, legal and regulatory costs incurred in connection with the TouchNet acquisition have been expensed in general and administrative expenses.
The following table summarizes the purchase price allocation (in thousands):

Cash and cash equivalents	$34,576
Receivables, net	12,243
Inventory	66
Prepaid expenses	601
Property and equipment, net	3,360
Intangible assets, net	144,400
Goodwill	221,575
Total assets acquired	416,821
Accounts payable	2,236
Accrued expenses and other liabilities	2,896
Current portion of unearned revenue	24,014
Current tax liability	13,914
Long-term portion of unearned revenue	2,037
Net assets acquired	$371,724

The weighted average amortization life for the 2014 acquired finite lived intangible assets related to the acquisition of TouchNet is as follows:

Weighted average amortization life	
	(In years)
Customer relationships	20
Software	15
Trademark	5
Non-compete agreements	5
Overall	18

The following pro forma information shows the results of the Company's operations for the three and nine months ended September 30, 2014 as if the TouchNet acquisition had occurred on January 1, 2013. The pro forma information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had been made as of that date. The pro forma information is also not intended to be a projection of future results due to the integration of the acquired business.

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	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
	(In thousands, except share data)	
Total revenues	$619,861	$1,760,516
Net income attributable to Heartland	$19,205	$55,538
Basic earnings per share	$0.53	$1.53
Diluted earnings per share	$0.52	$1.49

Heartland School Solutions

MCS Software Corporation
On April 1, 2014, the Company purchased the net assets of MCS Software Corporation ("MCS Software") for a $17.3 million cash payment. The purchase price was financed under an existing credit facility and from operating cash flows.

The transaction was accounted for under the acquisition method of accounting. Beginning April 1, 2014, MCS Software's results of operations are included in the Company's results of operations. The allocation of the total purchase price was as follows: $11.2 million to goodwill, $6.4 million to intangible assets and $0.3 million to net tangible liabilities. Pro forma results of operations have not been presented because the effect of this acquisition was not material. Goodwill is expected to be deductible for income tax reporting.

The weighted average amortization life for the 2014 acquired finite lived intangible assets related to the acquisition of MCS Software is as follows:

Weighted average amortization life	
	(In years)
Customer relationships	14
Software	5
Non-compete agreement	5
Overall	11

Heartland Payroll Solutions

Payroll 1, Inc.
On February 27, 2015, the Company purchased the stock of Payroll 1, Inc. ("Payroll 1") for a $30.0 million cash payment, plus net working capital. The purchase price was financed under the 2014 Revolving Credit Facility.

The transaction was accounted for under the acquisition method of accounting. Beginning February 27, 2015, Payroll 1's results of operations were included in the Company's results of operations. The allocation of the total purchase price was as follows: $20.8 million to goodwill, $14.5 million to intangible assets and $4.5 million to net tangible liabilities. The fair values are preliminary, based on estimates, and may be adjusted as the Company analyzes what was known and knowable at the acquisition date, including the finalization of valuations. Pro forma results of operations have not been presented because the effect of this acquisition was not material. Goodwill is not expected to be deductible for income tax reporting.

The weighted average amortization life for the 2015 acquired finite lived intangible assets related to the acquisition of Payroll 1 is as follows:

Weighted average amortization life	
	(In years)
Customer relationships	13
Software	6
Non-compete agreement	4
Overall	12

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Heartland Commerce

Dinerware, LLC
On February 11, 2015, the Company purchased the stock of Dinerware for a $15.0 million cash payment, plus net working capital. The purchase price was funded from a combination of operating cash and financing under the 2014 Revolving Credit Facility.

The transaction was accounted for under the acquisition method of accounting. Beginning on February 11, 2015, Dinerware's results of operations are included in the Company's results of operations. The allocation of the total purchase price was as follows: $12.8 million to goodwill, $2.6 million to intangible assets, and $0.2 million to net tangible liabilities. The fair values are preliminary, based on estimates, and may be adjusted as the Company analyzes what was known and knowable at the acquisition date, including the finalization of valuations. Pro forma results of operations have not been presented because the effect of this acquisition was not material. Goodwill is not expected to be deductible for income tax reporting.
The weighted average amortization life for the 2015 acquired finite lived intangible assets related to the acquisition of Dinerware is as follows:

Weighted average amortization life	
	(In years)
Customer relationships	17
Software	5
Trademark	5
Non-compete agreement	3
Overall	13

pcAmerica, LLC
On January 30, 2015, the Company purchased the assets of Automation, Inc. ("pcAmerica") for a $15.0 million cash payment, plus net working capital. The cash purchase price was funded from a combination of operating cash and financing under the 2014 Revolving Credit Facility.

The transaction was accounted for under the acquisition method of accounting. Beginning on January 30, 2015, pcAmerica's results of operations are included in the Company's results of operations. The allocation of the total purchase price was as follows: $14.9 million to goodwill, $1.5 million to intangible assets, and $1.3 million to net tangible liabilities. The fair values are preliminary, based on estimates, and may be adjusted as the Company analyzes what was known and knowable at the acquisition date, including the finalization of valuations. Pro forma results of operations have not been presented because the effect of this acquisition was not material. Goodwill is expected to be deductible for income tax reporting.

