MONEYGRAM INTERNATIONAL INC (MGI)

10−K

Annual report pursuant to section 13 and 15(d)
Filed on 3/9/2012
Filed Period 12/31/2011

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, 2011.**

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .**

Commission File Number: 001−31950

MONEYGRAM INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**16−1690064** *(I.R.S. Employer Identification No.)*
2828 N. Harwood St., 15th Floor **Dallas, Texas** *(Address of principal executive offices)*	**75201** *(Zip Code)*

Registrant's telephone number, including area code
(214) 999−7552

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S−T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark 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 ☐ (Do not check if a smaller reporting company)	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 aggregate market value of voting and nonvoting 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, 2011, the last business day of the registrant's most recently completed second fiscal quarter, was $277.3 million.

57,834,779 shares of common stock were outstanding as of February 28, 2012.

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 2012 Annual Meeting of Stockholders.

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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, bill payment solutions and financial paper products. We help people and businesses by providing affordable, reliable and convenient payment services.

The MoneyGram® brand is recognized throughout the world. We offer more choices and more control for people separated from friends and family by distance or those with limited bank relationships to meet their financial needs. Our money transfer services are available at approximately 267,000 agent locations in approximately 192 countries and territories. Our services enable consumers throughout the world to transfer money and pay bills, helping them meet financial demands of their daily lives. Our bill payment services also help businesses operate more efficiently and cost−effectively.

Our principal executive offices are located at 2828 N. Harwood Street, Suite 1500, Dallas, Texas 75201, and our telephone number is (214) 999−7552. Our website address is www.moneygram.com.

History and Development

We conduct our business primarily through our wholly owned subsidiary MoneyGram Payment Systems, Inc., or MPSI, under the MoneyGram brand. Through its predecessor, Travelers Express Company, Inc., or Travelers Express, the Company has been in operation for over 70 years.

In March 2008, we completed a recapitalization pursuant to which we received an infusion of $1.5 billion of gross equity and debt capital, referred to herein as the 2008 Recapitalization. The equity component consisted of the sale to affiliates of Thomas H. Lee Partners, L.P., or THL, and affiliates of Goldman, Sachs & Co. or Goldman Sachs, and collectively with THL, the Investors, in a private placement of 760,000 shares of Series B Participating Convertible Preferred Stock of the Company, or the B Stock, and Series B−1 Participating Convertible Preferred Stock of the Company, or the B−1 Stock, and collectively with the B Stock, the Series B Stock, for an aggregate purchase price of $760.0 million. We also paid Goldman Sachs an investment banking advisory fee equal to $7.5 million in the form of 7,500 shares of the B−1 Stock.

As part of the 2008 Recapitalization, our wholly owned subsidiary, MoneyGram Payment Systems Worldwide, Inc., or Worldwide, issued Goldman Sachs $500.0 million of senior secured second lien notes with a 10−year maturity, or the Second Lien Notes. We also entered into a senior secured amended and restated credit agreement with JPMorgan Chase Bank, N.A., or JPMorgan, as agent for a group of lenders, bringing the total facility to $600.0 million. The amended facility included $350.0 million in two term loan tranches and a $250.0 million revolving credit facility.

In May 2011, we completed a second recapitalization, referred to herein as the 2011 Recapitalization. Pursuant to the 2011 Recapitalization, (i) THL, as the holder of all of the B Stock, converted all of the shares of B Stock into shares of our common stock in accordance with the Certificate of Designations, Preferences and Rights of Series B Participating Convertible Preferred Stock of MoneyGram International, Inc., (ii) Goldman Sachs, as the holder of all of the B−1 Stock, converted all of the shares of B−1 Stock into shares of Series D Participating Convertible Preferred Stock of the Company, or D Stock, in accordance with the Certificate of Designations, Preferences and Rights of Series B−1 Participating Convertible Preferred Stock of MoneyGram International, Inc., and (iii) THL received approximately 3.5 million additional shares of our common stock and $140.8 million in cash, and Goldman Sachs received approximately 15,503 additional shares of D Stock and $77.5 million in cash. The 2011 Recapitalization was approved unanimously by our board of directors following the recommendation of a special committee of the board of directors comprised of independent and disinterested members of our board of directors.

Concurrently with entering into the Recapitalization Agreement, Worldwide and the Company entered into a consent agreement, or the Consent Agreement, with certain affiliates of Goldman Sachs, or the GS Note Holders, who are holders of the Notes. Pursuant to the Consent Agreement, the parties thereto entered into a supplemental indenture to the indenture governing the Notes that amended the indenture in order to permit the 2011 Recapitalization. In addition, the Company entered into a new senior secured credit facility, or the 2011 Credit Facility, comprised of a $150 million, five−year revolver and a $390 million six−and−a−half−year term loan, which refinanced the Company's existing senior secured credit facility and provided the funding for the 2011 Recapitalization.

On November 14, 2011, the Company filed a certificate of amendment to its Amended and Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a reverse stock split ratio of 1−for−8 and to decrease the number of authorized shares of common stock from 1,300,000,000 to 162,500,000. As the par value of common stock was not affected, $3.5 million was transferred from common stock to additional paid in capital. In connection with the reverse stock split, the conversion ratio of the D Stock to common stock decreased from 1,000 to 125. All share and per share amounts have been retroactively adjusted to reflect the stock split with the exception of the Company's treasury stock, which was not a part of the reverse stock split.

In November and December 2011, the Company completed a secondary offering pursuant to which the Investors sold an aggregate of 10,237,524 shares in an underwritten offering. In connection with the secondary offering, 63,950 shares of D Stock were converted to 7,993,762 shares of common stock. The Company did not receive proceeds from the offering.

In connection with the secondary offering, the Company exercised an option to redeem $175.0 million of its Second Lien Notes. The redemption was completed through the issuance of a $150.0 million incremental term loan under the 2011 Credit Agreement, with the remaining balance paid from cash and cash equivalents. In connection with the redemption, the Company incurred a prepayment penalty of $23.2 million.

Our Business

Our global money transfer and bill payment services are our primary revenue drivers. Money transfers are transfers of funds between consumers from one location to another. The sender pays a fee based on the transfer amount and the destination location. The designated recipient may receive the transferred funds at any agent location. In select countries, the designated recipient may also receive the transferred funds via a deposit to the recipient's bank account, mobile phone account or prepaid card. We typically pay both our "send" and "receive" agents a commission for the transaction.

We provide money transfer services through our worldwide network of agents and through a limited number of Company−owned retail locations in the United States and Western Europe. We also offer our money transfer services through the Internet, agent websites, mobile phone, kiosks, ATMs, receive cards and direct−to−bank account products in various markets around the world.

Our primary bill payment service offering is our ExpressPayment® service, which we offer at all of our money transfer agent locations in the United States and at certain agent locations in select Caribbean countries. Through our ExpressPayment service, a consumer can pay cash for bills at an agent location and obtain same−day notification of payment to the consumer's account with its creditor, also referred to as a biller. Our consumers can also use our ExpressPayment service to load and reload prepaid debit cards. Our ExpressPayment bill payment service is also available for payments to select billers via the Internet at www.moneygram.com.

We also derive revenue through our money order and official check services. We provide money orders through retail and financial institutions located throughout the United States and Puerto Rico, and we provide official check outsourcing services to financial institutions across the United States. Consumers use our money orders to make bill payments or in lieu of cash or personal checks. Official checks are used by consumers where a payee requires a check drawn on a bank and by financial institutions to pay their own obligations.

During 2011, 2010 and 2009, our 10 largest agents accounted for 45 percent, 50 percent and 48 percent, respectively, of our total company fee and investment revenue and 48 percent, 54 percent and 53 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. Wal−Mart Stores, Inc. is our only agent that accounts for more than 10 percent of our total company fee and investment revenue. In 2011, 2010 and 2009, Wal−Mart accounted for 29 percent, 30 percent and 29 percent, respectively, of our total company fee and investment revenue, and 31 percent, 32 percent and 32 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. Our contract with Wal−Mart in the United States, which runs through January 2013, provides for Wal−Mart's sale of our money order and money transfer services and real−time, urgent bill payment services at its retail locations on an exclusive basis.

Our Segments

We manage our business primarily through two segments: Global Funds Transfer and Financial Paper Products. The table below presents the components of our consolidated revenue associated with our segments for the year ended December 31:

	2011	2010	2009
Global Funds Transfer			
Money transfer	83.4%	79.4%	76.7%
Bill payment	9.0%	10.8%	11.6%
Financial Paper Products			
Money order	4.9%	5.9%	6.4%
Official check	2.6%	3.5%	4.1%
Other	0.1%	0.4%	1.2%
Total revenue	100.0%	100.0%	100.0%

Additional financial information about our segments and geographic areas appears in *Note 16, "Segment Information*," of the Notes to Consolidated Financial Statements.

Global Funds Transfer Segment

The Global Funds Transfer segment is our primary segment, providing money transfer and bill payment services to consumers, who may be 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 and emergency users who may have a checking account with a financial institution but prefer to use our services on the basis of convenience, cost or to make emergency payments. We primarily offer services to consumers through third−party agents, including retail chains, independent retailers and financial institutions.

In 2011, our Global Funds Transfer segment had total fee and investment revenue of $1,153.0 million. We continue to focus on the growth of our Global Funds Transfer segment outside of the United States. During 2011, 2010 and 2009, operations outside of the United States generated 32 percent, 28 percent and 27 percent, respectively, of our total company fee and investment revenue, and 35 percent, 31 percent and 31 percent, respectively, of our Global Funds Transfer segment fee and investment revenue in each of these years. In 2011, we added approximately 40,000 net locations, bringing our global agent network to approximately 267,000 locations.

Following is a summary of our agent locations by geography:

YEAR ENDED DECEMBER 31,	2011
Latin America	18,000
Mexico	14,000
North America	41,000
Western Europe	46,000
Eastern Europe	46,000
Indian subcontinent	45,000
Asia Pacific	35,000
Africa	18,000
Middle East	4,000
Total Agent Locations	267,000

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 DeltaWorks® 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 care centers in the United States, and we contract for additional call center services in various countries. We provide call center services 24 hours per day, 365 days per year and provide customer service in approximately 30 languages.

Money Transfers — We derive our money transfer revenues primarily from consumer transaction fees and the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. 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.

As of December 31, 2011, we offer money transfers to consumers in a choice of local currency or United States dollars and/or euros in 141 countries, which we refer to as 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 consumers to know the amount that will be received in the local currency of the receiving country, or in U.S. dollars or euros in certain countries.

Bill Payment Services — We derive our bill payment revenues primarily from transaction fees charged to consumers for each bill payment transaction completed. Through our bill payment services, consumers can make urgent payments or pay routine bills through our network to certain billers. We maintain relationships with billers in key industries, also referred to as verticals. These industries include the credit card, mortgage, auto finance, telecommunications, corrections, satellite, property management, prepaid card and collections industries. Our bill payment services also enable consumers to load and reload prepaid debit cards. Our bill payment services also allow customers to make low−cost, in−person payments of non−urgent utility bills for credit to a biller, typically within two to three days.

Financial Paper Products Segment

Our Financial Paper Products segment provides money orders to consumers through our retail and financial institution agent locations in the United States and Puerto Rico, and provides official check services for financial institutions in the United States.

In 2011, our Financial Paper Products segment generated revenues of $93.3 million. Since early 2008, our investment portfolio has consisted of lower risk, highly liquid, short−term U.S. government securities that produce a lower rate of return, which has resulted in lower revenues and profit margins in our Financial Paper Products segment.

Money Orders — We generate revenue from money orders by charging per item and other fees, as well as from the investment of funds underlying outstanding money orders, which generally remain outstanding for fewer than ten days. We sell money orders under the MoneyGram brand and on a private label or co−branded basis with certain of our large retail and financial institution agents in the United States.

In 2011, we issued approximately 161.9 million money orders through our network of 55,100 agent and financial institution locations in the United States and Puerto Rico. In 2010, we issued approximately 174.2 million money orders through our network of 57,308 agent and financial institution locations in the United States and Puerto Rico.

Official Check Outsourcing Services — As with money orders, we generate revenue from our official check outsourcing services from per item and other fees and from the investment of funds underlying outstanding official checks, which generally remain outstanding for fewer than 4.1 days. In 2009, we restructured our official check business model by reducing the commissions we pay our financial institution customers and increasing per item and other fees. As of December 31, 2011, we provide official check outsourcing services at approximately 8,500 branch locations of more than 1,300 financial institutions. We issued 24.2 million and 30.3 million official checks in 2011 and 2010, respectively.

Product and Infrastructure Development and Enhancements

We focus our product development and enhancements on innovative ways to transfer money and pay bills. We continually seek to provide our customers with added flexibility and convenience to help them meet the financial demands of their daily lives. We also invest in our infrastructure to increase efficiencies and support our strategic initiatives.

We are reaching new customers through alternate and self−service money transfer delivery channels. We offer our money transfer services on the Internet via our MoneyGram Online service in the United States, United Kingdom and through agent websites in Italy, Saudi Arabia and Japan. In Italy, Abu Dhabi and the Philippines, we also offer our money transfer services via mobile phone and continue to enhance our money transfer services to consumers through the addition of kiosks, ATMs, receive cards and direct−to−bank account products in various markets. We also introduced the convenience of cash−to−card services through key agents in the Philippines, which allows their customers to collect remittances on a card, which can then be used to pay for purchases at participating stores. We continue to expand product offerings in key markets such as multi−currency options in China, direct−to−account in Brazil and customer−directed receives in the Ukraine.

We have made enhancements to our MoneyGram Online service and will continue to make further enhancements to provide a better consumer experience and efficiency in completing a transaction for our online customers, as well as more cost−effective transaction processing. MoneyGram Online transactions and revenue grew 30 percent in 2011 over the prior year. We also enhanced our MoneyGram rewards program, and now offer 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 continue to invest in our infrastructure to provide a better overall consumer and agent experience, reduce our costs and create efficiencies. We have made important infrastructure enhancements to our settlement and commission processing, data management, financial systems and regulatory and compliance reporting. We continue our efforts to enhance our agent on−boarding process, improving our speed to market for new agents.

Sales and Marketing

We have global marketing, product management and strategic partnership teams located in numerous geographies, including the United States, United Kingdom, Italy, Spain, United Arab Emirates, India and China.
We employ a strategy of developing products and marketing campaigns that are both global yet also tailored to address our customer base and local needs. We market our products through a number of dedicated sales and marketing teams, and continually assess the effectiveness of our sales and marketing efforts.

A wide range of marketing methods continue to support our sales efforts. A key component of our advertising and marketing efforts is our global branding. We use a marketing mix to support the global brand, which includes traditional media and digital and social media, point of sale materials, MoneyGram−branded signage at our agent locations, a loyalty program and targeted direct marketing programs and seasonal campaigns and sponsorships.

Our sales teams are organized by geographic area, channel and product. We have dedicated support teams that focus on developing our agent and biller networks to enhance the reach of our money transfer, bill payment and money order products. Our agent requirements vary depending upon the type of outlet or location, and our sales teams continue to work to improve and strengthen our agent partnerships with a goal of providing the optimal customer experience.

Competition

While we are the second largest money transfer company in the world, the market for our money transfer and bill payment services remains very competitive. The market consists of a small number of large competitors and a large number of small, niche competitors. Our competitors include other large money transfer and electronic bill payment providers, banks and niche person−to−person money transfer service providers that serve select regions. Our largest competitor in the money transfer market is Western Union, which also competes with our bill payment services and money order businesses. 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.

We generally compete for money transfer agents on the basis of value, service, quality, technical and operational differences, price and commission. We compete for money transfer consumers on the basis of number and location of outlets, price, convenience, technology and brand recognition. Due to increased pricing competition, in the first half of 2010 we introduced a $50 price band that allows consumers to send $50 of principal for a $5 fee at most locations, or $4.75 at a Wal−Mart location.

Regulation

Compliance with laws and 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 of the United States and other countries, including international, federal and state anti−money laundering laws and regulations; financial services regulations; currency control regulations; anti−bribery laws; regulations of the U.S. Treasury Department’s Office of Foreign Assets Control, or OFAC; money transfer and payment instrument licensing laws; escheatment laws; privacy, 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 programs to comply with the most recent legal and regulatory changes. During 2011, we increased our compliance personnel headcount and made 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 similar state laws and regulations and the anti−money laundering laws and regulations in many of the countries in which we operate, particularly in the European Union. 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 government’s watch−lists, including but not limited to, the watch−list maintained by 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 primarily through third−party agents with whom we contract and do not directly control. As a money services business, we and our 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 in−person and online training as part of our agent compliance training program and engage in various agent oversight activities.

Money Transfer and Payment Instrument Licensing — Almost all states in the United States, the District of Columbia, Puerto Rico and the United States Virgin Islands and Guam require us to be licensed to conduct business within their jurisdictions. Our primary overseas operating subsidiary, MoneyGram International Ltd, became a licensed payment institution under the Payment Services Regulations adopted in the United Kingdom pursuant to the European Union Payment Services Directive. Licensing requirements generally include minimum net worth, provision of surety bonds, compliance with operational procedures, agent oversight and the maintenance of reserves or “permissible investments” in an amount equivalent to outstanding payment obligations, as defined by our various regulators. The types of securities that are considered “permissible investments” vary across jurisdictions, but generally include cash and cash equivalents, U.S. government securities and other highly rated debt instruments. Most states and our other regulators require us to file reports on a quarterly or more frequent basis to verify our compliance with their requirements. Many states and other regulators also subject us to periodic examinations and require us and our agents to comply with anti−money laundering and other laws and regulations.

Escheatment Regulations — Unclaimed property laws of every state, the District of Columbia, Puerto Rico and the United States 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 that subject 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, or 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 laws adopted pursuant to the European Union’s Data Protection Directive, or the Data Protection Directive. We abide by the U.S. Department of Commerce’s Safe Harbor framework principles to assist in compliance with the Data Protection Directive. In some cases, the privacy laws of a European Union member state may be more restrictive than what is required under the Data Protection 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.

Banking Regulations — We completed an underwritten secondary offering of 10,237,524 shares of our common stock held by Goldman Sachs and others in November and December 2011. Prior to that time, we were deemed a “controlled subsidiary” of Goldman Sachs & Co., a bank holding company under the Bank Holding Company Act of 1956, as amended, or the BHC Act, as a result of Goldman Sachs’ ownership of shares of our non−voting D Stock. Although the D Stock is not convertible into common stock of the Company while beneficially owned by Goldman Sachs, the D Stock may be sold or transferred to a third party which may then convert the D Stock into common stock. In conjunction with the secondary offering of our common stock, we also made a partial redemption of our Second Lien Notes held by Goldman Sachs in the aggregate principal amount of $175 million. As result of these transactions and discussions with the Federal Reserve, Goldman Sachs has informed us that the Company is no longer deemed a controlled subsidiary of Goldman Sachs. Therefore, we believe we are no longer subject to the regulations that apply to controlled subsidiaries of bank holding companies, or to reporting requirements, examination or supervision by the Federal Reserve under the BHC Act.

Recent Federal Legislation in the United States — The Dodd−Frank Wall Street Reform and Consumer Protection Act, or the Dodd−Frank Act, was signed into law on July 21, 2010. While the Dodd−Frank Act will likely impose additional regulatory requirements upon us, it is difficult to gauge the impact on our business because many provisions of the Dodd−Frank Act require the adoption of rules and further studies. The Dodd−Frank Act creates a new Bureau of Consumer Financial Protection, or the Bureau, which issues and enforces consumer protection initiatives governing financial products and services, including money transfer services, in the United States. We will be required to provide enhanced disclosures to our money transfer customers, which will require us to modify our systems and current consumer disclosures. Enhanced disclosure requirements, error resolution procedures, the extent of vicarious liability for acts of our agents, refund requirements and other matter impacting how we offer international remittances in the United States were set forth in the Final Remittance Rule that was issued by the Bureau on January 20, 2012 and published in the Federal Register on February 7, 2012. The effective date of the Remittance Rule is February 7, 2013.

Regulation of Prepaid Cards — We sell our MoneyGram−branded prepaid card in the United States, in addition to loading prepaid cards of other card issuers through our ExpressPayment system. Prepaid card 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.

Clearing and Cash Management Bank Relationships

Our business involves the movement of money. 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.

We rely on two banks to clear our retail money orders and we currently have eight official check clearing banks. We believe these relationships provide sufficient capacity for our money order and official check outsourcing services.

We maintain contractual relationships with a variety of domestic and international cash management banks for automated clearing house, or 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 addition, some large international banks have opted not to bank money service businesses. As a result, we also utilize regional or country−based banking partners in addition to large cash management banks.

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 globe with arrows logo, ExpressPayment, MoneyGram Rewards, FormFree, and PrimeLink 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. We believe the intellectual property rights in processing equipment, computer systems, software and business processes held by us and our subsidiaries provide us with a competitive advantage. We believe we take appropriate measures to protect our intellectual property to the extent such intellectual property can be protected.

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. We also have patent applications pending in the United States that relate to our money transfer, money order 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, 2011, we had approximately 1,399 full−time employees in the United States and 737 full−time employees outside of the United States. 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 55, has served as Chairman and Chief Executive Officer since September 2009. Ms. Patsley was appointed Executive Chairman in January 2009. Ms. Patsley also serves on the boards of directors of 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.

Juan Agualimpia, age 49, has served as Executive Vice President, Chief Marketing Officer since February 2011. Mr. Agualimpia previously served as Senior Vice President and Chief Marketing Officer from March 2010 to February 2011. From March 2009 to March 2010, Mr. Agualimpia engaged in marketing project consulting. Mr. Agualimpia has 20 years of leadership experience in marketing, brand management, customer relationship management and product development, including as Vice President and General Manager for the Art & Coloring Global Business Unit of Newell Rubbermaid from 2005 to March 2009.

David B. Brown, age 49, has served as Senior Vice President, Chief Accounting Officer since January 2012. Mr. Brown previously served as Chief Financial Officer of Dresser, Inc., a privately held energy industry infrastructure manufacturer, from 2010 to 2011. Prior to that, Mr. Brown served in various roles of increasing responsibility at Dresser, Inc. from 2007 to 2010. From 2003 to 2007, Mr. Brown held various financial positions at The Brink’s Company. From 1996 to 2003, Mr. Brown held financial positions at LSG Sky Chefs. In 1995, Mr. Brown was a consultant for Halliburton, and from 1985 to 1995 he held the position of Audit Senior Manager at Price Waterhouse L.L.P.

Timothy C. Everett, age 49, has served as Executive Vice President, General Counsel and Corporate Secretary since January 2010. Mr. Everett previously served as Vice President and Secretary of Kimberly−Clark Corporation, a multi−national consumer product company, from 2003 to 2009. Prior to that, Mr. Everett served in various roles of increasing responsibility at Kimberly−Clark from 1993 to 2003. From 1990 to 1993, Mr. Everett was an associate with the global law firm, Akin Gump Strauss Hauer & Feld, LLP. From 1984 to 1987, Mr. Everett was an auditor with the accounting firm Ernst & Young, LLP.

W. Alexander Holmes, age 37, has served as Senior Vice President, Corporate Strategy and Investor Relations since June of 2009. Mr. Holmes previously served as Senior Vice President, Global Sourcing and Strategic Initiatives at First Data Corporation, a global payment processing company, from 2007 to 2009. From 2004 to 2007, Mr. Holmes served in various roles of increasing responsibility at First Data Corporation. Prior to that, Mr. Holmes managed the Benelux region at the Western Union Company, a global money transfer company, from 2002 to 2003. Mr. Holmes joined First Data in 2000 and served in various finance roles until early 2002. From 1997 to 2000, Mr. Holmes was at the University of Colorado's system administration office where he managed a number of ERP implementation projects.

Daniel J. O'Malley, age 47, has served as Executive Vice President, Americas and Emerging Markets since June 2011. Mr. O'Malley previously served as Executive Vice President, Americas since December 2009. From April 2007 to December 2009, Mr. O'Malley served as Senior Vice President, Global Payment Systems/President Americas. 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.

Steven Piano, age 46, has served as Executive Vice President, Human Resources since August 2009. From January 2008 to August 2009, Mr. Piano served as Global Lead Human Resource Partner with National Grid, a multi−national utility company. From 1996 to January 2008, Mr. Piano held a variety of human resources positions with First Data Corporation, a global electronic payment processing company, serving most recently as Senior Vice President — First Data International. From 1987 to 1996, Mr. Piano held human resources positions with Citibank, Dun & Bradstreet — Nielsen Media Research and Lehman Brothers.

James E. Shields, age 50, has served as Executive Vice President and Chief Financial Officer since July 2010. From 2009 until July 2010, Mr. Shields engaged in independent financial consulting. During 2008, Mr. Shields served as senior vice president finance and treasurer for Royal Caribbean Cruise Lines. From 2005 to 2008, he served as vice president and treasurer of Celanese Corporation, a $6 billion chemical company with worldwide operations. Prior to that, Mr. Shields was vice president and chief financial officer for consumer markets at Qwest Communications International Inc.

