

MONEYGRAM INTERNATIONAL INC

Form 10-K

March 03, 2009

Table of Contents

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

Form 10-K

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2008.**
- 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: 1-31950

MONEYGRAM INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*
1550 Utica Avenue South, Suite 100,
Minneapolis, Minnesota
(Address of principal executive offices)

16-1690064
*(I.R.S. Employer
Identification No.)*
55416
(Zip Code)

Registrant's telephone number, including area code
(952) 591-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The market value of common stock held by non-affiliates of the registrant, computed by reference to the last sales price as reported on the New York Stock Exchange as of June 30, 2008, the last business day of the registrant's most recently completed second fiscal quarter, was \$74.0 million.

82,540,662 shares of common stock were outstanding as of February 23, 2009.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this report is incorporated by reference from the registrant's proxy statement for the 2009 Annual Meeting or Form 10-K.

TABLE OF CONTENTS

		Page
<u>PART I.</u>		
<u>Item 1.</u>	<u>Business</u>	1
	<u>History and Acquisitions</u>	1
	<u>Capital Transaction</u>	2
	<u>Global Funds Transfer Segment</u>	2
	<u>Payment Systems Segment</u>	5
	<u>Clearing and Cash Management Bank Relationships</u>	5
	<u>Sales and Marketing</u>	6
	<u>Product and Infrastructure Development and Enhancements</u>	6
	<u>Competition</u>	7
	<u>Regulation</u>	8
	<u>Intellectual Property</u>	9
	<u>Employees</u>	10
	<u>Executive Officers of the Registrant</u>	10
	<u>Available Information</u>	12
<u>Item 1A.</u>	<u>Risk Factors</u>	12
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	24
<u>Item 2.</u>	<u>Properties</u>	24
<u>Item 3.</u>	<u>Legal Proceedings</u>	24
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	25
<u>PART II.</u>		
<u>Item 5.</u>	<u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	26
<u>Item 6.</u>	<u>Selected Financial Data</u>	28
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	72
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	72
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	72
<u>Item 9A.</u>	<u>Controls and Procedures</u>	72
<u>Item 9B.</u>	<u>Other Information</u>	72
<u>PART III.</u>		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	73
<u>Item 11.</u>	<u>Executive Compensation</u>	73
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	73
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	73
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	73
<u>PART IV.</u>		
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	74

Signatures

75

Exhibit Index

76

EXHIBIT 21

EXHIBIT 23

EXHIBIT 24

EXHIBIT 31.1

EXHIBIT 31.2

EXHIBIT 32.1

EXHIBIT 32.2

Table of Contents

PART I

Item 1. BUSINESS

Overview

MoneyGram International, Inc. (together with our subsidiaries, MoneyGram, the Company, we, us and our) is a leading global payment services company. Our major products include global money transfers, money orders and payment processing solutions for financial institutions. Our core purpose is to help people and businesses by providing affordable, reliable and convenient payment services.

The MoneyGram® brand is recognized throughout the world, and we are committed to bringing greater control and choice to our customers. Our payment services enable consumers throughout the world, many of whom are not fully served by traditional financial institutions, to transfer money and pay bills, helping them meet the financial demands of their daily lives. Our payment services also help businesses operate more efficiently and cost-effectively.

History and Acquisitions

We conduct our business primarily through our wholly owned subsidiary MoneyGram Payment Systems, Inc. (MPSI). Through its predecessor, Travelers Express Company, Inc. (Travelers Express), MPSI has been in operation for nearly 70 years. Travelers Express acquired MPSI in 1998, adding the MoneyGram brand to our Company and adding international money transfer services to our payment service offerings. MoneyGram International, Inc. was incorporated in Delaware in December 2003 in connection with the June 30, 2004 spin-off from our former parent company, Viad Corp. On June 30, 2004, Viad Corp made a tax-free distribution of all of the issued and outstanding shares of common stock of MoneyGram to holders of record of Viad Corp stock.

In 2005, we consolidated the operations of Travelers Express with MPSI to eliminate overlapping costs of operating the two businesses under separate corporate entities, and to complete the transition of our business from the Travelers Express brand to the MoneyGram brand. Effective December 31, 2005, the entity that was formerly Travelers Express merged with and into MPSI, and we retired the Travelers Express brand.

In May 2006, our subsidiary MoneyGram Payment Systems Italy, S.r.l. (MPS Italy) acquired the assets of Money Express S.r.l., our former super-agent in Italy. The acquisition of Money Express S.r.l. provided us with opportunities for further expansion and distribution of our international money transfer services in the region. As a result of the acquisition, MPS Italy manages our network of agents in Italy.

In October 2007, we completed the acquisition of PropertyBridge, Inc. (PropertyBridge), a provider of electronic payment processing services for the real estate management industry. The acquisition provided us with additional rental payment opportunities in this key rental payment vertical and fit strategically with our existing bill payment service offerings.

Due to licensing requirements and marketing constraints in certain European countries, we began to develop a retail strategy in Western Europe during 2006 to offer our services through Company-owned retail stores and kiosks in addition to our typical agent model. In May 2006, we formed an entity in France, MoneyGram France S.A., which became a licensed financial institution in September 2006. We opened our first retail store in France shortly thereafter. During 2007 and 2008, we continued to develop this retail strategy in Western Europe. As of December 31, 2008, we

operate 22 Company-owned retail stores or kiosks in France and 34 in Germany. We expect to open additional locations in these and other markets on a targeted basis.

In August 2008, we completed the acquisition of MoneyCard World Express, S.A. (MoneyCard) and Cambios Sol, S.A., two money transfer super-agents located in Spain. The acquisition of these two entities, each of which manages part of our agent network in Spain, accelerates our expansion and distribution in this key send market. In 2009, we merged Cambios Sol, S.A. into MoneyCard and now maintain MoneyCard as our subsidiary.

Table of Contents

In December 2008, after evaluating our market opportunity for certain of our electronic payment services, we announced our decision to exit our ACH Commerce business and to cease providing Web, telephone and IVR-based bill payment services other than our PropertyBridge service and our eMoney Transfer service described below.

On February 2, 2009, we acquired the French assets of R. Raphael s & Sons PLC (Raphael s Bank). The acquisition of Raphael s Bank provides us with five highly productive money transfer stores in and around Paris, France that will be integrated into our French retail operations.

Capital Transaction

On March 25, 2008, following the deterioration of the asset-backed securities and broader credit markets and the corresponding losses in our investment portfolio, we completed a capital transaction pursuant to which we received a substantial infusion of both equity and debt capital (the Capital Transaction) to support the long-term needs of the business. The equity component of the Capital Transaction consisted of the sale to affiliates of Thomas H. Lee Partners, L.P. (THL) and affiliates of Goldman, Sachs & Co. (Goldman Sachs) and together with THL, the Investors) in a private placement of 760,000 shares of Series B Participating Convertible Preferred Stock of the Company (the B Stock) and Series B-1 Participating Convertible Preferred Stock of the Company (the B-1 Stock, and together with the B Stock, the Series B Stock) for an aggregate purchase price of \$760.0 million. The issuance of the Series B Stock gave THL and Goldman Sachs an initial equity interest of approximately 79 percent. In connection with the Capital Transaction, we also paid Goldman Sachs an investment banking advisory fee equal to \$7.5 million in the form of 7,500 shares of B-1 Stock. For a description of the terms of the Series B Stock, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Sale of Investments and Capital Transaction and Note 12 Mezzanine Equity of the Notes to Consolidated Financial Statements.

As part of the Capital Transaction, we entered into a Registration Rights Agreement with the Investors which requires us to promptly file a shelf registration statement with the United States Securities and Exchange Commission (SEC) relating to the Series B Stock issued to the Investors after a specified holding period. We are generally obligated to keep the shelf registration statement effective for up to 15 years or, if earlier, until all the securities owned by the Investors have been sold. The Investors are also entitled to five demand registrations and unlimited piggyback registrations.

As part of the Capital Transaction, MoneyGram Payment Systems Worldwide, Inc. (Worldwide), a wholly-owned subsidiary of the Company, issued Goldman Sachs \$500.0 million of senior secured second lien notes (the Notes) with a 10 year maturity. Additionally, Worldwide entered into a senior secured amended and restated credit agreement with JP Morgan Chase as agent for a group of lenders (the Senior Facility), amending the Company s existing \$350.0 million debt facility, adding \$250.0 million of term loans to bring the total facility to \$600.0 million. The new facility includes \$350.0 million in two term loan tranches and a \$250.0 million revolving credit facility. For a description of the terms of the Notes and Senior Facility, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Sale of Investments and Capital Transaction and Note 10 Debt of the Notes to Consolidated Financial Statements.

Our Segments

We conduct our business through two segments: Global Funds Transfer and Payment Systems. For financial information regarding our business and our segments, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations and Note 17 Segment Information of the Notes to Consolidated Financial Statements. Following is a description of each segment.

Global Funds Transfer Segment

Our Global Funds Transfer segment provides money transfer services, bill payment services and money orders to consumers, who are often unbanked or underbanked. Unbanked consumers are those consumers who do not have a traditional relationship with a financial institution. Underbanked consumers are consumers who, while they may have a savings account with a financial institution, do not have a checking account. Other consumers who use our services are convenience users who may have a checking account with a financial institution, but prefer to

Table of Contents

use our products and services on the basis of convenience or value. We primarily offer services to consumers through third-party agents, including retail chains and independent retailers.

In 2008, the Global Funds Transfer segment had revenue of \$1,043.2 million, including net securities losses of \$49.4 million primarily attributable to our money order product line. During 2008, 2007 and 2006, our international operations generated 28 percent, 21 percent and 20 percent, respectively, of our total fee and investment revenue, and 32 percent, 29 percent and 28 percent, respectively, of our Global Funds Transfer segment fee and investment revenue.

Our largest agent, Walmart Stores, Inc. (Walmart), accounted for 26 percent, 20 percent and 17 percent of our total fee and investment revenue and 30 percent, 27 percent and 24 percent of the fee and investment revenue of our Global Funds Transfer segment in 2008, 2007 and 2006, respectively. Walmart is our only customer that accounts for more than 10 percent of our total fee and investment revenue. Our contract with Walmart in the United States provides for the sale by Walmart of our money orders, money transfer services and real-time, urgent bill payment services on an exclusive basis. In conjunction with our Capital Transaction, we extended the term of our agreement with Walmart through January 2013 and agreed to certain commission increases over the term of the contract.

In 2008, pursuant to our agreement with CVS Pharmacy, Inc. (CVS), we completed the rollout of our money transfer and money order services in more than 6,200 CVS locations. We also extended the term of our contract with another large agent, ACE Cash Express, Inc. Starting in late 2008, we began to offer our money transfer and urgent bill payment services through over 2,200 advanced-function ATMs located at 7-Eleven convenience stores in the United States. Outside of the United States, we expanded our money transfer relationship with Canada Post, renewed our money transfer agreement with Thomas Cook in the United Kingdom and renewed our money transfer agreement with Walmart de Mexico. We also entered into agent agreements with large banks in India and Poland. During 2008, 2007 and 2006, our 10 largest agents accounted for 42 percent, 36 percent and 34 percent, respectively, of our total fee and investment revenue and 49 percent, 49 percent and 48 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment.

