DIEBOLD INC
Form 10-Q
April 30, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 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 number 1-4879

Diebold, Incorporated
(Exact name of registrant as specified in its charter)

Ohio	34-0183970
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
5995 Mayfair Road, PO Box 3077, North Canton, Ohio	44720-8077
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (330) 490-4000

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

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

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 (Do not check if a smaller reporting company)	o	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). Yes o No x

Number of shares of common stock outstanding as of April 28, 2015 was 64,846,175.

DIEBOLD, INCORPORATED AND SUBSIDIARIES
Form 10-Q

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Part I – Financial Information
Item 1: Financial Statements
DIEBOLD, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(dollars in millions, except per share amounts)

	March 31, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$227.1	$322.0
Short-term investments	114.4	136.7
Trade receivables, less allowances for doubtful accounts of $23.0 at March 31, 2015 and December 31, 2014	514.6	477.9
Inventories	422.5	405.2
Deferred income taxes	110.6	111.0
Prepaid expenses	24.4	22.0
Prepaid income taxes	19.2	11.7
Other current assets	166.5	169.0
Total current assets	1,599.3	1,655.5
Securities and other investments	82.5	83.6
Property, plant and equipment, net of accumulated depreciation and amortization of $436.4 and $443.4 at March 31, 2015 and December 31, 2014, respectively	172.8	169.5
Goodwill	208.0	172.0
Deferred income taxes	85.7	86.5
Finance lease receivables	66.4	90.4
Other assets	99.7	84.6
Total assets	$2,314.4	$2,342.1
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	$44.7	$25.6
Accounts payable	270.0	261.7
Deferred revenue	316.1	275.1
Payroll and other benefits liabilities	72.4	116.8
Other current liabilities	322.0	348.5
Total current liabilities	1,025.2	1,027.7
Long-term debt	534.7	479.8
Pensions and other benefits	199.7	211.0
Post-retirement and other benefits	20.6	20.8
Deferred income taxes	18.1	6.5
Other long-term liabilities	43.3	41.4
Commitments and contingencies	—	—
Equity		
Diebold, Incorporated shareholders' equity		
Preferred shares, no par value, 1,000,000 authorized shares, none issued	—	—
Common shares, $1.25 par value, 125,000,000 authorized shares, 79,524,078 and 79,238,759 issued shares, 64,841,120 and 64,632,400 outstanding shares at March 31, 2015 and December 31, 2014, respectively	99.4	99.0
Additional capital	423.0	418.1

Retained earnings	740.5	762.2
Treasury shares, at cost (14,682,958 and 14,606,359 shares at March 31, 2015 and December 31, 2014, respectively)	(559.8)	(557.2)
Accumulated other comprehensive loss	(253.6)	(190.5)
Total Diebold, Incorporated shareholders' equity	449.5	531.6
Noncontrolling interests	23.3	23.3
Total equity	472.8	554.9
Total liabilities and equity	$2,314.4	$2,342.1

See accompanying notes to condensed consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(unaudited)
(in millions, except per share amounts)

	Three Months Ended March 31, 2015	2014
Net sales		
Services	$394.0	$383.4
Products	261.5	304.9
	655.5	688.3
Cost of sales		
Services	272.9	275.3
Products	207.3	248.9
	480.2	524.2
Gross profit	175.3	164.1
Selling and administrative expense	129.9	120.3
Research, development and engineering expense	22.3	20.0
Impairment of assets	19.4	—
Loss on sale of assets, net	0.1	0.5
	171.7	140.8
Operating profit	3.6	23.3
Other income (expense)		
Investment income	7.9	8.7
Interest expense	(8.0)	(6.9)
Foreign exchange (loss) gain, net	(9.3)	(12.0)
Miscellaneous, net	(1.2)	(1.4)
(Loss) income before taxes	(7.0)	11.7
Income tax (benefit) expense	(1.4)	6.8
Net (loss) income	(5.6)	4.9
Net loss attributable to noncontrolling interests	(2.8)	(4.9)
Net (loss) income attributable to Diebold, Incorporated	$(2.8)	$9.8
Basic weighted-average shares outstanding	64.7	64.3
Diluted weighted-average shares outstanding	64.7	64.8
Net (loss) income attributable to Diebold, Incorporated		
Basic (loss) earnings per share	$(0.04)	$0.15
Diluted (loss) earnings per share	$(0.04)	$0.15
Common dividends declared and paid per share	$0.29	$0.29

See accompanying notes to condensed consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive (Loss) Income
(unaudited)
(in millions)