J. Lucas Wimer, age 46, has served as Executive Vice President, Operations and Technology since April 2010. From January 2008 to April 2010, Mr. Wimer was a principal at THL Partners, where he was responsible for business transformation programs across the THL portfolio. From September 2003 to December 2007, he led infrastructure development for Capital One. From 1996 to 2003, Mr. Wimer provided management consulting, global project and practice leadership in performance measurement, cost reduction, merger integration and restructuring to the financial services industry for IBM Business Consulting Services, formerly PricewaterhouseCoopers.

Available Information

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 (www.moneygram.com) as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission, or the SEC. Our principal executive offices are located at 2828 N. Harwood Street, 15th Floor, Dallas, Texas 75201, and our telephone number is (214) 999−7552.

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

Risks Related to our Business and Industry

Continued 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 overall strength of global economic conditions as well as international migration patterns. Consumer money transfer transactions and international migration patterns are affected by, among other things, employment opportunities and overall economic conditions. Our customers tend to be employed in industries such as construction, manufacturing and retail that tend to be cyclical and more significantly impacted by weak 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. In addition, increases in employment opportunities may lag other elements of any economic recovery.

Our agents or billers may have reduced sales or business as a result of weak economic conditions. As a result, our agents could reduce their number 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 conditions in the United States or other national economies important to our business were to deteriorate further, our results of operations could be adversely impacted. Additionally, if our consumer transactions decline or international 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.

If consumers' confidence in our business or in traditional money transfer providers generally deteriorates, our business, financial position and results of operations could be adversely affected.

Our business is built on consumers' confidence in our brands and our ability to provide fast, reliable money transfer services. Erosion in consumers' confidence in our business, or in traditional money transfer providers as a means to transfer money, could adversely impact transaction volumes, which would in turn adversely impact our business, financial position and results of operations.

A number of factors could adversely affect consumers' confidence in our business, or in traditional money transfer providers generally, many of which are beyond our control, and could have an adverse impact on our results of operations. These factors include:

- changes or proposed changes in laws or regulations that have the effect of making it more difficult for consumers to transfer money using traditional money transfer providers;
- actions by federal, state or foreign regulators that interfere with our ability to transfer consumers' money reliably, for example, attempts to seize money transfer funds;
- federal, state or foreign legal requirements, including those that require us to provide consumer data to a greater extent than is currently required;
- any significant interruption in our systems, including by fire, natural disaster, power loss, telecommunications failure, terrorism, vendor failure, unauthorized entry and computer viruses; and
- any breach of our security policies or legal requirements resulting in a compromise of consumer data.

Many of our money transfer consumers are migrants. Consumer advocacy groups or governmental agencies could consider the migrants to be disadvantaged and entitled to protection, enhanced consumer disclosure, or other different treatment. If governments implement new laws or regulations that limit our right to set fees and/or foreign exchange spreads, or if consumer advocacy groups are able to generate widespread support for positions that are detrimental to our business, then our business, financial position and results of operations could be adversely affected.

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

Our money transfer business relies in part on international 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. Sustained weakness 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 agents or are unable to maintain our Global Funds Transfer agent or biller networks, our business, financial condition 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. 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.

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 servicing our debt, or that we will be allowed to make such expenditures under the terms of our debt agreements. If we are unable to meet these demands, we could lose customers and our business, financial condition and results of operations could be adversely affected.

A substantial portion of our transaction volume is generated by a limited number of key agents. During 2011 and 2010, our 10 largest agents accounted for 45 percent and 50 percent, respectively, of our total company fee and investment revenue and 48 percent and 54 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. In 2011 and 2010, our largest agent, Wal−Mart, accounted for 29 percent and 30 percent, respectively, of our total company fee and investment revenue and 31 percent and 32 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. The term of our agreement with Wal−Mart runs through January 2013. If Wal−Mart or any of our other key agents do not renew their contracts with us, or if such agents 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, financial condition and results of operations could be adversely affected. Further, if Wal−Mart or any of our other key agents renew their contracts with us, but on less favorable terms, our business, financial condition and results of operations could be adversely affected.

MoneyGram and our agents are subject to numerous U.S. and international laws and regulations. Failure to comply with these laws and regulations could result in material settlements, fines or penalties or changes in our or our agents' business operations and may adversely affect our business, financial condition and results of operations.

Our business is subject to a wide range of laws and regulations that vary from country to country. The money transfer business is subject to a variety of regulations aimed at preventing money laundering and terrorism. We are subject to U.S. federal anti−money laundering laws, including the Bank Secrecy Act and the requirements of OFAC, which prohibit us from transmitting money to specified countries or on behalf of prohibited individuals. Additionally, we are subject to 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, consumer protection laws, currency control regulations, escheat laws and privacy and data protection laws. Many of these laws are constantly evolving, unclear and inconsistent across various jurisdictions, making compliance challenging.

There has been increased public attention and heightened legislation and regulations regarding money laundering, terrorist financing, corporate use and disclosure of personal information, data protection, information security and consumer privacy. The legal, political and business environments in these particular areas are evolving, inconsistent across various jurisdictions and often unclear, which increases our operating compliance costs and our legal risks. Subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased program costs, liability and reputational damage.

In particular, we are subject to regulations imposed by the Foreign Corrupt Practices Act, or the FCPA, in the United States and similar anti−bribery laws in other jurisdictions. We are also subject to reporting, recordkeeping and anti−money laundering provisions in many jurisdictions, including the Bank Secrecy Act in the United States, as amended by the USA PATRIOT Act of 2001. Because of the scope of our global operations, we experience a higher risk associated with the FCPA and similar anti−bribery laws than many other companies. We are also subject to regulatory oversight and enforcement by FinCEN. Any determination that we have violated these laws could have an adverse effect on our business, financial condition and results of operations. We are subject to several investigations by the U.S. federal government and several U.S. state governments.

The Dodd−Frank Act increases the regulation and oversight of the financial services industry. The Dodd−Frank Act addresses, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, thrift charters, changes among the bank regulatory agencies, and the ability to conduct business with holding company affiliates. Many of the provisions of the Dodd−Frank Act require studies and regulations. The Dodd−Frank Act requires enforcement by various governmental agencies, including the new Bureau. Money transmitters such as the Company will be required to provide additional consumer information and disclosures, adopt error resolution standards meeting the Bureau’s regulatory requirements, and adjust refund procedures for international transactions originating in the United States. We may be liable for failure of our agents to comply with the Dodd−Frank Act. The Bureau and the regulations it has adopted and will adopt will necessitate operational changes and additional costs, but we cannot predict its effects upon us or our business at this time. The new legislation and implementing regulations associated with the Dodd−Frank Act may increase our costs of compliance, and may require changes in the way we conduct business.

Changes in laws, regulations or other industry practices and standards may increase our costs of operations and may disrupt our business as we develop new business and compliance models. For example, the European Union’s Payment Services Directive, or PSD, imposes potential liability on us for the conduct of our agents and the commission of third party fraud utilizing our services. We modified our business operations in the European Union in 2009 and 2010 in light of the PSD and will likely experience additional costs associated with addressing PSD compliance. If we fail to comply with the PSD, our business, financial condition and results of operations may be adversely impacted. Additionally, the United States and other countries periodically consider initiatives designed to lower costs of international remittances which, if implemented, may adversely impact our business, financial condition and results of operations.

Changes in laws, regulations or other industry practices and standards, or interpretations of legal or regulatory requirements may reduce the market for or value of our products or services or render our products or services less profitable or obsolete. 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 affect our ability to distribute our services and the cost of providing such services. Many of our high volume agents are in the check cashing industry. Any regulatory action that negatively impacts 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.

Any 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 demonstrating a greater inclination than they have in the past to hold money services businesses like ours to higher standards and to monitor for possible violations of laws and regulations by agents. Our systems, employees and processes may not be sufficient to detect and prevent violations 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 these fines and penalties, a failure by us or our agents to comply with applicable laws and regulations also could seriously damage our reputation and result in diminished revenue and profit and increase our operating costs.

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.

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

We have been, and in the future may be, subject to allegations and complaints that individuals or entities have used our money transfer services for fraud−induced money transfers, as well as certain money laundering activities, which may result in fines, penalties, judgments, settlements and litigation expenses. We also are the subject from time to time of litigation related to our business. The outcome of such allegations, complaints, claims and litigation cannot be predicted.

Regulatory and judicial proceedings and potential adverse developments in connection with ongoing 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 but may include substantial fines and expenses, as well as the revocation of required licenses or registrations or the loss of approved status, which could have a material adverse effect on our business, financial position and results of operations. 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.

We are subject to several investigations by the U.S. federal government and several U.S. state governments.

We have been served with subpoenas to produce documents and testify before a grand jury in the U.S. District Court for the Middle District of Pennsylvania. The subpoenas sought information related to, *inter alia*, our U.S. and Canadian agents, as well as certain transactions involving such agents, fraud complaint data, and our consumer anti−fraud program during the period from 2004 to 2009. We have provided information requested pursuant to the subpoenas, and continue to provide additional information relating to the investigation. In addition, the Company has been provided with subpoenas for the testimony of certain current and former employees in connection with the investigation. The Company has also been notified of a request for interviews of one current executive officer and one former chief executive officer of the Company. The U.S. Department of the Treasury Financial Crimes Enforcement Network, or FinCEN, also requested information, which we subsequently provided, concerning our reporting of fraudulent transactions during this period. In November 2010, we met with representatives from the U.S. Attorney's Office for the Middle District of Pennsylvania, or the MDPA USAO, and representatives of FinCEN to discuss the investigation. In July 2011, we had further discussions with the MDPA USAO and representatives of the Asset Forfeiture and Money Laundering Section of the U.S. Department of Justice, or the US DOJ. We have been informed that we are being investigated by the federal grand jury in connection with these matters for the period 2004 to early 2009 as well as our anti−money laundering program during that period. In January 2012, meetings were held between our representatives, the MDPA USAO and the Criminal Division of the US DOJ to discuss the investigation. We continue to engage in discussions and cooperate with such government representatives regarding the ongoing investigation. During the course of these discussions, we were advised that consideration is being given to a range of possible outcomes, including the seeking of criminal penalties against us. However, no conclusions can be drawn at this time as to the outcome of the investigation and we are unable to predict the probable loss, or range of loss, if any, associated with this matter.

We have also received Civil Investigative Demands from a working group of nine state attorneys general who have initiated an investigation into whether we have taken adequate steps to prevent consumer fraud during the period from 2007 to 2011. The Civil Investigative Demands seek information and documents relating to our procedures to prevent fraudulent transfers and consumer complaint information. We continue to cooperate fully with the states’ attorneys in this matter. We have submitted the information and documents requested by the states. No claims have been made against us at this time.

If any charges or claims are brought with respect to these investigations, we could face substantial fines, damage awards, attorneys’ and other legal expenses and fees, or regulatory consequences, such as the revocation of required licenses or registrations or the loss of approved status, which could have a material adverse effect on our business, financial position and results of operations. In addition, if any charges or claims are brought, and regardless of whether or not successfully prosecuted, we could face negative publicity that could adversely affect our important customer relationships, which could have a material adverse effect on our business, financial position and results of operations. Adverse developments related to these investigations, including any expansion of their scope, could negatively impact our Company and could divert the efforts and attention of our management team from our ordinary business operations.

We conduct money transfer transactions through agents in some regions that are politically volatile or, in a limited number of cases, that 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. 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. Such circumstances could result in increased compliance costs, regulatory inquiries, suspension or revocation of required licenses or registrations, seizure or forfeiture of assets and the imposition of civil and criminal fees and penalties. In addition to monetary fines or penalties that we could incur, we could be subject to reputational harm that could have a material adverse effect on our business, financial condition and results of operations.

Our substantial debt service obligations, significant debt covenant requirements and our credit rating could impair our financial condition and adversely affect our ability to operate and grow our business.

We 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 flows 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 and other corporate initiatives;
- our debt agreements contain financial and restrictive covenants that could 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 changing economic, regulatory and industry conditions;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the industry;
- our debt service obligations 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
- we may be required to pay significant fees to obtain the necessary consents from holders of our debt to amend or reduce our debt.

Our credit rating is non−investment grade. Together with our level of leverage, this rating adversely affects our ability to obtain additional financing and increases our cost of borrowing.

Sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions could adversely affect our business, financial condition and results of operations.

We face certain risks in the event of a sustained deterioration of financial market liquidity, as well as in the event of sustained deterioration in the liquidity, or failure, of our clearing, cash management and custodial financial institutions. In particular:

- We may be unable to access funds in our investment portfolio, deposit accounts and clearing accounts on a timely basis 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.
- Clearing and cash management banks that conduct our official check, money order and money transfer businesses could fail or experience sustained deterioration in liquidity. This could lead to our inability to clear our payment service instruments and move funds on a global and timely basis as required to settle our obligations and collect partner receivables.
- Our revolving credit facility is one source of funding for our 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.
- 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.
- We maintain cash at commercial banks in the United States in amounts in excess of the Federal Deposit Insurance Corporation limit of $250,000. In the event of a failure at a commercial bank where we maintain our deposits, we may incur a loss to the extent such loss exceeds the insurance limitation.

If financial liquidity deteriorates, 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.

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. Further, we may not be able to meet new capital requirements introduced or required by our regulators. Further, although we are no longer considered a bank holding company for purposes of U.S. law or the law of any other jurisdiction, as a global provider of payments services and in light of the changing regulatory environment in various jurisdictions, we could become subject to new capital requirements introduced or imposed by our regulators that could require us to issue securities that would qualify as Tier 1 regulatory capital under the Basel Committee accords or retain earnings over a period of time. In addition, given our leveraged nature and the significant restrictive covenants in our debt agreements, there can be no assurance that we will have access to sufficient capital. Failure to meet capital requirements or to have access to sufficient capital could materially impact our business, financial condition and results of operations.

We face credit risks from our retail agents and financial institution customers.

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, 2011, we had credit exposure to our agents of approximately $352.0 million in the aggregate spread across 12,000 agents, of which four owed us in excess of $15.0 million.

Our official checks outsourcing business is conducted through financial institutions. Our 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. We are liable for payment on all of those instruments except cashier’s checks. As of December 31, 2011, we had credit exposure to our official check financial institution customers of approximately $350.8 million in the aggregate spread across 1,300 financial institutions, of which one owed us in excess of $15.0 million.

We monitor the creditworthiness of our agents and financial institution customers on an ongoing basis. There can be no assurance that the models and approaches we use to assess and monitor the creditworthiness of our agents and financial institution customers will be sufficiently predictive, and we may be unable to detect and take steps to timely mitigate an increased credit risk.

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, financial condition and results of operations.

An inability by us or our 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. Our 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, financial condition and results of operations. There can be no assurance that we will be able to establish and maintain adequate banking relationships.

If we cannot maintain a sufficient relationship with a 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. Utilizing a global network of banks 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, potentially adversely impacting our cash flow. Maintaining a global network of banks 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. U.S. regulators are increasingly taking the position that Money Service Businesses, as a class, are high risk businesses. In addition, the creation of anti−money laundering laws has created concern and awareness among banks of the negative implications of aiding and abetting money laundering activity. As a result, certain of our agents have been denied access to retail banking services in certain markets regardless of the mitigating factors and controls in place to prevent anti−money laundering law violations. If our agents are unable to obtain sufficient banking relationships, they may not be able to offer our services, which could adversely affect our business, financial condition and results of operations.

We may be unable to operate our official check and money order businesses profitably if we are not successful in retaining those partners that we wish to retain.

We have reduced the commission rate we pay to our official check financial institution customers, and have implemented, and in some cases increased, per−item and other fees for our official check and money order services. Due to the current low interest rate environment, our official check financial institution customers have been receiving low or no commission payments from the issuance of payment service instruments. Our official check financial institution customers have a right to terminate their agreements with us if they do not accept these pricing changes. As a result of the pricing changes, a low interest rate environment and contractual rights, there can be no assurance that we will retain official check financial institution customers and money order agents that we wish to retain. If we are not successful in retaining customers and agents that we wish to retain, and we are unable to proportionally reduce our fixed costs associated with the official check and money order businesses, our business, financial condition and results of operations could be adversely affected.

We face fraud risks 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 and other unmanned media, 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 consumers or us, and existing agents could engage in fraud against consumers or us. We use a variety of tools to protect against fraud; however, these tools may not always be successful. Allegations of fraud may result in fines, settlements and litigation expenses.

The industry is under increasing scrutiny from federal, state and local regulators in connection with the potential for consumer fraud. Negative economic conditions may 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 lead to government enforcement actions and investigations, 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.

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 particular our largest competitor, The Western Union Company, or Western Union. In addition, new competitors or alliances among established companies may emerge. Further, some of our competitors have larger and more established customer bases and substantially greater financial, marketing and other resources than we have. With respect to our money transfer, urgent bill payment and money order businesses, our primary competitor is Western Union. We cannot anticipate every effect that actions taken by our competitors 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. We also compete with banks and niche person−to−person money transfer service providers. 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.

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. Financial institutions could also offer competing official check outsourcing services to our existing and prospective official check customers.

There can be no assurance that growth in consumer money transfer transactions, bill payment transactions and other payment products will continue. In addition, consolidation among payment service companies has occurred and could continue to occur in the future. 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 could be adversely affected.

If we fail to successfully develop and timely introduce new and enhanced products and services or if 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. If alternative payment mechanisms become widely substituted for our current products and services, and we do not develop and offer similar alternative payment mechanisms successfully and on a timely basis, our business and prospects could be adversely affected. We may make future investments or enter into strategic alliances to develop new technologies and services or to implement infrastructure changes to further our strategic objectives, strengthen our existing businesses and remain competitive. Such investments and strategic alliances, however, are inherently risky and we cannot guarantee that such investments or strategic alliances will be successful. If such investments and strategic alliances are not successful, they could have a material adverse effect on 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 approximately 190 countries and territories and continue to expand in various international markets. 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, including in particular the recent civil unrest, terrorism and political turmoil in North Africa, the Middle East and other regions;
- restrictions on money transfers to, from and between certain countries;
- money control and repatriation issues;
- changes in regulatory requirements or in foreign policy, including the adoption of domestic or foreign laws, regulations and interpretations detrimental to our business;
- possible increased costs and additional regulatory burdens imposed on our business;
- the implementation of U.S. sanctions, resulting in bank closures in certain countries and the ultimate freezing of our assets;
- 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 of 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.

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 infringe on the rights of others, our business, prospects, financial condition and results of operations could be adversely affected.

The MoneyGram(R) 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 was 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 third party claims alleging that we infringe their intellectual property rights or have misappropriated other proprietary rights. We may be required to spend resources to defend 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 claims of intellectual property infringement could harm our business, prospects, financial condition and results of operation.

Failure to attract and retain key employees could have a material adverse impact on our business.

Our success depends to a large extent upon our ability to attract and retain key employees. The loss of one or more members of our executive management team could harm our business and future development. A failure to attract and retain key personnel could also have a material adverse impact on our business.

A breach of security of our systems could adversely affect our business.

We obtain, transmit and store confidential customer, employer and agent information in connection with certain of our services. These activities are subject to laws and regulations in the United States and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. Any security breaches in our computer networks, databases or facilities could harm our business and reputation, cause inquiries and fines or penalties from regulatory or governmental authorities, cause a loss of customers and subject us to lawsuits. We rely on a variety of technologies to provide security for our systems. 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 our systems. We may 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 data. 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, which could have a material adverse effect on our business, financial condition and results of operations.

Because our business is particularly dependent on the efficient and uninterrupted operation of our computer network systems and data centers, disruptions to these systems and data centers could adversely affect our business, financial condition and results of operations.

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 transactions and data. 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, improper action by our employees, agents, customer financial institutions or third party vendors or any other event impacting our systems or processes or our vendors' systems or processes, we could suffer financial loss, loss of customers, regulatory sanctions, lawsuits 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. We may also experience problems other than system failures, including software defects, development delays and installation difficulties, which would harm our business and reputation and expose us to potential liability and increased operating expenses. In addition, any work stoppages or other labor actions by employees who support our systems or perform any of our major functions could adversely affect our business. Certain of our agent contracts, including our contract with Wal−Mart, 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 experience significant system interruptions or 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 adapt 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 operation of retail locations and acquisition or start−up of businesses create risks and may adversely affect our operating results.

We operate Company−owned retail locations for the sale of our products and services. We may be subject to additional laws and regulations that are triggered by our ownership of retail locations and our employment of individuals who staff our retail locations. There are also certain risks inherent in operating any retail location, including theft, personal injury and property damage and long−term lease obligations.

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 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 or start−up businesses, we could 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 acquiring or opening new businesses could adversely affect our business, financial condition and results of operations.

Concerns regarding the European debt crisis and market perceptions concerning the instability of the euro, the potential re−introduction of individual currencies within the Eurozone, or the potential dissolution of the euro entirely, could adversely affect our business, results of operations and financing.

As a result of the debt crisis with respect to countries in Europe, in particular most recently in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility, or the EFSF, and the European Financial Stability Mechanism, or the EFSM, to provide funding to countries using the euro as their currency, or the Eurozone, that are in financial difficulty and seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent financial stability mechanism, the European Stability Mechanism, which will be activated by mutual agreement, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries after June 2013. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Eurozone countries.

These concerns could lead to the re−introduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the euro currency entirely. Should the euro dissolve entirely, the legal and contractual consequences for holders of euro−denominated obligations would be determined by laws in effect at such time. In addition, concerns over the effect of this financial crisis on financial institutions in Europe and globally could have an adverse impact on the capital markets generally.

Changes in tax laws and unfavorable outcomes of tax positions we take could adversely affect our tax expense and liquidity.

Our future tax rate could be adversely affected by changes in tax laws, both domestically and internationally. From time to time, the United States and foreign, state and local governments consider legislation that could increase our effective tax rates. If changes to applicable tax laws are enacted, our results of operations could be negatively impacted.

We file tax returns and take positions with respect to federal, state, local and international taxation, including positions that relate to our historical net security losses, and our tax returns and tax positions are subject to review and audit by taxing authorities. We expect to receive a Notice of Deficiency within the next 12 months disallowing approximately $908.5 million of cumulative deductions taken relating to net security losses. Through December 31, 2011, we recognized a cumulative federal benefit of approximately $136.1 million relating to these deductions. If our petition regarding the Notice of Deficiency is denied, the Company would be required to make cash payments of $105.4 million based on benefits taken through December 31, 2011. An unfavorable outcome in this audit or other tax reviews or audits could result in higher tax expense, including interest and penalties, which could adversely affect our results of operations and cash flows. We establish reserves for material known tax exposures; however, 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.

Risks Related to Ownership of our Stock

THL owns a substantial percentage of our common stock, and its interests may differ from the interests of our other common stockholders.

As of December 31, 2011, THL held approximately 64.1 percent of our common stock. As a result, THL is 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. THL also has sufficient voting power to amend our organizational documents. We cannot provide assurance that the interests of THL will coincide with the interests of other holders of our common stock. THL’s 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.

In view of their significant ownership stake in the Company, THL has appointed four members to our Board of Directors. The size of our Board has been set at nine directors, four of which are independent. Our Certificate of Incorporation provides that, as long as the Investors have a right to designate directors to our Board, 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, as if all of the shares of D Stock were converted to common shares. Therefore, each director designated by THL will have multiple votes and each other director will have one vote.

We have significant overhang of salable common stock and D Stock held by the Investors relative to the public float of our common stock.

The trading market for our common stock was first established in June 2004. The public float in that market now consists of approximately 62.3 million shares issued and 57.8 million shares outstanding as of December 31, 2011. In accordance with the terms of the Registration Rights Agreement entered into between us and the Investors at the closing of the 2008 Recapitalization, we have an effective registration statement on Form S−3 that permits the offer and sale by the Investors of all of the common stock or D Stock currently held by the Investors. In 2011, the Investors sold 10.2 million shares of common stock pursuant to this registration statement, which leaves the Investors with 50.7 million shares of common stock that can still be sold pursuant to the registration statement. The registration statement also permits us to offer and sell up to $500 million of our common stock, preferred stock, debt securities or any combination of these securities, from time to time, subject to market conditions and our capital needs. 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.

Our charter documents and Delaware law contain provisions that 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 charter documents contain provisions that may discourage third parties from seeking to acquire the Company. These provisions and specific provisions of Delaware law relating to business combinations with interested stockholders may have the effect of delaying, deterring or preventing certain business combinations, including a merger or change in control of the Company. Some of these provisions may discourage a future acquisition of the Company even if stockholders would receive an attractive value for their shares or if a significant number of our 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.

Our board of directors has the power to issue series of preferred stock and to designate the rights and preferences of those series, which could adversely affect the voting power, dividend, liquidation and other rights of holders of our common stock.

Under our certificate of incorporation, our board of directors has the power to issue series of preferred stock and to designate the rights and preferences of those series. Therefore, our board of directors may designate a new series of preferred stock with the rights, preferences and privileges that the board of directors deems appropriate, including special dividend, liquidation and voting rights. The creation and designation of a new series of preferred stock could adversely affect the voting power, dividend, liquidation and other rights of holders of our common stock and, possibly, any other class or series of stock that is then in existence.

The market price of our common stock may be volatile.