We provide Global Funds Transfer products and services utilizing a variety of proprietary point-of-sale platforms. Our platforms include AgentConnect[®], which is integrated into an agent's point-of-sale system, and DeltaWork[®] and Delta T3[®], which are separate software and stand-alone device platforms. Through our FormFree[®] service, customers may contact our call center and a representative will collect transaction information over the telephone, entering it directly into our central data processing system. We also operate two customer service call centers in the United States, and we contract for additional call center services in Bulgaria and the Dominican Republic. We provide call center services 24 hours per day, 365 days per year and provide customer service in over 30 languages.

Money Transfers: During 2008, 94 percent of our Global Funds Transfer segment fee and other revenue was generated by our money transfer services (including bill payment). Money transfers are transfers of funds between consumers from one location to another and are used by consumers who want to transfer funds quickly, safely and efficiently to another individual. In a typical money transfer, a consumer visits an agent location, completes a form and pays our agent the money to be transferred along with a fee for the service. The fee paid by the sender is based on the amount to be transferred and the location at which the funds are to be received. Once our consumer pays our agent the money to be transferred and the service fee, our agent enters transaction data into our transaction processing system through one of our point-of-sale platforms and we process the transaction. The transferred funds are then made available for payment to the designated recipient at any agent location or, in select countries, via a deposit to the recipient's bank account. We pay both our send and receive agents a commission for the transaction. In a few instances, we offer our agents a tiered commission structure, rewarding the agent with a higher commission as the volume of its money transfer transactions increases.

We provide money transfer services through our worldwide network of agents and through Company-owned retail locations in the United States, France and Germany. We also offer our money transfer services on the Internet via our rapidly growing MoneyGram eMoneyTransfer service, which allows customers to use the Internet to send a money transfer using a credit card, debit card or direct debit from a bank account. While currently available in the United States only, we intend to expand our eMoneyTransfer service internationally.

Table of Contents

As of December 31, 2008, we offer money transfers to consumers in a choice of local currency, U.S. Dollars or Euros in 129 countries (multi-currency). Our multi-currency technology allows us to execute our money transfers directly between and among several different currencies. Where implemented, these capabilities allow our agents to settle with us in local currency and allow consumers to know the exact amount that will be received in the local currency of the receiving country, or in U.S. Dollars or Euros in certain countries.

As of December 31, 2008, our agent network consisted of approximately 176,000 money transfer agent locations in approximately 189 countries and territories worldwide. These agent locations are in the following geographic regions: 47,500 locations in Western Europe and the Middle East; 44,000 locations in North America; 24,600 locations in Latin America (including Mexico which represents 11,900 locations); 22,700 locations in Eastern Europe; 15,900 locations in the Indian subcontinent; 14,800 locations in Asia Pacific; and 6,500 locations in Africa. As of the date of this filing, our money transfer agent locations have grown to approximately 178,000.

We derive our money transfer revenues primarily from consumer transaction fees and revenues from currency exchange on international money transfers. We have corridor pricing capabilities that enable us to establish different consumer fees and foreign exchange rates for our money transfer services by location, for a broader segment such as defined zip code regions or for a widespread direct marketing area. We strive to maintain our money transfer consumer fees at a price point below our primary competitor and above the niche players in the market.

Money Orders: MoneyGram money orders, which are sold through our agent locations in the U.S. and Puerto Rico, can be presented by our consumers to make a payment or for cash. In 2008, we issued approximately 232 million money orders through our network of 59,000 retail agent locations in the United States and Puerto Rico.

Our money orders are sold under the MoneyGram brand, as well as on a private label or co-branded basis with certain of our large retail agents in the United States. In most cases, we receive transaction fees from our agents for each money order sold. In many cases, we also receive monthly dispenser fees from our agents for the money order dispenser equipment we provide. We also earn income by investing the funds that are remitted by our agents until the money orders are cleared through the banking system or the proceeds of unclaimed money orders are escheated to the applicable states. Generally, a money order will remain outstanding for fewer than 10 days. We experienced losses in our investment portfolio in 2007 and 2008, with 13 percent of the losses allocable to our money order services. In the first quarter of 2008, we realigned our investment portfolio away from asset-backed securities into highly liquid assets to significantly reduce the risk of deterioration in our investment portfolio. As the realigned portfolio consists of highly liquid, short-term securities that produce a lower rate of return, our revenues and profit margins in our money order business were adversely affected.

Bill Payment Services: Our bill payment services include our ExpressPayment[®], utility bill payment and electronic payment services. Our bill payment services allow consumers to make urgent payments or pay routine bills through our network to certain creditors (billers). We maintain relationships with billers in key industries, including the credit card, mortgage, auto finance, telecom, satellite, property management, prepaid and collections industries. Our bill payment services generate revenue primarily from transaction fees charged to consumers for each bill payment transaction completed.

Our primary bill payment service offering is our ExpressPayment service, which enables a consumer to pay cash at an agent location for bills and obtain same-day notification of credit to the consumer's account with their biller. Our consumers can also use our ExpressPayment service to load and reload prepaid debit cards. Our ExpressPayment service is offered at all of our money transfer agent locations in the United States and at certain agent locations in select Caribbean countries. Our ExpressPayment bill payment service is also available for payments to select billers via the Internet at www.moneygram.com. As of December 31, 2008, we provided our ExpressPayment bill payment services to over 2,300 billers.

Our utility bill payment service allows customers to make low-cost, in-person payments of non-urgent bills for credit to a biller typically within two to three days. Through our PropertyBridge subsidiary, we also offer a complete bill payment solution to the property rental industry, including the ability to electronically accept security deposits and rent payments.

Stored Value Cards: We offer consumers in the United States a MoneyGram prepaid MasterCard®. Our prepaid card is accepted at all merchants that accept MasterCard debit cards. Cardholders can use the card at over 900,000

Table of Contents

ATMs in the United States and can load value on the card at one of over 30,000 agent locations in the United States. In 2009, we plan to offer consumers a MoneyGram-branded Visa® prepaid debit card. As planned, this card would be accepted at all merchants that accept Visa debit cards, be reloadable at one of our U.S. agent locations and be usable at over 900,000 ATMs in the United States.

Payment Systems Segment

Our Payment Systems segment provides official check services and money orders for financial institutions, as well as check processing and controlled disbursements processing for corporate and government customers in the United States. Key Payment Systems customers include banks, thrifts and credit unions. As of December 31, 2008, we provide official check services to over 15,000 branch locations of over 1,800 financial institutions.

We derive revenues in our Payment Systems segment from the investment of funds underlying outstanding official checks and money orders, per item fees for official checks and money orders and fees earned on our check and controlled disbursement processing. In 2008, due to losses in our investment portfolio, the realignment of our investment portfolio and the restructuring of our official check business, our Payment Systems segment posted negative revenues of \$116.3 million. Net securities losses of \$291.3 million were allocated to the Payment Systems segment during 2008, which represents approximately 86 percent of the total losses recorded on our investment portfolio for 2008. The segment's operating loss for 2008 was \$286.8 million.

In the first quarter of 2008, we realigned our investment portfolio away from asset-backed securities into highly liquid assets to significantly reduce the risk of deterioration in our investment portfolio. As the realigned portfolio consists of highly liquid, short-term securities that produce a lower rate of return, our revenues and profit margins in our official check and money order businesses were adversely affected.

Official Check Outsourcing Services: We provide official check outsourcing services through our PrimeLink® service. Financial institutions use our PrimeLink service to issue official checks. Consumers use these official checks in transactions where a payee requires a check drawn on a bank or other third party. Official checks are commonly used in consumer loan closings, such as closings of home and car loans, and other critical situations where the payee requires assurance of payment and funds availability. Financial institutions also use official checks to pay their own obligations.

Throughout 2008, we implemented the restructuring of our official check business model by reducing the commissions we pay, exiting certain large customer relationships and focusing on providing official check services to small and mid-sized financial institutions. The reduction of the commission rate paid to the majority of our official check financial institution customers resulted in an average contractual payout rate of the effective federal funds rate less approximately 85 basis points. We have entered into termination agreements with the majority of our top 10 official check customers, who in 2007 accounted for approximately \$2 billion of our official check payment obligations. As of December 31, 2008, approximately 240 of our approximately 1,800 financial institutions have provided some form of notification of intent to terminate their official check agreements with us. Outside of the top 10 customers we planned to exit, these termination notifications represented approximately \$627 million of our average official check payment obligations in 2007. Of the financial institutions that have provided notification, approximately 200 financial institutions have stopped or reduced their issuance of official checks.

Money Orders: Our Payment Systems segment also offers money orders through financial institutions in a manner very similar to how money orders are offered through retail agents in our Global Funds Transfer segment.

Check Processing: Through our subsidiary FSMC, Inc. (FSMC), we offer high-volume check processing and controlled disbursement processing. FSMC is a leading processor of promotional payments and rebates. Through

FSMC, we also process checks issued under the Special Supplemental Nutrition Program to Women, Infants and Children administered by the U.S. Department of Agriculture through various states. Our revenues from this area are primarily derived from fees.

Clearing and Cash Management Bank Relationships

Our business involves the movement of money. On average, we move approximately \$1.0 billion daily to settle our payment instruments and make related settlements with our agents and financial institutions. We generally receive a

Table of Contents

similar amount on a daily basis from our agents and financial institutions in connection with our payment services. We move money through a network of clearing and cash management banks, and our relationships with these clearing banks and cash management banks are a critical component of our ability to move funds on a global and timely basis. Three banks that clear official checks for us gave notice that they will not renew their clearing agreements when those agreements expire in mid-2009. The loss of our clearing arrangements with these three clearing banks has not had an adverse effect on our official check business as we are moving the impacted clearing volume to the remaining clearing banks. In the second half of 2008, one clearing bank extended their agreement with us for a five year period and another large bank extended their agreement with us for a three year period. After the exit of the three banks in 2009, we will have five official check clearing banks, all of which have agreed to significantly increase their clearing activity for us. We believe these relationships provide sufficient capacity for our official check business. We rely on two banks to clear our retail money orders. We entered into a new five-year agreement with the smaller of our two money order clearing banks in early 2009 and are in the process of negotiating a new agreement with our primary money order clearing bank.

We also maintain contractual relationships with a variety of domestic and international cash management banks for ACH and wire transfer services for the movement of consumer funds and agent settlements. There are a limited number of international cash management banks with a network large enough to manage cash settlements for our entire agent base. In the first half of 2008, our current international cash management bank informed us of its intent to terminate our relationship. This bank has indicated its willingness to continue the relationship while we convert to our new primary international cash management banking relationship. We currently anticipate completing this process in the first half of 2009.