The weighted average amortization life for the 2015 acquired finite lived intangible assets related to the acquisition of pcAmerica is as follows:

Weighted average amortization life	
	(In years)
Customer relationships	20
Software	5
Trademark	5
Non-compete agreement	5
Overall	14

Xpient Solutions, LLC
On October 31, 2014, the Company acquired the net assets of Xpient Solutions, LLC ("Xpient") for a cash payment of $30.0 million, plus net working capital. The purchase price was funded from a combination of operating cash and financing under the 2014 Revolving Credit Facility.

The transaction was accounted for under the acquisition method of accounting. Beginning October 31, 2014, Xpient's results of operations are included in the Company's results of operations. The allocation of the total purchase price was as follows: $21.5 million to goodwill, $9.5 million to intangible assets and $3.0 million to net tangible assets. The fair values of Xpient's assets acquired and liabilities assumed were estimated as of their acquisition date. Pro forma results of operations have not been presented because the effect of this acquisition was not material. Goodwill is expected to be deductible for income tax reporting.

The weighted average amortization life for the 2014 acquired finite lived intangible assets related to the acquisition of Xpient is as follows:

Weighted average amortization life	
	(In years)
Customer relationships	21
Software	10
Trademark	5
Non-compete agreement	3
Overall	14

Liquor Point of Sale

On February 14, 2014, the Company purchased the assets of Merchant Software Corporation (referred to as "Liquor POS") for a $3.3 million cash payment. The cash purchase price was funded from operating cash flows.

The transaction was accounted for under the acquisition method of accounting. Beginning on February 15, 2014, Liquor POS's results of operations are included in the Company's results of operations. The allocation of the total purchase price was as follows: $2.2 million to goodwill, $1.2 million to intangible assets, and $0.1 million to net tangible liabilities. Pro forma results of operations have not been presented because the effect of this acquisition was not material. Goodwill is expected to be deductible for income tax reporting.

The weighted average amortization life for the 2014 acquired finite lived intangible assets related to the acquisition of Liquor POS is as follows:

Weighted average amortization life	
	(In years)
Customer relationships	10
Software	7
Patents	5
Non-compete agreement	5
Overall	9

4. Receivables

A summary of receivables by major class was as follows at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
	(In thousands)	
Accounts receivable from merchants and customers	$222,422	$200,912
Accounts receivable from bankcard networks	33,613	31,279
Accounts receivable from others	4,297	3,465
	260,332	235,656
Less allowance for doubtful accounts	(1,954)	(1,552)
Total receivables, net	$258,378	$234,104

Included in accounts receivable from others are amounts due from employees (predominantly salespersons), which were $2.7 million and $1.6 million at September 30, 2015 and December 31, 2014, respectively. Accounts receivable related to bankcard networks are primarily amounts due from Discover and American Express for bankcard transactions.

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A summary of the activity in the allowance for doubtful accounts for the three and nine months ended September 30, 2015 and 2014 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Beginning balance	$1,593	$1,780	$1,552	$1,032
Out-of-Period adjustment (a)	—	—	—	875
Additions to allowance	2,285	557	4,991	1,685
Charges against allowance	(1,924)	(1,234)	(4,652)	(2,489)
Additions for acquisitions (b)	—	450	63	450
Ending balance	$1,954	$1,553	$1,954	$1,553

(a) See Note 1, Organization and Operations for a discussion of an Out-of-Period adjustment.
(b) Consists of allowances of businesses acquired during the nine months ended September 30, 2015 and 2014.

5. Funds Held for Customers

A summary of Funds held for customers, including the amortized cost, gross unrealized gains (losses) and estimated fair value for available-for-sale securities by major security type and class of security were as follows at September 30, 2015 and December 31, 2014:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
September 30, 2015				
Funds held for customers				
Conservative income bond fund - available for sale	$13,012	$—	$(29)	$12,983
Fixed income - municipal bonds - available for sale	14,031	32	(8)	14,055
Cash and cash equivalents held for customers	153,420	—	—	153,420
Total funds held for customers	$180,463	$32	$(37)	$180,458

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(In thousands)			
December 31, 2014				
Funds held for customers				
Conservative income bond fund - available for sale	$13,012	$—	$(16)	$12,996
Fixed income - municipal bonds - available for sale	14,688	2	(51)	14,639
Cash and cash equivalents held for customers	148,857	—	—	148,857
Total funds held for customers	$176,557	$2	$(67)	$176,492

Expected maturities of the Fixed income - municipal bonds at September 30, 2015 are as follows:

	Total	Less Than 1 Year	1 To 5 Years	5 To 10 Years

	(In thousands)			
September 30, 2015				
Funds held for customers:				
Fixed income - municipal bonds - available for sale cost	$14,031	$2,931	$11,100	$—
Fixed income - municipal bonds - available for sale estimated fair value	$14,055	$2,933	$11,122	$—

During the nine months ended September 30, 2015, the Company did not experience any other-than-temporary losses on its investments.