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which may be beyond our control. These factors include the perceived prospects or actual operating results of our business; changes in estimates of our operating results by analysts, investors or our management; our actual operating results relative to such estimates or expectations; actions or announcements by us or our competitors; litigation and judicial decisions; legislative or regulatory actions; and changes in general economic or market conditions. In addition, the stock market in general has from time to time experienced extreme price and volume fluctuations. These market fluctuations could reduce the market price of our common stock for reasons unrelated to our operating performance.

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Location	Use	Segment(s) Using Space	Square Feet	Lease Expiration
Dallas, TX	Corporate Headquarters	Both	46,291	6/30/2021
Minneapolis, MN	Global Operations Center	Both	134,000	12/31/2015
Brooklyn Center, MN	Global Operations Center	Both	75,000	4/30/2015
Lakewood, CO	Call Center	Global Funds Transfer	113,849	3/31/2015
London, UK	Global Operations Center	Both	20,738	1/31/2021

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. Not included in the above table is approximately 34,211 square feet in Minneapolis, Minnesota that has been sublet. Subsequent to December 31, 2011, the Company entered into an agreement to lease 25,287 square feet of office space in Frisco, Texas and an agreement for early termination of one of its leases in Lakewood, CO consisting of 45,684 square feet. The Company has vacated this portion of the property per the agreement. We also have a number of other smaller office locations in Arkansas, California, Florida, New York, France, Germany, Italy, Spain and the United Kingdom, as well as small sales and marketing offices in Australia, China, Greece, India, Italy, the Netherlands, Nigeria, Russia, South Africa, Spain, Ukraine, United Arab Emirates, and Switzerland. We believe that our properties are sufficient to meet our current and projected needs.

Item 3. LEGAL PROCEEDINGS

The matters set forth below are subject to uncertainties and outcomes that are not predictable with certainty. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigations alleged.

Litigation Commenced Against the Company:

Shareholder Litigation — On April 15, 2011 a complaint was filed in the Court of Chancery of the State of Delaware by Willie R. Pittman purporting to be a class action complaint on behalf of all shareholders and a shareholder derivative complaint against the Company, THL, Goldman Sachs and each of the Company's directors. Ms. Pittman alleges in her complaint that she is a stockholder of the Company and asserts, among other things, (i) breach of fiduciary duty and disclosure claims against the Company's directors, THL and Goldman Sachs, (ii) breach of the Company's certificate of incorporation claims against the Company, THL and Goldman Sachs, and (iii) claims for aiding and abetting breach of fiduciary duties against Goldman Sachs. Ms. Pittman purports to sue on her own behalf and on behalf of the Company and its stockholders. Pittman sought to, among other things, enjoin or rescind the 2011 Recapitalization. On April 29, 2011 the plaintiff filed an amended complaint to add two additional plaintiffs, Susan Seales and Stephen Selzer. On May 16, 2011 a hearing to enjoin or rescind the 2011 Recapitalization was held in the Court of Chancery of the State of Delaware, and at the hearing, the plaintiffs' request for a preliminary injunction was denied. The 2011 Recapitalization was completed on May 18, 2011. Since that time, Ms. Pittman has withdrawn as a putative class representative; Ms. Seales and Mr. Selzer remain as plaintiffs. The plaintiffs seek to recover damages of some or all of the cash and stock payments made to THL and Goldman Sachs by the Company in connection with the recapitalization transaction. This litigation is ongoing and is scheduled for trial in the second quarter of 2012.

On May 12, 2011 a complaint was filed in the County Court at Law No. 3 in Dallas County, Texas by Hilary Kramer purporting to be a class action complaint on behalf of all shareholders and a shareholder derivative complaint against the Company, THL, Goldman Sachs and each of the Company's directors. Ms. Kramer alleges in her complaint that she is a stockholder of the Company and asserts, among other things, (i) breach of fiduciary duty claims against the Company's directors, THL and Goldman Sachs and (ii) claims for aiding and abetting breach of fiduciary duties against Goldman Sachs. Ms. Kramer purports to sue on her own behalf and on behalf of the Company and its stockholders. Ms. Kramer sought to, among other things, enjoin the 2011 Recapitalization. The defendants have moved for the Texas court to stay this litigation in favor of the Pittman litigation in Delaware, which has an overlapping class definition.

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

Government Investigations:

MoneyGram has been served with subpoenas to produce documents and testify before a grand jury in the U.S. District Court for the Middle District of Pennsylvania. The subpoenas sought information related to, *inter alia,* MoneyGram's U.S. and Canadian agents, as well as certain transactions involving such agents, fraud complaint data, and MoneyGram's consumer anti−fraud program during the period from 2004 to 2009. MoneyGram has provided information requested pursuant to the subpoenas and continues to provide additional information relating to the investigation. In addition, the Company has been provided with subpoenas for the testimony of certain current and former employees in connection with the investigation. The Company has also been notified of a request for interviews of one current executive officer and one former chief executive officer of the Company. The U.S. Department of the Treasury Financial Crimes Enforcement Network, or FinCEN, also requested information, which information was subsequently provided by MoneyGram, concerning MoneyGram's reporting of fraudulent transactions during this period. In November 2010, MoneyGram met with representatives from the U.S. Attorney's Office for the Middle District of Pennsylvania, or the MDPA USAO, and representatives of FinCEN to discuss the investigation. In July 2011, MoneyGram had further discussions with the MDPA USAO and representatives of the Asset Forfeiture and Money Laundering Section of the U.S. Department of Justice, or the US DOJ. MoneyGram has been informed that it is being investigated by the federal grand jury in connection with these matters for the period 2004 to early 2009 as well as MoneyGram's anti−money laundering program during that period. In January 2012, meetings were held between representatives of the Company, the MDPA USAO and the Criminal Division of the US DOJ to discuss the investigation. MoneyGram continues to engage in discussions and cooperate with such government representatives regarding the ongoing investigation. During the course of these discussions, the Company was advised that consideration is being given to a range of possible outcomes, including the seeking of criminal penalties against the Company. However, no conclusions can be drawn at this time as to the outcome of the investigation, and we are unable to predict the probable loss, or range of loss, if any, associated with this matter.

MoneyGram has also received Civil Investigative Demands from a working group of nine state attorneys general who have initiated an investigation into whether the Company has taken adequate steps to prevent consumer fraud during the period from 2007 to 2011. The Civil Investigative Demands seek information and documents relating to the Company's procedures to prevent fraudulent transfers and consumer complaint information. MoneyGram continues to cooperate fully with the states in this matter. MoneyGram has submitted the information and documents requested by the states. No claims have been made against MoneyGram at this time.

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

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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 on our common stock were declared by our Board of Directors in 2011 or 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Mezzanine Equity and Stockholders' Deficit" and Note 12 — *Stockholders' Deficit* of the Notes to Consolidated Financial Statements. As of February 28, 2012, there were 10,482 stockholders of record of our common stock. On November 14, 2011, we effected a one−for−eight reverse stock split of our issued and outstanding common stock. All share and per share amounts have been retroactively adjusted to reflect the stock split with the exception of the Company's treasury stock, which was not a part of the reverse stock split.

The high and low sales prices for our common stock for the periods presented were as follows:

	2011		2010	
Fiscal Quarter	**High**	**Low**	**High**	**Low**
First	$27.44	$19.44	$31.28	$20.24
Second	$33.12	$25.12	$32.08	$18.72
Third	$29.28	$16.72	$23.20	$15.92
Fourth	$23.04	$15.90	$23.52	$18.00

The Board of Directors has authorized the repurchase of a total of 12,000,000 shares, as announced publicly in our press releases issued on November 18, 2004, August 18, 2005 and May 9, 2007. The repurchase authorization is effective until such time as the Company has repurchased 12,000,000 common shares. The Company may consider repurchasing shares from time−to−time, subject to limitations in our debt agreements. Shares of 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, 2011, we have repurchased 6,795,017 shares of our common stock under this authorization and have remaining authorization to repurchase up to 5,204,983 shares. The Company repurchased 17 shares in the fourth quarter of 2011. The following table summarizes the share repurchases during the three months ended December 31, 2011:

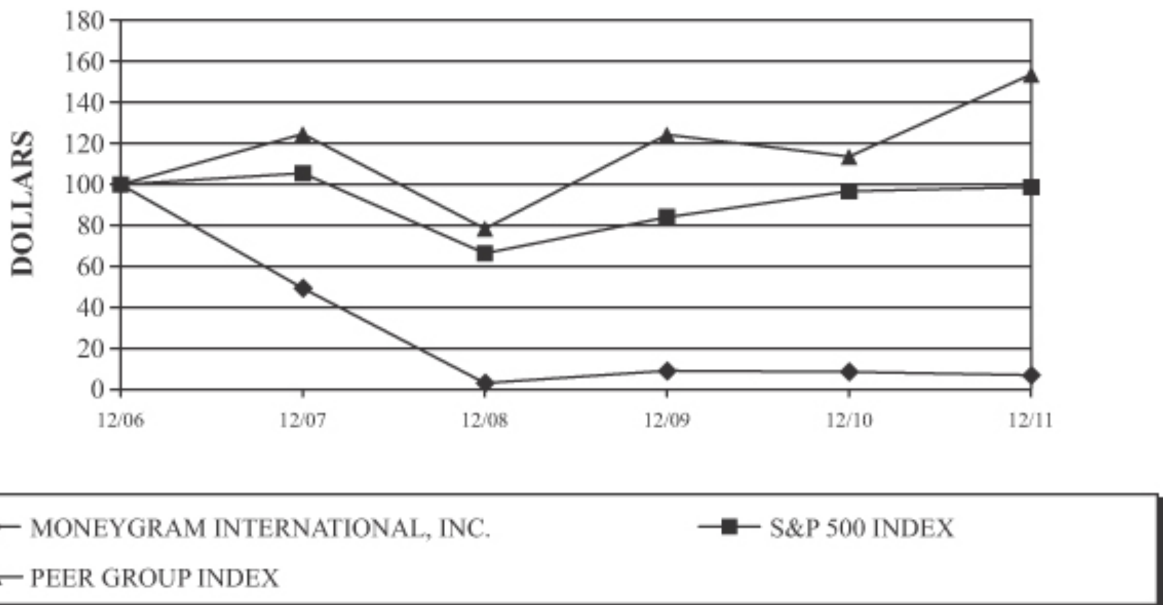
Period	**(a) Total number of shares purchased**	**(b) Average price paid per share**	**(c) Total number of shares purchased as part of publicly announced plans or programs**	**(d) Maximum number of shares that may yet be purchased under the plans or programs (1)**
October 1 – October 31				
November 1 – November 30				
December 1 – December 31	17	16.28	17	5,204,983
Total	17	—	17	5,204,983

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. No dividends were paid on our common stock in 2011 and 2010.

STOCKHOLDER RETURN PERFORMANCE

The following graph compares the cumulative total return from December 31, 2006 to December 31, 2011 for our common stock, our peer group index of payment services companies and the S&P 500 Index. The peer group index of payment services companies, referred to as the Peer Group Index, consists of: Euronet Worldwide Inc., Fidelity National Information Services, Inc., Fiserv, Inc., Global Payments Inc., MasterCard, Inc., Online Resources Corporation, Total System Services, Inc., Visa, Inc. and The Western Union Company. The graph assumes the investment of $100 in each of our common stock, our Peer Group Index and the S&P 500 Index on December 31, 2006, 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



*$100 invested on 12/31/06 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011
MONEYGRAM INTERNATIONAL, INC.	100.00	49.47	3.28	9.27	8.72	7.14
S&P 500 INDEX	100.00	105.49	66.46	84.05	96.71	98.75
PEER GROUP INDEX	100.00	124.59	78.48	124.26	113.57	153.63

Item 6. SELECTED FINANCIAL DATA

The following table presents our selected consolidated financial data for the periods indicated. The information set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and Notes thereto. For the basis

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of presentation of the information set forth below, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Basis of Presentation.”

YEAR ENDED DECEMBER 31,	2011	2010	2009	2008	2007
(Dollars and shares in thousands, except per share data)					
Operating Results					
Revenue					
Global Funds Transfer segment	$1,152,716	$1,053,281	$1,025,449	$1,015,929	$ 861,403
Financial Paper Products segment	93,332	109,515	122,783	238,193	470,127
Other	1,721	3,857	13,479	16,459	18,463
Total revenue	1,247,769	1,166,653	1,161,711	1,270,581	1,349,993
Total operating expenses	1,105,252	1,008,255	1,086,313	1,151,760	1,139,749
Operating income	142,517	158,398	75,398	118,821	210,244
Total other expense, net [1]	102,747	100,018	97,720	456,012	1,203,512
Income (loss) from continuing operations before income taxes [2]	39,770	58,380	(22,322)	(337,191)	(993,268)
Income tax expense (benefit)	(19,636)	14,579	(20,416)	(75,806)	78,481
Income (loss) from continuing operations	$ 59,406	$ 43,801	$ (1,906)	$ (261,385)	$(1,071,749)
(Loss) earnings per common share:					
Basic	$ (9.03)	$ (8.77)	$ (11.87)	$ (33.54)	$ (103.55)
Diluted	$ (9.03)	$ (8.77)	$ (11.87)	$ (33.54)	$ (103.55)
Weighted−average shares outstanding:					
Basic	48,576	10,398	10,312	10,307	10,352
Diluted	48,576	10,398	10,312	10,307	10,352
Financial Position					
Excess (shortfall) of assets over payment service obligations [3]	$ 211,659	$ 230,229	$ 313,335	$ 391,031	$ (551,812)
Substantially restricted assets [3]	4,417,034	4,414,965	5,156,789	5,829,030	7,210,658
Total assets	5,175,578	5,115,736	5,929,663	6,642,296	7,935,011
Payment service obligations	4,205,375	4,184,736	4,843,454	5,437,999	7,762,470
Long−term debt	810,888	639,946	796,791	978,881	345,000
Mezzanine equity [4]	—	999,353	864,328	742,212	—
Stockholders' (deficit) equity [4]	(110,198)	(942,482)	(883,013)	(781,736)	(488,517)
Other Selected Data					
Capital expenditures	$ 50,136	$ 43,025	$ 38,258	$ 40,357	$ 71,142
Depreciation and amortization	$ 46,051	$ 48,074	$ 57,091	$ 56,672	$ 51,979
Cash dividends declared per share	$ —	$ —	$ —	$ —	$ 0.20
Average investable balances [5]	$3,255,405	$3,684,317	$4,246,507	$4,866,339	$ 6,346,442
Net investment margin [6]	0.51%	0.56%	0.75%	1.23%	2.28%
Approximate number of countries and territories served	190	190	190	190	180
Number of money order locations [7]	45,000	46,000	49,000	59,000	59,000
Number of money transfer locations [7]	267,000	227,000	190,000	176,000	143,000

(1) Total other expense, net for 2011 includes net securities gains of $32.8 million from the receipt of settlements equal to all outstanding principal from two securities classified in ‘other asset−backed securities’ previously written down to a nominal fair value and debt extinguishment costs of $37.5 million relating to the termination of the 2008 senior facility in connection with the 2011 Recapitalization and the partial redemption of the Second Lien Notes. Total other expense, net for 2008 includes net securities losses of $340.7 million from the realignment of the investment portfolio in the first quarter of 2008, other−than−temporary impairments and declines in the value of our trading investments. Total other expense, net for 2007 includes net losses of $1.2 billion related to other−than−temporary impairments in the Company’s investment portfolio.

(2) Income from continuing operations before income taxes for 2011 includes $4.8 million of legal accruals related primarily to shareholder litigation, $3.4 million of asset impairments and $23.5 million of expense related to our global transformation initiative. Income from continuing operations before income taxes for

2010 includes a $16.4 million gain related to the reversal of a patent lawsuit; $1.8 million of legal accruals related primarily to shareholder litigation; $1.8 million of asset impairments and $5.9 million of expense related to our global transformation initiative. Loss from continuing operations before income taxes for 2009 includes $54.8 million of legal reserves relating to securities litigation, stockholder derivative claims, a patent lawsuit and a settlement with the FTC; $18.3 million of goodwill and asset impairments and a $14.3 million net curtailment gain on our benefit plans. Loss from continuing operations before income taxes for 2008 includes a $29.7 million net loss on the termination of swaps, a $26.5 million gain from put options on our trading investments, a $16.0 million valuation loss from changes in the fair value of embedded derivatives on our Series B Stock and a goodwill impairment of $8.8 million related to a discontinued business. Loss from continuing operations before income taxes for 2007 includes a goodwill impairment of $6.4 million related to a discontinued business.

(3) Assets in excess of payment service obligations are substantially restricted assets less payment service obligations as calculated in Note 2 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements. Substantially restricted assets are composed of cash and cash equivalents, receivables and investments.

(4) Mezzanine Equity related to our Series B Stock. Following the 2011 Recapitalization, all amounts included in mezzanine equity were converted into components of stockholders' deficit and no shares of Series B Stock remained issued at December 31, 2011. See Note 11 — *Mezzanine Equity* of the Notes to Consolidated Financial Statements for the terms of the Series B Stock.

(5) Investable balances are composed of cash and cash equivalents and all classes of investments.

(6) Net investment margin is determined as net investment revenue (investment revenue less investment commissions) divided by daily average investable balances.

(7) Includes 29,000, 27,000, 28,000, 30,000 and 18,000 locations in 2011, 2010, 2009, 2008 and 2007, respectively, which offer both money order and money transfer services.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our Consolidated Financial Statements and related Notes. This discussion contains forward−looking statements that involve risks and uncertainties. MoneyGram's actual results could differ materially from those anticipated due to various factors discussed below under "Cautionary Statements Regarding Forward−Looking Statements" and under the caption "Risk Factors" in Part 1, Item 1A of this Annual Report on Form 10−K.

Basis of Presentation

The financial statements in this Annual Report on Form 10−K are presented on a consolidated basis and include the accounts of the Company and our subsidiaries. See Note 2 — *Summary of Significant Accounting Policies* of the Notes to the Consolidated Financial Statements for further information regarding consolidation. References to "MoneyGram," the "Company," "we," "us" and "our" are to MoneyGram International, Inc. and its subsidiaries and consolidated entities. Our Consolidated Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America, also referred to as GAAP.

Fee and other revenue — Fee and other revenue consists of transaction fees, foreign exchange revenue and miscellaneous revenue. Transaction fees are earned on money transfer, money order, bill payment and official check transactions. Money transfer transaction fees vary based on the principal amount of the transaction, the originating location and the receiving location. Money order, bill payment and official check transaction fees are fixed per transaction. Foreign exchange revenue is derived from the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. Miscellaneous revenue primarily consists of processing fees on rebate checks and controlled disbursements, service charges on aged outstanding money orders and money order dispenser fees.

Investment revenue — Investment revenue consists of interest and dividends generated through the investment of cash balances received primarily from the sale of official checks, money orders and other payment instruments.

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These cash balances are available to us for investment until the payment instrument is presented for payment. Investment revenue varies depending on the level of investment balances and the yield on our investments. Investment balances vary based on the number of payment instruments sold, the principal amount of those payment instruments and the length of time that passes until the instruments are presented for payment.

Fee and other commissions expense — We incur fee commissions primarily on our money transfer products. In a money transfer transaction, both the agent initiating the transaction and the agent disbursing the funds receive a commission that is generally based on a percentage of the fee charged to the consumer. We generally do not pay commissions to agents on the sale of money orders. In certain limited circumstances for large agents, we may pay a fixed commission amount based on money order volumes transacted by that agent. Other commissions expense includes the amortization of capitalized agent signing bonus payments.

Investment commissions expense — Investment commissions consist of amounts paid to financial institution customers based on short−term interest rate indices times the average outstanding cash balances of official checks sold by that financial institution.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31,	**2011**	**2010**	**2009**	**2011 vs. 2010**	**2010 vs. 2009**	**2011 vs. 2010**	**2010 vs. 2009**
(Amounts in thousands)				**($)**	**($)**	**(%)**	**(%)**
Revenue							
Fee and other revenue	$1,230,858	$1,145,312	$1,128,492	$ 85,546	$ 16,820	7%	1%
Investment revenue	16,911	21,341	33,219	(4,430)	(11,878)	(21)%	(36)%
Total revenue	1,247,769	1,166,653	1,161,711	81,116	4,942	7%	0%
Expenses							
Fee and other commissions expense	547,573	500,759	497,105	46,814	3,654	9%	1%
Investment commissions expense	431	737	1,362	(306)	(625)	(42)%	(46)%
Total commissions expense	548,004	501,496	498,467	46,508	3,029	9%	1%
Compensation and benefits	235,696	226,422	199,053	9,274	27,369	4%	14%
Transaction and operations support	227,762	185,782	284,277	41,980	(98,495)	23%	(35)%
Occupancy, equipment and supplies	47,739	46,481	47,425	1,258	(944)	3%	(2)%
Depreciation and amortization	46,051	48,074	57,091	(2,023)	(9,017)	(4)%	(16)%
Total operating expenses	1,105,252	1,008,255	1,086,313	96,997	(78,058)	10%	(7)%
Operating income	142,517	158,398	75,398	(15,881)	83,000	(10)%	110%
Other expense							
Net securities gains	(32,816)	(2,115)	(7,790)	(30,701)	5,675	NM	NM
Interest expense	86,165	102,133	107,911	(15,968)	(5,778)	(16)%	(5)%
Debt extinguishment costs	37,522	—	—	37,522	—	NM	NM
Other	11,876	—	(2,401)	11,876	2,401	NM	NM
Total other expenses, net	102,747	100,018	97,720	2,729	2,298	3%	2%
Income (loss) before income taxes	39,770	58,380	(22,322)	(18,610)	80,702	NM	NM
Income tax (benefit) expense	(19,636)	14,579	(20,416)	(34,215)	34,995	NM	NM
Net income (loss)	$ 59,406	$ 43,801	$ (1,906)	$ 15,605	$ 45,707	NM	NM

NM = Not meaningful

Following is a summary of our operating results in 2011:

- Total fee and other revenue increased in 2011 due to an increase in money transfer fee and other revenue, partially offset by lower revenue from bill payment products and the Financial Paper Products segment and the impact of certain businesses and products that were discontinued in 2010. Volume growth of 14 percent and the higher euro exchange rate drove the increase in money transfer fee and other revenue, partially offset by lower average money transfer fees per transaction, corridor mix and the $50 price band. See further discussion under *Fee and Other Revenue and Commissions Expense.*
- Investment revenue decreased in 2011 due to a decline in average investment balances and lower yields earned on our investment portfolio.
- Total commissions expense increased in 2011 due to money transfer volume growth, the higher euro exchange rate and signing bonus amortization, partially offset by lower volumes from bill payment products.
- Total operating expenses increased in 2011 due to higher commissions expense, $15.2 million of incremental restructuring and reorganization costs, investments in marketing and higher legal and compensation costs. Legal costs in 2010 benefited from a $16.4 million reversal of a patent litigation settlement.
- During 2011, the Company recognized $32.8 million of settlements equal to all outstanding principal from two securities. These securities had previously been written down to a nominal fair value.
- Interest expense decreased 16 percent to $86.2 million in 2011 from $102.1 million in 2010, reflecting lower interest rates from refinancing activity, partially offset by higher outstanding debt balances.
- We had an income tax benefit of $19.6 million on pre−tax income of $39.8 million in 2011, primarily reflecting the release of $34.0 million of valuation allowances on U.S. deferred tax assets related to historical net securities losses and a $9.7 million benefit from the disposition of a business.
- The increase in the euro exchange rate increased total revenue by $16.5 million and total expenses by $12.7 million, for a net increase to our income before income taxes of $3.8 million.

Following is a summary of significant actions taken by the Company and economic conditions during the year that impacted our operating results, liquidity and capital structure in 2011:

Capital Transactions — Following shareholder approval on May 18, 2011, the Company completed the 2011 Recapitalization with THL and Goldman Sachs. As a result of the recapitalization, (i) THL converted all of its shares of the B Stock into 35.8 million shares of common stock and (ii) Goldman Sachs converted all of its shares of the B−1 Stock into 157,686 shares of D Stock, and (iii) THL received 3.5 million additional shares of common stock and $140.8 million in cash, and Goldman Sachs received 15,503 additional shares of D Stock and $77.5 million in cash. Under the 2011 Recapitalization, the Investors received a cash dividend payment for amounts earned under the terms of the B and B−1 Stock for the period from March 26, 2011 through May 18, 2011. During the year ended December 31, 2011, the Company recognized expense of $5.4 million for transaction costs related to the 2011 Recapitalization, which are recorded in the “Other” line in the Consolidated Statements of Income.

On November 14, 2011, the Company effected a reverse stock split of the Company’s common stock at a ratio of 1−for−8 and decreased the number of authorized shares of common stock from 1,300,000,000 to 162,500,000. All share and per share amounts have been retroactively adjusted to reflect the stock split with the exception of the Company’s treasury stock, which was not a part of the reverse stock split.

In November and December 2011, the Company completed a secondary offering pursuant to which the Investors sold an aggregate of 10,237,524 shares in an underwritten offering. In connection with the secondary offering, 63,950 shares of D Stock were converted to 7,993,762 shares of common stock. The Company did not receive proceeds from the offering and incurred transaction costs totaling $1.0 million for the year ended December 31, 2011, which are recorded in the “Other” line in the Consolidated Statement of Income.