Sales and Marketing

We market our products and services through a number of dedicated sales and marketing teams. In the United States, a dedicated sales and marketing team markets our money transfer services, money orders and bill payment services to our two principal agent distribution channels: large national chain accounts, including large retailers and financial institutions, and smaller retail chains and independent accounts. Our retail agent base includes general merchandise, check cashing, grocery, drug and convenience store retailers and bank locations. Dedicated sales and marketing teams also market our bill payment services directly to billers, including billers in key market verticals, and market our official check and money order services to financial institutions. Internationally, we have sales and marketing teams for our money transfer services located in or near the following regions: Western Europe, including the United Kingdom; Eastern Europe; Asia; the Middle East; Africa; Canada; and Mexico, Latin America and the Caribbean.

Our sales and marketing efforts continue to be supported by a wide range of consumer advertising methods. Signage remains a core focus of building global awareness of our brand. We strive to ensure that our signs are displayed prominently at our agent locations, and that our signage displays our brand consistently across the markets we serve. We also use traditional media methods to reach our consumers, including television, radio and print advertising, as well as advertising our services at community and cultural events throughout the world.

In the first quarter of 2008, we released our new global branding and our new customer loyalty program, MoneyGram Rewards®. Our new global branding is the result of over two years of global research and differentiates MoneyGram from other payment services providers. We developed MoneyGram Rewards to build loyalty and repeat usage with consumers around the world. The program includes features such as a new discount structure based on a consumer's use of our services, email notifications to the sender when the funds are picked up and a more streamlined customer service experience. Consumers can enroll for the program through our call center or at www.mymoneygram.com. We continue to assess the effectiveness of our new global branding and MoneyGram Rewards program, including their respective impact on our transaction volume and our global brand image and awareness.

Product and Infrastructure Development and Enhancements

Our product development activities remain focused on new ways to transfer money and pay bills through enhancements to our current services and the development of new products and services. Recent enhancements

Table of Contents

and new products supplement our Global Funds Transfer segment. We have also invested in new infrastructure to increase efficiencies and support our strategic initiatives. We believe new features, products and infrastructure will provide customers with added flexibility and convenience to help meet their financial services needs.

New Product and Product Enhancements: Our Internet-based money transfer service, eMoneyTransfer, continued to grow during 2008. In 2009, we plan to make significant enhancements to our eMoneyTransfer service which will provide better usability and efficiency in completing a transaction for our online customers, as well as more cost-effective transaction processing. In 2009, we plan to offer our MoneyGram Rewards members the ability to receive a text message on their mobile phones informing them that the funds they transferred have been picked up by their receiver. We currently intend to expand MoneyGram Rewards internationally in 2009. Both eMoneyTransfer and MoneyGram Rewards relate to our Global Funds Transfer segment.

Infrastructure Development: We continue to invest in our infrastructure, including settlement and commission processing, agent and customer data management and set-up, and other important financial systems. This investment is intended to increase the flexibility of our back office, thereby improving operating efficiencies and communications between our agents and our marketing, sales, customer service and accounting functions. Our ongoing investment in technology and process re-engineering is designed to allow us to create an infrastructure able to support our strategic initiatives, increase speed to market for new products, enhance information repositories for regulatory and compliance reporting and provide a better overall customer and agent experience.

We are continuing our efforts to automate our agent on-boarding process, which is intended to improve our speed to market for new agents, enhance departmental tracking and increase organizational accountability. The on-boarding process includes a business process management tool, which allows us to automate a formerly paper-intensive process.

Competition

The markets in which we compete are very competitive and our segments face a variety of competitors. In addition, new competitors or alliances among established companies may emerge. Consolidation among payment services companies, and money transmitters in particular, has occurred and may continue. We compete for agents and financial institution customers on the basis of value, service, quality, technical and operational differences, price and financial incentives paid to agents once they have entered into an agreement. In turn, we compete for consumers on the basis of number and location of outlets, price, convenience and technology.

Money transfer, money order and bill payment services within our Global Funds Transfer segment compete in a very competitive and concentrated industry, with a small number of large competitors and a large number of small, niche competitors. Our primary competition comes from The Western Union Company, including its Orlandi Valuta, Vigo and Pago Facil brands (collectively, Western Union). Western Union has a larger agent base, a more established brand name and substantially greater financial and marketing resources than we do. In addition to Western Union, the U.S. Postal Service is a large competitor with respect to money orders. We also compete with banks and niche person-to-person money transfer service providers that serve select regions. Our PropertyBridge services compete against providers of electronic bill payment services and companies that focus on the rent payment and other key verticals.

As new technologies for money transfer and bill payment services emerge that allow consumers to send and receive money and to pay bills in a variety of ways, we face increasing competition. These emerging technologies include online payment services, card-based services such as ATM cards and stored-value cards, bank to bank money transfers and mobile telephone payment services.

Official check services within our Payment Systems segment compete primarily with financial institutions that have developed internal processing capabilities or services similar to ours and do not outsource official check services. Competitors to our money order services within our Payment Systems segment are largely the same competitors to our money order services within our Global Funds Transfer segment.

Table of Contents

Regulation

Compliance with legal requirements and government regulations is a highly complex and integral part of our day-to-day operations. Our operations are subject to a wide range of laws and regulations globally. These laws and regulations include international, federal and state anti-money laundering laws and regulations; money transfer and payment instrument licensing laws; escheatment laws; privacy laws; data protection and information security laws; and consumer disclosure and consumer protection laws. Failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide our products and services, as well as the potential imposition of civil fines and possibly criminal penalties. See *Risk Factors* for additional discussion regarding potential impacts of failure to comply. We continually monitor and enhance our global compliance program to stay current with the most recent legal and regulatory changes. During 2009, we intend to increase our compliance personnel headcount significantly and make certain investments in our compliance-related technology and infrastructure.

Anti-Money Laundering Compliance. Our money transfer services are subject to anti-money laundering laws and regulations of the United States, including the Bank Secrecy Act, as amended by the USA PATRIOT Act, as well as the anti-money laundering laws and regulations in many of the countries in which we operate, particularly in the European Union (the EU). Countries in which we operate may require one or more of the following:

- reporting of large cash transactions and suspicious activity;
- screening of transactions against the governments' watch-lists, including but not limited to, the watch list maintained by the U.S. Treasury Department's Office of Foreign Assets Control (OFAC);
- prohibition of transactions in, to or from certain countries, governments, individuals and entities;
- limitations on amounts that may be transferred by a consumer or from a jurisdiction at any one time or over specified periods of time, which require the aggregation of information over multiple transactions;
- consumer information gathering and reporting requirements;
- consumer disclosure requirements, including language requirements and foreign currency restrictions;
- notification requirements as to the identity of contracting agents, governmental approval of contracting agents or requirements and limitations on contract terms with our agents;
- registration or licensing of the Company or our agents with a state or federal agency in the United States or with the central bank or other proper authority in a foreign country; and
- minimum capital or capital adequacy requirements.

Anti-money laundering regulations are constantly evolving and vary from country to country. We continuously monitor our compliance with anti-money laundering regulations and implement policies and procedures to make our business practices flexible, so we can comply with the most current legal requirements.

We offer our money transfer services through third-party agents with whom we contract and our ability to directly control our agents' compliance is limited. As a money services business, the Company and its agents are required to establish anti-money laundering compliance programs that include: (i) internal policies and controls; (ii) designation

of a compliance officer; (iii) ongoing employee training and (iv) an independent review function. We have developed an anti-money laundering training manual available in multiple languages and a program to assist with the education of our agents on the various rules and regulations. We also offer online training as part of our agent compliance training program.

Money Transfer and Payment Instrument Licensing. The majority of U.S. states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands require us to be licensed to conduct business within their jurisdictions. Licensing requirements generally include minimum net worth, provision of surety bonds, compliance with operational procedures and reserves or permissible investments that must be maintained in an amount equivalent to outstanding payment obligations, as defined by the various states. The types of securities that are considered permissible investments vary from state to state, but generally include cash and cash equivalents, U.S. government securities and other highly rated debt instruments. Most states require us to file reports on a quarterly or more

Table of Contents

frequent basis to verify our compliance with their requirements. Many states also subject us to periodic examinations and require us and our agents to comply with federal and state anti-money laundering laws and regulations.

In connection with the Capital Transaction, we sold certain investments at a realized loss of \$260.6 million. As a result of these portfolio sales, we were not in compliance for a brief period of time with minimum net worth requirements of the states in which we are licensed to conduct our money transfer and other payment services businesses, as well as certain other requirements of one state. This failure to meet minimum net worth or other requirements may result in the states imposing certain fines and other penalties in the future, although no state has taken any action at this time. Upon the closing of the Capital Transaction, we were again in compliance with the minimum net worth requirements of all states and certain other requirements of one state, and continue to be in compliance.

The European Union has adopted the European Commission's 2007 Payments Services Directive (PSD). When implemented, the PSD will create a new licensing framework for our services in the EU. The initial and ongoing costs to comply with the PSD are not yet determined and could be significant. The PSD will be effective November 1, 2009, and we are currently undertaking efforts intended to ensure our organizational readiness for and compliance with the PSD.

Escheatment Regulation. Unclaimed property laws of every state, the District of Columbia, Puerto Rico and the U.S. Virgin Islands require that we track certain information on all of our payment instruments and money transfers and, if they are unclaimed at the end of an applicable statutory abandonment period, that we remit the proceeds of the unclaimed property to the appropriate jurisdiction. Statutory abandonment periods for payment instruments and money transfers range from three to seven years. Certain foreign jurisdictions also may have unclaimed property laws, though we do not have material amounts subject to any such law.

Privacy Regulations. In the ordinary course of our business, we collect certain types of data which subjects us to certain privacy laws in the United States and abroad. In the United States, we are subject to the Gramm-Leach-Bliley Act of 1999 (the GLB Act), which requires that financial institutions have in place policies regarding the collection, processing, storage and disclosure of information considered nonpublic personal information. We are also subject to privacy laws of various states. In addition, we are subject to the European Privacy Directive (the Privacy Directive). We abide by the U.S. Department of Commerce's Safe Harbor framework principles to assist in compliance with the Privacy Directive. In some cases, the privacy laws of an EU member state may be more restrictive than the Privacy Directive and may impose additional duties with which we must comply. We also have confidentiality/information security standards and procedures in place for our business activities and with our third-party vendors and service providers. Privacy and information security laws, both domestically and internationally, evolve regularly and conflicting laws in the various jurisdictions where we do business pose challenges.

Other. In the United States, we sell our MoneyGram-branded stored value card and also load stored value cards of other card issuers through our ExpressPayment system. Stored value services are generally subject to federal and state laws and regulations, including laws related to consumer protection, licensing, escheat, anti-money laundering and the payment of wages. These laws are evolving, unclear and sometimes inconsistent. The extent to which these laws are applicable to us is uncertain and we are currently unable to determine the impact that any future clarification, changes or interpretation of these laws will have on our services.

Intellectual Property

The MoneyGram brand is important to our business. We have registered our MoneyGram trademark in the United States and a majority of the other countries where we do business. We maintain a portfolio of other trademarks that are also important to our business, including our ExpressPayment, globe with arrows logo, MoneyGram Rewards,

The Power is in Your Hands[®], FormFree and AgentConnect marks. In addition, we maintain a portfolio of MoneyGram branded domain names.