During the nine months ended September 30, 2014, the Company sold available for sale securities for $17.2 million and realized a gain of $0.3 million which was recognized in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2014.

6. Capitalized Customer Acquisition Costs, Net

A summary of net capitalized customer acquisition costs as of September 30, 2015 and December 31, 2014 was as follows:

	September 30, 2015	December 31, 2014
	(In thousands)	
Capitalized signing bonuses	$111,155	$98,879
Less accumulated amortization	(51,539)	(47,238)
	59,616	51,641
Capitalized customer deferred acquisition costs	61,570	54,583
Less accumulated amortization	(37,994)	(33,117)
	23,576	21,466
Capitalized customer acquisition costs, net	$83,192	$73,107

A summary of the activity in capitalized customer acquisition costs, net for the three and nine month periods ended September 30, 2015 and 2014 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Balance at beginning of period	$78,640	$66,433	$73,107	$61,027
Plus additions to:				
Capitalized signing bonuses, net	12,468	9,468	33,855	27,647
Capitalized customer deferred acquisition costs	7,521	6,192	20,650	18,349
	19,989	15,660	54,505	45,996
Less amortization expense on:				
Capitalized signing bonuses, net	(8,928)	(7,703)	(25,880)	(22,357)
Capitalized customer deferred acquisition costs	(6,509)	(5,423)	(18,540)	(15,699)
	(15,437)	(13,126)	(44,420)	(38,056)
Balance at end of period	$83,192	$68,967	$83,192	$68,967

Net signing bonus adjustments from estimated amounts to actual were $(1.5) million and $(0.7) million for the three months ended September 30, 2015 and 2014, respectively and $(3.8) million and $(2.8) million, respectively, for the nine months ended September 30, 2015 and 2014. Net signing bonus adjustments are netted against additions in the table above. Negative signing bonus adjustments occur when the actual gross margin generated by the merchant contract during the first year is less than the estimated gross margin for that year, resulting in the overpayment of the up-front signing bonus and would be recovered from the relevant salesperson. Positive signing bonus adjustments result from the prior underpayment of signing bonuses and would be paid to the relevant salesperson.

Fully amortized signing bonuses of $6.6 million and $6.9 million, respectively, were written off during the three month periods ended September 30, 2015 and 2014 and $21.6 million and $19.4 million, respectively, were written off during the nine month periods ended September 30, 2015 and 2014. In addition, fully amortized customer deferred acquisition costs of $4.4 million and $3.9 million, respectively, were written off during the three months ended September 30, 2015 and 2014 and $13.3 million and $11.3 million, respectively, were written off during the nine months ended September 30, 2015 and 2014.

The Company believes that no impairment of capitalized customer acquisition costs has occurred as of September 30, 2015.

7. Intangible Assets and Goodwill

Intangible Assets — Intangible assets consisted of the following as of September 30, 2015 and December 31, 2014:

	September 30, 2015			
	Gross Assets	Accumulated Amortization	Net Asset	Amortization Life and Method
	(In thousands)			
Finite Lived Assets:				
Customer relationships	$176,175	$31,349	$144,826	5 to 21 years—proportional cash flow
Merchant portfolios	4,214	3,456	758	7 years—proportional cash flow
Software	61,404	16,953	44,451	3 to 15 years—straight line
Non-compete agreements	6,162	3,713	2,449	3 to 5 years—straight line
Other	6,076	1,306	4,770	5 to 9 years—straight line
	$254,031	$56,777	$197,254	

	December 31, 2014			
	Gross Assets	Accumulated Amortization	Net Asset	Amortization Life and Method
	(In thousands)			
Finite Lived Assets:				
Customer relationships	$159,925	$22,011	$137,914	6 to 21 years—proportional cash flow
Merchant portfolios	4,214	3,161	1,053	7 years—proportional cash flow
Software	58,377	13,300	45,077	1 to 15 years—straight line
Non-compete agreements	5,947	2,830	3,117	5 years—straight line
Other	5,800	408	5,392	5 to 9 years—straight line
	$234,263	$41,710	$192,553	

Amortization expense related to the intangible assets was $5.1 million and $3.4 million, respectively, for the three months ended September 30, 2015 and 2014 and $15.1 million and $8.3 million, respectively, for the nine months ended September 30, 2015 and 2014. The estimated amortization expense related to intangible assets for the remainder of 2015 and the next five fiscal years are as follows:

For the Fiscal Year Ending December 31,	
	(In thousands)
2015	$5,031
2016	19,018
2017	17,472
2018	15,662
2019	14,236
2020	12,426
Thereafter	113,409
	$197,254

Goodwill — The changes in the carrying amount of goodwill by segment for the nine months ended September 30, 2015 and 2014 were as follows (in thousands):

	Payment Processing	Campus Solutions	Heartland School Solutions	Heartland Payroll Solutions	Leaf	Other	Total
Balance, January 1, 2014	$43,701	$35,789	$53,350	$31,018	$20,619	$6,501	$190,978
Goodwill acquired during the period	—	222,076	13,592	—	—	2,247	237,915
Other (a)	—	—	(2,493)	—	(2,130)	—	(4,623)
Balance, September 30, 2014	43,701	257,865	64,449	31,018	18,489	8,748	424,270
Balance, January 1, 2015	43,701	257,337	64,522	31,018	—	29,134	425,712
Goodwill acquired during the period	—	—	—	21,915	—	27,927	49,842
Other (a)	—	26	—	(1,165)	—	902	(237)
Balance, September 30, 2015	$43,701	$257,363	$64,522	$51,768	$—	$57,963	$475,317

(a) Reflects adjustments to allocations of purchase price after the quarter of acquisition.