Debt Refinancings — On May 18, 2011, the Company entered into a credit agreement in connection with the New Credit Facility, referred to herein as the 2011 Credit Agreement, consisting of a $150.0 million, five−year revolving credit facility and a $390.0 million, six−and−one−half−year term loan. On November 21, 2011, the Company entered into an amendment to the 2011 Credit Agreement and obtained in incremental term loan in an aggregate principal amount of $150 million. The net proceeds from the term loan under the 2011 Credit Agreement were used to consummate the 2011 Recapitalization and to refinance the Company's existing 2008 senior facility. In connection with this refinancing, the Company incurred a $5.2 million debt extinguishment loss from the pro−rata write−off of unamortized deferred financing costs.

In connection with the secondary offering, the Company exercised an option to redeem a portion of its Second Lien Notes in November 2011. The redemption was completed through the issuance of the $150.0 million incremental term loan under the 2011 Credit Agreement, with the remaining balance paid from cash and cash equivalents. In connection with the redemption, the Company incurred a prepayment penalty of $23.2 million and wrote−off $9.1 million of unamortized deferred financing costs, for a total debt extinguishment loss of $32.3 million.

Global Economic Conditions — Throughout 2011, worldwide economic conditions continued to remain weak, as evidenced by high unemployment rates, government assistance to citizens and businesses on a global basis, continued declines in asset values, restricted lending activity and low consumer confidence, among other factors. Historically, the money remittance industry has generally been resilient during times of economic softness as money transfers are deemed essential to many, with the funds used by the receiving party for food, housing and other basic needs. However, given the global reach and extent of the current economic recession, the growth of money transfer volumes and the average principal of money transfers continued to fluctuate by corridor and country in 2011, particularly in Europe.

The Company experienced transaction growth in Northern Europe, which was somewhat offset by weakness in Spain, Italy and Greece from economic and regulatory factors. New regulations in Italy, which include a tax on non−European Union residents and send limits at non−bank locations, limited our consumers' ability to send money and slowed growth in the country. The impact of the new legislation was partially offset as a large Italian agent has a higher send limit than non−bank locations.

In addition, bill payment products available in the United States are not as resilient as money transfers given the consumer credit markets and the more discretionary nature of some items paid for by consumers using these products. Accordingly, the volume of bill payment transactions continued to be adversely impacted in 2011, particularly in the auto, housing and credit card sectors. The Company continues to actively pursue strategic initiatives to mitigate the economic impact on bill payment products, including the addition of 1,500 billers to the MoneyGram network and expansion of the products into Canada during 2011. While there have been some indicators of moderation and improvement during the fourth quarter of 2011, particularly in the United States, we continue to have limited visibility into the future and believe growth rates will continue to be hampered in 2012.

Money Transfer Pricing — In the first half of 2010, we introduced a $50 price band that allows consumers to send $50 of principal for a $5 fee at most locations, or a $4.75 fee at a Wal−Mart location. As discussed further in *Global Funds Transfer Segment*, the $50 price band impacted revenue growth, as 2011 was the first full year of the pricing change.

Global Transformation Initiative — In the second quarter of 2010, we announced the implementation of a global transformation initiative to realign our management and operations with the changing global market and streamline operations to promote a more efficient and scalable cost structure. The initiative includes organizational changes, relocation of certain operations and investment in technology, among other items. The Company has incurred $20.7 million and $5.4 million of cash outlays in 2011 and 2010, respectively, and recorded $23.5 million and $5.9 million of expenses during 2011 and 2010, respectively. We anticipate this initiative to generate annual pre−tax cost savings of $25.0 million to $30.0 million when fully implemented in 2012.

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FEE AND OTHER REVENUE AND COMMISSIONS EXPENSE

The following discussion provides a summary overview of results. See discussion for the Global Funds Transfer and Financial Paper Products segments for more detailed explanations of our results.

YEAR ENDED DECEMBER 31,	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
(Amounts in thousands)					
Fee and other revenue	$1,230,858	$1,145,312	$1,128,492	7%	1%
Fee and other commissions expense	547,573	500,759	497,105	9%	1%
Fee and other commissions expense as a % of fee and other revenue	44.5%	43.7%	44.1%		

Fee and Other Revenue

In 2011, fee and other revenue growth of $85.5 million, or seven percent, was primarily driven by money transfer transaction volume growth, a higher euro exchange rate and higher foreign exchange revenue, partially offset by changes in corridor mix, lower average face value per transaction and the $50 price band in the United States. Bill payment products, money order and official check fee and other revenue decreased due to volume declines.

In 2010, fee and other revenue growth of $16.8 million, or one percent, was primarily driven by money transfer transaction volume growth, changes in corridor mix and higher foreign exchange revenue, partially offset by a lower euro exchange rate and the introduction of the $50 price band in the United States. Official check fee and other revenue increased from repricing initiatives, partially offset by the run−off of financial institution customers. Bill payment products and money order fee and other revenue decreased from volume declines, with bill payment products also being adversely impacted by lower average fees per transaction due to industry mix.

Fee and Other Commissions

In 2011, fee and other commissions expense growth of $46.8 million, or nine percent, was primarily due to money transfer volume growth, a higher euro exchange rate and increased signing bonus amortization, partially offset by lower bill payment and money order volumes. Signing bonus amortization increased due to the signing of new agents. Commissions expense grew at a faster rate than revenue due to pay−out at a higher tier level from volume growth for certain key agents and corridor mix. Commissions expense as a percent of fee and other revenue increased to 44.5 percent in 2011 from 43.7 percent in 2010, primarily from the continued shift in overall product mix towards the Global Funds Transfer segment, particularly the money transfer product. Agents in the Global Funds Transfer segment are compensated through commissions we pay to them, whereas our Financial Paper Products agents and financial institution customers primarily earn their revenue through per item fees they charge directly to the consumer.

In 2010, fee and other commissions expense growth of $3.7 million, or one percent, was primarily due to money transfer transaction volume growth, partially offset by a lower euro exchange rate, a decrease in signing bonus amortization, lower average money transfer commission rates, declines in volumes for bill payment, money order and official check, and lower average bill payment fees from changes in industry mix. Signing bonus amortization decreased as certain historical signing bonuses were fully amortized in the prior year. Commissions expense as a percent of fee and other revenue increased to 43.7 percent in 2010 from 44.1 percent in 2009, primarily from the continued shift in overall product mix towards the Global Funds Transfer segment, particularly the money transfer product.

Net Investment Revenue Analysis

YEAR ENDED DECEMBER 31,	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
(Amounts in thousands)					
Investment revenue	$ 16,911	$ 21,341	$ 33,219	(21)%	(36)%
Investment commissions expense	(431)	(737)	(1,362)	(42)%	(46)%
Net investment revenue	$ 16,480	$ 20,604	$ 31,857	(20)%	(35)%
Average balances:					
Cash equivalents and investments	$3,255,405	$3,684,317	$4,246,507	(12)%	(13)%
Payment service obligations [1]	2,310,993	2,659,171	3,048,100	(13)%	(13)%
Average yields earned and rates paid [2]:					
Investment yield	0.52%	0.58%	0.78%		
Investment commission rate	0.02%	0.03%	0.04%		
Net investment margin	0.51%	0.56%	0.75%		

(1) Commissions are paid to financial institution customers based on amounts generated by the sale of official checks only.

(2) Average yields and rates are calculated by dividing the applicable amount of “Net investment revenue” by the applicable amount shown in the “Average balances” section. The “Net investment margin” is calculated by dividing “Net investment revenue” by the “Cash equivalents and investments” average balance.

Investment revenue in 2011 decreased $4.4 million, or 21 percent, compared to 2010. Lower average investment balances from the run−off of certain official check financial institution customers terminated in prior periods drove $2.5 million of the decrease, while lower yields earned on our investment portfolio drove a decrease of $1.9 million.

Investment revenue in 2010 decreased $11.9 million, or 36 percent, compared to 2009. Lower yields earned on our investment portfolio drove $7.5 million of the decrease, while lower average investment balances from the run−off of certain official check financial institution customers terminated in prior periods drove $4.4 million of the decrease.

Investment commissions expense in 2011 decreased $0.3 million, or 42 percent, compared to 2010 primarily from lower interest rates. Due to the sustained low federal funds rate, most of our financial institution customers continue to be in a “negative” commission position as of December 31, 2011, meaning we do not owe any commissions to our customers. While the majority of our contracts require that the financial institution customers pay us for the negative commission amounts, we have opted at this time to impose certain per−item and other fees rather than require payment of the negative commission amounts. We continue to monitor the negative commissions and assess our current fee structure for possible further changes.

Investment commissions expense in 2010 decreased $0.6 million, or 46 percent, compared to 2009 from lower rates resulting from the second phase of the repricing initiative that was implemented in the second quarter of 2009 and lower average investment balances.

OPERATING EXPENSES

The following discussion relates to operating expenses, excluding commissions expense.

Compensation and benefits — Compensation and benefits includes salaries and benefits, management incentive programs, related payroll taxes and other employee related costs. Following is a summary of the change in compensation and benefits:

YEAR ENDED DECEMBER 31,	2011	2010
(Amounts in thousands)		
Compensation and benefits expense for the prior year	$226,422	$199,053
Change from:		
Incentive compensation	8,084	1,636
Salaries and related payroll taxes	6,458	3,561
Restructuring and reorganization	3,603	2,970
Impact of change in Euro currency	2,542	(2,826)
Employee stock−based compensation	(9,994)	11,470
Other employee benefits	(1,419)	10,558
Compensation and benefits expense for the years ended December 31,	$235,696	$226,422

In 2011, incentive compensation increased primarily from stronger performance against current year objectives. Salaries and related payroll taxes increased from ordinary salary increases and our changing employee base mix as we invest in our sales, market development and compliance functions, partially offset by lower headcount from our restructuring and outsourcing initiatives. Restructuring and reorganization costs increased primarily due to employee severance costs associated with the centralization and relocation of certain functions. Employee stock−based compensation decreased from grants fully vesting in prior periods and forfeitures, partially offset by new grants. Other employee benefits decreased due to medical claim reimbursements in 2011 and non−restructuring severance costs in 2010. We incurred higher expense associated with our legacy defined benefit plans from the impact of lower interest rates on our obligations under those plans, net of a reduction in the number of eligible participants and reduced benefits in the legacy post−retirement medical plan.

In 2010, incentive compensation increased from higher participation levels that increased the compensation base as compared to the prior year, partially offset by lower sales incentives accruals. Salaries and related payroll taxes increased from ordinary salary increases. Restructuring and reorganization costs increased primarily due to employee severance costs associated with the centralization and relocation of certain functions. Stock−based compensation increased from grants made in 2010 and the second half of 2009 in connection with executive hires. Other employee benefits in 2009 included a $14.3 million net curtailment gain on benefit plans, partially offset by $3.9 million of executive severance costs.

Transaction and operations support — Transaction and operations support expense primarily includes: marketing; professional fees and other outside services; telecommunications; agent support costs, including forms related to our products; non−compensation employee costs, including training, travel and relocation; bank charges; and the impact of foreign exchange rate movements on our monetary transactions, assets and liabilities denominated in a currency other than the U.S. dollar. Following is a summary of the change in transaction and operations support:

YEAR ENDED DECEMBER 31,	2011	2010
(Amounts in thousands)		
Transaction and operations support expense for the prior year	$185,782	$284,277
Change from:		
Legal reserves	10,990	(72,078)
Restructuring and reorganization	10,690	1,303
Marketing costs	10,434	6,901
Consultant fees and outsourcing	6,647	(641)
Foreign currency transaction losses	3,287	2,474
Goodwill and asset impairments	(1,558)	(16,206)
Other	1,322	(5,223)
Provision for loss	168	(15,025)
Transaction and operations support expense for the years ended December 31,	$227,762	$185,782

In 2011, transaction and operations support expense increased from the following items, inclusive of $0.3 million of incremental expense from the higher euro exchange rate:

- Legal fees and reserves increased primarily due to a $16.4 million benefit in 2010 from the reversal of a reserve for a patent litigation matter, partially offset by lower settlement reserve additions for securities and other litigation matters. In addition, we incurred overall lower legal fees for regulatory matters, general advisement and licensing matters supporting operational activities.
- Restructuring and reorganization costs increased primarily due to employee relocation and resourcing costs for the centralization and relocation of certain functions, including preparation for further centralization and operational changes in 2012.
- Marketing costs increased from our expanded investment in marketing and the timing of marketing campaigns in 2011. During 2011, the Company increased its investment in marketing as a percent of revenue to return to historic levels and support growth in money transfer. In future years, we expect to return to more normalized increases in marketing expense.
- Consultant fees and outsourcing costs increased primarily due to the outsourcing of certain transactional support and information technology activities, as well as tax advisement and our continued investment in the enhancement of our operational processes and systems that support our infrastructure.
- Foreign exchange losses increased due to the impact of high volatility in foreign currency exchange rates on our growing assets, liabilities, revenue and expenses not denominated in the U.S. dollar.
- Other expenses primarily relate to incremental employee costs from headcount additions to support business growth and initiatives and invest in the development of our personnel, as well as increased security costs from process enhancements and business and product growth. Targeted cost savings initiatives related to telecommunications and agent forms partially offset these increases.
- Included in 2010 expense is $1.5 million impairment from the disposition of a corporate aircraft.

In 2010, transaction and operations support expense decreased from the following items, inclusive of a $3.1 million benefit from a lower euro exchange rate:

- Legal reserves and fees benefited in 2010 from a $16.4 million reversal of a reserve for a patent litigation matter. In addition, expenses in 2009 included $54.8 million of settlements related to securities litigation, the Federal Trade Commission and an unfavorable patent litigation ruling.
- Restructuring and reorganization costs relate to the early phases of our global business transformation, primarily for the relocation of certain functions and preparation for 2011 actions.

- Marketing costs increased to support transaction and agent growth.
- Foreign exchange losses increased due to the impact of high volatility in foreign currency exchange rates on our growing assets, liabilities, revenue and expenses not denominated in the U.S. dollar.
- Other expenses decreased from targeted cost savings initiatives, particularly related to telecommunications and agent forms, partially offset by costs related to the implementation of the European Union Payment Services Directive and international licensing requirements.
- Provision for loss increased primarily due to the closure of an international agent.
- Goodwill and asset impairments in 2009 related to the disposition of two businesses and a corporate aircraft, discontinuation of certain bill payment product offerings and the Financial Paper Products segment.

Occupancy, equipment and supplies — Occupancy, equipment and supplies expense includes facilities rent and maintenance costs, software and equipment maintenance costs, freight and delivery costs and supplies. Expenses in 2011 increased $1.3 million, or three percent, compared to 2010 primarily due to $1.0 million of restructuring costs relating to facility consolidation and relocation, partially offset by cost reductions due to our facilities rationalization efforts. As reflected in the amounts discussed above, the increase in the euro exchange rate increased occupancy, equipment and supplies expense by $0.6 million in 2011.

Expenses in 2010 decreased $0.9 million, or two percent, compared to 2009 due to lower delivery, postage and freight costs from controlled spending and the timing of agent roll−outs, partially offset by $1.6 million of facility cease−use and related charges associated with restructuring activities. As reflected in the amounts discussed above, the decrease in the euro exchange rate decreased occupancy, equipment and supplies expense by $0.6 million in 2010.

Depreciation and amortization — Depreciation and amortization expense includes depreciation on point of sale equipment, agent signage, computer hardware and software, capitalized software development costs, office furniture, equipment and leasehold improvements and amortization of intangible assets. Depreciation and amortization decreased $2.0 million, or four percent, in 2011 compared to 2010, primarily from lower depreciation expense on point of sale equipment, computer hardware and other equipment, partially offset by an increase in amortization of capitalized software from the 2010 implementation of a new system that increased the flexibility of our back office and improved operating efficiencies. As reflected in the amounts discussed above, the increase in the euro exchange rate increased depreciation and amortization expense by $0.5 million in 2011. In connection with our global transformation initiative, we plan to make further investments in our infrastructure to enhance operating efficiencies and support our continued growth. As a result of these investments, depreciation and amortization expense may increase in the future.

Depreciation and amortization decreased $9.0 million, or 16 percent, in 2010 compared to 2009, primarily from lower depreciation expense on point of sale equipment, computer hardware and other equipment, signs and amortization of capitalized software. As reflected in the amounts discussed above, the decrease in the euro exchange rate decreased depreciation and amortization expense by $0.5 million in 2010.

OTHER EXPENSE, NET

Net Securities Gains — Following is a summary of the components of net securities gains:

YEAR ENDED DECEMBER 31,	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
(Amounts in thousands)					
Realized gains from available−for−sale investments	$(32,820)	$ —	$ —	$(32,820)	$ —
Realized losses from available−for−sale investments	—	—	2	—	(2)
Other−than−temporary impairments from available−for−sale investments	4	334	4,069	(330)	(3,735)
Valuation gains on trading investments and related put options	—	—	(4,304)	—	4,304
Realized gains from trading investments and related put options	—	(2,449)	(7,557)	2,449	5,108
Net securities gains	$(32,816)	$(2,115)	$(7,790)	$(30,701)	$ 5,675

Net securities gains of $32.8 million in 2011 reflect the receipt of settlements equal to all outstanding principal from two securities classified in “other asset−backed securities.” These securities had previously been written down to a nominal fair value. In 2010, net securities gains include a $2.4 million realized gain from the call of a trading investment, net of the reversal of the related put option, partially offset by $0.3 million of other−than−temporary impairments related to other asset−backed securities. Net securities gains of $7.8 million in 2009 reflect a $7.6 million net realized gain from the call of two trading investments, net of the reversal of the related put options. Valuation gains of $4.3 million on the put option related to the remaining trading investment were partially offset by $4.1 million of other−than−temporary impairments related to other asset−backed securities.

Interest expense — Interest expense decreased to $86.2 million in 2011 from $102.1 million in 2010 due to lower interest rates from our refinancing activities, partially offset by higher debt balances. Based on our outstanding debt balances and interest rates in effect at December 31, 2011, our interest expense is estimated at approximately $65.4 million in 2012. This amount will be reduced by any prepayments of debt we may make in 2012. As a result of our debt refinancings in 2011, we anticipate a significant reduction in interest expense in 2012.

Interest expense decreased to $102.1 million in 2010 from $107.9 million in 2009 from lower outstanding debt balances, partially offset by $8.6 million of pro rata write−offs of deferred financing costs and debt discount related to the $165.0 million of debt prepayments in 2011. In 2009, we recorded a $2.7 million pro rata write−off of deferred financing costs and debt discount in connection with the prepayment of $185.0 million of debt in 2009.

Debt Extinguishment Loss — The Company recognized total debt extinguishment losses of $37.5 million in 2011. In connection with the refinancing of our 2008 senior debt facility in May 2011, we recorded $5.2 million of debt extinguishment costs, primarily from the write−off of unamortized deferred financing costs. In connection with the partial redemption of the Second Lien Notes in November 2011, the Company incurred a prepayment penalty of $23.2 million and wrote−off $9.1 million of unamortized deferred financing costs. See Note 9 — *Debt* in the Notes to Consolidated Financial Statements for further information.

Other — Other expenses as summarized below include items deemed to be non−operating based on management’s assessment of the nature of the item in relation to our core operations.

(Amounts in thousands)	2011	2010	2009
Capital transaction costs	$ 6,446	$ —	$ —
Disposal loss from asset dispositions	972	—	—
Impairment loss from asset dispositions	4,458	—	—
Gain on forward foreign currency contracts	—	—	(2,401)
Total other	$11,876	$ —	$(2,401)

Capital transactions costs relate to the 2011 Recapitalization and the secondary offering. Losses from asset dispositions relate to land sold as part of our global business transformation and a former bill payment service. Impairment losses relate to land sold and held for sale and intangible assets acquired in the second quarter of 2011. In 2009, the Company recognized a gain upon maturity of derivative contracts hedging forecasted revenues denominated in Euro.

Income taxes — In 2011, the Company recognized a tax benefit of $19.6 million, reflecting benefits of $34.0 million for the reversal of a portion of the valuation allowance on domestic deferred tax assets and $9.7 million on the sale of assets. Partially offsetting the benefit is tax expense for non−deductible restructuring expenses and a valuation allowance on a portion of deferred tax assets as a result of losses in certain jurisdictions outside of the United States. The effective tax rate for 2011 reflects the expected utilization of net tax loss carry−forwards based on the Company's review of current facts and circumstances, including the three year cumulative income position and expectations that the Company will maintain a cumulative income position in the future. Changes in facts and circumstances may cause the Company to record additional tax expense or benefits in the future. Based on current facts and circumstances, the Company does not anticipate any valuation allowance adjustments that will materially affect the effective rate in 2012.

In 2010, the Company had tax expense of $14.6 million, including the release of $11.9 million of valuation allowances on deferred tax assets in the U.S. jurisdiction. The decrease in the tax reserve in 2010 was driven by the favorable settlement or closing of years subject to state audit. Reversals and payments of 2009 legal reserves reduced the tax base on which loss carryovers can be utilized and the corresponding release of valuation allowances.

In 2009, the Company recognized a tax benefit of $20.4 million, primarily reflecting the release of $17.6 million of valuation allowances on deferred tax assets. Our pre−tax net loss of $22.3 million, when adjusted for our estimated book to tax differences, resulted in taxable income, which allowed us to release some valuation allowances on our tax loss carryovers. These book to tax differences include impairments on securities and other assets and accruals related to separated employees, litigation and unrealized foreign exchange losses.

During the second quarter of 2010, the IRS completed its examination of the Company's consolidated income tax returns for 2005 to 2007, and issued its Revenue Agent Report, or RAR, challenging the Company's tax position relating to net securities losses and disallowing the related deductions. The Company disagrees with the RAR regarding the net securities losses and filed a protest letter. The Company had conferences with the IRS Appeals Office in 2010 and through October 2011, but was unable to reach agreement with the IRS Appeals Division. The Company is also currently under examination for its 2008 and 2009 tax returns, which had similar deductions. As a result, the Company expects to receive Notices of Deficiency within the next 12 months disallowing approximately $908.5 million of cumulative deductions taken for net securities losses in its 2007, 2008 and 2009 tax returns. As of December 31, 2011, the Company has recognized a cumulative benefit of approximately $136.1 million relating to these deductions. If the Notices of Deficiency contain adjustments with which the Company does not agree, the Company anticipates that it will file a petition in the United States Tax Court contesting such adjustments. While we believe our position will be sustained, if the Company's petition is denied in its entirety, the expense the Company would recognize as of December 31, 2011 is $144.0 million, including any interest. The Company continues to believe that the amounts recorded in its consolidated financial statements reflect its best estimate of the ultimate outcome of this matter.

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION ("EBITDA") AND ADJUSTED EBITDA

We believe that EBITDA (earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization) and Adjusted EBITDA (EBITDA adjusted for significant items) provide useful information to investors because they are an indicator of the strength and performance of ongoing business operations, including our ability to service debt and fund capital expenditures, acquisitions and operations. These calculations are commonly used as a basis for investors, analysts and credit rating agencies to evaluate and compare the operating performance and value of companies within our industry. In addition, our debt agreements require compliance with financial measures similar to Adjusted EBITDA. Finally, EBITDA and Adjusted EBITDA are financial measures used by management in reviewing results of operations, forecasting, assessing cash flow and capital, allocating resources and establishing employee incentive programs.

Although we believe that EBITDA and Adjusted EBITDA enhance investors' understanding of our business and performance, these non−GAAP financial measures should not be considered an exclusive alternative to accompanying GAAP financial measures. The following table is a reconciliation of these non−GAAP financial measures to the related GAAP financial measures.

YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands)			
Income (loss) before income taxes	$ 39,770	$ 58,380	$ (22,322)
Interest expense	86,165	102,133	107,911
Depreciation and amortization	46,051	48,074	57,091
Amortization of agent signing bonuses	32,618	29,247	35,280
EBITDA	204,604	237,834	177,960
Significant items impacting EBITDA:			
Net securities gains	(32,816)	(2,115)	(7,790)
Severance and related costs	(31)	(346)	4,353
Restructuring and reorganization costs	23,470	5,853	—
Capital transaction costs	6,446	—	—
Asset impairment charges	3,372	1,829	18,329
Debt extinguishment	37,522		
Stock−based compensation expense	16,281	26,011	14,152
Net curtailment gain on benefit plans	—	—	(14,339)
Legal accruals	4,817	(14,572)	54,750
Adjusted EBITDA	$263,665	$254,494	$247,415

For 2011, EBITDA decreased $33.2 million, or 14 percent, to $204.6 million from $237.8 million in 2010. Adjusted EBITDA for 2011 increased $9.2 million, or four percent, from $254.5 million in 2010 to $263.7 million in 2011, primarily due to money transfer growth, partially offset by increases in marketing spend, compensation, fee commissions expenses and lower net investment revenue.