We rely on a combination of patent, trademark and copyright laws, and trade secret protection and confidentiality or license agreements to protect our proprietary rights in products, services, know-how and information. Intellectual property rights in processing equipment, computer systems, software and business processes held by us and our

Table of Contents

subsidiaries provide us with a competitive advantage. Even though not all of these assets are protectable, we take appropriate measures to protect our intellectual property.

We own U.S. and foreign patents related to our money order and money transfer technology. Our U.S. patents have in the past given us competitive advantages in the marketplace, including a number of patents for automated money order dispensing systems and printing techniques, many of which have expired. We also have patent applications pending in the United States that relate to our money transfer, money order, PrimeLink and bill payment technologies and business methods. We anticipate that these applications, if granted, could give us continued competitive advantages in the marketplace. However, our competitors also actively patent their technology and business processes.

Employees

As of December 31, 2008, we had approximately 1,800 full-time employees in the United States and 506 full-time employees internationally. In addition, we engage contractors to support various aspects of our business. None of our employees in the United States are represented by a labor union. We consider our employee relations to be good.

Executive Officers of the Registrant

Pamela H. Patsley, age 52, was appointed Executive Chairman in January 2009. Ms. Patsley also serves on the boards of directors of the Molson Coors Brewing Company, Texas Instruments, Inc. and Dr. Pepper Snapple Group, Inc. Ms. Patsley previously served as Senior Executive Vice President of First Data Corporation, a global payment processing company, from March 2000 to October 2007, and President of First Data International from May 2002 to October 2007. From 1991 to 2000, Ms. Patsley served as President and Chief Executive Officer of Paymentech, Inc., prior to its acquisition by First Data Corporation. Ms. Patsley also served as Chief Financial Officer of First USA, Inc.

Anthony P. Ryan, age 46, was appointed President and Chief Executive Officer in January 2009. Mr. Ryan had served as Executive Vice President and Chief Operating Officer since November 2007. Mr. Ryan previously served as Executive Vice President and President, Global Payment Products and Services from August 2006 to November 2007, Executive Vice President and Division President, Global Funds Transfer from November 2005 to August 2006 and Vice President and General Manager of Global Funds Transfer from 2001 to November 2005. Mr. Ryan previously served as Chief Financial Officer from 1997 to 2001 and as Controller from 1996 to 1997. Prior to joining the Company, Mr. Ryan spent 10 years at First Data Corporation, most recently as Director of Finance.

David J. Parrin, age 54, has served as Executive Vice President and Chief Financial Officer since November 2005. Mr. Parrin previously served as Vice President and Chief Financial Officer from June 2002 to November 2005. From 1998 to 2002, Mr. Parrin was with the investment firm of Dain Rauscher Corporation (now RBC Wealth Management), serving from 1999 to 2002 as Executive Vice President and Chief Financial Officer. From 1994 to 1998, Mr. Parrin served as Senior Vice President and Corporate Controller of U.S. Bancorp. Prior to that, Mr. Parrin spent 17 years with the accounting firm Ernst & Young LLP, most recently as audit partner.

Jean C. Benson, age 41, has served as Senior Vice President, Controller since May 2007. Ms. Benson previously served as Vice President, Controller from August 2001 to May 2007. From 1994 to 2001, Ms. Benson was with Metris Companies, Inc., a financial products and services company, serving as Corporate Controller and Executive Vice President of Finance from 1996 to 2001. From 1990 to 1994, Ms. Benson was an auditor with the accounting firm Deloitte & Touche LLP.

Daniel J. Collins, age 45, has served as Senior Vice President, Treasurer since August 2008. Mr. Collins previously served as Vice President, Audit from June 2004 to August 2008. From 2000 to 2004, Mr. Collins served as Controller of the investment firm of Dain Rauscher Corporation (now RBC Wealth Management). From 1997 to 2000,

Mr. Collins served as Division CFO, Consumer Products for U.S. Bank. Prior to that, Mr. Collins spent 4 years with the accounting firm Coopers & Lybrand (now PricewaterhouseCoopers) and 6 years with the accounting firm Ernst & Young, LLP, most recently as senior manager.

Mary A. Dutra, age 57, has served as Executive Vice President, Global Payment Processing and Settlement since August 2006. Ms. Dutra previously served as Executive Vice President and Division President, Payment Systems

Table of Contents

from November 2005 to August 2006, Vice President and General Manager of Payment Systems from June 2004 to November 2005 and General Manager and Vice President, Global Operations from November 1994 to June 2004. Ms. Dutra joined the Company in 1988 as Manager of Payment Services and served in positions of increasing responsibility from 1988 to 1994. Prior to that, Ms. Dutra spent 15 years with Norwest Bank Minnesota, N.A. (now Wells Fargo Bank, N.A.).

Mubashar Hameed, age 45, has served as Executive Vice President and Chief Information Officer since November 2008. From 2005 to 2007, Mr. Hameed served as President and Chief Executive Officer of FuzionOne, an information technology consulting firm he founded in 2005. From 2006 to 2007, Mr. Hameed served as Senior Vice President and Chief Information Officer of Fiserv Output Solutions, a division of Fiserv, Inc., an information services company. From 1995 to 2005, Mr. Hameed was with General Electric Company, where he held the positions of Chief Information Officer of its Security and Aero Energy businesses, and served as Chief Software Technology Officer of its Commercial Finance division. From 1988 to 1994, Mr. Hameed held information technology positions at Linder & Associates, Inc. and M.H. Engineering, Inc.

John Hempsey, age 56, has served as Chief Executive Officer of the Company's subsidiary, MoneyGram International Ltd, since May 2003. From 2001 to 2003, Mr. Hempsey served as a non-executive board member of Travelex Group Limited, a payment services company. From 1982 to 2001, Mr. Hempsey was with Thomas Cook Global Financial Services prior its acquisition by Travelex Group, serving most recently as Chief Executive Officer. From 1974 to 1982, Mr. Hempsey was with the accounting firms Peat, Marwick, Mitchell & Co. (now KPMG LLP) and Arthur Young & Co. (now Ernst & Young LLP).

Theodore L. Hill, age 46, has served as Vice President, Global Services and General Manager, Paper Products of the Company's subsidiary, MoneyGram Payment Systems, Inc., since 2008. From 2007 to 2008, Mr. Hill served as Vice President, Global Services and from 2000 to 2007 served as Vice President, Customer Setup and Support. Mr. Hill had served as Senior Director, Customer Setup and Support from 1999 to 2000, Director, Global Client Services from 1995 to 1999 and Manager, Control Operations from 1989 to 1995. From 1984 to 1989, Mr. Hill was with Sears, Roebuck & Co.

Teresa H. Johnson, age 57, has served as Executive Vice President, General Counsel and Secretary since November 2005. Ms. Johnson previously served as Vice President, General Counsel and Secretary from June 2004 to November 2005 and Chief Legal Counsel from 1997 to 2004. From 1992 to 1997, Ms. Johnson was with SUPERVALU INC., a food retailer and distributor, serving most recently as Associate General Counsel and Corporate Secretary. From 1987 to 1992, Ms. Johnson served as Deputy General Counsel of food retailer, Giant Eagle, Inc.. From 1979 to 1987, Ms. Johnson was in private practice, most recently as a partner of the law firm Buchanan Ingersoll PC (now Buchanan Ingersoll & Rooney PC).

Lonnie S. Keene, age 54 has served as Executive Vice President and Chief Compliance Officer since May 2008. From 2002 to May 2008, Mr. Keene served as Vice President and Associate General Counsel of the investment banking firm, Goldman, Sachs & Co. From 1998 to 2002, Mr. Keene was in private practice both domestically and abroad, most recently with the law firm Wollmuth, Maher & Deutsch LLP. From 1988 to 1998, Mr. Keene held positions at the U.S. Embassy in Beijing, the U.S. Department of State and the White House.

Daniel J. O Malley, age 44, has served as Senior Vice President, Global Payment Systems/President Americas since April 2007. Mr. O Malley previously served as Vice President, Global Payment Systems/Americas from April 2003 to April 2007, Vice President, Customer Service from June 1999 to April 2003, Director, Operations from 1996 to 1999, Regulatory Project Manager from 1995 to 1996, Manager of the Southeast Processing Center from 1989 to 1995 and Coordinator of the Southeast Processing Center from 1988 to 1989. Prior to joining the Company, Mr. O Malley held various operations positions at NCNB National Bank and Southeast Bank N.A. from 1983 to 1988.

Cindy J. Stemper, age 51, has served as Executive Vice President, Human Resources and Corporate Services since November 2006. Ms. Stemper previously served as Executive Vice President, Human Resources and Facilities from November 2005 to November 2006, Vice President of Human Resources and Facilities from June 2004 to November 2005 and Vice President of Human Resources from 1996 to June 2004. Ms. Stemper joined the Company in 1984 and served in positions of increasing responsibility from 1984 to 1996.

Table of Contents

Available Information

Our principal executive offices are located at 1550 Utica Avenue South, Minneapolis, Minnesota 55416 and our telephone number is (952) 591-3000. Our website address is www.moneygram.com. We make our reports on Forms 10-K, 10-Q and 8-K, Section 16 reports on Forms 3, 4 and 5, and all amendments to those reports, available electronically free of charge in the Investor Relations section of our website as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (the "SEC").

Item 1A. RISK FACTORS

Various risks and uncertainties could affect our business. Any of the risks described below or elsewhere in this Annual Report on Form 10-K or our other filings with the SEC could have a material impact on our business, financial condition or results of operations.

RISK FACTORS

Our increased debt service, significant debt covenant requirements, our debt rating and any future cash dividends paid on our preferred stock could impair our financial condition and adversely affect our ability to operate and grow our business.

As a result of the Capital Transaction, we are highly leveraged and have substantial debt service obligations. Our indebtedness could adversely affect our ability to operate our business and could have an adverse impact on our stockholders, including:

our ability to obtain additional financing in the future may be impaired;

a significant portion of our cash flow from operations must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations, acquisitions, product development or other corporate initiatives;

our debt agreements contain financial and restrictive covenants which significantly impact our ability to operate our business and any failure to comply with them may result in an event of default, which could have a material adverse effect on us;

our level of indebtedness increases our vulnerability to general economic downturns and adverse industry conditions;

our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the industry;

our substantial leverage could place us at a competitive disadvantage to our competitors who have less leverage relative to their overall capital structures;

our ability to pay cash dividends to the holders of our common stock is significantly restricted, and no such dividends are contemplated in the foreseeable future; and

payment of cash dividends to the holders of the preferred stock in the future could reduce the funds available to us for our operations, acquisitions, product development or other corporate initiatives.

Our senior debt pursuant to our credit facility has been rated non-investment grade. Together with our leverage, this rating adversely affects our ability to obtain additional financing and increases our cost of borrowing. A non-investment grade rating may also affect our ability to attract and retain certain customers.