The percentage of total reportable segments' assets comprised of goodwill as of September 30, 2015 and 2014 was as follows:

	Percent of Goodwill to Reportable Segments' Total Assets	
	September 30, 2015	September 30, 2014
Payment Processing	7.9%	8.0%
Campus Solutions	53.4%	51.4%
Heartland School Solutions	75.3%	70.3%
Heartland Payroll Solutions	22.0%	23.3%
Leaf	—%	44.7%
Other	61.6%	37.3%

In the fourth quarter of 2014, the Company considered the overlapping cloud-based POS systems in development at Heartland Commerce businesses (see Note 3, Acquisitions) and decided that it would stop POS development efforts at Leaf, a previous Heartland Commerce business. This decision caused a significant adverse change in the extent or manner in which the long-lived asset group of Leaf would be used, including Prosper, an internally developed POS software technology. Due to these changes in circumstances, the implied fair value of the Leaf reporting unit was determined to be significantly below its carrying value. This led to a Goodwill impairment charge for the full balance of Leaf goodwill as of December 31, 2014. In the fourth quarter of 2014, the Company recorded pre-tax goodwill and asset impairment charges of $18.5 million and $18.9 million, respectively.

8. Processing Liabilities

Processing liabilities result primarily from the Company's card processing activities and include merchant deposits maintained to offset potential liabilities arising from merchant chargebacks. A summary of processing liabilities and loss reserves was as follows at September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
	(In thousands)	
Merchant processing	$111,634	$109,361
Merchant deposits	6,758	6,655
Loss reserves	1,492	3,382
	$119,884	$119,398

The timing for presentment of transaction funding files to the bankcard networks results in the Company's sponsor banks receiving settlement cash one day before payment is made to merchants, thereby increasing funding obligations to its SME merchants, which are carried in processing liabilities. The Company funds interchange advances to SME merchants first from this settlement cash received from bankcard networks, then from the Company's available cash or by incurring a liability to its sponsor banks. At September 30, 2015 and December 31, 2014, the Company did not use any of its available cash to fund merchant advances. The amount due to sponsor banks for funding merchant advances was $47.7 million at September 30, 2015 and $29.9 million at December 31, 2014. The liability to sponsor banks is repaid at the beginning of the following month out of the fees the Company collects from its merchants.

The Company's merchants have the liability for any charges properly reversed by the cardholder through a mechanism known as a chargeback. If the merchant is unable to pay this amount, the Company will be liable to the card brand networks for the reversed charges. The Company has determined that the fair value of its obligation to stand ready to perform is minimal. The Company requires personal guarantees and merchant deposits from certain merchants to minimize its obligation.

The card brand networks generally allow chargebacks within four months after the later of (1) the date the transaction is processed, or (2) the delivery of the product or service to the cardholder. As the majority of the Company's SME merchant transactions involve the delivery of the product or service at the time of the transaction, a reasonable basis for determining an estimate of the Company's exposure to chargebacks is the last four months' processing volume on the SME portfolio, which was $32.5 billion and $27.8 billion for the four months ended September 30, 2015 and December 31, 2014, respectively. However, for the four months ended September 30, 2015 and December 31, 2014, the Company was presented with $17.5 million and $16.0 million, respectively, in chargebacks by issuing banks. In the nine months ended September 30, 2015 and 2014, the Company incurred merchant losses of $2.6 million and $2.5 million, respectively, or 0.37 basis points and 0.42 basis points, respectively, on total SME card processing volumes processed of $69.1 billion and $60.1 billion, respectively. These losses are included in processing and servicing costs in the Company's Condensed Consolidated Statements of Income.

The loss recorded by the Company for chargebacks associated with any individual merchant is typically small, due both to the relatively small size and the processing profile of the Company's SME merchants. However, from time to time the Company will encounter instances of merchant fraud, and the resulting chargeback losses may be considerably more significant to the Company. The Company has established a contingent reserve for estimated currently existing credit and fraud losses on its Condensed Consolidated Balance Sheets, amounting to $1.5 million and $3.4 million at September 30, 2015 and December 31, 2014, respectively. This reserve is determined by performing an analysis of the Company's historical loss experience applied to current processing volumes and exposures.