	Three Months Ended March 31,	
	2015	2014
Net (loss) income	$(5.6)	$4.9
Other comprehensive (loss) income, net of tax		
Translation adjustment	(68.4)	9.5
Foreign currency hedges (net of tax $(2.3) and $0.9, respectively)	4.3	(1.6)
Interest rate hedges		
Net gain recognized in other comprehensive income (net of tax $(0.1) and $(0.1), respectively)	0.2	0.2
Reclassification adjustment for amounts recognized in net income	(0.1)	(0.1)
	0.1	0.1
Pension and other post-retirement benefits		
Net actuarial loss amortization (net of tax $0.0 and $(0.3), respectively)	0.1	0.5
Net prior service cost (benefit) amortization (net of tax $(0.6) and $0.0, respectively)	1.0	—
	1.1	0.5
Unrealized loss on securities, net		
Net loss recognized in other comprehensive income (net of tax $0.0 and $0.6, respectively)	—	(1.1)
	—	(1.1)
Other comprehensive (loss) income, net of tax	(62.9)	7.4
Comprehensive (loss) income	(68.5)	12.3
Less: comprehensive income (loss) attributable to noncontrolling interests	(2.6)	(5.5)
Comprehensive (loss) income attributable to Diebold, Incorporated	$(65.9)	$17.8

See accompanying notes to condensed consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in millions)

	Three Months Ended March 31, 2015	2014
Cash flow from operating activities		
Net (loss) income	$(5.6)	$4.9
Adjustments to reconcile net (loss) income to cash flow used in operating activities:		
Depreciation and amortization	16.4	17.7
Share-based compensation	4.3	5.0
Excess tax benefits from share-based compensation	(0.1)	(0.2)
Devaluation of Venezuelan balance sheet	7.5	12.1
Loss on sale of assets, net	0.1	0.5
Impairment of assets	19.4	—
Changes in certain assets and liabilities, net of the effects of acquisitions		
Trade receivables	(56.0)	(33.7)
Inventories	(43.2)	(42.5)
Prepaid expenses	(2.4)	(3.2)
Prepaid income taxes	(7.5)	0.7
Other current assets	(10.1)	(24.2)
Accounts payable	16.5	69.2
Deferred revenue	46.6	64.8
Accrued salaries, wages and commissions	(40.6)	(13.0)
Deferred income tax	3.6	(17.9)
Finance lease and notes receivables	18.6	(79.4)
Certain other assets and liabilities	(29.7)	7.6
Net cash used in operating activities	(62.2)	(31.6)
Cash flow from investing activities		
Payments for acquisitions, net of cash acquired	(59.4)	—
Proceeds from maturities of investments	46.3	210.1
Proceeds from sale of investments	—	0.3
Payments for purchases of investments	(44.5)	(169.2)
Proceeds from sale of assets	0.4	0.3
Capital expenditures	(10.8)	(7.3)
Increase in certain other assets	(2.1)	(6.1)
Net cash (used in) provided by investing activities	(70.1)	28.1
Cash flow from financing activities		
Dividends paid	(18.9)	(18.7)
Revolving debt borrowings, net	75.0	4.1
Other debt borrowings	13.9	50.5
Other debt repayments	(16.3)	(42.7)
Distributions to noncontrolling interest holders	—	(1.5)
Excess tax benefits from share-based compensation	0.1	0.2
Issuance of common shares	1.0	10.6
Repurchase of common shares	(2.6)	(1.3)

Net cash provided by financing activities	52.2	1.2
Effect of exchange rate changes on cash and cash equivalents	(14.8)	(11.2)
Decrease in cash and cash equivalents	(94.9)	(13.5)
Cash and cash equivalents at the beginning of the period	322.0	230.7
Cash and cash equivalents at the end of the period	$227.1	$217.2

See accompanying notes to condensed consolidated financial statements.

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DIEBOLD, INCORPORATED AND SUBSIDIARIES
FORM 10-Q as of March 31, 2015
Notes to Condensed Consolidated Financial Statements
(unaudited)
(dollars in millions, except per share amounts)

Note 1: Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of Diebold, Incorporated and its subsidiaries (collectively, the Company) have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States (GAAP); however, such information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair statement of the results for the interim periods.

The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. In addition, some of the Company’s statements in this Quarterly Report on Form 10-Q may involve risks and uncertainties that could significantly impact expected future results. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of results to be expected for the full year.

The Company has reclassified the presentation of certain prior-year information to conform to the current presentation.