For 2010, EBITDA increased $59.9 million, or 34 percent, to $237.8 million from $178.0 million in 2009, reflecting lower legal accruals and asset impairment charges and the benefits of cost savings initiatives, partially offset by higher stock−based compensation and a net curtailment gain recorded in 2009. Adjusted EBITDA for 2010 increased $7.1 million, or three percent, to $254.5 million from $247.4 million in 2009, primarily due to money transfer growth and cost savings initiatives.

SEGMENT PERFORMANCE

Our reporting segments are primarily organized based on the nature of products and services offered and the type of consumer served. We primarily manage our business through two reporting segments, Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfers and bill payment services to consumers through a network of agents and, in select markets, company−operated locations. The Financial Paper Products segment provides money orders to consumers through our retail and financial institution locations in the United States and Puerto Rico, and provides official check services to financial institutions in the United States. Businesses that are not operated within these segments are categorized as "Other," and primarily relate to discontinued products and businesses. Segment pre−tax operating income and segment operating margin are used to review operating performance and allocate resources.

Segment accounting policies are the same as those described in Note 2 — *Summary of Significant Accounting Policies* in the Notes to the Consolidated Financial Statements. We manage our investment portfolio on a consolidated level, with no specific investment security assigned to a particular segment. Investment revenue is allocated to each segment based on the average investment balances generated by that segment's sale of payment instruments during the period. Net securities (gains) losses are not allocated as the segments do not have control over portfolio investment decisions. While the derivatives portfolio is also managed on a consolidated level, each derivative instrument is utilized in a manner that can be identified to a particular segment. Interest rate swaps historically used to hedge variable rate commissions were identified with the official check product in the Financial Paper Products segment, while forward foreign exchange contracts are identified with the money transfer product in the Global Funds Transfer segment. Any interest rate swaps related to our credit agreements are not allocated to the segments.

Also excluded from operating income for Global Funds Transfer and Financial Paper Products are interest and other expenses related to our credit agreements, items related to our preferred stock, operating income from businesses categorized as “Other,” certain pension and benefit obligation expenses, director deferred compensation plan expenses, executive severance and related costs and certain legal and corporate costs not related to the performance of the segments.

Unallocated expenses in 2011 include $9.5 million of corporate costs and $0.4 million of costs associated with our global transformation initiative. In 2010, unallocated expenses include $7.4 million of corporate costs, $5.9 million of costs associated with our global transformation initiative and $1.8 million of asset impairments.

Following is a reconciliation of segment operating income to the consolidated operating results:

YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands)			
Operating income:			
Global Funds Transfer	$124,793	$139,314	$ 82,647
Financial Paper Products	29,168	36,508	27,372
Other	(1,556)	(2,367)	(4,316)
Total segment operating income	152,405	173,455	105,703
Other unallocated expenses	9,888	15,057	30,305
Total operating income	142,517	158,398	75,398
Net securities gains	(32,816)	(2,115)	(7,790)
Interest expense	86,165	102,133	107,911
Debt extinguishment costs	37,522	—	—
Other	11,876	—	(2,401)
Income (loss) before income taxes	$ 39,770	$ 58,380	$ (22,322)

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GLOBAL FUNDS TRANSFER SEGMENT

YEAR ENDED DECEMBER 31,	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
(Amounts in thousands)					
Money transfer revenue:					
Fee and other revenue	$1,039,525	$ 926,489	$ 890,675	12%	4%
Investment revenue	562	244	163	130%	50%
Total money transfer revenue	1,040,087	926,733	890,838	12%	4%
Bill payment revenue:					
Fee and other revenue	112,625	126,467	134,535	(11)%	(6)%
Investment revenue	4	81	76	(95)%	7%
Total bill payment revenue	112,629	126,548	134,611	(11)%	(6)%
Total Global Funds Transfer revenue:					
Fee and other revenue	1,152,150	1,052,956	1,025,210	9%	3%
Investment revenue	566	325	239	74%	36%
Total Global Funds Transfer revenue	1,152,716	1,053,281	1,025,449	9%	3%
Commissions expense	$ 545,688	$ 496,645	$ 488,116	10%	2%
Operating income	$ 124,793	$ 139,314	$ 82,647	(10)%	69%
Operating margin	10.8%	13.2%	8.1%		

Total revenue in the Global Funds Transfer segment consists primarily of fees on money transfers and bill payment transactions. For 2011 and 2010, Global Funds Transfer total revenue increased $99.4 million and $27.8 million, respectively, driven by money transfer volume growth, partially offset by a decline in bill payment revenue.

Money Transfer Fee and Other Revenue

YEAR ENDED DECEMBER 31,	2011	2010
(Amounts in thousands)		
Money Transfer fee and other revenue for the prior year	$ 926,489	$890,675
Change from:		
Volume	126,673	77,441
Euro exchange rate	16,456	(18,088)
Corridor mix and average face value per transaction	(19,889)	2,471
Introduction of $50 price band	(9,286)	(24,628)
Other	(918)	(1,382)
Money Transfer fee and other revenue for the year ended December 31,	$1,039,525	$926,489

In 2011, money transfer fee and other revenue increased 12 percent, driven by transaction volume growth of 14 percent and a higher euro exchange rate, partially offset by unfavorable changes in corridor mix, lower average face value per transaction and lower average money transfer fees from the $50 price band in the United States.

In 2010, money transfer fee and other revenue increased four percent due to transaction volume growth of nine percent, favorable changes in corridor mix and higher average face value per transaction, partially offset by lower average money transfer fees from the introduction of the $50 price band in the United States and the lower Euro exchange rate. In addition, money transfer fee and other revenue in 2009 included $1.3 million of early termination fees.

Money Transfer Transactions and Agent Locations

YEAR ENDED DECEMBER 31,	2011 vs. 2010	2010 vs. 2009
Total transactions	14%	9%
Transactions originating outside of the United States	15%	15%
Transactions originating in the United States	13%	6%
Transactions originating in the United States excluding those sent to Mexico	13%	8%

Transactions and the related fee revenue are viewed as originating from the send side of a transaction. Accordingly, discussion of transactions by geographic location refers to the region originating a transaction. Money transfer transactions originating in the United States, excluding transactions sent to Mexico, increased due primarily to an increase in intra−United States remittances. Transactions sent to Mexico grew by 12 percent. Mexico represented approximately nine percent of our total transactions in 2011 and 2010.

Our money transfer agent base expanded 18 percent, 20 percent and eight percent in 2011, 2010 and 2009, respectively, primarily due to expansion in Africa, Asia Pacific, Indian subcontinent, Eastern Europe, Latin America and Western Europe.

Bill Payment Fee and Other Revenue

Bill payment fee and other revenue decreased 11 percent in 2011, with lower volumes contributing an $11.3 million decline and lower average fees from changes in industry mix contributing a $2.5 million decline. In 2010, bill payment fee and other revenue decreased six percent, with lower average fees from changes in industry mix contributing a $5.3 million decline and lower volumes contributing a $2.8 million decline. The impact of changes in industry mix reflect our continued growth in new emerging verticals that generate lower revenue per transaction than our traditional verticals. Due to economic conditions in the United States, volumes in our traditional verticals, such as auto and mortgage, continue to be negatively impacted. Bill payment transaction volume decreased seven percent and one percent in 2011 and 2010, respectively.

Global Funds Transfer Commissions Expense

YEAR ENDED DECEMBER 31,	2011	2010
(Amounts in thousands)		
Global Funds Transfer commissions expense for the prior year	$496,645	$488,116
Change from:		
Money Transfer volume growth	43,046	23,662
Euro exchange rate	7,941	(7,406)
Money transfer commission rates	452	(1,240)
Signing bonuses	3,644	(3,874)
Bill payment volumes	(6,238)	(2,946)
Bill payment commission rates	164	368
Other	34	(35)
Global Funds Transfer commissions expense for the year ended December 31	$545,688	$496,645

Commissions expense consists primarily of fees paid to our third−party agents for money transfer and bill payment services, as well as the amortization of capitalized agent signing bonuses. In 2011, signing bonus expense increased due to new agent signings. In 2010, signing bonus expense decreased as certain historical signing bonuses were fully amortized or written off in the prior year.

Operating Margin

The Global Funds Transfer segment operating margin decreased to 10.8 percent in 2011 from 13.2 percent in 2010. The lower margin in 2011 primarily reflects changes in corridor mix and average face value per money

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transfer transaction, higher signing bonus expense and higher marketing and compensation expense, partially offset by money transfer revenue growth net of related commissions expense. Included in the 2010 operating margin is a $16.4 million benefit from a legal accrual reversal in 2010 related to a Global Funds Transfer patent, which added a 155 basis point benefit to the 2010 operating margin.

The operating margin for the Global Funds Transfer segment increased to 13.2 percent in 2010 from 8.1 percent in 2009. Included in the 2010 operating margin is a $16.4 million benefit from a legal accrual reversal in 2010, which added a 155 basis point benefit to the 2010 operating margin. In 2009, the operating margin included $34.5 million of legal reserves related to a patent lawsuit and a settlement agreement with the Federal Trade Commission, an incremental $15.0 million provision for loss in 2009 from the closure of an international agent and a $3.2 million goodwill impairment charge related to a discontinued bill payment product. After considering these items, the 2010 operating margin benefited from money transfer volume growth and lower signing bonus amortization, partially offset by lower bill payment revenue.

FINANCIAL PAPER PRODUCTS SEGMENT

YEAR ENDED DECEMBER 31,	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
(Amounts in thousands)					
Money order revenue:					
Fee and other revenue	$57,350	$ 64,342	$ 69,296	(11)%	(7)%
Investment revenue	3,100	3,951	5,584	(22)%	(29)%
Total money order revenue	60,450	68,293	74,880	(11)%	(9)%
Official check revenue:					
Fee and other revenue	21,069	25,696	23,690	(18)%	8%
Investment revenue	11,813	15,526	24,213	(24)%	(36)%
Total official check revenue	32,882	41,222	47,903	(20)%	(14)%
Total Financial Paper Products revenue:					
Fee and other revenue	78,419	90,038	92,986	(13)%	(3)%
Investment revenue	14,913	19,477	29,797	(23)%	(35)%
Total Financial Paper Products revenue	93,332	109,515	122,783	(15)%	(11)%
Commissions expense	$ 2,396	$ 3,931	$ 8,295	(39)%	(53)%
Operating income	$29,168	$ 36,508	$ 27,372	(20)%	33%
Operating margin	31.3%	33.3%	22.3%		

Total revenue in the Financial Paper Products segment consists of per−item fees charged to our financial institution customers and retail agents and investment revenue. Financial Paper Products revenue decreased $16.2 million and $13.3 million in 2011 and 2010, respectively.

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Financial Paper Products Revenue

YEAR ENDED DECEMBER 31,	2011	2010
(Amounts in thousands)		
Financial Paper Products revenue for the prior year	$109,515	$122,783
Change in:		
Investment Revenue		
Lower yields	(1,946)	(7,480)
Average investable balances	(2,484)	(4,398)
Other investment revenue	(134)	1,557
Money order fee and other revenue	(6,992)	(4,954)
Official check fee and other revenue	(4,627)	2,007
Financial Paper Products revenue for the year ended December 31	$ 93,332	$109,515

Money order fee and other revenue decreased in 2011 due to a seven percent decline in volumes attributed to the attrition of agents from repricing initiatives, the continued migration by consumers to other payment methods, consumer pricing increases as agents pass along fee increases and the general economic environment. Official check fee and other revenue decreased from 2010 due to the run−off of official check financial institution customers. See *Net Investment Revenue Analysis* for discussion related to changes in investment revenue.

In 2010, money order fee and other revenue decreased due to a 15 percent decline in volumes attributed to the anticipated attrition of agents from repricing initiatives, the continued migration by consumers to other payment methods, consumer pricing increases as agents pass along fee increases and the general economic environment. Official check fee and other revenue increased from 2009 due to our official check repricing initiatives, partially offset by the run−off of official check financial institution customers. See *Net Investment Revenue Analysis* for discussion related to changes in investment revenue.

Financial Paper Products Commissions Expense

YEAR ENDED DECEMBER 31,	2011 vs. 2010	2010 vs. 2009
(Amounts in thousands)		
Financial Paper Products commissions expense for the prior year	$3,931	$ 8,295
Change in:		
Money order agent rebates from repricing initiatives	(957)	(1,267)
Signing bonus amortization	(272)	(2,472)
Investable balances	(97)	(174)
Investment rate	(209)	(451)
Financial Paper Products commissions expense for the year ended December 31	$2,396	$ 3,931

Commissions expense in the Financial Paper Products segment includes payments made to financial institution customers based on amounts generated by the sale of official checks times short−term interest rate indices, payments on money order transactions and amortization of signing bonuses. Commissions expense decreased 39 percent and 53 percent in 2011 and 2010, respectively, due primarily to lower money order agent rebates from our repricing initiatives and lower signing bonus amortization, as well as lower investment balances resulting from the run−off of official check financial institution customers. See *Net Investment Revenue Analysis* for further discussion of investment commissions expense.

Operating Margin

The operating margin for the Financial Paper Products segment decreased to 31.3 percent in 2011 from 33.3 percent in 2010 due to volume and investment revenue declines. The operating margin for the Financial Paper Products segment increased to 33.3 percent in 2010 from 22.3 percent in 2009, reflecting $6.1 million of goodwill and asset impairment charges in 2009 related to our money order business and lower commissions, partially offset by lower investment revenue in 2010.

TRENDS EXPECTED TO IMPACT 2012

The discussion of trends expected to impact our business in 2012 is based on information presently available and contains certain assumptions regarding future economic conditions. Differences in actual economic conditions during 2012 compared with our assumptions could have a material impact on our results. See "Cautionary Statements Regarding Forward−Looking Statements" and Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10−K for additional factors that could cause results to differ materially from those contemplated by the following forward−looking statements.

Throughout 2011, global economic conditions remained weak. We cannot predict the duration or extent of the severity of these economic conditions, nor the extent to which these conditions could negatively affect our business, operating results or financial condition. While the money remittance industry has generally been resilient during times of economic softness, the current global economic conditions have continued to adversely impact the demand for money remittances. Given the global economic uncertainty, we have less visibility to the future and believe growth rates could continue to be impacted by slow economic conditions. In addition, bill payment products available in the United States have not been as resilient as money transfers.

While there is uncertainty around the global economy and the remittance industry, the World Bank, a key source of industry analysis for developing countries, is projecting seven percent remittance growth in 2012. Our growth has historically exceeded the World Bank projections. Our expansion in key global growth markets and strong partnership focus with our agents will continue to fuel this growth. Additionally, agent expansion and increasing productivity in our existing agent locations through marketing support, customer acquisition and new product innovation will drive growth. We believe all of these efforts will not only help to mitigate the effects of the current global economic conditions, but position us for enhanced market share and growth when the economy begins to recover.

For our Financial Paper Products segment, we expect the decline in overall paper−based transactions to continue in 2012. As a result of the pricing initiatives undertaken in prior years, we have reduced the commission rates paid to our official check financial institution customers and instituted certain per item and other fees for both the official check and money order services. In addition, the historically low interest rate environment has resulted in low or no commissions being paid to our official check financial institution customers. As a result, we anticipate that the Financial Paper Products segment will continue to experience financial institution and agent attrition in 2012.

We continue to see a trend among state, federal and international regulators toward enhanced scrutiny of anti−money laundering compliance, as well as consumer fraud prevention and education. As we continue to revise our processes and enhance our technology systems to meet regulatory trends, our operating expenses for compliance may increase.

Acquisition and Disposal Activity

Acquisition and disposal activity is set forth in Note 3 — *Acquisitions and Disposals* of the Notes to Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

We have various resources available to us for purposes of managing liquidity and capital needs, including our investment portfolio, credit facilities and letters of credit. We refer to our cash and cash equivalents, short−term investments, trading investments and related put options and available−for−sale investments collectively as our “investment portfolio.” We utilize the assets in excess of payment service obligations measure shown below in various liquidity and capital assessments. While assets in excess of payment service obligations, as defined, is a capital measure, it also serves as the foundation for various liquidity analyses.

Assets in Excess of Payment Service Obligations

(Amounts in thousands)	2011	2010
Cash and cash equivalents (substantially restricted)	$ 2,572,174	$ 2,865,941
Receivables, net (substantially restricted)	1,220,065	982,319
Short−term investments (substantially restricted)	522,024	405,769
Available−for−sale investments (substantially restricted)	102,771	160,936
	4,417,034	4,414,965
Payment service obligations	(4,205,375)	(4,184,736)
Assets in excess of payment service obligations	$ 211,659	$ 230,229

Liquidity

Our primary sources of liquidity include cash flows generated by the sale of our payment instruments, our cash and cash equivalent and short−term investment balances, proceeds from our investment portfolio and credit capacity under our credit facilities. Our primary operating liquidity needs relate to the settlement of payment service obligations to our agents and financial institution customers, as well as general operating expenses.

To meet our payment service obligations at all times, we must have sufficient highly liquid assets and be able to move funds globally on a timely basis. On average, we receive in and pay out a similar amount of funds on a daily basis to collect and settle the principal amount of our payment instruments sold and related fees and commissions with our end consumers and agents. We use the incoming funds from sales of new payment instruments to settle our payment service obligations for previously sold payment instruments. This pattern of cash flows allows us to settle our payment service obligations through on−going cash generation rather than liquidating investments or utilizing our revolving credit facility. We have historically generated, and expect to continue generating, sufficient cash flows from daily operations to fund ongoing operational needs.

We also seek to maintain funding capacity beyond our daily operating needs to provide a cushion through the normal fluctuations in our payment service assets and obligations, as well as to provide working capital for the operational and growth requirements of our business. While the assets in excess of payment service obligations would be available to us for our general operating needs and investment in the Company, we consider our assets in excess of payment service obligations as assurance that regulatory and contractual requirements are maintained. We believe we have sufficient liquid assets and funding capacity to operate and grow our business for the next 12 months. Should our liquidity needs exceed our operating cash flows, we believe that external financing sources, including availability under the 2011 Credit Agreement, will be sufficient to meet our anticipated funding requirements.

Cash and Cash Equivalents and Short−term Investments — To ensure we maintain adequate liquidity to meet our operating needs at all times, we keep a significant portion of our investment portfolio in cash and cash equivalents and short−term investments at financial institutions rated Aa3 or better by Moody’s Investor Service, or Moody’s, and AA− or better by Standard & Poors, or S&P, and in U.S. government money market funds rated Aaa by Moody’s and AA+ by S&P. As of December 31, 2011, cash and cash equivalents and short−term investments totaled $3.1 billion, representing 97 percent of our total investment portfolio. Cash equivalents and short−term investments consist of money market funds that invest in U.S. government and government agency securities, time deposits and certificates of deposit.

Clearing and Cash Management Banks — We collect and disburse money through a network of clearing and cash management banks. The relationships with these banks are a critical component of our ability to maintain our global cash management requirements on a timely basis. We have agreements with nine clearing banks that provide clearing and processing functions for official checks, money orders and other draft instruments. We have seven official check clearing banks, of which four banks are currently operating under post−termination arrangements of their contracts. The remaining three active banks provide sufficient capacity for our official check business. We rely on two banks to clear our retail money orders and believe that these banks provide sufficient capacity for that business. One clearing bank contract has financial covenants that include the maintenance of total cash, cash equivalents, receivables and investments in an amount at least equal to total outstanding payment service obligations, as well as the maintenance of a minimum 103 percent ratio of total assets held at that bank to instruments estimated to clear through that bank. Financial covenants related to special purpose entities, or SPEs, include the maintenance of specified ratios of greater than 100 percent of cash, cash equivalents and investments held in the SPE to outstanding payment instruments issued by the related financial institution.

We also maintain relationships with a variety of domestic and international cash management banks for ACH and wire transfer services used in 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, and some of these large international banks have opted not to bank money service businesses. As a result, we also utilize regional or country−based banking partners in addition to large cash management banks.

Special Purpose Entities — For certain of our financial institution customers, we established individual SPEs upon the origination of our relationship. Along with operational processes and certain financial covenants, these SPEs provide the financial institutions with additional assurance of our ability to clear their official checks. Under these relationships, the investment portfolio assets and payment service obligations related to the financial institution customer are all held by the SPE. In most cases, the fair value of the investment portfolio must be maintained in excess of the payment service obligations. As the related financial institution customer sells our payment service instruments, the principal amount of the instrument and any fees are paid into the SPE. As payment service instruments issued by the financial institution customer are presented for payment, the cash and cash equivalents within the SPE are used to settle the instrument. As a result, cash and cash equivalents within SPEs are generally not available for use outside of the SPE. We remain liable to satisfy the obligations, both contractually and under the Uniform Commercial Code, as the issuer and drawer of the official checks regardless of the existence of the SPEs. Accordingly, we consolidate all of the assets and liabilities of these SPEs in our Consolidated Balance Sheets, with the individual assets and liabilities of the SPEs classified in a manner similar to our other assets and liabilities. Under limited circumstances, the financial institution customers that are beneficiaries of the SPEs have the right to either demand liquidation of the assets in the SPEs or to replace us as the administrator of the SPE. Such limited circumstances consist of material, and in most cases continued, failure to uphold our warranties and obligations pursuant to the underlying agreements with the financial institutions.

Consistent with 2010, the combined SPEs held 2 percent of our $3.2 billion portfolio as of December 31, 2011. As the SPEs relate to financial institution customers we terminated in connection with the restructuring of our official check business, we expect the SPEs to decline as a percentage of our portfolio.

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Credit Facilities — Our credit facilities consist of the 2011 Credit Agreement and Second Lien Notes. See Note 9 — *Debt* of the Notes to the Consolidated Financial Statements for further information. Following is a summary of principal payments and debt issuance from January 1, 2009 to December 31, 2011:

(Amounts in thousands)	2008 Senior Facility Tranche A	Tranche B	Revolving facility	2011 Credit Agreement Term loan	Incremental term loan	Second Lien Notes	Total Debt
Balance at January 1, 2009	$ 100,000	$ 248,125	$ 145,000	$ —	$ —	$ 500,000	$ 993,125
2009 payments	—	(41,875)	(145,000)	—	—	—	(186,875)
2010 payments	—	(165,000)	—	—	—	—	(165,000)
2011 new debt issued	—	—	—	390,000	150,000	—	540,000
2011 payments	(100,000)	(41,250)	—	(50,000)	(375)	(175,000)	(366,625)
Balance at December 31, 2011	$ —	$ —	$ —	$340,000	$ 149,625	$ 325,000	$ 814,625

Outside of payments relating to refinance debt, we have paid down $427.3 million of our outstanding debt since January 1, 2009. We continue to evaluate further reductions of our outstanding debt ahead of scheduled maturities. Following is a summary of our outstanding debt at December 31:

(Amounts in thousands)	Interest Rate for 2011	Original Facility Size	Outstanding 2011	2010	2012 Interest (1)
Senior Tranche A Loan, due 2013	5.75%	$ —	$ —	$100,000	$ —
Senior Tranche B, net of discount, due 2013	7.25%	—	—	39,946	—
Senior revolving credit facility, due 2013	5.75%	—	—	—	—
2008 Credit Agreement		—	—	139,946	—
Senior secured credit facility, net of discount, due 2017	4.52%	390,000	339,232	—	15,555
Senior secured incremental term loan, net of discount, due 2017	4.50%	150,000	146,656	—	6,820
Senior revolving credit facility, due 2016	—	150,000	—	—	—
2011 Credit Agreement		690,000	485,888	—	22,375
Second lien notes, due 2018	13.25%	500,000	325,000	500,000	43,063
Total debt		$1,190,000	$810,888	$639,946	$ 65,438

(1) Reflects interest expected to be paid in 2012 using the rates in effect on December 31, 2011, assuming no prepayments of principal.

Our revolving credit facility has $137.3 million of borrowing capacity as of December 31, 2011, net of $12.7 million of outstanding letters of credit. The incremental term loan has quarterly principal payments of $0.4 million beginning September 30, 2011, with the remaining outstanding principal due November 2017. At each reset period, we may elect an interest rate for the 2011 Credit Agreement, based on the BOA prime rate plus 225 basis points or the Eurodollar rate plus 325 basis points. If the Eurodollar rate is elected, there is a minimum rate of 1.25 percent. Fees on the daily unused availability under the revolving credit facility are 62.5 basis points. Since inception of the 2011 Credit Agreement and through the date of this filing, the Company elected the Eurodollar rate as its primary interest basis, with a minimal amount of the term debt at the BOA prime rate. Our 2011 Credit Agreement has a provision to step down our applicable borrowing margin by .25 percent if our leverage ratio falls below 3.0.

Our 2011 Credit Agreement contains various financial and non−financial covenants. A violation of these covenants could negatively impact our liquidity by restricting our ability to borrow under the revolving credit facility and/or causing acceleration of amounts due under the credit facilities. The financial covenants in our 2011 Credit Agreement measure leverage, interest coverage and liquidity. Leverage is measured through a senior secured debt ratio calculated as consolidated indebtedness to consolidated EBITDA, adjusted for certain items such as net securities (gains) losses, stock−based compensation expense, certain legal settlements and asset impairments, among other items, also referred to as adjusted EBITDA. This measure is similar, but not identical, to the measure discussed under *EBITDA and Adjusted EBITDA.* Interest coverage is calculated as adjusted EBITDA to net cash interest expense. Liquidity is measured as assets in excess of payment service obligations adjusted for various exclusions. We are in compliance with all financial covenants as of December 31, 2011 by a substantial margin.