A summary of the activity in the loss reserve for the three and nine months ended September 30, 2015 and 2014 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Beginning balance	$1,437	$1,762	$3,382	$1,505
Additions to reserve	759	943	2,528	3,000
Charges against reserve	(704)	(1,073)	(4,418)	(2,873)
Ending balance	$1,492	$1,632	$1,492	$1,632

9. Accrued Buyout Liability

A summary of the accrued buyout liability was as follows as of September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
	(In thousands)	
Vested Relationship Managers and sales managers	$53,971	$46,301
Unvested Relationship Managers and sales managers	1,675	1,692
	55,646	47,993
Less current portion	(17,471)	(15,023)

Long-term portion of accrued buyout liability	$38,175	$32,970

In calculating the accrued buyout liability for unvested Relationship Managers and sales managers, the Company has assumed that 31% of the unvested Relationship Managers and sales managers will vest in the future, which represents the Company's historical vesting rate. A 5% increase to 36% in the expected vesting rate would have increased the accrued buyout liability for unvested Relationship Managers and sales managers by $0.2 million at September 30, 2015 and December 31, 2014, respectively.

A summary of the activity in the accrued buyout liability for the three and nine months ended September 30, 2015 and 2014 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands)			
Beginning balance	$51,140	$41,268	$47,993	$39,379
Increase in settlement obligation, net	7,585	5,354	20,514	15,199
Buyouts	(3,079)	(1,665)	(12,861)	(9,621)
Ending balance	$55,646	$44,957	$55,646	$44,957

10. Credit Facilities

On September 4, 2014, the Company entered into an amended and restated senior secured credit facility (the "2014 Credit Agreement") with Bank of America, N.A., as administrative agent, and certain lenders who are a party to the 2014 Credit Agreement. The 2014 Credit Agreement provides for a revolving credit facility in the aggregate amount of up to $400 million (the “2014 Revolving Credit Facility”) and a term loan in an initial principal amount of $375 million (the “2014 Term Credit Facility”).

The following is a summary of the Company's borrowings under its credit facilities as of September 30, 2015 and December 31, 2014:

	September 30, 2015	December 31, 2014
Amount outstanding:		
2014 Term Credit Facility	$356,250	$370,000
2014 Revolving Credit Facility	142,500	189,500
Total amount outstanding	$498,750	$559,500

The weighted average interest rate at September 30, 2015 was 2.3%. Remaining unamortized fees and direct costs incurred for the Company's credit facilities as of September 30, 2015 were $4.9 million.

11. Commitments and Contingencies
Litigation—The Company is involved in ordinary course legal proceedings, which include all claims, lawsuits, investigations and proceedings, including unasserted claims, which are probable of being asserted, arising in the ordinary course of business and otherwise not described below. The Company has considered all such ordinary course legal proceedings in formulating its disclosures and assessments. In the opinion of the Company, based on consultations with outside counsel, material losses in addition to amounts previously accrued are not considered reasonably possible in connection with these ordinary course legal proceedings.

Contingencies—The Company collects and stores sensitive data about its merchant customers and bankcard holders. If the Company’s network security is breached or sensitive merchant or cardholder data is misappropriated, the Company could be exposed to assessments, fines or litigation costs that could be material.

Leases—The Company leases various office spaces and certain equipment under operating leases with remaining terms ranging up to 15 years. The majority of the office space lease agreements contain renewal options and generally require the Company to pay certain operating expenses.

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The future minimum lease payments for all non-cancelable leases for the remainder of 2015 and the next five fiscal years are as follows:

For the Fiscal Year Ending December 31,	Operating Leases (a)
	(In thousands)
2015	$3,696
2016	16,610
2017	13,964
2018	12,054
2019	9,247
2020	7,618
Thereafter	43,826
Total future minimum lease payments	$107,015

(a) There were no material capital leases at September 30, 2015.

Rent expense for leased facilities and equipment was $4.3 million and $2.9 million, respectively, for the three months ended September 30, 2015 and 2014, and $13.5 million and $8.7 million, respectively, for the nine months ended September 30, 2015 and 2014.

Commitments—Certain officers of the Company have entered into employee confidential information and non-competition agreements under which they are entitled to severance pay equal to their base salary and medical benefits for one year or two years depending on the officer and a pro-rated bonus in the event they are terminated by the Company other than for cause. The Company paid $0.6 million under one of these agreements in the nine months ended September 30, 2014.

The following table reflects the Company's other significant contractual obligations, including leases from above, as of September 30, 2015:

Contractual Obligations	Payments Due by Period Total	Less than 1 year	1 to 3 Years	3 to 5 years	More than 5 years
	(In thousands)				
Processing providers (a)	$9,008	$4,013	$4,995		$—
Telecommunications providers (b)	6,818	3,307	3,511	—	—
Facility and equipment leases	107,015	16,673	26,777	17,843	45,722
2014 Term Credit Facility	356,250	18,750	51,563	285,937	—
2014 Revolving Credit Facility (c)	142,500	—	—	142,500	—
Capital Lease Obligation	84	43	41	—	—
	$621,675	$42,786	$86,887	$446,280	$45,722

(a) The Company has agreements with several third-party processors to provide to it on a non-exclusive basis payment processing and transmittal, transaction authorization and data capture services, and access to various reporting tools. The Company's agreements with third-party processors require it to submit a minimum monthly number of transactions or volume for processing. If the Company submits a number of transactions or volume that is lower than the minimum, it is required to pay the third-party processors the fees that they would have received if the Company had submitted the required minimum number or volume of transactions.