Our recent transaction with the Investors significantly dilutes the interests of the common stockholders and grants other important rights to the Investors.

The Series B Stock issued to the Investors is convertible into shares of common stock or common equivalent stock at the price of \$2.50 per common share (subject to anti-dilution rights), giving the Investors an initial equity interest in

Table of Contents

us of approximately 79 percent. Dividends payable on the Series B Stock have been accrued since inception and are expected to be accrued and not be paid in cash for approximately five years, which will substantially increase the ownership interest of the Investors and dilute the interests of the common stockholders. With the accrual of dividends, the Investors have an equity interest of 80 percent as of December 31, 2008.

The B Stock initially had voting rights equivalent to 9.9 percent of the outstanding common shares on a fully converted basis. Upon receipt of all regulatory approvals, the holders of the B Stock have attained full voting rights. The holders of the B Stock vote as a class with the common stock and have a number of votes equal to the number of shares of common stock issuable if all outstanding shares of B Stock were converted into common stock plus the number of shares of common stock issuable if all outstanding shares of B-1 Stock were converted into Series D Participating Convertible Preferred Stock (D Stock) and subsequently converted into common stock. As a result, holders of the B Stock are able to determine the outcome of matters put to a stockholder vote, including the ability to elect our directors, determine our corporate and management policies, including compensation of our executives, and determine, without the consent of our other stockholders, the outcome of any corporate action submitted to our stockholders for approval, including potential mergers, acquisitions, asset sales and other significant corporate transactions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale of our Company and might reduce our share price. THL also has sufficient voting power to amend our organizational documents. We cannot provide assurance that the interests of the Investors will coincide with the interests of other holders of our common stock.

In view of their significant ownership stake in the Company, THL, as holders of the B Stock, has appointed four members to our Board of Directors and Goldman Sachs, as holders of the B-1 Stock, has appointed two observers to our Board of Directors. The size of our Board was set at nine directors, three of which are independent. On January 21, 2009, the Board appointed Anthony P. Ryan, President and Chief Executive Officer, and Pamela H. Patsley, Executive Chairman, to the Board, filling two board positions that were vacant as of December 31, 2008. We are required under the terms of the Capital Transaction to seek shareholder approval to amend our Certificate of Incorporation, including the filing of a proxy statement with the SEC and to use our best efforts to solicit proxies in favor of such amendment, to provide that, as long as the Investors have a right to designate directors to our Board, Goldman Sachs shall have the right to designate one director who shall have one vote and THL shall have the right to designate two to four directors who shall each have equal votes and who shall have such number of votes equal to the number of directors as is proportionate to the Investors' common stock ownership, calculated on a fully-converted basis assuming the conversion of all shares of Series B Stock into common stock, minus the one vote of the director designated by Goldman Sachs. Therefore, each director designated by THL will have multiple votes and each other director will have one vote.

Sustained financial market disruptions could adversely affect our business, financial condition and results of operations.

The global capital and credit markets are experiencing unprecedented volatility and disruption. As a result, we may face certain risks in connection with these events. In particular:

We may be unable to access or liquidate short-term investments, including those held in money market funds that we need to settle our payment instruments, pay money transfers and make related settlements to agents. Any resulting need to access other sources of liquidity or short-term borrowing would increase our costs. Any delay or inability to settle our payment instruments, pay money transfers or make related settlements with our agents could adversely impact our business, financial condition and results of operations.

Banks upon which we rely to conduct our official check, money order and money transfer businesses could fail. This could lead to our inability to access funds and/or to credit losses for us and could adversely impact our ability to conduct our official check, money order and money transfer businesses.

Our revolving credit facility with a consortium of banks is one source of funding for corporate transactions and liquidity needs. If any of the banks participating in our credit facility were unable or unwilling to fulfill its lending commitment to us, our short-term liquidity and ability to engage in corporate transactions such as acquisitions could be adversely affected.

Table of Contents

We may be unable to borrow from financial institutions or institutional investors on favorable terms which could adversely impact our ability to pursue our growth strategy and fund key strategic initiatives, such as product development and acquisitions.

If current levels of market disruption and volatility continue or worsen, there can be no assurance we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

A sustained weakness in economic conditions, in both the United States and global markets, could adversely affect our business, financial condition and results of operations.

Our money transfer business relies in part on the number and size of consumer transactions as well as international migration patterns. Consumer transactions and migration patterns are affected by, among other things, the availability of job opportunities and overall economic conditions. Our customers tend to have job opportunities in industries such as construction, manufacturing and retail that may be more significantly impacted by deteriorating economic conditions than other industries. This may result in reduced job opportunities for our customers in the United States or other countries that are important to our business which could adversely affect our results of operations.

Our agents or billers may have reduced sales or business as a result of a deterioration in economic conditions. As a result, our agents could reduce their numbers of locations or hours of operation, or cease doing business altogether. Our billers may have fewer customers making payments to them, particularly billers in those industries that may be more affected by an economic downturn such as the automobile, mortgage and retail industries.

If general market softness in the United States or other national economies important to the Company's business were to continue for an extended period of time or deteriorate further, the Company's results of operations could be adversely impacted. Additionally, if our consumer transactions decline or migration patterns shift due to deteriorating economic conditions, we may be unable to timely and effectively reduce our operating costs or take other actions in response which could adversely affect our results of operations.

A material slow down or complete disruption in international migration patterns could adversely affect our business, financial condition and results of operations.

The money transfer business relies in part on migration patterns, as individuals move from their native countries to countries with greater economic opportunities or a more stable political environment. A significant portion of money transfer transactions are initiated by immigrants or refugees sending money back to their native countries. Changes in immigration laws that discourage international migration and political or other events (such as war, terrorism or health emergencies) that make it more difficult for individuals to migrate or work abroad could adversely affect our money transfer remittance volume or growth rate. The continued deterioration in global economic conditions could reduce economic opportunities for migrant workers and result in reduced or disrupted international migration patterns. Reduced or disrupted international migration patterns, particularly in the United States or Europe, are likely to reduce money transfer transaction volumes and therefore have an adverse effect on our results of operations.

If we lose key customers or are unable to maintain our Global Funds Transfer agent or biller networks, our business and results of operations could be adversely affected.

Revenue from our money transfer and urgent bill payment services is derived from transactions conducted through our retail agent and biller networks. The reputational damage to our brand as a result of the events leading to the Capital Transaction may make it harder for us to retain existing agents or billers or to develop new agent or biller

relationships. Many of our high volume agents are in the check cashing industry. There are risks associated with the check cashing industry that could cause this agent base to decline. We may not be able to retain all of our current retail agents or billers for other reasons, as the competition for retail agents and billers is intense. If agents or billers decide to leave our agent network, or if we are unable to add new agents or billers to our network, our revenue would decline.

Table of Contents

As a result of the events leading to the Capital Transaction, a small number of key agents have asked for certain funding arrangements and special remittance patterns for their benefit, which arrangements negatively impact our liquidity. Larger agents and billers in our Global Funds Transfer segment are increasingly demanding financial concessions and more information technology customization. The development, equipment and capital necessary to meet these demands could require substantial expenditures and there can be no assurance that we will have the available capital after paying dividends to the Investors and servicing our debt, or that we will be allowed to make such expenditures under the terms of our debt agreements. If we were unable to meet these demands, we could lose customers and our business and results of operations would be adversely affected.

A substantial portion of our transaction volume is generated by a limited number of key agents. During 2008 and 2007, our 10 largest agents accounted for 42 percent and 36 percent of our total fee and investment revenue and 49 percent and 49 percent of the total fee and investment revenue of our Global Funds Transfer segment, respectively. Our largest agent, Walmart Stores, Inc. (Walmart), accounted for 26 percent and 20 percent of our total fee and investment revenue and 30 percent and 27 percent of the fee and investment revenue of our Global Funds Transfer segment in 2008 and 2007, respectively. If any of these key agents were not to renew their contracts with us, or if such agents were to reduce the number of their locations, or cease doing business, we might not be able to replace the volume of business conducted through these agents, and our business and results of operations would be adversely affected.

In the fourth quarter of 2008, we initiated the first phase of a repricing initiative for our money order product sold through retail agent locations. This initiative increases the per-item fee we receive for our money orders and reflects the impact of the realigned investment portfolio on the profitability of this product. We are assessing the impact of this first phase and may roll out additional pricing initiatives in 2009 on a targeted basis. In addition, we continue to review our credit exposure to our agents and may terminate or otherwise revise our relationship with certain agents. We expect volumes to decline from the attrition of money order customers as a result of these initiatives, which could adversely affect our results of operations.

We may be unable to operate our official check and money order businesses profitably as a result of historically low interest rates and our revised pricing strategies.

Our revenues in the official check business are generated primarily by the investment of funds we receive from the sale of official checks. In turn, we pay commissions to our official check financial institution customers based on the outstanding balance produced by that customer's sale of official checks, calculated at a rate based on short-term variable financial indices, such as the federal funds rate. Fluctuations in interest rates affect the revenue produced by our investment portfolio and the commissions that we pay our official check financial institution customers. There can be no assurance that interest rate fluctuations in our investments will align with the commission rates we pay to our official check financial institution customers. Both our investment revenue and the commissions we pay decrease when interest rates decline and increase when interest rates rise. However, because our commission rates reset more frequently than the rates earned on our investments, changes in investment revenue will lag changes in commission rates. A rising interest rate environment typically has a negative impact on our investment margin. In the past our investments included long-term and medium-term fixed income securities, a portion of which were asset-backed securities. We have realigned our investment portfolio to focus on highly liquid, short-term securities that produce a lower rate of return. As a result, we have reduced the commissions we pay to our official check financial institution customers and have implemented and/or increased per-item and other fees for our official check services. Despite these changes, there can be no assurance that our official check business will operate profitably. Further, our official check financial institution customers have a right to terminate their agreements with us if they do not accept these pricing changes. There can be no assurance that we will retain those official check financial institution customers that we wish to retain.

Earnings in our money order business are generated in part by the investment of funds we receive from the sale of money orders. As a result of the realignment of our investment portfolio, we earn a lower rate of return on the investment of funds we receive from the sale of money orders. The continued success of our money order business is dependent on our ability to increase money order fees paid to us by our agents. We are in the process of repricing certain money order agents to increase our fees. There can be no assurance that we will successfully reprice our money order agents and retain those agents that we wish to retain.

Table of Contents

Litigation or investigations involving MoneyGram or our agents, which could result in material settlements, fines or penalties, may adversely affect our business, financial condition and results of operations.

The SEC is conducting an informal, non-public inquiry of our financial statements, reporting and disclosures related to our investment portfolio and offers and negotiations in connection with the Capital Transaction. While the SEC's notice states that it has not determined that any violations of the securities laws have occurred, there can be no assurance of the outcome of the inquiry. We are also currently the subject of stockholder litigation, including a securities class action lawsuit and one lawsuit under ERISA. While we believe the suits are without merit and intend to vigorously defend against such claims, the outcome of the lawsuits cannot be predicted at this time. The cost to address the SEC inquiry and defend the stockholder and ERISA litigation could be substantial, regardless of the outcome.