In January 2015, the Company announced the realignment of its Brazil and Latin America (LA) businesses to drive greater efficiency and further improve customer service. In the first quarter of 2015, LA and Brazil operations are reported under one single reportable operating segment and comparative periods have been reclassified for consistency. The presentation of comparative periods also reflects the reclassification of certain global expenses from segment operating profit to corporate charges not allocated to segments due to the 2015 realignment activities.

On March 13, 2015, the Company acquired all of the equity interests of Phoenix Interactive Design, Inc. (Phoenix) for a total purchase price of approximately $72.9, including $12.6 of deferred cash payment payable over the next three years. Acquiring Phoenix, a world leader in developing innovative software solutions for automated teller machines (ATMs) and a host of other financial self-service (FSS) applications, is a foundational move to accelerate the Company’s growth in the fast-growing managed services and branch automation spaces. The results of operations for Phoenix are included in the North America (NA) reportable operating segment within the Company's condensed consolidated financial statements from the date of the acquisition. Preliminary purchase price allocations are subject to further adjustment until all pertinent information regarding the assets acquired and liabilities assumed are fully evaluated.

The Company's Venezuelan operations consist of a fifty-percent owned subsidiary, which is consolidated. Venezuela is measured using the U.S. dollar as its functional currency because its economy is considered highly inflationary. On March 24, 2014, the Venezuelan government announced a currency exchange mechanism, SICAD 2, which yielded an exchange rate significantly higher than the rates established through the other regulated exchange mechanisms. As of March 31, 2014, management determined it was unlikely the Company would be able to convert bolivars under a currency exchange other than SICAD 2 and the Company remeasured its Venezuelan balance sheet using the SICAD 2 rate of 50.86 compared to the previous official government rate of 6.30, resulting in a decrease of $6.1 to the Company’s cash balance and net losses of $12.1 that were recorded within foreign exchange (loss) gain, net in the condensed consolidated statements of operations in the first quarter of 2014. As a result of the currency devaluation, the Company recorded a $4.1 lower of cost or market adjustment related to its service inventory within service cost of sales in the condensed consolidated statements of operations in the first quarter of 2014. On February 10, 2015, the Venezuelan government introduced a new foreign currency exchange platform called the Marginal Currency System, or SIMADI, which replaces the SICAD 2 mechanism, yielding another significant increase in the exchange rate. As of March 31, 2015, management determined it is unlikely that the Company will be able to convert bolivars under a currency exchange other than SIMADI and remeasured its Venezuelan balance sheet using the SIMADI rate of 192.95 compared to the previous SICAD 2 rate of 50.86, which resulted in a loss of $7.5 recorded within foreign exchange (loss) gain, net in the condensed consolidated statements of operations in the first quarter of 2015.

As of March 31, 2015, the Company agreed to sell its equity interest in its Venezuela joint venture to its joint venture partner. While this effectively ends our relationship in the joint partnership, the Company will continue to operate in Venezuela on an indirect basis. The Venezuelan assets and liabilities are classified as held for sale on the condensed consolidated balance sheet because the Company agreed to sell its equity interest to its joint venture partner for a nominal value. As a result, the Company recorded charges of $10.3. The charges are located in impairment of assets on the condensed consolidated statement of operations.

On April 29, 2015, the Company closed the sale for the estimated fair market value and no additional impairment was required. As a result of the sale, the Company will no longer have a consolidating entity in Venezuela.

Recently Issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. The standard is effective for the Company on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03), 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 that debt liability, consistent with debt discounts. The standard is effective for the Company on January 1, 2016, with early adoption permitted. The adoption of this update is not expected to have a material impact on the financial statements of the Company.

Note 2: (Loss) Earnings Per Share

Basic (loss) earnings per share is based on the weighted-average number of common shares outstanding. Diluted (loss) earnings per share includes the dilutive effect of potential common shares outstanding. Under the two-class method of computing (loss) earnings per share, non-vested share-based payment awards that contain rights to receive non-forfeitable dividends are considered participating securities. The Company's participating securities include restricted stock units (RSUs), deferred shares and shares that were vested, but deferred by the employee. The Company calculated basic and diluted (loss) earnings per share under both the treasury stock method and the two-class method. For the three months ended March 31, 2015 and 2014, there was no impact in the per share amounts calculated under the two methods. Accordingly, the treasury stock method is disclosed below.