(b) The Company has agreements in place with several large telecommunications companies that provide data center services, wide area network connectivity, and voice services that are used by both the Company call center and card payment processing platforms. These providers require both dollar and term commitments for the services they provide. If the Company does not meet the minimum terms, then there is a requirement to pay the remaining commitments.

(c) Interest rates on the 2014 Revolving Credit Facility are variable in nature; however, the Company is party to fixed-pay amortizing interest rate swaps having a remaining notional amount of $3.8 million. The 2014 Revolving Credit Facility is available on a revolving basis until September 4, 2019. While the Company is not contractually obligated to pay $30.0 million of the outstanding balance of the 2014 Revolving Credit Facility, the Company includes this amount in the Current portion of borrowings on the Condensed Consolidated Balance Sheet since the Company intends to pay this amount in October 2015.

12. Segments

The Company bases its business segments on how it monitors and manages the performance of its operations as determined by the Company's chief operating decision maker or decision making group. The Company's operating segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies, personnel skill sets and technology.

The Company has the following six reportable segments: (1) Payment Processing, which provides card payment processing and related services to the Company's SME merchants and Network Services merchants, (2) Campus Solutions, which provides payment processing, integrated commerce solutions, loan services and open- and closed-loop payment solutions to institutions of higher education, (3) Heartland School Solutions, which provides school nutrition and POS solutions and associated payment solutions to K-12 schools, (4) Heartland Payroll Solutions, which provides payroll processing and related tax filing services, (5) Leaf, which includes the operating losses for Leaf as well as the goodwill and POS asset impairment charges recorded in the fourth quarter of 2014, (see Note 7, Intangible Assets and Goodwill for further details) and (6) Other. The Other segment consists of (a) prepaid and stored-value card solutions provided by Micropayments, (b) loyalty and gift card marketing solutions including loyalty and gift cards provided by Heartland Marketing Solutions, and (c) POS solutions and other adjacent business service applications provided by Heartland Commerce. The individual components of the Other segment do not meet the defined thresholds for being individually reportable segments under applicable accounting guidance.

SME merchants and Network Services merchants are aggregated for financial reporting purposes in the Payment Processing Segment, as they both provide processing services related to bankcard transactions, exhibit similar economic characteristics, and share the same systems to provide services. Campus Solutions includes TouchNet and Educational Computer Systems, Inc. ("ECSI") for financial reporting purposes because they provide similar commerce solutions, exhibit similar economic characteristics, and provide services to a similar higher education customer base, including some client overlap.

The Company allocates revenues, expenses, assets and liabilities to segments only where directly attributable. The unallocated corporate administration amounts consist primarily of costs attributed to finance, corporate administration, human resources and corporate services. We have reclassified our comparable segment information for consistent presentation in this Quarterly Report on Form 10-Q.

The accounting policies of the operating segments are the same as described in the summary of significant accounting policies. The Company believes the terms and conditions of transactions between the segments are comparable to those which could have been obtained in transactions with unaffiliated parties.

At September 30, 2015 and 2014, 62% and 60%, respectively, of Heartland Payroll Solutions segment's total assets were funds that the Company holds as a fiduciary in its payroll processing services activities primarily for payment to taxing authorities. At September 30, 2015 and 2014, 7% and 8%, respectively, of the Campus Solutions segment's total assets represent funds held for the Company's loan servicing customers related to payment processing services provided for student loan billing and processing that are payable to higher education institutions and other businesses. See Note 7, Intangible Assets and Goodwill for goodwill as a percentage of the reportable segments' total assets.

A summary of the Company’s segments as of and for the three and nine months ended September 30, 2015 and 2014 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues	(In thousands)			
Payment Processing	$626,039	$551,176	$1,753,722	$1,567,593
Campus Solutions	31,475	14,400	89,369	36,883
Heartland School Solutions	14,564	15,061	45,464	42,685
Heartland Payroll Solutions	17,171	12,170	50,869	37,978
Other	16,418	7,819	44,394	21,629
Total revenues	$705,667	$600,626	$1,983,818	$1,706,768

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Heartland Payment Systems, Inc. and Subsidiaries
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(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Depreciation and amortization	(In thousands)			
Payment Processing	$8,951	$8,212	$25,789	$23,106
Campus Solutions	3,561	1,473	10,212	2,756
Heartland School Solutions	1,274	1,282	3,583	2,665
Heartland Payroll Solutions	1,117	727	3,153	2,416
Other	1,055	804	3,149	2,291
Unallocated corporate administration amounts	128	165	397	282
Total depreciation and amortization	$16,086	$12,663	$46,283	$33,516
Income (loss) from operations				
Payment Processing	$33,657	$34,094	$92,563	$96,833
Campus Solutions	11,295	3,187	26,633	8,060
Heartland School Solutions	4,769	2,720	17,151	5,290
Heartland Payroll Solutions	1,911	1,590	6,308	7,289
Leaf	—	(2,710)	(4,692)	(8,172)
Other	16	623	(792)	1,757
Unallocated corporate administration amounts	(9,134)	(9,093)	(26,467)	(24,353)
Total income from operations	$42,514	$30,411	$110,704	$86,704
Interest expense				
Payment Processing	$1,065	$1,453	$3,669	$3,761
Campus Solutions	2,019	689	6,037	689
Heartland Payroll Solutions	180	—	419	—
Other	383	—	1,053	—
Total interest expense	$3,647	$2,142	$11,178	$4,450
Net income (loss)				
Payment Processing	$19,881	$19,138	$54,568	$56,503
Campus Solutions	5,830	2,239	12,930	5,566
Heartland School Solutions	2,929	1,658	10,784	3,240
Heartland Payroll Solutions	985	940	3,603	4,487
Leaf	—	1,657	(2,148)	(3,843)
Other	(135)	273	(1,117)	625
Unallocated corporate administration amounts	(5,609)	(5,749)	(16,595)	(14,939)
Total net income	$23,881	$20,156	$62,025	$51,639