Regulatory and judicial proceedings, including risks associated with the SEC inquiry, our failure to comply with certain state regulatory requirements for a brief period of time prior to the Capital Transaction and potential adverse developments in connection with ongoing stockholder litigation may adversely affect our business, financial condition and results of operations. There may also be adverse publicity associated with lawsuits and investigations that could decrease agent and customer acceptance of our services. Additionally, our business has been in the past, and may be in the future, the subject of class action lawsuits, regulatory actions and investigations and other general litigation. The outcome of class action lawsuits, regulatory actions and investigations is difficult to assess or quantify. Plaintiffs or regulatory agencies in these lawsuits, actions or investigations may seek recovery of very large or indeterminate amounts, and the magnitude of these actions may remain unknown for substantial periods of time. The cost to defend or settle future lawsuits or investigations may be significant.

An inability of the Company or its agents to maintain adequate banking relationships may adversely affect our business, financial condition and results of operations.

We rely on domestic and international banks for international cash management, ACH and wire transfer services to pay money transfers and settle with our agents. We also rely on domestic banks to provide clearing, processing and settlement functions for our paper-based instruments, including official checks and money orders. The Company's relationships with these banks are a critical component of our ability to conduct our official check, money order and money transfer businesses. An inability on our part to maintain existing or establish new banking relationships sufficient to enable us to conduct our official check, money order and money transfer businesses could adversely affect our business, results of operations and financial condition. There can be no assurance that the Company will be able to establish and maintain adequate banking relationships.

Three of our eight official check clearing banks have chosen not to renew their clearing agreements with us. Other clearing banks have sought advance funding or other financial arrangements in order to continue providing clearing services to us. While the loss of our clearing arrangements with these three clearing banks has not had an adverse effect on our official check business, we may experience increased costs or significant disruption of our business if we lose additional clearing bank relationships and are unable to establish adequate clearing bank relationships.

Our primary international bank has informed us of its intent to terminate its relationship with us. We are in the process of migrating to a new primary international banking relationship for cash management, ACH and wire transfer services. Should we not be successful in establishing a sufficient relationship with one of the limited number of large international banks that provide these services, we would be required to establish a global network of banks to provide us with these services. This could alter the pattern of settlement with our agents and result in our agent receivables and agent payables being outstanding for longer periods than the current remittance schedule thereby adversely impacting our cash flow and revenue. Maintaining a global network of banks, if necessary, may also increase our overall costs for banking services.

We and our agents are considered Money Service Businesses in the United States under the Bank Secrecy Act. The federal banking regulators are increasingly taking the stance that Money Service Businesses, as a class, are high risk. As a result, several financial institutions, which look to the federal regulators for guidance, have terminated their banking relationships with some of our agents. If our agents are unable to maintain existing or establish new banking relationships, they may not be able to continue to offer our services which could adversely affect our results of operations.

Table of Contents

Loss of key employees could have a material adverse effect on our business, financial condition and results of operations.

Our success depends to a large extent upon the continued services of our executive management team and other key employees. The loss of key personnel could have a material adverse effect on our business, financial condition, results of operations and cash flows. There are no assurances that we will be able to retain key employees or attract other skilled personnel in the future.

Failure to maintain sufficient capital could adversely affect our business, financial condition and results of operations.

If we do not have sufficient capital, we may not be able to pursue our growth strategy and fund key strategic initiatives, such as product development and acquisitions. We may not be able to meet new capital requirements introduced or required by our regulators such as those that will result from implementation of the Payment Services Directive adopted in the European Union. While we received substantial new capital in conjunction with the Capital Transaction, there can be no assurance that we will not need additional capital in the future. Given the leveraged nature of the Company and the significant restrictive covenants in our debt agreements, there can be no assurance that we will have access to additional capital. Failure to have such access could materially impact our business, financial condition and results of operations.

We face credit risks from our retail agents and official check financial institution customers which may increase during an economic downturn.

The vast majority of our Global Funds Transfer segment is conducted through independent agents that provide our products and services to consumers at their business locations. Our agents receive the proceeds from the sale of our payment instruments and money transfers and we must then collect these funds from the agents. If an agent becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit money order or money transfer proceeds to us, we must nonetheless pay the money order or complete the money transfer on behalf of the consumer. Moreover, we have made, and may make in the future, secured or unsecured loans to retail agents under limited circumstances or allow agents to retain our funds for a period of time before remitting them to us. As of December 31, 2008, we had credit exposure to our agents of \$670.8 million in the aggregate spread across over 17,000 agents, of which three owed us in excess of \$15.0 million each.

Our Payment Systems segment is conducted through financial institutions. Our official check financial institution customers issue official checks and money orders and remit to us the face amounts of those instruments the day after they are issued. MoneyGram is liable for payment on all of those instruments except cashier's checks. As of December 31, 2008, we had a credit exposure to our official check financial institution customers of approximately \$449.0 million in the aggregate spread across 1,800 financial institutions, of which five owed us in excess of \$15.0 million each.

We monitor the creditworthiness of our agents and official check financial institution customers on an ongoing basis. Given the unprecedented volatility in global financial markets and the rapid occurrence of negative economic events, the models and approaches we use to assess and monitor agent and official check financial institution customer creditworthiness may become less predictive, and we may be unable to detect and take steps to timely mitigate an increased credit risk.

An economic downturn could result in greater credit losses than we have experienced in the past, particularly if agents suffer a downturn in their businesses, whether or not directly related to our business. In the event of an agent bankruptcy, we would generally be in the position of creditor, possibly with limited security or financial guarantees of

performance, and we would therefore be at risk of a reduced recovery.

We are not insured against credit losses, except in circumstances of agent theft or fraud. Significant credit losses could have a material adverse effect on our business, results of operations and financial condition.

Table of Contents

We face fraud risks that may increase as a result of an economic downturn and that could adversely affect our business, financial condition and results of operations.

Criminals are using increasingly sophisticated methods to engage in illegal activities such as paper instrument counterfeiting, fraud and identity theft. As we make more of our services available over the Internet, we subject ourselves to new types of consumer fraud risk because requirements relating to customer authentication are more complex with Internet services. Certain former retail agents have also engaged in fraud against us, and existing agents could engage in fraud against us. We use a variety of tools to protect against fraud; however, these tools may not always be successful.

It is possible that negative economic conditions would result in increased agent or consumer fraud. If consumer fraud levels involving our services were to rise, it could lead to regulatory intervention and reputational and financial damage. This, in turn, could reduce the use and acceptance of our services or increase our compliance costs and thereby have a material adverse impact on our business, financial condition and results of operations.

If we fail to successfully develop and timely introduce new and enhanced products and services or we make substantial investments in an unsuccessful new product, service or infrastructure change, our business, prospects, financial condition and results of operations could be adversely affected.

Our future growth will depend, in part, on our ability to continue to develop and successfully introduce new and enhanced methods of providing money transfer, money order, official check, bill payment and related services that keep pace with competitive introductions, technological changes and the demands and preferences of our agents, financial institution customers and consumers. Many of our competitors offer electronic payment mechanisms, including Internet-based and cellular phone payment services, that could be substituted for traditional forms of payment, such as the money order, bill payment and money transfer services that we offer. If these alternative payment mechanisms become widely substituted for our products and services, and we do not develop and ramp up similar alternative payment mechanisms successfully and on a timely basis, our business and prospects could be adversely affected. Additionally, we may make future investments or enter into strategic alliances to develop new technologies and services or to implement infrastructure change to further our strategic objectives, strengthen our existing businesses and remain competitive. Investments in new technologies and infrastructure and strategic alliances are inherently risky and we cannot guarantee that such investments will be successful or will not have a material adverse effect on our business, financial condition and results of operations.

If we are unable to adequately protect our brand and the intellectual property rights related to our existing and any new or enhanced products and services, or if we are unable to avoid infringing on the rights of others, our business, prospects, financial condition and results of operations could be adversely affected.

The MoneyGram® brand is important to our business. We utilize trademark registrations in various countries and other tools to protect our brand. Our business would be harmed if we were unable to adequately protect our brand, and the value of our brand were to decrease as a result.

We rely on a combination of patent, trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect the intellectual property rights related to our products and services. We also investigate the intellectual property rights of third parties to prevent our infringement of those rights. We may be subject to claims of third parties that we infringe their intellectual property rights or have misappropriated other proprietary rights. We may be required to spend resources to defend any such claims or to protect and police our own rights. Some of our intellectual property rights may not be protected by intellectual property laws, particularly in foreign jurisdictions. The loss of our intellectual property protection, the inability to secure or enforce intellectual property protection or to successfully defend against an intellectual property infringement action could harm our business and prospects.

We face intense competition, and if we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

The markets in which we compete are highly competitive, and we face a variety of competitors across our businesses. In addition, new competitors or alliances among established companies may emerge. With respect to our

Table of Contents

money transfer, urgent bill payment and money order businesses, our primary competition comes from Western Union, which has substantially greater transaction volume than we do. Western Union has a larger agent base, a more established brand name and substantially greater financial and marketing resources than we do. We cannot anticipate every effect that actions taken by Western Union will have on our business, or the money transfer and bill payment industry in general.

Money transfer, money order and bill payment services within our Global Funds Transfer segment compete in a concentrated industry, with a small number of large competitors and a large number of small, niche competitors. In addition to Western Union, the U.S. Postal Service is a large competitor with respect to money orders. We also compete with banks and niche person-to-person money transfer service providers that serve select send and receive corridors. The electronic bill payment services within our Global Funds Transfer segment compete in a highly fragmented consumer-to-business payment industry. Competitors in the electronic payments area include financial institutions, third parties that host financial institution and bill payment services, third parties that offer payment services directly to consumers and billers offering their own bill payment services. Competitors of PropertyBridge, Inc., our wholly owned subsidiary, include the providers of electronic bill payment services discussed above, as well as companies focusing solely on the rent payment vertical, companies focusing on multiple payment verticals, including rent payments, and providers of property management software.

Our official check business competes primarily with financial institutions that have developed internal processing capabilities or services similar to ours and do not outsource official check services. One large financial institution has recently begun to offer official check outsourcing services to other financial institutions. Other financial institutions could offer competing official check outsourcing services to our existing and prospective official check customers.

Recent levels of growth in consumer money transfer transactions, bill payment transactions and other payment products may not continue. In addition, consolidation among payment services companies has occurred and could continue. If we are unable to continue to grow our existing products, while also growing newly developed and acquired products, we will be unable to compete effectively in the changing marketplace, and our business, financial condition and results of operations would be adversely affected.

MoneyGram and our agents are subject to a number of risks relating to U.S. and International regulatory requirements which could result in material settlements, fines or penalties or changes in our or their business operations that may adversely affect our business, financial condition and results of operations.