The following represents amounts used in computing (loss) earnings per share and the effect on the weighted-average number of shares of dilutive potential common shares:

	Three Months Ended March 31,	
	2015	2014
Numerator		
Income used in basic and diluted earnings per share		
Net (loss) income attributable to Diebold, Incorporated	$(2.8)	$9.8
Denominator (in millions)		
Weighted-average number of common shares used in basic earnings per share	64.7	64.3
Effect of dilutive shares (1)	—	0.5
Weighted-average number of shares used in diluted earnings per share	$64.7	$64.8
Net income attributable to Diebold, Incorporated		
Basic (loss) earnings per share	$(0.04)	$0.15
Diluted (loss) earnings per share	$(0.04)	$0.15
Anti-dilutive shares (in millions)		
Anti-dilutive shares not used in calculating diluted weighted-average shares	2.2	1.7

(1) Incremental shares of 0.7 million shares were excluded from the computation of diluted (loss) earnings per share for the three months ended March 31, 2015, because their effect is anti-dilutive due to the net loss

attributable to Diebold, Incorporated.

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Note 3: Equity
The following table presents changes in shareholders' equity attributable to Diebold, Incorporated and the noncontrolling interests:

	Three Months Ended March 31,	
	2015	2014
Diebold, Incorporated shareholders' equity		
Balance at beginning of period	$531.6	$596.8
Comprehensive (loss) income attributable to Diebold, Incorporated	(65.9)	17.8
Common shares	0.4	0.6
Additional capital	4.9	15.1
Treasury shares	(2.6)	(1.3)
Dividends paid	(18.9)	(18.7)
Balance at end of period	$449.5	$610.3
Noncontrolling interests		
Balance at beginning of period	$23.3	$24.0
Comprehensive income (loss) attributable to noncontrolling interests, net (1)	—	(5.5)
Distributions to noncontrolling interest holders	—	(1.5)
Balance at end of period	$23.3	$17.0

(1) Comprehensive income (loss) attributable to noncontrolling interests of $(2.6) is net of a $2.6 Venezuela noncontrolling interest adjustment to reduce the carrying value to the estimated fair market value as of March 31, 2015.

Note 4: Accumulated Other Comprehensive Loss
The following table summarizes the changes in the Company’s accumulated other comprehensive income (AOCI), net of tax, by component for the three months ended March 31, 2015:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Other	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2015	$(74.9)	$(1.4)	$(0.5)	$ (114.0)	$0.3	$ (190.5)
Other comprehensive (loss) income before reclassifications (1)	(68.6)	4.3	0.2	—	—	(64.1)
Amounts reclassified from AOCI	—	—	(0.1)	1.1	—	1.0
Net current-period other comprehensive (loss) income	(68.6)	4.3	0.1	1.1	—	(63.1)
Balance at March 31, 2015	$(143.5)	$2.9	$(0.4)	$ (112.9)	$0.3	$ (253.6)

(1) Other comprehensive loss before reclassifications within the translation component excludes $2.9 of translation attributable to noncontrolling interests.

(dollars in millions, except per share amounts)

The following table summarizes the changes in the Company's AOCI, net of tax, by component for the three months ended March 31, 2014:

	Translation	Foreign Currency Hedges	Interest Rate Hedges	Pension and Other Post-retirement Benefits	Unrealized Gain on Securities, Net	Other	Accumulated Other Comprehensive (Loss) Income
Balance at January 1, 2014	$ (2.4)	$ (1.9)	$ (1.0)	$ (52.0)	$ 2.7	$ 0.3	$ (54.3)
Other comprehensive income (loss) before reclassifications (1)	10.0	(1.6)	0.2	—	(1.1)	—	7.5
Amounts reclassified from AOCI	—	—	(0.1)	0.5	—	—	0.4
Net current-period other comprehensive income (loss)	10.0	(1.6)	0.1	0.5	(1.1)	—	7.9
Balance at March 31, 2014	$ 7.6	$ (3.5)	$ (0.9)	$ (51.5)	$ 1.6	$ 0.3	$ (46.4)

(1) Other comprehensive income before reclassifications within the translation component excludes $(0.5) of translation attributable to noncontrolling interests.

The following table summarizes the details about amounts reclassified from AOCI:

	Three Months Ended 2015	2014	
	Amount Reclassified from AOCI	Amount Reclassified from AOCI	Affected Line Item in the Statement of Operations
Interest rate hedges	$ (0.1)	$ (0.1)	Interest expense
Pension and post-retirement benefits:			
Net actuarial loss amortization	0.1	0.5	(1)
Net prior service cost amortization (net of tax of $(0.6) and $0.0, respectively)	1.0	—	(1)
	1.1	0.5	
Total reclassifications for the period	$ 1.0	$ 0.4	

(1) Pension and other post-retirement benefits AOCI components are included in the computation of net periodic benefit cost (refer to note 12 to the condensed consolidated financial statements).