	September 30, 2015	September 30, 2014
Assets	(In thousands)	
Payment Processing	$555,886	$545,033
Campus Solutions	481,944	501,982
Heartland School Solutions	85,653	91,703
Heartland Payroll Solutions	235,099	133,204

Leaf (a)	—	41,374
Other	94,157	23,468
Total assets	$1,452,739	$1,336,764

(a) See Note 7, Intangible Assets and Goodwill for a discussion of Goodwill and Asset Impairments.

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Heartland Payment Systems, Inc. and Subsidiaries
Notes To Condensed Consolidated Financial Statements—(Continued)
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13. Earnings Per Share
The following is a reconciliation of the amounts used to calculate basic and diluted earnings per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In thousands, except per share)			
Basic:				
Net income attributable to Heartland	$23,881	$20,458	$62,025	$53,650
Weighted average common stock outstanding	36,744	36,069	36,600	36,388
Earnings per share	$0.65	$0.57	$1.69	$1.47
Diluted:				
Net income attributable to Heartland	$23,881	$20,458	$62,025	$53,650
Basic weighted average common stock outstanding	36,744	36,069	36,600	36,388
Effect of dilutive instruments:				
Stock options and restricted stock units	537	781	586	861
Diluted weighted average common stock outstanding	37,281	36,850	37,186	37,249
Earnings per share	$0.64	$0.56	$1.67	$1.44

14. Fair Value of Financial Instruments
The Company applies a fair value framework in order to measure and disclose its financial assets and liabilities, which include fixed income equity securities, interest swap derivatives and certain other financial instruments. The Company determines fair value based on quoted prices when available or through the use of alternative approaches when market quotes are not readily accessible or available.
The Company’s framework for measuring fair value provides a three-level hierarchy, which prioritizes the factors (inputs) used to calculate the fair value of assets and liabilities as follows:

- Level 1 inputs are unadjusted quoted prices, such as a New York Stock Exchange closing price, in active markets for identical assets. Level 1 is the highest priority in the hierarchy.

- Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as other significant inputs that are observable at commonly quoted intervals, such as interest rates, foreign exchange rates, and yield curves.

- Level 3 inputs are unobservable and are based on the Company's assumptions due to little, if any, observable market information. Level 3 is the lowest priority in the hierarchy.

For the nine months ended September 30, 2015, there have been no transfers between Level 1 and Level 2 categories.
The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of September 30, 2015 and at December 31, 2014:

September 30, 2015		Fair Value Measurement Category		
	Total	Level 1	Level 2	Level 3
Assets:	(In thousands)			

Investments available for sale:				
Conservative income bond fund (a)	$12,983	$12,983	$—	$—
Fixed income bonds (a)	14,055	14,055	—	—
Total assets	$27,038	$27,038	$—	$—

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Heartland Payment Systems, Inc. and Subsidiaries
Notes To Condensed Consolidated Financial Statements—(Continued)
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December 31, 2014		Fair Value Measurement Category		
	Total	Level 1	Level 2	Level 3
Assets:	(In thousands)			
Investments available for sale:				
Conservative income bond fund (a)	$12,996	$12,996	$—	$—
Fixed income bonds (a)	14,639	14,639	—	—
Total assets	$27,635	$27,635	$—	$—

(a) amounts included in Funds held for customers on the Condensed Consolidated Balance Sheets

The following tables provide the liabilities carried at fair value measured on a non-recurring basis as of September 30, 2015 and at December 31, 2014:

September 30, 2015		Fair Value Measurement Category		
	Total	Level 1	Level 2	Level 3
Liabilities:	(In thousands)			
2014 Term Credit Facility	$356,250	$—	$356,250	$—
2014 Revolving Credit Facility	142,500	—	142,500	—
Capital Lease Obligation	84	—	—	84
Total liabilities	$498,834	$—	$498,750	$84

December 31, 2014		Fair Value Measurement Category		
	Total	Level 1	Level 2	Level 3
Liabilities:	(In thousands)			
2014 Term Credit Facility	$370,312	$—	$370,312	$—
2014 Revolving Credit Facility	189,500	—	189,500	—
Capital Lease Obligation	102	—	—	102
Total liabilities	$559,914	$—	$559,812	$102

PART I. FINANCIAL INFORMATION (continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the accompanying notes to condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, and the Consolidated Financial Statements, Notes to Consolidated Financial Statements and Management’s Discussion and Analysis of Financial Condition and Results of Operations and the risk factors contained in our Annual Report on Form 10-K for the year ended December 31, 2014 (the “2014 Form 10-K”).