The terms of our 2011 Credit Agreement also place restrictions on certain types of payments we may make, including dividends on our common stock, acquisitions and the funding of foreign subsidiaries, among others. We do not anticipate that these restrictions will limit our ability to grow the business either domestically or internationally. In addition, we may only make dividend payments to common stockholders subject to an incremental build−up based on our consolidated net income in future periods. No dividends were paid on our common stock in 2011, and we do not anticipate declaring any dividends on our common stock during 2012.

Equity Registration Rights Agreement — The Company and the Investors also entered into a Registration Rights Agreement, or the Equity Registration Rights Agreement, on March 25, 2008, with respect to the Series B Stock and D Stock, and the common stock owned by the Investors and their affiliates, also referred to collectively as the Registrable Securities. Under the terms of the Equity Registration Rights Agreement, we are required to file with the SEC a shelf registration statement relating to the offer and sale of the Registrable Securities and keep such shelf registration statement continuously effective under the Securities Act of 1933, as amended, or the Securities Act, until the earlier of (1) the date as of which all of the Registrable Securities have been sold, (2) the date as of which each of the holders of the Registrable Securities is permitted to sell its Registrable Securities without registration pursuant to Rule 144 under the Securities Act and (3) fifteen years. The holders of the Registrable Securities are also entitled to six demand registrations and unlimited piggyback registrations during the term of the Equity Registration Rights Agreement. On July 17, 2011, the SEC declared effective a shelf registration statement on Form S−3 that permits the offer and sale of the Registrable Securities, as required by the terms of the Equity Registration Rights Agreement. The registration statement also permits the Company to offer and sell up to $500 million of its common stock, preferred stock, debt securities or any combination of these, from time to time, subject to market conditions and the Company’s capital needs. In December 2011, the Company completed the secondary offering pursuant to which the Investors sold an aggregate of 10,237,524 shares of Company common stock at a price of $16.25 per share in an underwritten offering.

Credit Ratings — As of December 31, 2011 our credit ratings from Moody’s and S&P were B1 and BB−, respectively. Our credit facilities, regulatory capital requirements and other obligations are not impacted by the level of our credit ratings. However, higher credit ratings could increase our ability to attract capital, reduce our weighted average cost of capital and obtain more favorable terms with our lenders, agents and clearing and cash management banks.

Contractual and Regulatory Capital

Regulatory Capital Requirements — We have capital requirements relating to government regulations in the United States and other countries where we operate. Such regulations typically require us to maintain certain assets in a defined ratio to our payment service obligations. Through our wholly owned subsidiary and licensed entity, MPSI, we are regulated in the United States by various state agencies that generally require us to maintain a pool of liquid assets and investments in an amount generally equal to the regulatory payment service obligation measure, as defined by each state, for our regulated payment instruments, namely teller checks, agent checks, money orders and money transfers. The regulatory requirements do not require us to specify individual assets held to meet our payment service obligations, nor are we required to deposit specific assets into a trust, escrow or other special account. Rather, we must maintain a pool of liquid assets. Provided we maintain a total pool of liquid assets sufficient to meet the regulatory and contractual requirements, we are able to withdraw, deposit or sell our individual liquid assets at will, without prior notice, penalty or limitations.

The regulatory requirements in the United States are similar to our internal measure of assets in excess of payment service obligations set forth in *Assets in Excess of Payment Service Obligations*. The regulatory payment service assets measure varies by state. The most restrictive states may exclude assets held at banks that do not belong to a national insurance program, varying amounts of accounts receivable balances and/or assets held in the SPEs. The regulatory payment service obligation measure varies by state, but in all cases is substantially lower than our payment service obligations as disclosed in the Consolidated Balance Sheets as we are not regulated by state agencies for payment service obligations resulting from outstanding cashier's checks or for amounts payable to agents and brokers. All states require MPSI to maintain positive net worth, with one state also requiring MPSI to maintain positive tangible net worth of $100.0 million.

We are also subject to regulatory requirements in various countries outside of the United States, which typically result in needing to either prefund agent settlements or hold minimum required levels of cash within the applicable country. The most material of these requirements is in the United Kingdom, where our licensed entity, MoneyGram International Limited, is required to maintain a cash and cash equivalent balance equal to outstanding payment instruments issued in the European community. This amount will fluctuate based on our level of activity within the European Community, and is likely to increase over time as our business expands in that region. Assets used to meet these regulatory requirements support our payment service obligations, but are not available to satisfy other liquidity needs. As of December 31, 2011, we had approximately $79.5 million of cash deployed outside of the United States to meet regulatory requirements.

We were in compliance with all financial regulatory requirements as of December 31, 2011. We believe that our liquidity and capital resources will remain sufficient to ensure on−going compliance with all financial regulatory requirements.

Available−for−sale Investments — Our investment portfolio includes $102.8 million of available−for−sale investments as of December 31, 2011. U.S. government agency residential mortgage−backed securities and U.S. government agency debentures compose $78.5 million of our available−for−sale investments, while other asset−backed securities compose the remaining $24.2 million. In completing our 2008 Recapitalization in 2008, we contemplated that our other asset−backed securities might decline further in value. Accordingly, the capital raised assumed a zero value for these securities and any further unrealized losses and impairments on these securities are already funded and would not cause us to seek additional capital or financing.

Other Funding Sources and Requirements

Contractual Obligations — The following table includes aggregated information about the Company's contractual obligations that impact our liquidity and capital needs. The table includes information about payments due under specified contractual obligations, aggregated by type of contractual obligation.

Contractual Obligations

	Payments due by period				
(Amounts in thousands)	**Total**	**Less than 1 year**	**1−3 years**	**4−5 years**	**More than 5 years**
Debt, including interest payments	$1,219,547	$ 68,513	$136,120	$135,103	$879,811
Operating leases	53,952	12,927	22,446	10,956	7,623
Signing bonuses	11,337	4,700	6,105	532	—
Signage	1,920	1,920	—	—	—
Marketing	8,338	8,338	—	—	—
Other obligations	291	291	—	—	—
Total contractual cash obligations	$1,295,385	$ 96,689	$164,671	$146,591	$887,434

Debt consists of amounts outstanding under our 2011 Credit Agreement and the Second Lien Notes at December 31, 2011, as shown in *Schedule of Credit Facilities,* as well as related interest payments, facility fees and annual commitment fees. Our Consolidated Balance Sheet at December 31, 2011 includes $810.9 million of debt, net of unamortized discounts of $3.7 million, and $0.3 million of accrued interest on the debt. The above table reflects the principal and interest that will be paid through the maturity of the debt using the rates in effect on December 31, 2011, and assuming no prepayments of principal and the continued payment of interest on the Second Lien Notes. Operating leases consist of various leases for buildings and equipment used in our business. Signing bonuses are payments to certain agents and financial institution customers as an incentive to enter into long−term contracts. Marketing and signage are purchase order commitments. Other obligations are unfunded capital commitments related to our limited partnership interests included in "Other asset−backed securities" in our investment portfolio. We have other commitments as described further below that are not included in this table as the timing and/or amount of payments are difficult to estimate.

We have a funded, noncontributory pension plan that is frozen to both future benefit accruals and new participants. Our funding policy has historically been to contribute the minimum contribution required by applicable regulations. We made contributions of $7.9 million to the defined benefit pension plan during 2011. We anticipate a minimum contribution of up to $10.2 million to the pension plan trust in 2012. We also have certain unfunded pension and postretirement plans that require benefit payments over extended periods of time. During 2011, we paid benefits totaling $4.6 million related to these unfunded plans. Benefit payments under these unfunded plans are expected to be $4.1 million in 2012. Expected contributions and benefit payments under these plans are not included in the above table, as it is difficult to estimate the timing and amount of benefit payments and required contributions beyond the next 12 months. See Note 10 — *Pensions and Other Benefits* of the Notes to the Consolidated Financial Statements for further information.

The liability for unrecognized tax benefits was $9.6 million as of December 31, 2011. In addition, the Company expects to receive Notices of Deficiency from the IRS disallowing cumulative deductions taken for 2007, 2008 and 2009. If the Notices of Deficiency contain adjustments with which the Company does not agree, the Company anticipates that it will file a petition in the United States Tax Court contesting such adjustments. While we believe the Company's position will be sustained, if the Company's petition is denied in its entirety, the Company would be required to make cash payments of $105.4 million based on benefits taken through December 31, 2011. As there is a high degree of uncertainty regarding the timing of potential future cash outflows associated with liabilities, we are unable to make a reasonably reliable estimate of the amount and period in which these liabilities might be paid. These amounts are excluded from the table above as there is a high degree of uncertainty regarding the amount and timing of future cash outflows.

In limited circumstances, we may grant minimum commission guarantees as an incentive to new or renewing agents for a specified period of time at a contractually specified amount. Under the guarantees, we will pay to the agent the difference between the contractually specified minimum commission and the actual commissions earned by the agent. As of December 31, 2011, the minimum commission guarantees had a maximum payment of $7.2 million over a weighted average remaining term of 3.5 years. The maximum payment is calculated as the contractually guaranteed minimum commission times the remaining term of the contract and, therefore, assumes that the agent generates no money transfer transactions during the remainder of its contract. As of December 31, 2011, the liability for minimum commission guarantees is $1.7 million. Minimum commission guarantees are not reflected in the table above.

Analysis of Cash Flows

Cash Flows from Operating Activities

YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands)			
Net income (loss)	$ 59,406	$ 43,801	$ (1,906)
Total adjustments to reconcile net income (loss)	61,617	72,398	158,909
Net cash provided by operating activities before changes in payment service assets and obligations	121,023	116,199	157,003
Change in cash and cash equivalents (substantially restricted)	291,767	510,883	700,557
Change in trading investments and related put options, net (substantially restricted)	—	29,400	32,900
Change in receivables, net (substantially restricted)	(245,319)	63,037	186,619
Change in payment service obligations	20,639	(658,782)	(594,545)
Net change in payment service assets and obligations	67,087	(55,462)	325,531
Net cash provided by continuing operating activities	$ 188,110	$ 60,737	$ 482,534

Operating activities generated net cash of $188.1 million, $60.7 million and $482.5 million in 2011, 2010 and 2009, respectively. Our net cash provided by operating activities before changes in payment service assets and obligations was $121.0 million, $116.2 million and $157.0 million in 2011, 2010 and 2009, respectively. Changes in our payment service assets and obligations generated an additional $67.1 million and $325.5 million of operating cash flows in 2011 and 2009, respectively, and utilized $55.5 million of operating cash flows in 2010, from the timing of collection and settlement of our payment service assets and obligations, as well as the changes in composition of our investment portfolio. While we consider our overall investment portfolio to be part of our operations, in accordance with GAAP, investments in cash and cash equivalents and trading investments are presented as part of operating activities, while investments in short−term and available−for−sale investment securities are presented as part of investing activities. To understand the cash flow activity of our core business, the cash flows from operating activities relating to the payment service assets and obligations should be reviewed in conjunction with the net cash flows from investing activities related to our short−term investments and available−for−sale investments.

We received income tax refunds of $3.8 million and $43.5 million during 2010 and 2009, respectively, and made income tax payments of $3.9 million and $2.2 million, respectively. We also reinvested $141.0 million and $32.9 million of proceeds from our available−for−sale investments and trading investments, respectively, into cash and cash equivalents during 2009.

Due to our regulatory capital requirements, we deem our payment service assets in their entirety to be substantially restricted. As a result, we do not separately display in our statement of cash flows an “unrestricted” measure of cash and cash equivalents and the related change in such measure for the period. If we were to separately display such an “unrestricted” measure, it would approximate our assets in excess of payment service obligations measure, and the amount of change for the period would approximate the change in our assets in excess of payment service obligations for the period. Our assets in excess of payment service obligations decreased $18.6 million, $83.1 million and $77.7 million during 2011, 2010 and 2009, respectively, primarily reflecting our continued debt pay−downs.

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Cash Flows from Investing Activities

YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands)			
Net investment activity	$(28,729)	$135,216	$(259,001)
Purchases of property and equipment	(44,223)	(40,191)	(37,948)
Cash paid for acquisitions, net of cash acquired	(53)	(330)	(3,210)
Proceeds from disposal of assets and businesses	2,683	7,537	4,500
Net cash (used in) provided by investing activities	$(70,322)	$102,232	$(295,659)

Investing activities used cash of $70.3 million in 2011, primarily for the purchase of $28.7 million of short−term investments, net of investment maturities and settlements and $44.2 million of capital expenditures, partially offset by proceeds of $2.7 million from disposal of assets and a business. Proceeds of $511.6 million from the maturity and settlement of available−for−sale and short−term investments were reinvested into short−term investments.

Investing activities generated cash of $102.2 million in 2010, primarily from excess proceeds of $135.2 million from the maturity and settlement of investments that were reinvested into cash equivalents and proceeds of $7.5 million from the sale of the corporate airplane, partially offset by the purchase of $40.2 million of capital expenditures and a $0.3 million payment, net of cash acquired, for the acquisition of Blue Dolphin.

Investing activities used cash of $295.7 million in 2009, primarily for the purchase of $259.0 million of short−term investments, net of investment maturities, $37.9 million of capital expenditures and $3.2 million for the acquisition of Raphaels Bank, partially offset by proceeds of $4.5 million from the sale of FSMC, Inc.

Cash Flows from Financing Activities

YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands)			
Proceeds from issuance of debt	$ 536,025	$ —	$ —
Transaction costs for issuance and amendment of debt	(17,066)	—	—
Payments on debt	(366,625)	(165,000)	(41,875)
Prepayment penalty on debt	(23,188)	—	—
Payments on revolving credit facilities	—	—	(145,000)
Additional consideration issued in connection with the conversion of mezzanine equity	(218,333)	—	—
Transaction costs for the conversion and issuance of stock	(5,444)	—	—
Cash dividend paid on mezzanine equity	(20,477)	—	—
Transaction costs for the secondary offering	(3,396)	—	—
Proceeds from exercise of stock options	716	2,031	—
Net cash used in financing activities	$(117,788)	$(162,969)	$(186,875)

In 2011, financing activities used $117.8 million of cash primarily associated with the debt prepayments and transaction costs related to our 2011 Recapitalization and debt refinancing. In 2010, financing activities used $163.0 million of cash primarily for $165.0 million prepayments on Tranche B of our 2008 senior facility, partially offset by $2.0 million of cash from the exercise of stock options. In 2009, financing activity used cash of $186.9 million for payments totaling $145.0 million to pay our revolving credit facility in full and payments totaling $41.9 million on Tranche B of our 2008 senior facility, consisting of a $40.0 million prepayment and $1.9 million of mandatory quarterly payments.

Mezzanine Equity and Stockholders' Deficit

Mezzanine Equity — See Note 11 — *Mezzanine Equity* of the Notes to the Consolidated Financial Statements for information regarding the mezzanine equity.

Stockholders' Deficit — The Company is authorized to repurchase up to 12,000,000 shares. As of December 31, 2011, we had repurchased a total of 6,795,017 shares of our common stock under this authorization and have remaining authorization to purchase up to 5,204,983 shares.

Under the terms of our outstanding credit facilities, we are limited in our ability to pay dividends on our common stock. No dividends were paid on our common stock in 2011 and we do not anticipate declaring any dividends on our common stock during 2012.

Off−Balance Sheet Arrangements

None.

Enterprise Risk Management

Risk is an inherent part of any business. Our most prominent risk exposures are credit, interest rate, foreign currency exchange and operational risk. See Part 1, Item 1A "Risk Factors" for a description of the principal risks to our business. Appropriately managing risk is important to the success of our business, and the extent to which we effectively manage each of the various types of risk is critical to our financial condition and profitability. Our risk management objective is to monitor and control risk exposures to produce steady earnings growth and long−term economic value.

Management implements policies approved by our Board of Directors that cover our investment, capital, credit and foreign currency practices and strategies. The Board receives periodic reports regarding each of these areas and approves significant changes to policy and strategy. An Asset/Liability Committee, composed of senior management, routinely reviews investment and risk management strategies and results. A Credit Committee, composed of senior management, routinely reviews credit exposure to our agents.

Following is a discussion of the risks we have deemed most critical to our business and the strategies we use to manage and mitigate such risks. While containing forward−looking statements related to risks and uncertainties, this discussion and related analyses are not predictions of future events. MoneyGram's actual results could differ materially from those anticipated due to various factors discussed under "Cautionary Statements Regarding Forward−Looking Statements" and under "Risk Factors" in Part 1, Item 1A of this Annual Report on Form 10−K.

Credit Risk

Credit risk, or the potential risk that we may not collect amounts owed to us, affects our business primarily through receivables, investments and derivative financial instruments. In addition, the concentration of our cash, cash equivalents and investments at large financial institutions exposes us to credit risk.

Investment Portfolio — Credit risk from our investment portfolio relates to the risk that we may be unable to collect the interest or principal owed to us under the legal terms of the various securities. Our primary exposure to credit risk arises through the concentration of a large amount of our investment portfolio at a few large financial institutions, also referred to as financial institution risk, as well as a concentration in securities issued by, or collateralized by, U.S. government agencies.

At December 31, 2011, the Company's investment portfolio of $3.2 billion was primarily comprised of cash, U.S. government money market funds, bank deposits and bank time deposits. Based on investment policy restrictions in the Company's second lien note indenture, investments are limited to U.S. Government Securities and securities of agencies of the U.S. Government, certificates of deposit and time deposits with banks with minimum debt ratings of A3 (Moody's) and A− (S&P), commercial paper with minimum ratings of A−1 (Moody's) and P−1 (S&P) and U.S. dollar denominated SEC registered senior notes of corporations with minimum ratings of A3 and A−. No maturity in the portfolio can exceed 24 months from the date of purchase.

The financial institutions holding significant portions of our investment portfolio act as custodians for our asset accounts, serve as counterparties to our foreign currency transactions and conduct cash transfers on our behalf for the purpose of clearing our payment instruments and related agent receivables and agent payables. Through certain check clearing agreements and other contracts, we are required to utilize several of these financial institutions. As a result of the credit market crisis, several financial institutions have faced capital and liquidity issues that led them to restrict credit exposure. This has led certain financial institutions to require that we maintain pre−defined levels of cash, cash equivalents and investments at these financial institutions overnight, with no restrictions to our usage of the assets during the day. While the credit market crisis and recession affected all financial institutions, those institutions holding our assets are well capitalized, and there have been no significant concerns as to their ability to honor all obligations related to our holdings.

With respect to our credit union customers, our credit exposure is partially mitigated by National Credit Union Administration insurance. However, as our credit union customers were not insured by a Temporary Liquidity Guarantee Program ("TLGP") − equivalent program, we have required certain credit union customers to provide us with larger balances on deposit and/or to issue cashier's checks only. While the value of these assets are not at risk in a disruption or collapse of a counterparty financial institution, the delay in accessing our assets could adversely affect our liquidity and potentially our earnings depending upon the severity of the delay and corrective actions we may need to take. Corrective actions could include draws upon our 2011 Credit Agreement to provide short−term liquidity until our assets are released, reimbursements of costs or payment of penalties to our agents and higher banking fees to transition banking relationships in a short timeframe.

The concentration in U.S. government agencies includes agencies placed under conservatorship by the U.S. government in 2008 and extended unlimited lines of credit from the U.S. Treasury. The implicit guarantee of the U.S. government and its actions to date support our belief that the U.S. government will honor the obligations of its agencies if the agencies are unable to do so themselves.

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The following table shows categories of our investment portfolio held within and outside of the United States, with each section progressing from the Company's perceived lowest to highest credit risk. All but $24.2 million of the investment portfolio is invested in cash, cash equivalents, short−term investments and investments issued or collateralized by U.S. government agencies. Approximately 97 percent of the portfolio is invested in cash, cash equivalents and short−term investments, with 97 percent of our total investment portfolio invested at financial institutions located within the United States. At December 31, 2011, our investment portfolio was distributed among 53 financial institutions as shown below. To prevent duplication in counts, the number of financial institutions holding our investment portfolio is shown on an incremental basis.

(Amounts in thousands)	**Number of Financial Institutions**	**Amount**	**Percent of Investment Portfolio**
Cash equivalents collateralized by securities issued by U.S. government agencies	6	$ 555,659	17%
Available−for−sale investments issued or collateralized by U.S. government agencies	N/A	78,539	2%
Cash, cash equivalents and short−term investments at institutions rated AA	7	1,749,917	55%
Cash, cash equivalents and short−term investments at institutions rated A	6	664,609	21%
Cash, cash equivalents and short−term investments at institutions rated below BBB	8	15,976	1%
Other asset−backed securities	N/A	24,232	1%
Investment portfolio held within the United States	27	3,088,932	97%
Cash held on−hand at owned retail locations	N/A	8,861	—
Cash, cash equivalents and short−term investments held at institutions rated AA	6	27,745	1%
Cash, cash equivalents and short−term investments at institutions rated A	7	41,049	1%
Cash, cash equivalents and short−term investments at institutions rated below A	13	30,382	1%
Investment portfolio held outside the United States	26	108,037	3%
Total investment portfolio	53	$3,196,969	100%

Receivables — We have credit exposure to receivables from our agents through the money transfer and money order settlement process. These receivables originate from independent agents who collect funds from customers who are transferring money or buying money orders, and agents who receive proceeds from us in anticipation of payment to the recipients of money transfers. The Company has a credit risk management function that conducts the underwriting of credit on new agents as well as conducting credit surveillance on all agents to monitor their financial health and the history of settlement activity with us. The Company's credit risk management function also maintains daily contact with agents, and performs a collection function. The annual credit losses from our agents are less than .55 percent, and have been declining for the last three years. As of December 31, 2011, we had a credit exposure to our official check financial institution customers of approximately $350.8 million in the aggregate spread across 1,300 financial institutions, of which one owed us in excess of $15.0 million.

We also have credit exposure to receivables from our financial institution customers for business conducted by the Financial Paper Products segment. Financial institutions will collect proceeds for official checks and money orders and remit those proceeds to us. Credit risk among financial institutions has increased in the current macroeconomic environment. We actively monitor the credit risk associated with financial institutions such as banks and credit unions, and have not incurred any losses associated with the failure or merger of any bank or non−bank financial institution customer.

The timely remittance of funds by our agents and financial institution customers is an important component of our liquidity. If the timing of the remittance of funds were to deteriorate, it would alter our pattern of cash flows and could require us to liquidate investments or utilize our revolving credit facility to settle payment service obligations. To manage this risk, we closely monitor the remittance patterns of our agents and financial institution customers and act quickly if we detect deterioration or alteration in remittance timing or patterns. If deemed appropriate, we have the ability to deactivate an agent's equipment at any time, thereby preventing the initiation or issuance of further money transfers and money orders.

Agents typically have from one to three days to remit the funds, with longer remittance schedules granted to international agents and certain domestic agents. As of December 31, 2011, we had credit exposure to our agents of $352.0 million in the aggregate spread across over 12,000 agents, of which four agents owed us in excess of $15.0 million.

While the extent of credit risk may vary by product, the process for mitigating risk is similar. We assess the creditworthiness of each potential agent before accepting them into our distribution network. This underwriting process includes not only a determination of whether to accept a new agent, but also the remittance schedule and volume of transactions that the agent will be allowed to perform in a given timeframe. We actively monitor the credit risk of our existing agents by conducting periodic financial reviews and cash flow analyses of our agents that average high volumes of transactions and monitoring remittance patterns versus reported sales on a daily basis.

Credit risk management is complimented through functionality within our point of sale system, which can enforce credit limits on a real−time basis and monitor for suspicious and unauthorized transactions. The system also permits us to remotely disable an agent's terminals and cause a cessation of transactions.

Derivative Financial Instruments — Credit risk related to our derivative financial instruments relates to the risk that we are unable to collect amounts owed to us by the counterparties to our derivative agreements. Our derivative financial instruments are used solely to manage exposures to fluctuations in foreign currency exchange rates. If the counterparties to any of our derivative financial instruments were to default on payments or experience credit rating downgrades, the value of the derivative financial instruments would decline and adversely impact our operating income. We manage credit risk related to derivative financial instruments by entering into agreements with only major financial institutions and regularly monitoring the credit ratings of these financial institutions.

Interest Rate Risk

Interest rate risk represents the risk that our operating results are negatively impacted, and our investment portfolio declines in value, due to changes in interest rates. Given the credit risk profile of the investment portfolio and the low level of interest rates, we believe there is a low risk that the value of these securities would decline such that we would have a material adverse change in our operating results. As of December 31, 2011, the Company held $600.9 million, or 19 percent, of the investment portfolio in fixed rate investments.