Our business is subject to a wide range of laws and regulations which vary from country to country. The money transfer business is subject to a variety of regulations aimed at the prevention of money laundering and terrorism. We are subject to U.S. federal anti-money laundering laws, including the Bank Secrecy Act, as amended by the USA PATRIOT Act, and the requirements of the Office of Foreign Assets Control (OFAC), which prohibit us from transmitting money to specified countries or on behalf of prohibited individuals. Additionally, we are subject to the anti-money laundering laws in many countries where we operate, particularly in the European Union. We are also subject to financial services regulations, money transfer and payment instrument licensing regulations, currency control regulations, escheat laws, laws covering consumer privacy, data protection and information security and consumer disclosure and consumer protection laws. Many of the laws to which we are subject are evolving, unclear and inconsistent across various jurisdictions, making compliance challenging.

Changes in laws and regulations may increase our costs of operations and may disrupt our business as we develop new business and compliance models. A key example of changing laws and regulations is the Payment Services Directive (PSD) adopted by the European Union. The PSD will create a new framework of licensing and other regulations for our business operations in the European Union and impose a number of new requirements on our business. The PSD will impose greater potential liability on us for the conduct of our agents and the commission of third party fraud

utilizing our services. The PSD will require us to modify our business operations in the European Union and will likely increase our costs of operating in the European Union. We are required to comply with the PSD by November 1, 2009. In the event we are unable to fully comply by that date, our business, financial position and results of operations may be adversely impacted. Additionally, the United States and other countries are

Table of Contents

focusing on initiatives designed to lower costs of international remittances which, if implemented, may adversely impact our business, financial position and results of operations.

Any intentional or negligent violation by us of the laws and regulations set forth above could lead to significant fines or penalties and could limit our ability to conduct business in some jurisdictions. Regulators in the United States and other jurisdictions are showing a greater inclination than they have in the past to hold money services businesses like ours to higher standards of agent training and monitoring for possible violations of laws and regulations by agents. Our systems, employees and processes may not be sufficient to detect and prevent an intentional or negligent violation of the laws and regulations set forth above by our agents which could also lead to us being subject to significant fines or penalties. In addition to those direct costs, a failure by us or our agents to comply with applicable laws and regulations also could seriously damage our reputation and brands and result in diminished revenue and profit and increased operating costs.

In connection with the Capital Transaction, we recognized significant losses in our investment portfolio. As a result, we were not in compliance for a brief period of time with the minimum net worth requirements of the states in which we are licensed to conduct our money transfer and other payment services businesses, as well as certain other requirements of one state. This failure to meet minimum net worth or other requirements may result in certain states imposing fines and other penalties in the future.

Changes in laws, regulations or other industry practices and standards, or interpretations of legal or regulatory requirements may occur which could increase our compliance and other costs of doing business, require significant systems redevelopment, reduce the market for or value of our products or services or render our products or services less profitable or obsolete and have an adverse effect on our results of operations. Changes in the laws affecting the kinds of entities that are permitted to act as money transfer agents (such as changes in requirements for capitalization or ownership) could adversely effect our ability to distribute our services and the cost of providing such services, both by us and our agents. Many of our high volume agents are in the check cashing industry. Any regulatory action that adversely affects check cashers could also cause this portion of our agent base to decline. If onerous regulatory requirements were imposed on our agents, the requirements could lead to a loss of agents, which, in turn, could lead to a loss of retail business.

Failure by us or our agents to comply with the laws and regulatory requirements of applicable regulatory authorities could result in, among other things, revocation of required licenses or registrations, loss of approved status, termination of contracts with banks or retail representatives, administrative enforcement actions and fines, class action lawsuits, cease and desist orders and civil and criminal liability. The occurrence of one or more of these events could have a material adverse effect on our business, financial condition and results of operations.

We conduct money transfer transactions through agents in some regions that are politically volatile or, in a limited number of cases, are subject to certain OFAC restrictions.

We conduct money transfer transactions through agents in some regions that are politically volatile or, in a limited number of cases, are subject to certain OFAC restrictions. While we have instituted policies and procedures to protect against violations of law, it is possible that our money transfer service or other products could be used by wrong-doers in contravention of U.S. law or regulations. In addition to monetary fines or penalties that we could incur, we could be subject to reputational harm that could adversely impact the value of our stockholders' investments.

We face security risks related to our electronic processing and transmission of confidential customer information. A material breach of security of our systems could adversely affect our business.

Any significant security or privacy breaches in our facilities, computer networks and databases could harm our business and reputation, cause inquiries and fines or penalties from regulatory or governmental authorities and cause a loss of customers. We discovered an unlawful data server attack and suffered potential improper data access by unauthorized persons in late 2006. We rely on encryption software and other technologies to provide security for processing and transmission of confidential customer information. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures we use to protect customer transaction data. We may

Table of Contents

be required to expend significant capital and other resources to protect against these security breaches or to alleviate problems caused by these breaches. Third-party contractors also may experience security breaches involving the storage and transmission of our confidential customer information. If users gain improper access to our or our contractor's systems or databases, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose us to monetary liability, lead to reputational harm and make our customers less confident in our services.

Our business is particularly dependent on the efficient and uninterrupted operation of our computer network systems and data centers.

Our ability to provide reliable service largely depends on the efficient and uninterrupted operation of our computer network systems and data centers. Our business involves the movement of large sums of money and the management of data necessary to do so. The success of our business particularly depends upon the efficient and error-free handling of the money that is remitted to us and that is used to clear payment instruments or complete money transfers. We rely on the ability of our employees and our internal systems and processes to process these transactions in an efficient, uninterrupted and error-free manner.

In the event of a breakdown, catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), security breach, improper operation or any other event impacting our systems or processes or our vendors' systems or processes, or improper action by our employees, agents, customer financial institutions or third party vendors, we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation. The measures we have enacted, such as the implementation of disaster recovery plans and redundant computer systems, may not be successful and we may experience problems other than system failures. We may also experience software defects, development delays and installation difficulties, which would harm our business and reputation and expose us to potential liability and increased operating expenses. Certain of our agent contracts, including our contract with Walmart, contain service level standards pertaining to the operation of our system, and give the agent a right to collect damages and in extreme situations a right of termination for system downtime exceeding agreed upon service levels. If we face system interruptions and system failures our business interruption insurance may not be adequate to compensate us for all losses or damages that we may incur.

If we are unable to effectively operate and scale our technology to match our business growth, our business, financial condition and results of operations could be adversely affected.

Our ability to continue to provide our services to a growing number of agents and consumers, as well as to enhance our existing services and offer new services is dependent on our information technology systems. If we are unable to effectively manage the technology associated with our business, we could experience increased costs, reductions in system availability and loss of agents or consumers. Any failure of our systems in scalability, reliability and functionality could adversely impact our business, financial condition and results of operations.

The opening of new retail locations and acquisition or start-up of businesses create risks and may adversely affect our operating results.

We continue to open Company-owned retail locations for the sale of our products and services. Operating these retail locations presents new risks for us. After substantial capital investment in such retail locations it is uncertain how these locations will be accepted in the market and how quickly transaction volume will increase to offset our investment. We may be subject to additional laws and regulations that are triggered by our ownership of the retail locations and our employment of the individuals staffing the retail locations. There are also certain risks inherent in operating any retail location, including theft, personal injury and property damage and risks associated with long-term lease obligations and employee matters.

We have recently acquired and are in the process of integrating two of our former super-agents in Spain. Additionally, we may, from time to time, acquire or start up businesses both inside and outside of the United States. The acquisition and integration of businesses, involve a number of risks. We may not be able to successfully integrate any businesses that we acquire or open, including their facilities, personnel, financial systems, distribution, operations and general operating procedures. If we fail to successfully integrate acquisitions, we could

Table of Contents

experience increased costs and other operating inefficiencies, which could have an adverse effect on our results of operations. The diversion of capital and management's attention from our core business that results from opening retail locations or acquiring or opening new businesses could adversely affect our business, financial condition and results of operations.

There are a number of risks associated with our international sales and operations that could adversely affect our business.

We provide money transfer services between and among 189 countries and territories, and our strategy is to expand our international business. Our ability to grow in international markets and our future results could be harmed by a number of factors, including:

changes in political and economic conditions and potential instability in certain regions;

changes in regulatory requirements or in foreign policy, including the adoption of foreign laws detrimental to our business;

possible increased costs and additional regulatory burdens imposed on our business due to the European Union Payment Services Directive;

burdens of complying with a wide variety of laws and regulations;

possible fraud or theft losses, and lack of compliance by international representatives in foreign legal jurisdictions where collection and legal enforcement may be difficult or costly;

reduced protection for our intellectual property rights;

unfavorable tax rules or trade barriers;

inability to secure, train or monitor international agents; and

failure to successfully manage our exposure to foreign currency exchange rates, in particular with respect to the Euro.

Unfavorable outcomes of tax positions we take could adversely affect our tax expense.

We file tax returns and take positions with respect to federal, state, local and international taxation that are subject to review and audit by taxing authorities. An unfavorable outcome of a tax review or audit could result in higher tax expense, which could adversely affect our results of operations and cash flows. We establish reserves for material, known tax exposures. While we believe our reserves are adequate to cover material, known tax exposures, there can be no assurance that an actual taxation event would not exceed our reserves.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business.

We are required to certify and report on our compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing the effectiveness of our internal control over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards

are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. In order to achieve effective internal controls we may need to enhance our accounting systems or processes which could increase our cost of doing business. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business.

We have significant overhang of salable convertible preferred stock relative to float.

The trading market for our common stock was first established in June 2004. The float in that market now consists of approximately 82,000,000 shares out of a total of 82,540,662 shares issued and outstanding as of February 23,

Table of Contents

2009. The Series B Stock issued to the Investors is convertible into shares of common stock or common equivalent stock at the price of \$2.50 per common share, subject to anti-dilution rights. Under the Registration Rights Agreement entered into between the Company and the Investors at the closing of the Capital Transaction, the Investors and other parties may require us to register for sale publicly (at times largely of their choosing) all of the Series B Stock that they hold, as well as any common stock or D Stock into which the B-1 Stock may be converted. Sales of a substantial number of shares of our common stock, or the perception that significant sales could occur (particularly if sales are concentrated in time or amount), may depress the trading price of our common stock.

An agreement among the Investors and Walmart could prevent an acquisition of the Company.

The Investors and Walmart have entered into an agreement that, among other things, prevents the Investors, without the prior written consent of Walmart, from voting in favor of, consenting to or selling or transferring their equity securities in a manner that would result in a change of control of the Company. This provision is effective until March 17, 2010. The Investors collectively have a majority of the voting stock of the Company and Walmart, whose interests may differ from our stockholders' interests, could prevent the Investors from agreeing to a sale of the Company under certain circumstances.

Our capital structure, charter documents, and Delaware law could delay or prevent an acquisition of the Company, which could inhibit your ability to receive a premium on your investment from a possible sale of the Company.