Forward Looking Statements

Unless the context requires otherwise, references in this report to the "Company,” “we,” “us,” and “our” refer to Heartland Payment Systems, Inc. and our subsidiaries.

Some of the information in this Quarterly Report on Form 10-Q may contain forward looking statements that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include the information concerning our possible or assumed future results of operations, financial condition and prospects, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effects of future regulation and the effects of competition. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “predict,” “will be,” “will contin similar expressions.

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Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in the forward-looking statements. You should understand that many important factors, in addition to those discussed elsewhere in this report, could cause our results to differ materially from those expressed in the forward-looking statements. Certain of these factors are described in Item 1A. Risk Factors of the 2014 Form 10-K and include, without limitation, unauthorized disclosure of user data through breaches of our computer systems or otherwise, our competitive environment, the business cycles and credit risks of our merchants, chargeback liability, merchant attrition, problems with our sponsor banks, our relationships with third-party bankcard payment processors, our inability to pass increased interchange fees, assessments, and transaction fees along to our merchants, economic conditions, systems failures and government regulation.

Overview

General

Our primary business is to provide payment processing services to merchants throughout the United States. This involves providing end-to-end electronic payment processing services to merchants by facilitating the exchange of information and funds between them and cardholders' financial institutions. To accomplish this, we undertake merchant set-up and training, transaction authorization and electronic draft capture, clearing and settlement, merchant accounting, merchant assistance and support, and risk management. Our card-accepting customers primarily fall into two categories: our core small and mid-sized merchants (referred to as "Small and Midsized Enterprises," or “SME merchants”) and Network Services merchants, predominantly petroleum industry merchants of all sizes (referred to as “Network Services merchants”).

We provide additional services such as:

- Integrated commerce solutions, payment processing, higher education loan services and open and closed-loop payment solutions to higher-education institutions through Campus Solutions,
- School nutrition, point-of-sale solutions ("POS"), and associated payment solutions, including online prepayment solutions, to kindergarten through 12th grade ("K-12") schools through Heartland School Solutions,
- Full-service payroll processing and related tax filing services throughout the United States provided by Heartland Payroll Solutions, and
- Other, including (1) prepaid and stored-value card solutions throughout the United States and Canada provided by Micropayments, (2) POS solutions and other adjacent business service applications provided by Heartland Commerce, and (3) marketing solutions including loyalty and gift cards which we provide through Heartland Marketing Solutions.

Payment Processing

At September 30, 2015, we provided our card payment processing services to 181,064 active SME merchants located across the United States. This compares to 169,831 active SME merchants at December 31, 2014 and 170,589 active SME merchants at September 30, 2014. At September 30, 2015, we provided card payment processing services to 3,098 Network Services merchants with 44,069 locations. This compares to 2,181 merchants with 42,397 locations at December 31, 2014 and 2,118 merchants with 42,937 locations at September 30, 2014. According to The Nilson Report, in 2014 we were the 5th largest merchant acquirer in the United States ranked by transaction count and the 9th largest merchant acquirer by processed dollar volume, which consisted of Visa and MasterCard credit and debit cards, as well as other credit cards such as American Express, UnionPay, Discover, Diners Club, Carte Blanche, JPB, EBT, etc. These rankings represented 3.8 billion transactions and 2.9% of the total U.S. bankcard processed dollar volume.

Our total card processing volume for SME and Network Services merchants for the three months ended September 30, 2015 was $31.3 billion, a 5.9% increase from the $29.6 billion processed during the three months ended September 30, 2014. Our total card processing volume for the nine months ended September 30, 2015 was $87.7 billion, a 6.4% increase from the $82.5 billion processed during the nine months ended September 30, 2014. Our SME card processing volume for the nine months ended September 30, 2015 was $69.1 billion, an increase of 15.0% over the nine months ended September 30, 2014. This increase in processing volume reflects same store sales growth and the addition of SME merchants whose processing volume exceeded that of merchants who attrited during the year. The increase in SME processing volume also reflects the impact of American Express Card Acceptance Program (referred to as "OptBlue") provided to new and existing merchants. We converted a majority of our existing merchants processing under the former sales and servicing agreement with American Express to OptBlue during the third quarter of 2014. For the nine months ended September 30, 2015, our OptBlue processing volume was $4.7 billion as compared to $1.2 billion for the nine months ended September 30, 2014. Our card processing volume for the three and nine months ended September 30, 2015 also includes $6.9 billion and $18.7 billion, respectively, of settled volume for Network Services merchants, compared to $7.9 billion and $22.4 billion, respectively, for the three and nine

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months ended September 30, 2014. The decrease in Network Services card processing volume primarily reflects lower gasoline prices at our petroleum industry customers. Card processing volume for the three and nine months ended September 30, 2015 and 2014 was as follows:

	Three Months Ended September 30, 2015	Nine Months Ended September 30,