At December 31, 2011, the Company's "Other asset−backed securities" are priced on average at five percent of face value for a total fair value of $24.2 million. Included in other asset−backed securities are collateralized debt obligations backed primarily by high−grade debt, mezzanine equity tranches of collateralized debt obligations and home equity loans, along with private equity investments. While the Company does believe its "Other asset−backed securities" are at a risk of further decline, the 2008 Recapitalization completed on March 25, 2008 included funds to cover all losses on these securities, as well as the trading investments. Accordingly, any resulting adverse movement in our stockholders' equity or assets in excess of payment service obligations from further declines in investments would not result in regulatory or contractual compliance exceptions.

Our operating results are primarily impacted by interest rate risk through our net investment margin, which is investment revenue less commissions expense. As the money transfer business is not materially affected by investment revenue and pays commissions that are not tied to an interest rate index, interest rate risk has the most impact on our money order and official check businesses. We are invested primarily in interest−bearing cash accounts, deposit accounts, time deposits and certificates of deposit, and U.S. government money market funds. These types of investments have minimal risk of declines in fair value from changes in interest rates. Our commissions paid to financial institution customers are variable rate, which was zero in 2011, based primarily on the federal funds effective rate and are reset daily. Accordingly, both our investment revenue and our investment commissions expense will decrease when rates decline and increase when rates rise.

In the second quarter of 2008, we repriced our official check product to an average below the federal funds rate to better match our investment commission rate with our lower yield realigned portfolio. In the current environment, the federal funds effective rate is so low that most of our financial institution customers are in a “negative” commission position, in that we do not owe any commissions to our customers.

Our 2011 Credit Agreement is variable rate resulting in decreases to interest expense in a declining rate environment and increases to interest expense when rates rise. The Company may elect an interest rate for the senior credit facility at each reset period based on the BOA prime bank rate or the Eurodollar rate.

The income statement below incorporates substantially all of our interest rate sensitive assets and liabilities together with forecasted changes in the balance sheet and assumptions that reflect changes in all interest rates pertaining to the balance sheet. This analysis assumes that interest rates change suddenly, as in an interest rate “shock,” and remain at the changed level for the next twelve months. Components of our pre−tax income that are interest rate sensitive include “Investment Revenue”, “Investment Commissions Expense”, and “Interest Expense”. In the current interest rate environment where rates are approaching zero, our risk associated with declining rates is not material. A rapidly rising interest rate environment would be beneficial to the Company because variable rate assets exceed our variable rate liabilities, and certain of our variable rate liabilities will not react to increases in interest rates until those rates exceed the floor set for the index rate on the corresponding debt.

The following table summarizes the changes to affected components of the income statement under various ramp scenarios:

	Basis Point Change in Interest Rates					
(Amounts in thousands)	**Down 200**	**Down 100**	**Down 50**	**Up 50**	**Up 100**	**Up 200**
Investment revenue	$(2,041)	$(1,978)	$(1,757)	$4,194	$8,402	$16,853
Investment commissions expense	NM	NM	NM	$ (204)	$ (455)	$ (5,989)
Interest expense	NM	NM	NM	$ —	$ —	$ (953)
Change in pretax income	$(1,985)	$(1,923)	$(1,701)	$3,991	$7,947	$ 9,911

NM = Not meaningful

The following table summarizes the changes to affected components of the income statement under various shock scenarios:

	Basis Point Change in Interest Rates					
(Amounts in thousands)	**Down 200**	**Down 100**	**Down 50**	**Up 50**	**Up 100**	**Up 200**
Investment revenue	$(4,341)	$(4,125)	$(3,324)	$9,762	$19,582	$ 39,243
Investment commissions expense	NM	NM	NM	$ (869)	$ (3,025)	$(23,154)
Interest expense	NM	NM	NM	$ —	$ (171)	$ (4,833)
Change in pretax income	$(4,264)	$(4,048)	$(3,247)	$8,893	$16,386	$ 11,257

NM = Not meaningful

Foreign Currency Risk

We are exposed to foreign currency risk in the ordinary course of business as we offer our products and services through a network of agents and financial institutions with locations in 192 countries and operate subsidiaries in 12 countries. Translation risk, generated from translating foreign currency−denominated earnings into U.S. dollars for reporting purposes, is not hedged as this is not considered an economic exposure. In 2011, the decline of the euro exchange rate (net of hedging activities) resulted in a net decrease to our operating results of $3.0 million over 2010. By policy, we do not speculate in foreign currencies; all currency trades relate to underlying transactional exposures.

Substantial increases in the credit risk of countries within the European Union, coupled with recessionary forces, have caused high levels of volatility, and a trend of declining value of the euro against the U.S. dollar. High inter−day volatility will result in higher risk of currency revaluation due to the timing differences between when our customers pay our agents for their money transfers, and when those proceeds are collected. In addition, currency volatility can also impact the value of cash balances that are maintained to support the level of our customer activity. Other countries that had extremely high volatility versus the U.S. dollar in 2011 were India and Mexico, both of which are significant corridors for our money transfer business.

Resolution of the financial crisis affecting Europe relative to the risk of default on the sovereign debt of Greece, Italy, Spain, and Portugal, will be necessary to reduce our foreign currency risk. The impact of austerity measures being taken by all of the highly leveraged countries that participate in the euro will also continue to exert recessionary forces on much of the European Union, which in turn can continue to exert a weakening force on the euro. Economic uncertainty in the United States and its major trading partners will also cause higher levels of volatility for all major currencies versus the U.S. dollar which could increase foreign currency risk on an ongoing basis.

Our primary source of transactional currency risk is the money transfer business in which funds are frequently transferred cross−border and we settle with agents in multiple currencies. Although this risk is somewhat limited due to the fact that these transactions are short−term in nature, we currently manage some of this risk with forward contracts to protect against potential short−term market volatility. The primary currency pairs, based on volume, that are traded against the dollar in the spot and forward markets include the European euro, Mexican peso, British pound and Indian rupee. The duration of forward contracts is typically less than one month.

Realized and unrealized gains or losses on transactional currency and any associated revaluation of balance sheet exposures are recorded in “Transaction and operations support” in the Consolidated Statement of Income (Loss). The fair market value of any open forward contracts at period end are recorded in “Other assets” in the Consolidated Balance Sheets. The net effect of changes in foreign exchange rates and the related forward contracts for the year ended December 31, 2011 was a loss of $8.7 million.

Had the euro appreciated/depreciated relative to the U.S. dollar by 20 percent from actual exchange rates for 2011, pre−tax operating income would have increased/decreased $14.7 million for the year. There are inherent limitations in this sensitivity analysis, primarily due to the assumption that foreign exchange rate movements are linear and instantaneous, that the unhedged exposure is static, and that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

Operational Risk

Operational risk represents the potential for loss resulting from our operations. This may include, but is not limited to, the risk of fraud by employees or external parties, business continuation and disaster recovery, errors related to transaction processing and technology, unauthorized transactions and breaches of information security and compliance requirements. This risk may also include the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory requirements. Management has direct responsibility for identifying, controlling and monitoring operational risks within their business. Business managers maintain a system of controls to provide transaction authorization and execution, safeguarding of assets from misuse or theft, and to ensure the quality of financial and other data. Our Business Resiliency group works with each business function to develop plans to support business resumption activities including technology, networks and data centers. Our internal audit function tests the system of internal controls through risk−based audit procedures and reports on the effectiveness of internal controls to executive management and the Audit Committee of the Board of Directors.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts and related disclosures in the consolidated financial statements. Actual results could differ from those estimates. On a regular basis, management reviews its accounting policies, assumptions and estimates to ensure that our financial statements are presented fairly and in accordance with GAAP. Our significant accounting policies are discussed in Note 2 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements.

Critical accounting policies are those policies that management believes are very important to the portrayal of our financial position and results of operations, and that require management to make estimates that are difficult, subjective or complex. Based on these criteria, management has identified and discussed with the Audit Committee the following critical accounting policies and estimates, including the methodology and disclosures related to those estimates.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Fair Value of Investment Securities		
The Company has available−for−sale investments that are recorded at their estimated fair value. Our available−for−sale investments are comprised primarily of U.S. government agency debenture securities and residential mortgage−backed securities collateralized by U.S. government agency debenture securities. In addition, we hold other asset−backed securities and have historically held three trading investments. We estimate fair value for our investments as an “exit price,” or the exchange price that would be received for an asset in an orderly transaction between market participants. Observable price quotes for our exact securities are not available. For our government agency debentures and residential mortgage−backed securities, similar securities trade with sufficient regularity to allow observation of market inputs needed to estimate fair value. For our other asset−backed securities, the overall liquidity and trading within the relevant markets is not strong. Accordingly, observable market inputs are not as readily available and estimating fair value is more subjective.	The degree of management judgment involved in determining the fair value of an investment is dependent upon the availability of quoted market prices, observable market inputs and the extent to which the relevant investment markets are active. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. Due to the subjective nature of these assumptions, the estimates determined may not be indicative of the actual exit price if the investment was sold at the measurement date. In the current market, the most subjective assumptions include the default rate of collateral securities, loss severity and risk premiums as it relates to our other asset−backed securities.	As of December 31, 2011, we hold investments classified as other asset−backed securities with a fair value of $24.2 million. Using the highest and lowest prices received or internally estimated during the valuation process, the range of fair value for these securities was $23.5 million to $28.1 million. At December 31, 2011, $18.8 million, or less than one percent, of our total investment portfolio was valued using internal pricing information. No third party price was able to be obtained for these securities.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Goodwill		
We perform impairment testing of our goodwill balances annually as of November 30 and whenever events or changes in circumstances indicate the carrying value of our goodwill may not be recoverable. Goodwill impairment is determined using a two−step process. The first step identifies if a potential impairment exists by comparing the fair value of each reporting unit to its carrying amount. If the fair value exceeds the carrying amount, goodwill is not considered to have a potential impairment and the second step of the test is not necessary. However, if the carrying amount exceeds the fair value, the second step is performed to determine the implied fair value of a reporting unit's goodwill by comparing the reporting unit's fair value to the allocated fair values of all assets and liabilities as if the reporting unit had been acquired in a business combination. If the carrying amount of goodwill exceeds its implied fair value, an impairment is recognized in an amount equal to that excess.	Fair value of a reporting unit and goodwill is estimated using a discounted cash flow model. The estimates and assumptions used in this model regarding expected cash flows, growth rates, terminal values and the discount rate require considerable judgment and are based on historical experience, financial forecasts and industry trends and conditions. Our discount rate is based on our debt and equity balances, adjusted for current market conditions and investor expectations of return on our equity. In addition, an assumed terminal value is used to project future cash flows beyond base years. Assumptions used in our impairment testing are consistent with our internal forecasts and operating plans.	The carrying value of goodwill assigned to the Global Funds Transfer reporting unit at December 31, 2011 was $428.7 million. No goodwill is assigned to the other reporting units. The annual impairment test indicated a fair value for the Global Funds Transfer reporting unit that was substantially in excess of the reporting unit's carrying value. If the discount rate for the Global Funds Transfer reporting unit increases by 50 basis points from the rate used in our fair value estimate, fair value would be reduced by approximately $177.9 million, assuming all other components of the fair value estimate remain unchanged. If the growth rate for the Global Funds Transfer reporting unit decreases by 50 basis points from the rate used in our fair value estimate, fair value would be reduced by approximately $35.1 million, assuming all other components of the fair value estimate remain unchanged. Our estimated fair value for the Global Funds Transfer reporting unit would continue to be substantially in excess under either scenario.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Pension Through our qualified pension plan and various supplemental executive retirement plans, collectively referred to as our "pension" plans, we provide defined benefit pension plan coverage to certain of our employees and employees of Viad Corp, our former parent. Our pension obligations under these plans are measured as of December 31, or the measurement date. Pension benefit obligations and the related expense are based upon actuarial projections using assumptions regarding mortality, discount rates, long−term return on assets and other factors. Our pension plan assets are primarily invested in interest−bearing cash accounts and commingled trust funds issued or sponsored by the plan trustee. Our investments are periodically realigned in accordance with the investment guidelines.	Our assumptions reflect our historical experience and management's best judgment regarding future expectations. Certain of the assumptions, particularly the discount rate and expected return on plan assets, require significant judgment and could have a material impact on the measurement of our pension obligation. At each measurement date, the discount rate is based on the then current interest rate yield curves for long−term corporate debt securities with maturities rate AA comparable to our obligations. The expected return on pension plan assets is based on our historical market experience, our pension asset allocations and our expectations for long−term rates of return. We also consider peer data and historical returns to assess the reasonableness and appropriateness of our assumption. Our pension plan asset allocations are reviewed annually and are based upon plan obligations, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments.	The discount rates for the 2011, 2010 and 2009 net periodic benefit cost pension plans and SERPs were 5.30 percent, 5.80 percent and 6.30 percent, respectively. The discount rate for the projected benefit obligation for the pension plan for 2011 and 2010 was 4.90 percent and 5.30 percent, respectively, while the discount rate for the SERPs was 4.80 percent and 5.30 percent, respectively. The long−term expected rate of return for the 2011, 2010 and 2009 net periodic benefit cost for the pension plan was eight percent. The actual rate of return on average plan assets in 2011 and 2010 was 4.14 percent and 4.80 percent. Lower discount rates increase the plan obligation and subsequent year pension expense, while higher discount rates decrease the plan obligation and subsequent year pension expense. Decreasing the discount rate by 50 basis points would have increased 2011 pension expense by $0.4 million. If the discount rate increased by 50 basis points pension expense would have decreased by $0.3 million. Changing the expected rate of return by 50 basis points would have increased/decreased 2011 pension expense by $0.5 million.

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Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Income Taxes – Tax Contingencies We are subject to income taxes in the United States and various foreign jurisdictions. In determining taxable income, income or losses before taxes are adjusted for various differences between local tax laws and generally accepted accounting principles. We file tax returns in various states within the United States and various countries. Our tax filings for various periods are subject to audit by various tax authorities, with United States federal income tax filings for 2005 and 2009 subject to audit. The benefits of tax positions are recorded in the income statement if we determine it is more−likely−than–not, based on the technical merits of the position, that the tax position will be sustained upon examination, including any related appeals or litigation.	Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income taxes that we provide during any given year. The determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions and the sources and character of income and tax credits. These assumptions and probabilities are periodically reviewed and revised based upon new information.	Changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations. Actual tax amounts may be materi ally different from amounts accrued based upon the results of audits due to different inter pretations by the tax authorities than those of the Company. While we believe that our reserves are adequate to cover reasonably expected tax risks, an unfavorable tax settlement generally requires the use of cash and an increase in the amount of income tax expense that we recognize. A favorable tax settlement generally requires a decrease in the amount of income taxes that we recognize.
Income Taxes—Valuation of Deferred Tax Assets Deferred tax assets and liabilities are recorded based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax basis, and operating loss and tax credit carry−backs and carry−forwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted statutory tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid. The carrying amount of deferred tax assets must be reduced through a valuation allowance if it is more−likely−than−not the deferred tax asset will not be realized. In the period in which a valuation allowance is recorded, we would record significant tax expense, whereas a tax benefit would be recorded in the period a valuation allowance is reversed.	In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood that the deferred tax assets will be realized. Our assessment of whether a valuation allowance is required or should be adjusted requires judgment and is completed on a taxing jurisdiction basis. We consider, among other matters: the nature, frequency and severity of any cumulative financial reporting losses; the ability to carry back losses to prior years; future reversals of existing taxable temporary differences; tax planning strategies; and projections of future taxable income. We also consider our best estimate of the outcome of any on−going examinations based on the technical merits of the position, historical procedures and case law, among other items.	As of December 31, 2011, we have recorded a valuation allow ance of $476.3 million against gross net deferred tax assets of $546.1 million. The valuation allowance primarily relates to our tax loss carryovers and basis dif ference in revalued investments. While we believe that the basis for estimating our valuation allowance is strong, changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Stock−based compensation		
The Company has a stock−based compensation plan, which includes stock options, restricted stock units, restricted stock awards and stock appreciation rights. Certain awards are subject to market and performance conditions at threshold, target and maximum levels. For purposes of determining the fair value of stock option awards, the Company uses the Black−Scholes single option pricing model. Compensation cost, net of estimated forfeitures, is recognized using a straight−line method over the vesting or service period.	Assumptions for stock−based compensation include estimating the future volatility of our stock price, expected dividend yield, employee turnover and employee exercise activity. Performance−based share awards require management to make assumptions regarding the likelihood of achieving market and performance goals. Assumptions used in our assessment are consistent with our internal forecasts and operating plans and assume achievement of performance conditions at target.	A 10 percent change in our volatility, forfeiture rate and term of grant for the year ended December 31, 2011, would have affected net income by $1.6 million. If the Company assumed that the performance conditions for stock−based awards would not be met, stock−based compensation expense would have decreased by $9.6 million. If the Company assumed that share awards would meet their maximum threshold, expense would have increased by $0.6 million.

Recent Accounting Developments

Recent accounting developments are set forth in Note 2 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements.

CAUTIONARY STATEMENTS REGARDING FORWARD−LOOKING STATEMENTS

This Annual Report on Form 10−K and the documents incorporated by reference herein may contain forward−looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with respect to, among other things, the financial condition, results of operations, plans, objectives, future performance and business of MoneyGram and its subsidiaries. Forward−looking statements can be identified by words such as "believes," "estimates," "expects," "projects," "plans," "anticipates," "continues," "will," "should," "could," "may," "would" and other similar expressions. These forward−looking statements speak only as of the date they are made, and MoneyGram undertakes no obligation to publicly update or revise any forward−looking statement, except as required by federal securities law. These forward−looking statements are based on management's current expectations, beliefs and assumptions and are subject to certain risks, uncertainties and changes in circumstances due to a number of factors. These factors include, but are not limited to:

- continued weakness in economic conditions, in both the United States and global markets;
- consumers' confidence in our business;
- a material slow down or complete disruption of international migration patterns;
- our ability to maintain agent or biller relationships, or a reduction in transaction volume from these relationships;
- the ability of us and our agents to comply with U.S. and international laws and regulations, including the Dodd−Frank Act;
- litigation involving MoneyGram or its agents, which could result in material settlements, fines or penalties;
- ongoing investigations involving MoneyGram by the U.S. federal government and several state governments which could result in criminal or civil penalties, revocation of required licenses or registrations, termination of contracts, other administrative actions or lawsuits and negative publicity;

- our offering of money transfer services through agents in regions that are politically volatile or, in a limited number of cases, that are subject to certain OFAC restrictions;
- our substantial debt service obligations, significant debt covenant requirements and credit rating;
- sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions;
- our ability to maintain sufficient capital;
- our ability to manage credit risks from our retail agents and official check financial institution customers;
- the ability of MoneyGram and its agents to maintain adequate banking relationships;
- our ability to retain partners to operate our official check and money order businesses;
- our ability to manage fraud risks from consumers or agents;
- our ability to compete effectively;
- our ability to successfully develop and timely introduce new and enhanced products and services;
- our investments in new products, services or infrastructure changes;
- our ability to manage risks associated with our international sales and operations;
- our ability to attract and retain key employees;
- our ability to adequately protect our brand and intellectual property rights and to avoid infringing on the rights of others;
- a security or privacy breach in our systems;
- disruptions to our computer systems and data centers;
- our ability to effectively operate and adapt our technology to match our business growth;
- our ability to manage risks related to the operation of retail locations and the acquisition or start−up of businesses;
- the European debt crisis and market perceptions concerning the euro, the potential re−introduction of individual currencies within the Eurozone or the potential dissolution of the euro;
- changes in tax laws or an unfavorable outcome with respect to tax positions, or a failure by us to establish adequate reserves for tax events;
- our ability to maintain effective internal controls;
- our capital structure and the special voting rights provided to designees of THL on our Board of Directors; and
- the risks and uncertainties described in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of this Annual Report on Form 10−K, as well as any additional risk factors that may be described in our other filings with the SEC from time to time.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk disclosure is discussed under “Enterprise Risk Management” in Item 7 of this Annual Report on Form 10−K.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by Item 8 is found in a separate section of this Annual Report on Form 10−K on pages F−1 through F−65. See the “Index to Financial Statements” on page F−1.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report (the "Evaluation Date"), the Company's management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a−15(e) of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a−15(f) of the Exchange Act) during the fiscal quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's annual report on internal control over financial reporting is provided on page F−2 of this Annual Report on Form 10−K. The attestation report of the Company's independent registered public accounting firm, Deloitte & Touche LLP, regarding the Company's internal control over financial reporting is provided on page F−3 of this Annual Report on Form 10−K.

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this Item is contained in Item 1 of this Annual Report on Form 10−K under the caption "Executive Officers of the Registrant" and in our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

All of our employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, also referred to as the Principal Officers, are subject to our Code of Conduct. Our directors are also subject to our Code of Conduct. These documents are posted on our website at www.moneygram.com in the Investor Relations section, and are available in print free of charge to any stockholder who requests them at the address set forth below. We will disclose any amendments to, or waivers of, our Code of Conduct for directors or Principal Officers on our website.

Item 11. EXECUTIVE COMPENSATION

The information called for by this Item is contained in our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER. MATTERS

The information called for by this Item is contained in our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this Item is contained in our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this Item is contained in our definitive Proxy Statement for our 2012 Annual Meeting of Stockholders, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) The financial statements listed in the “Index to Financial Statements and Schedules” are filed as part of this Annual Report on Form 10−K.

(2) All financial statement schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto listed in the “Index to Financial Statements.”

(3) Exhibits are filed with this Annual Report on Form 10−K or incorporated herein by reference as listed in the accompanying Exhibit Index.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MoneyGram International, Inc.
(Registrant)

Date: March 8, 2012

By: /s/ Pamela H. Patsley
Pamela H. Patsley
Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Pamela H. Patsley Pamela H. Patsley	Chairman and Chief Executive Officer (Principal Executive Officer)	March 8, 2012
/s/ James E. Shields James E. Shields	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	March 8, 2012
/s/ David B. Brown David B. Brown	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	March 8, 2012

Directors

J. Coley Clark	Seth W. Lawry
Victor W. Dahir	Ann Mather
Thomas M. Hagerty	Ganesh B. Rao
Scott L. Jaeckel	W. Bruce Turner

By: /s/ Timothy C. Everett   March 8, 2012
Timothy C. Everett
Attorney−in−fact

EXHIBIT INDEX

Exhibit Number	Description
2.1	Separation and Distribution Agreement, dated as of June 30, 2004, by and among Viad Corp, MoneyGram International, Inc., MGI Merger Sub, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 2.1 to Registrant's Quarterly Report on Form 10−Q filed on August 13, 2004).
2.2	Recapitalization Agreement, dated as of March 7, 2011, among MoneyGram International, Inc., certain affiliates and co−investors of Thomas H. Lee Partners, L.P. and Goldman, Sachs & Co. and certain of its affiliates (including "Annex A—Form of Certificate of Amendment of Certificate of Designations, Preferences and Rights of Series D Participating Convertible Preferred Stock of MoneyGram International, Inc.) (Incorporated by reference from Exhibit 2.1 to Registrant's Current Report on Form 8−K filed March 9, 2011).
2.3	Amendment No. 1 to Recapitalization Agreement, dated as of May 4, 2011, among MoneyGram International, Inc., certain affiliates and co−investors of Thomas H. Lee Partners, L.P. and Goldman, Sachs & Co. and certain of its affiliates (Incorporated by reference from Exhibit 2.1 to Registrant's Current Report on Form 8−K filed May 6, 2011).
3.1	Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., as amended (Incorporated by reference from Exhibit 3.1 to Registrant's Annual Report on Form 10−K filed on March 15, 2010).
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8−K filed May 23, 2011).
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., filed with the Secretary of State of the State of Delaware on November 14, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8−K filed November 14, 2011).
3.4	Bylaws of MoneyGram International, Inc., as amended and restated September 10, 2009 (Incorporated by reference from Exhibit 3.01 to Registrant's Current Report on Form 8−K filed on September 16, 2009).
3.5	Amendment to Bylaws of MoneyGram International, Inc., dated as of January 25, 2012 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8−K filed January 27, 2012).
3.6	Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.3 to Registrant's Quarterly Report on Form 10−Q filed on August 13, 2004).
3.7	Certificate of Designations, Preferences and Rights of the Series B Participating Convertible Preferred Stock of MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.2 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
3.8	Certificate of Designations, Preferences and Rights of the Series B−1 Participating Convertible Preferred Stock of MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.3 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
3.9	Amended and Restated Certificate of Designations, Preferences and Rights of Series D Participating Convertible Preferred Stock of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.2 to Registrant's Current Report on Form 8−K filed May 23, 2011).
3.10	Certificate of Elimination of the Series B Participating Convertible Preferred Stock of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.3 to Registrant's Current Report on Form 8−K filed May 23, 2011).
3.11	Certificate of Elimination of the Series B−1 Participating Convertible Preferred Stock of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.4 to Registrant's Current Report on Form 8−K filed May 23, 2011).
3.12	Certificate of Elimination of Series A Junior Participating Preferred Stock, dated September 27, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8−K filed September 28, 2011).