Our current capital structure and certain provisions of our charter documents may discourage third parties from seeking to acquire the Company. The holders of the B Stock would vote as a class with the common stockholders on any proposed business combination and would control the outcome. These matters and certain provisions of Delaware law relating to business combinations with interested stockholders may have the effect of delaying, deterring or preventing a merger or change in control of the Company. Some of these matters may discourage a future acquisition of the Company even if common stockholders would receive an attractive value for their shares or if a significant number of our common stockholders believed such a proposed transaction to be in their best interests. As a result, stockholders who desire to participate in such a transaction may not have the opportunity to do so.

If we cannot meet the New York Stock Exchange (NYSE) continued listing requirements, the NYSE may delist our common stock.

Our common stock is currently listed on the NYSE. In December 2008, we received notice from the NYSE that we were below listing requirements because the 30-day average closing price of our common stock had fallen below \$1.00. The NYSE provided us until June 16, 2009 to cure our share price deficiency or be subject to delisting. The NYSE recently suspended its share price listing requirement on a temporary basis through June 30, 2009. If we do not cure our share price deficiency before June 30, 2009, we will receive the balance of our initial six-month cure period, or until October 26, 2009 to cure our share price deficiency or our common stock would be subject to delisting. Our closing stock price on February 23, 2009 was \$1.23 and our 30-day average closing price was \$1.37. The NYSE also requires us to maintain average market capitalization and stockholders' equity of at least \$75 million. As of February 23, 2009, our market capitalization was approximately \$101.1 million. Our stockholders' deficit was \$781.7 million at December 31, 2008.

If we are unable to satisfy the NYSE criteria for continued listing, our common stock would be subject to delisting. A delisting of our common stock could negatively impact us by, among other things, reducing the liquidity and market price of our common stock; reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; decreasing the amount of news and analyst coverage for the Company; and limiting our ability to issue additional securities or obtain additional financing in the future.

Table of Contents**Item 1B. UNRESOLVED SEC COMMENTS**

None.

Item 2. PROPERTIES

Location	Use	Segment(s) Using Space	Square Feet	Lease Expiration
Minneapolis, MN	Global Headquarters Global Operations	Both	168,211	12/31/2015
Brooklyn Center, MN	Center Global Operations	Both	75,000	1/31/2012
Brooklyn Center, MN	Center	Both	44,026	1/31/2012
Lakewood, CO	Call Center	Global Funds Transfer	113,735	3/31/2012

Information concerning our material properties, all of which are leased, including location, use, approximate area in square feet and lease terms, is set forth above. We also have a number of other smaller office locations in California, Florida, New York, Tennessee, France, Germany, Italy and the United Kingdom, as well as small sales and marketing offices in Australia, China, Greece, Hong Kong, India, Nigeria, Russia, South Africa, Spain, Ukraine and United Arab Emirates. We believe that our properties are sufficient to meet our current and projected needs.

Item 3. LEGAL PROCEEDINGS

Legal proceedings We are party to a variety of legal proceedings, including those that arise in the normal course of our business. All legal proceedings are subject to uncertainties and outcomes that are not predictable with assurance. We accrue for legal proceedings as losses become probable and can be reasonably estimated. Significant legal proceedings arising outside the normal course of our business are described below. While the results of these proceedings cannot be predicted with certainty, management believes that after final disposition, any monetary liability will not be material to our financial position. Further, the Company maintains insurance coverage for many of the claims alleged.

Federal Securities Class Actions The Company and certain of its officers and directors are parties to a consolidated class action case in the United States District Court for the District of Minnesota captioned *In re MoneyGram International, Inc. Securities Litigation*. The Consolidated Complaint was filed on October 3, 2008, and alleges against each defendant violations of Section 10(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act) and Rule 10b-5 under the Exchange Act and alleges against Company officers violations of Section 20(a) of the Exchange Act. The Consolidated Complaint alleges failure to adequately disclose, in a timely manner, the nature and risks of the Company's investments, as well as unrealized losses and other-than-temporary impairments related to certain of the Company's investments. The complainant seeks recovery of losses incurred by stockholder class members in connection with their purchases of the Company's securities.

ERISA Class Action On April 22, 2008, Delilah Morrison, on behalf of herself and all other MoneyGram 401(k) Plan participants, brought an action in the United States District Court for the District of Minnesota. The complaint alleges claims under the Employee Retirement Income Security Act of 1974, as amended (ERISA), including claims that the

defendants breached fiduciary duties by failing to manage the plan's investment in Company stock, and by continuing to offer Company stock as an investment option when the stock was no longer a prudent investment. The complaint also alleges that defendants failed to provide complete and accurate information regarding Company stock sufficient to advise plan participants of the risks involved with investing in Company stock and breached fiduciary duties by failing to avoid conflicts of interests and to properly monitor the performance of plan fiduciaries and fiduciary appointees. Finally, the complaint alleges that to the extent that the Company is not a fiduciary, it is liable for knowingly participating in the fiduciary breaches as alleged. On August 7, 2008, plaintiff amended the complaint to add an additional plaintiff, name additional defendants and additional allegations. For relief, the complaint seeks damages based on what the most profitable alternatives to Company stock would have yielded, unspecified equitable relief, costs and attorneys' fees.

Table of Contents

Stockholder Derivative Claims The Company and its officers and directors were also parties to three stockholder lawsuits making various state-law claims. Two of these lawsuits have been dismissed. The complaint filed in Hennepin County District Court by L.A. Murphy and alleging breach of fiduciary duty, abuse of control, mismanagement and corporate waste against various of the Company's officers and directors was dismissed with prejudice on August 14, 2008. The complaint filed in the United States District Court for the District of Minnesota by Evelyn York and alleging breach of fiduciary duties for insider selling, misappropriation of information and disseminating false and misleading statements, waste of corporate assets and unjust enrichment against the Company and various current and former officers and directors was dismissed by stipulation and with prejudice on September 17, 2008.

On January 22, 2008, Russell L. Berney filed a complaint in Los Angeles Superior Court against the Company and its officers and directors, Thomas H. Lee Partners, L.P., and PropertyBridge, Inc. and one of its officers, Jason Gardner, alleging false and negligent misrepresentation, violations of California securities laws and unfair business practices with regard to disclosure of the Company's investments. The complaint also alleges derivative claims against the Company's Board of Directors relating to the Board's oversight of disclosure of the Company's investments and with regard to the Company's negotiations with Thomas H. Lee Partners, L.P. and Euronet Worldwide, Inc. The complaint seeks monetary damages, disgorgement, restitution or rescission of stock purchases, rescission of agreements with third parties, constructive trust and declaratory and injunctive relief, as well as attorneys' fees and costs. In July 2008, an amended complaint was filed asserting an additional claim for declaratory relief.

SEC Inquiry By letter dated February 4, 2008, the Company received notice from the Securities and Exchange Commission (SEC) that it is conducting an informal, non-public inquiry relating to the Company's financial statements, reporting and disclosures related to the Company's investment portfolio and offers and negotiations to sell the Company or its assets. The SEC's notice states that it has not determined that any violations of the securities laws have occurred. On February 11, 2008 and November 5, 2008, the Company received additional letters from the SEC requesting certain information. We are cooperating with the SEC on a voluntary basis.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Table of Contents**PART II****Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock is traded on the New York Stock Exchange under the symbol MGI. No dividends were declared by our Board of Directors in 2008. Our Board of Directors declared quarterly cash dividends totaling \$0.20 per share of common stock during 2007. See Management's Discussion and Analysis of Financial Condition and Results of Operations Mezzanine Equity and Stockholders' Deficit and Note 13 *Stockholders' Deficit* of the Notes to Consolidated Financial Statements. As of February 23, 2009, there were 14,547 stockholders of record of our common stock.

The high and low sales prices for our common stock for fiscal 2008 and 2007 were as follows:

Fiscal Quarter	2008		2007	
	High	Low	High	Low
First	\$ 14.27	\$ 1.57	\$ 32.24	\$ 27.16
Second	\$ 2.03	\$ 0.90	\$ 30.08	\$ 26.71
Third	\$ 1.94	\$ 0.98	\$ 30.67	\$ 19.76
Fourth	\$ 1.60	\$ 0.85	\$ 24.90	\$ 13.69

On November 18, 2004, our Board of Directors authorized a plan to repurchase, at our discretion, up to 2,000,000 shares of MoneyGram common stock on the open market. On August 18, 2005, our Board of Directors increased its share buyback authorization by 5,000,000 shares to a total of 7,000,000 shares. On May 9, 2007, our Board of Directors increased its share buyback authorization by an additional 5,000,000 shares to a total of 12,000,000 shares. These authorizations were announced publicly in our press releases issued on November 18, 2004, August 18, 2005 and May 9, 2007, respectively. The repurchase authorization is effective until such time as the Company has repurchased 12,000,000 common shares. MoneyGram common stock tendered to the Company in connection with the exercise of stock options or vesting of restricted stock are not considered repurchased shares under the terms of the repurchase authorization. As of December 31, 2008, we have repurchased 6,795,000 shares of our common stock under this authorization and have remaining authorization to repurchase up to 5,205,000 shares. The Company has not repurchased any shares since July 2007, other than in connection with employees' exercise of stock options. However, the Company may consider repurchasing shares from time-to-time, subject to limitations in our debt agreements.

We completed a Capital Transaction on March 25, 2008, as described in Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Impact of the Credit Market Disruption as well as Note 12 *Mezzanine Equity* and Note 10 *Debt* of the Notes to Consolidated Financial Statements. The terms of our debt agreements place significant limitations on the amount of restricted payments we may make, including dividends on our common stock. With certain exceptions, we may only make restricted payments in an aggregate amount not to exceed \$25.0 million, subject to an incremental build-up based on our consolidated net income in future periods. As a result, our ability to declare or pay dividends or distributions to the stockholders of the Company's common stock is materially limited at this time.

Table of Contents

STOCKHOLDER RETURN PERFORMANCE

The following graph compares the cumulative total return from June 22, 2004 to December 31, 2008 for our common stock, our peer group index of payment services companies and the S&P 500 Index. Our common stock began trading on the New York Stock Exchange on June 22, 2004 on a when-issued basis in connection with our spin-off from Viad Corp. The peer group index of payment services companies consists of: CSG Systems International Inc., DST Systems, Inc., Euronet Worldwide Inc., Fidelity National Information Services, Inc., Fiserv, Inc., Global Payments Inc., Jack Henry & Associates, Inc., Online Resources Corporation, The Western Union Company and Total System Services, Inc. (the Peer Group Index). We changed our peer group in 2008 to delete Fidelity National Financial, Inc. and to add its spin-off company, Fidelity National Information Services, Inc., which is the more relevant peer of the two companies. The graph assumes the investment of \$100 in each of our common stock, our peer group indexes and the S&P 500 Index on June 22, 2004, and the reinvestment of all dividends as and when distributed.

**COMPARISON OF CUMULATIVE TOTAL RETURN
AMONG MONEYGRAM INTERNATIONAL, INC.,
S&P 500 INDEX AND PEER GROUP INDEX**

6/22/04 6/30/04 12/31/2004 6/30/2005 12/30/2005 6/30/2006

MONEYGRAM INTERNATIONAL, INC.

100