Note 5: Share-Based Compensation

The Company's share-based compensation payments to employees are recognized based on their grant-date fair values during the period in which the employee is required to provide services in exchange for the award. Share-based compensation is recognized as a component of selling and administrative expense. Total share-based compensation expense was $4.3 and $5.0 for the three months ended March 31, 2015 and 2014, respectively.

Options outstanding and exercisable as of March 31, 2015 under the Company's 1991 Equity and Performance Incentive Plan (as Amended and Restated as of February 12, 2014) (the 1991 Plan) and changes during the three months ended March 31, 2015, were as follows:

	Number of	Weighted-	Weighted-	Aggregate

	Shares	Average Exercise Price	Average Remaining Contractual Term	Intrinsic Value (1)
	(in millions)	(per share)	(in years)	
Outstanding at January 1, 2015	1.6	$37.11		
Expired or forfeited	(0.3)	$48.34		
Granted	0.5	$32.33		
Outstanding at March 31, 2015	1.8	$34.42	7	$4.3
Options exercisable at March 31, 2015	0.9	$36.06	5	$1.8
Options vested and expected to vest at March 31, 2015 (2)	1.8	$34.48	7	$4.1

(1) The aggregate intrinsic value (the difference between the closing price of the Company's common shares on the last trading day of the first quarter of 2015 and the exercise price, multiplied by the number of "in-the-money" options) that would have been received by the option holders had all option holders

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exercised their options on March 31, 2015. The amount of aggregate intrinsic value will change based on the fair market value of the Company's common shares.

(2) The options expected to vest are the result of applying the pre-vesting forfeiture rate assumption to total outstanding non-vested options.

The following table summarizes information on non-vested restricted stock units (RSUs) and performance shares relating to employees and non-employee directors for the three months ended March 31, 2015:

	Number of Shares (in millions)	Weighted-Average Grant-Date Fair Value (per share)
RSUs:		
Non-vested at January 1, 2015	0.7	$ 33.72
Vested	(0.1)	$ 35.52
Granted	0.4	$ 31.95
Non-vested at March 31, 2015	1.0	$ 32.48
Performance Shares:		
Non-vested at January 1, 2015	1.1	$ 37.38
Forfeited	(0.1)	$ 38.24
Vested	(0.3)	$ 40.09
Granted	0.4	$ 32.35
Non-vested at March 31, 2015	1.1	$ 34.58

Performance shares are granted based on certain management objectives, as determined by the Board of Directors each year. Each performance share earned entitles the holder to one common share of the Company. The Company's performance shares include performance objectives that vest and are calculated after a three-year period as well as performance objectives that vest proportionately over a three-year period which are calculated annually. No shares are granted unless certain management threshold objectives are met.
As of March 31, 2015, there were 0.1 million non-employee director deferred shares vested and outstanding.

Note 6: Income Taxes
The effective tax rate was 20.0 percent on the loss for the three months ended March 31, 2015 and 58.1 percent on the income for the three months ended March 31, 2014. The decrease in the tax rate is mainly due to differences in the mix of income, discrete tax items resulting from Venezuela (note 1), and the release of a valuation allowance during the three-month period ended March 31, 2015. Additionally, in the first quarter of 2014, discrete tax expense was recorded on the repatriation of certain foreign earnings.

Note 7: Investments
The Company's investments, primarily in Brazil, consist of certificates of deposit which are classified as available-for-sale and stated at fair value based upon quoted market prices. Unrealized gains and losses are recorded in AOCI. Realized gains and losses are recognized in investment income and are determined using the specific identification method. Realized gains from the sale of securities and proceeds from the sale of available-for-sale securities were $0.1 and $0.3 during the three months ended March 31, 2014, respectively. There were no realized

gains from the sale of securities and proceeds from the sale of available-for-sale securities for the three months ended March 31, 2015.

(dollars in millions, except per share amounts)

The Company’s investments, excluding cash surrender value of insurance contracts of $72.7 and $73.8 as of March 31, 2015 and December 31, 2014, respectively, consisted of the following:

	Cost Basis	Unrealized Gain	Fair Value
As of March 31, 2015			
Short-term investments			
Certificates of deposit	$114.4	$—	$114.4
Long-term investments			
Assets held in a rabbi trust	$9.1	$0.7	$9.8
As of December 31, 2014			
Short-term investments			
Certificates of deposit	$136.7	$—	$136.7
Long-term investments			
Assets held in a rabbi trust	$9.3	$0.5	$9.8

Note 8: Allowance for Credit Losses

The following table summarizes the Company’s allowance for credit losses for the three months ended March 31, 2015 and 2014:

	Finance Leases