4.1	Form of Specimen Certificate for MoneyGram Common Stock (Incorporated by reference from Exhibit 4.1 to Amendment No. 4 to Registrant's Form 10 filed on June 14, 2004).
4.2	Indenture, dated as of March 25, 2008, by and among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., the other guarantors party thereto and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
*4.3	First Supplemental Indenture relating to the 13.25% Senior Secured Second Lien Notes due 2018, dated as of August 6, 2009, among MoneyGram Payment Systems Worldwide, Inc., as issuer, MoneyGram International, Inc. and the other guarantors named therein and Deutsche Bank Trust Company Americas, as trustee and collateral agent.
*4.4	Second Supplemental Indenture relating to the 13.25% Senior Secured Second Lien Notes due 2018, dated as of July 29, 2010, among MoneyGram Payment Systems Worldwide, Inc., as issuer, MoneyGram International, Inc. and the other guarantors named therein and Deutsche Bank Trust Company Americas, as trustee and collateral agent.
4.5	Third Supplemental Indenture relating to the 13.25% Senior Secured Second Lien Notes due 2018, dated as of April 19, 2011, among MoneyGram Payment Systems Worldwide, Inc., as issuer, MoneyGram International, Inc. and the other guarantors named therein and Deutsche Bank Trust Company Americas, as trustee and collateral agent (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8−K filed on April 21, 2011).
4.6	Fourth Supplemental Indenture relating to the 13.25% Senior Secured Second Lien Notes due 2018, dated as of September 29, 2011, among MoneyGram Payment Systems Worldwide, Inc., as issuer, MoneyGram International, Inc. and the other guarantors named therein and Deutsche Bank Trust Company Americas, as trustee and collateral agent (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8−K filed September 30, 2011).
4.7	Fifth Supplemental Indenture relating to the 13.25% Senior Secured Second Lien Notes due 2018, dated as of November 15, 2011, among MoneyGram Payment Systems Worldwide, Inc., as issuer, MoneyGram International, Inc. and the other guarantors named therein and Deutsche Bank Trust Company Americas, as trustee and collateral agent (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8−K filed November 16, 2011).
4.8	Sixth Supplemental Indenture relating to the 13.25% Senior Secured Second Lien Notes due 2018, dated as of November 21, 2011, among MoneyGram Payment Systems Worldwide, Inc., as issuer, MoneyGram International, Inc. and the other guarantors named therein and Deutsche Bank Trust Company Americas, as trustee and collateral agent (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8−K filed November 22, 2011).
4.9	Registration Rights Agreement, dated as of March 25, 2008, by and among the several Investor parties named therein and MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.5 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
4.10	Amendment No. 1 to Registration Rights Agreement, dated as of May 18, 2011, by and among MoneyGram International, Inc., certain affiliates and co−investors of Thomas H. Lee Partners, L.P., and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8−K filed May 23, 2011).
4.11	Exchange and Registration Rights Agreement, dated as of March 25, 2008, by and among MoneyGram Payment Systems Worldwide, Inc., each of the Guarantors listed on the signature pages thereto, GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd. and GSMP V Institutional US, Ltd. (Incorporated by reference from Exhibit 4.6 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
10.1	Employee Benefits Agreement, dated as of June 30, 2004, by and among Viad Corp, MoneyGram International, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10−Q filed on August 13, 2004).
10.2	Tax Sharing Agreement, dated as of June 30, 2004, by and between Viad Corp and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10−Q filed on August 13, 2004).

†10.3	MoneyGram International, Inc. 2004 Omnibus Incentive Plan, as amended February 17, 2005 (Incorporated by reference from Exhibit 99.1 to Registrant's Current Report on Form 8−K filed on February 23, 2005).
†10.4	MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended February 17, 2010 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8−K filed on February 22, 2010).
†10.5	Form of Amended and Restated Non−Employee Director Indemnification Agreement between MoneyGram International, Inc. and Non−Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8−K filed on February 13, 2009).
†10.6	Form of Employee Director Indemnification Agreement between MoneyGram International, Inc. and Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8−K filed on February 13, 2009).
†10.7	MoneyGram International, Inc. Performance Bonus Plan, as amended and restated February 17, 2010 (formerly known as the MoneyGram International, Inc. Management and Line of Business Incentive Plan) (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8−K filed on February 22, 1010).
10.8	Second Priority Trademark Security Agreement, dated as of March 25, 2008, by and between PropertyBridge, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.12 to Registrants' Current Report on Form 8−K filed on March 28, 2008).
10.9	Second Priority Trademark Security Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.13 to Registrants' Current Report on Form 8−K filed on March 28, 2008).
10.10	Second Priority Patent Security Agreement, dated as of March 25, 2008, by and between MoneyGram Payment Systems, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.16 to Registrants' Current Report on Form 8−K filed on March 28, 2008).
10.11	Second Priority Patent Security Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.17 to Registrants' Current Report on Form 8−K filed on March 28, 2008).
†10.12	Deferred Compensation Plan for Directors of Viad Corp, as amended August 19, 2004 (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10−Q filed on November 12, 2004).
†10.13	MoneyGram International, Inc. Executive Severance Plan (Tier II), as amended and restated August 16, 2007 (Incorporated by reference from Exhibit 99.04 to Registrant's Current Report on Form 8−K filed on August 22, 2007).
†10.14	First Amendment of the Amended and Restated MoneyGram International, Inc. Executive Severance Plan (Tier II) (Incorporated by reference from Exhibit 10.21 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
†10.15	MoneyGram Supplemental Pension Plan, as amended and restated December 28, 2007 (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8−K filed on January 4, 2008).
†10.16	First Amendment of MoneyGram Supplemental Pension Plan (Incorporated by reference from Exhibit 10.28 to Amendment No. 1 to Registrant's Annual Report on Form 10−K/A filed on August 9, 2010).
†10.17	Description of MoneyGram International, Inc. Director's Charitable Matching Program (Incorporated by reference from Exhibit 10.13 to Registrant's Quarterly Report on Form 10−Q filed on August 13, 2004).
†10.18	Viad Corp Director's Charitable Award Program (Incorporated by reference from Exhibit 10.14 to Amendment No. 3 to Registrant's Form 10 filed on June 3, 2004).

10.19	Second Priority Security Agreement, dated as of March 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., FSMC, Inc., CAG Inc., MoneyGram Payment Systems Worldwide, Inc., PropertyBridge, Inc., MoneyGram of New York LLC, and Deutsche Bank Trust Company Americas, as collateral agent (Incorporated by reference from Exhibit 10.9 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
10.20	Second Priority Pledge Agreement, dated as of March 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., FSMC, Inc., CAG Inc., MoneyGram Payment Systems Worldwide, Inc., PropertyBridge, Inc., MoneyGram of New York LLC, and Deutsche Bank Trust Company Americas (Incorporated by reference from Exhibit 10.7 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
10.21	Amended and Restated Purchase Agreement, dated as of March 17, 2008, among MoneyGram International, Inc. and the several Investor parties named therein (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8−K filed on March 18, 2008).
10.22	Amended and Restated Fee Arrangement Letter, dated March 17, 2008, between THL Managers VI, LLC and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8−K filed March 18, 2008).
10.23	Amended and Restated Fee Arrangement Letter, dated March 17, 2008, between Goldman, Sachs & Co. and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8−K filed on March 18, 2008).
10.24	Fee Arrangement Letter, dated as of March 25, 2008, by and between the Investor parties named therein, Goldman, Sachs & Co. and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
10.25	Subscription Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc. and The Goldman Sachs Group, Inc. (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
+10.26	Amended and Restated Note Purchase Agreement, dated as of March 17, 2008, among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd., GSMP V Institutional US, Ltd., and THL Managers VI, LLC. (Incorporated by reference from Exhibit 10.41 to Registrant's Annual Report on Form 10−K filed on March 15, 2010).
10.27	Amended and Restated Fee Letter, dated March 17, 2008, among MoneyGram Payment Systems Worldwide, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd., GSMP V Institutional US, Ltd., GS Capital Partners VI Fund, L.P., GS Capital Partners VI Offshore Fund, L.P.,GS Capital Partners VI GmbH & Co. KG, GS Capital Partners VI Parallel, L.P., and THL Managers VI, LLC (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8−K filed on March 18, 2008).
10.28	Second Amended and Restated Note Purchase Agreement, dated as of March 24, 2008, among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd., and GSMP V Institutional US, Ltd. (Incorporated by reference from Exhibit 10.5 to Registrant's Current Report on Form 8−K filed on March 28, 2008).
†10.29	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Restricted Stock Agreement, as amended February 16, 2005 (Incorporated by reference from Exhibit 99.5 to Registrant's Current Report on Form 8−K filed on February 23, 2005).
†10.30	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, as amended February 16, 2005 (Incorporated by reference from Exhibit 99.6 to Registrant's Current Report on Form 8−K filed on February 23, 2005).
†10.31	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Non−Qualified Stock Option Agreement for Directors (Incorporated by reference from Exhibit 99.7 to Registrant's Current Report on Form 8−K filed on February 23, 2005).
†10.32	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective June 30, 2005 (Incorporated by reference from Exhibit 99.2 to Registrant's Current Report on Form 8−K filed on July 5, 2005).

†10.33	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective August 17, 2005 (US Version) (Incorporated by reference from Exhibit 99.7 to Registrant's Current Report on Form 8−K filed on August 23, 2005).
†10.34	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective August 17, 2005 (UK Version) (Incorporated by reference from Exhibit 99.9 to Registrant's Current Report on Form 8−K filed on August 23, 2005).
†10.35	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, effective August 17, 2005 (US Version) (Incorporated by reference from Exhibit 99.6 to Registrant's Current Report on Form 8−K filed on August 23, 2005).
†10.36	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, effective August 17, 2005 (UK Version) (Incorporated by reference from Exhibit 99.8 to Registrant's Current Report on Form 8−K filed on August 23, 2005).
†10.37	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, effective February 15, 2006 (US version) (Incorporated by reference from Exhibit 10.41 to Registrant's Annual Report on Form 10−K filed on March 1, 2006).
†10.38	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, effective February 15, 2006 (UK Version) (Incorporated by reference from Exhibit 10.42 to Registrant's Annual Report on Form 10−K filed on March 1, 2006).
†10.39	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, effective May 8, 2007 (Incorporated by reference from Exhibit 99.04 to Registrant's Current Report on Form 8−K filed on May 14, 2007).
†10.40	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, effective August 11, 2009 (version 1) (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10−Q filed on November 9, 2009).
†10.41	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement, effective August 11, 2009 (version 2) (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10−Q filed on November 9, 2009).
†10.42	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement for Directors, effective August 17, 2005 (Incorporated by reference from Exhibit 99.4 to Registrant's Current Report on Form 8−K filed on August 23, 2005).
†10.43	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement for Directors, effective February 15, 2006 (Incorporated by reference from Exhibit 10.43 to Registrant's Annual Report on Form 10−K filed on March 1, 2006).
†10.44	Amended and Restated Employment Agreement, dated September 1, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8−K filed on September 4, 2009).
†10.45	Non−Qualified Stock Option Agreement, dated January 21, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8−K filed on January 22, 2009).
†10.46	Non−Qualified Stock Option Agreement, dated May 12, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8−K filed on May 18, 2009).
†10.47	Non−Qualified Stock Option Agreement, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8−K filed on September 4, 2009).
†10.48	Amendment to Non−Qualified Stock Option Agreements, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8−K filed on September 4, 2009).
†10.49	Non−Qualified Stock Option Agreement, dated August 11, 2009, between MoneyGram International, Inc. and Daniel J. O'Malley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8−K filed on August 13, 2009).

†10.50	Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement, dated August 11, 2009, between MoneyGram International, Inc. and Daniel J. O'Malley (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8−K filed on August 13, 2009).
†10.51	Separation Agreement and Release of All Claims, dated as of July 16, 2009, between MoneyGram International, Inc. and Teresa H. Johnson (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8−K filed on July 16, 2009).
†10.52	MoneyGram International, Inc. Performance Unit Incentive Plan, as amended and restated May 9, 2007 (Incorporated by reference from Exhibit 99.02 to Registrant's Current Report on Form 8−K filed on May 14, 2007).
†10.53	Form of MoneyGram International, Inc. Executive Compensation Trust Agreement (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8−K filed on November 22, 2005).
†10.54	First Amendment to the MoneyGram International, Inc. Executive Compensation Trust Agreement (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8−K filed on August 22, 2006).
†10.55	The MoneyGram International, Inc. Outside Directors' Deferred Compensation Trust (Incorporated by reference from Exhibit 99.05 to Registrant's Current Report on Form 8−K filed on November 22, 2005).
10.56	Money Services Agreement between Wal−Mart Stores, Inc. and MoneyGram Payment Systems, Inc. dated February 1, 2005 as amended (Incorporated by reference from Exhibit 10.71 to Registrant's Annual Report on Form 10−K filed on March 25, 2008).
†10.57	Form of Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement (Incorporated by reference from Exhibit 10.27 to Registrant's Quarterly Report on Form 10−Q filed on May 12, 2008).
†10.58	MoneyGram International, Inc. Severance Plan (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8−K/A filed November 22, 2010).
†10.59	Letter Agreement, by and between MoneyGram International, Inc. and James E. Shields, effective as of July 13, 2010 (Incorporated by reference from Exhibit 10.7 to Registrant's Quarterly Report on Form 10−Q filed August 9, 2010).
†10.60	Severance Agreement, by and between MoneyGram International, Inc. and James E. Shields, dated July 13, 2010 (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10−Q filed August 9, 2010).
†10.61	Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement, by and between MoneyGram International, Inc. and James E. Shields, dated July 21, 2010 (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10−Q filed August 9, 2010).
†10.62	Compromise Agreement, dated April 21, 2010, between MoneyGram International Ltd. and John Hempsey (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8−K filed April 26, 2010).
†10.63	Letter Agreement, by and between MoneyGram International, Inc. and Jean C. Benson, dated June 3, 2010 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8−K filed June 9, 2010).
*†10.64	Summary of Non−Employee Director Compensation Agreements, effective January 1, 2012
†10.65	Form of MoneyGram International, Inc. Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.11 to Registrant's Quarterly Report on Form 10−Q filed August 9, 2010).
†10.66	MoneyGram International, Inc. Deferred Compensation Plan, as amended and restated February 16, 2011 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8−K filed February 23, 2011).
†10.67	Separation Agreement and Release of All Claims, by and between MoneyGram Payment Systems, Inc. and Jean C. Benson, dated as of February 8, 2011 (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10−Q filed May 9, 2011).

10.68	Consent Agreement, dated as of March 7, 2011, among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8−K filed March 9, 2011).
†10.69	Mutually Agreed Resignation Letter from MoneyGram International Pte. Ltd. and MoneyGram International, Inc. to Nigel Lee, executed as of April 26, 2011 (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8−K filed on April 28, 2011).
†10.70	Termination of Stock Option Letter from MoneyGram International Pte. Ltd. and MoneyGram International, Inc. to Nigel Lee, dated April 26, 2011 (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8−K filed on April 28, 2011).
†10.71	MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8−K filed May 17, 2011).
+10.72	Credit Agreement, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., the lenders party thereto, and Bank of America, N.A., as administrative agent (Incorporated by reference from Exhibit 10.4 to Registrant's Quarterly Report on Form 10−Q filed August 9, 2011).
10.73	Guaranty, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A., as administrative agent (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.74	Pledge Agreement, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A., as collateral agent (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.75	Security Agreement, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A., as collateral agent (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.76	Intercreditor Agreement, dated as of May 18, 2011, among MoneyGram Payment Systems Worldwide, Inc., the First Priority Secured Parties as defined therein, the Secord Priority Secured Parties as defined therein, and Deutsche Bank Trust Company Americas, as Trustee and Collateral Agent (Incorporated by reference from Exhibit 10.5 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.77	Patent Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.6 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.78	Patent Security Agreement, dated as of May 18, 2011, between MoneyGram Payment Systems, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.7 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.79	Trademark Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.8 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.80	Trademark Security Agreement, dated as of May 18, 2011, between MoneyGram Payment Systems, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.9 to Registrant's Current Report on Form 8−K filed May 23, 2011).
10.81	Copyright Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A., as Collateral Agent (Incorporated by reference from Exhibit 10.10 to Registrant's Current Report on Form 8−K filed May 23, 2011).
†10.82	Relocation Assistance Repayment Agreement, by and between MoneyGram Payment Systems, Inc. and J. Lucas Wimer, dated July 15, 2011 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8−K filed July 15, 2011).

10.83	Consent Agreement, dated as of August 12, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc., and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference From Exhibit 10.2 to Registrant's Quarterly Report on Form 10−Q filed November 3, 2011).
10.84	Consent Agreement, dated as of August 12, 2011, by and among MoneyGram International, Inc., and certain affiliates and co−investors of Thomas H. Lee Partners, L.P. and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference From Exhibit 10.3 to Registrant's Quarterly Report on Form 10−Q filed November 3, 2011).
*10.85	Consent Agreement, dated as of October 24, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc., and certain affiliates of Goldman, Sachs & Co.
10.86	First Incremental Amendment and Joinder Agreement, dated as of November 14, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, the Lenders and Bank of America, N.A., as administrative agent (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8−K filed November 16, 2011).
10.87	Consent Agreement, dated as of November 15, 2011, by and among MoneyGram International, Inc., and certain affiliates and co−investors of Thomas H. Lee Partners, L.P. and affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8−K filed November 16, 2011).
10.88	Consent Agreement, dated as of November 17, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8−K filed November 18, 2011).
10.89	First Incremental Amendment and Joinder Agreement, dated as of November 21, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, the Lenders and Bank of America, N.A., as administrative agent (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8−K filed November 22, 2011)
†10.90	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Performance Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 99.1 to Registrant's Current Report on Form 8−K filed November 23, 2011).
†10.91	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Stock Option Agreement (Incorporated by reference from Exhibit 99.2 to Registrant's Current Report on Form 8−K filed November 23, 2011).
*†10.92	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Stock Appreciation Right Agreement.
*†10.93	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Performance Restricted Stock Unit Award Agreement (For Participants in France).
*†10.94	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Stock Option Agreement (For Optionees in France).
*†10.95	Form of Severance Agreement.
*21	Subsidiaries of the Registrant
*23	Consent of Deloitte & Touche LLP
*24	Power of Attorney
*31.1	Section 302 Certification of Chief Executive Officer
*31.2	Section 302 Certification of Chief Financial Officer
*32.1	Section 906 Certification of Chief Executive Officer
*32.2	Section 906 Certification of Chief Financial Officer

101**	The following financial statements, formatted in Extensible Business Reporting Language (“XBRL”): (i) Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010; (ii) Consolidated Statements of Income for the years ended December 31, 2011, 2010 and 2009; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2011, 2010 and 2009; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009; (v) Consolidated Statements of Stockholders’ Deficit as of December 31, 2011, 2010 and 2009; and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text. The information in Exhibit 101 is “furnished” and not “filed” as provided in Rule 406T of Regulation S−T.

* Filed herewith.

† Indicates management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

\+ Confidential information has been omitted from this Exhibit and has been filed separately with the SEC pursuant to a confidential treatment request under Rule 24b−2.

** Furnished herewith.

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MoneyGram International, Inc.

Annual Report on Form 10−K
Items 8 and 15(a)

Index to Financial Statements

Management's Responsibility Statement

The management of MoneyGram International, Inc. is responsible for the integrity, objectivity and accuracy of the consolidated financial statements of the Company. The consolidated financial statements are prepared by the Company in accordance with accounting principles generally accepted in the United States of America using, where appropriate, management's best estimates and judgments. The financial information presented throughout the Annual Report is consistent with that in the consolidated financial statements.

Management is also responsible for maintaining a system of internal controls and procedures over financial reporting designed to provide reasonable assurance that the books and records reflect the transactions of the Company and that assets are protected against loss from unauthorized use or disposition. Such a system is maintained through accounting policies and procedures administered by trained Company personnel and updated on a continuing basis to ensure their adequacy to meet the changing requirements of our business. The Company requires that all of its affairs, as reflected by the actions of its employees, be conducted according to the highest standards of personal and business conduct. This responsibility is reflected in our Code of Ethics.

To test compliance with the Company's system of internal controls and procedures over financial reporting, the Company carries out an extensive audit program. This program includes a review for compliance with written policies and procedures and a comprehensive review of the adequacy and effectiveness of the internal control system. Although control procedures are designed and tested, it must be recognized that there are limits inherent in all systems of internal control and, therefore, errors and irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of the controls. Projection of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Board of Directors, which is composed solely of outside directors, meets quarterly with management, internal audit and the independent registered public accounting firm to discuss internal accounting control, auditing and financial reporting matters, as well as to determine that the respective parties are properly discharging their responsibilities. Both our independent registered public accounting firm and internal auditors have had and continue to have unrestricted access to the Audit Committee without the presence of management.

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2011. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its Internal Control−Integrated Framework. Based on our assessment and those criteria, management believes that the Company designed and maintained effective internal control over financial reporting as of December 31, 2011.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has been engaged to audit our financial statements and the effectiveness of the Company's system of internal control over financial reporting. Their reports are included on pages F−3 and F−4 of this Annual Report on Form 10−K.

/s/ PAMELA H. PATSLEY
Pamela H. Patsley
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ JAMES E. SHIELDS
James E. Shields
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
MoneyGram International, Inc.
Dallas, Texas

We have audited the internal control over financial reporting of MoneyGram International, Inc. and subsidiaries (the “Company”) as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Responsibility Statement. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 of the Company and our report dated March 8, 2012 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Minneapolis, Minnesota
March 8, 2012

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
MoneyGram International, Inc.
Dallas, Texas

We have audited the accompanying consolidated balance sheets of MoneyGram International, Inc. and subsidiaries (the "Company") as of December 31, 2011 and 2010, and the related consolidated statements of income (loss), comprehensive income (loss), cash flows and stockholders' deficit for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MoneyGram International, Inc. and subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
March 8, 2012

MONEYGRAM INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31,	2011	2010
(Amounts in thousands, except share data)		
ASSETS		
Cash and cash equivalents	$ —	$ —
Cash and cash equivalents (substantially restricted)	2,572,174	2,865,941
Receivables, net (substantially restricted)	1,220,065	982,319
Short−term investments (substantially restricted)	522,024	405,769
Available−for−sale investments (substantially restricted)	102,771	160,936
Property and equipment	116,341	115,111
Goodwill	428,691	428,691
Other assets	213,512	156,969
Total assets	$ 5,175,578	$5,115,736
LIABILITIES		
Payment service obligations	$ 4,205,375	$4,184,736
Debt	810,888	639,946
Pension and other postretirement benefits	120,252	120,536
Accounts payable and other liabilities	149,261	113,647
Total liabilities	5,285,776	5,058,865
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
MEZZANINE EQUITY		
Participating Convertible Preferred Stock−Series B, $0.01 par value, none at December 31, 2011 and 800,000 shares authorized, 495,000 shares issued at December 31, 2010	—	628,199
Participating Convertible Preferred Stock−Series B−1, $0.01 par value, none at December 31, 2011 and 500,000 shares authorized, 272,500 shares issued at December 31, 2010	—	371,154
Total mezzanine equity	—	999,353
STOCKHOLDERS' DEFICIT		
Junior Participating Preferred Stock−Series A, $0.01 par value, none at December 31, 2011, 2,000,000 shares authorized, none issued at December 31, 2010	—	—
Participating Convertible Preferred Stock−Series D, $0.01 par value, 200,000 shares authorized, 109,239 issued at December 31, 2011 and none at December 31, 2010	281,898	—
Common Stock, $0.01 par value, 162,500,000 shares authorized, 62,263,963 and 15,388,120 shares issued at December 31, 2011 and December 31, 2010, respectively	623	886
Additional paid−in capital	989,188	—
Retained loss	(1,216,543)	(771,544)
Accumulated other comprehensive loss	(38,028)	(31,879)
Treasury stock: 4,429,184 and 4,935,555 shares at December 31, 2011 and December 31, 2010, respectively	(127,336)	(139,945)
Total stockholders' deficit	(110,198)	(942,482)
Total liabilities, mezzanine equity and stockholders' deficit	$ 5,175,578	$5,115,736

See Notes to Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands, except per share data)			
REVENUE			
Fee and other revenue	$1,230,858	$1,145,312	$1,128,492
Investment revenue	16,911	21,341	33,219
Total revenue	1,247,769	1,166,653	1,161,711
EXPENSES			
Fee and other commissions expense	547,573	500,759	497,105
Investment commissions expense	431	737	1,362
Total commissions expense	548,004	501,496	498,467
Compensation and benefits	235,696	226,422	199,053
Transaction and operations support	227,762	185,782	284,277
Occupancy, equipment and supplies	47,739	46,481	47,425
Depreciation and amortization	46,051	48,074	57,091
Total operating expenses	1,105,252	1,008,255	1,086,313
OPERATING INCOME	142,517	158,398	75,398
Other expenses			
Net securities gains	(32,816)	(2,115)	(7,790)
Interest expense	86,165	102,133	107,911
Debt extinguishment costs	37,522	—	—
Other	11,876	—	(2,401)
Total other expenses, net	102,747	100,018	97,720
Income (loss) before income taxes	39,770	58,380	(22,322)
Income tax (benefit) expense	(19,636)	14,579	(20,416)
NET INCOME (LOSS)	$ 59,406	$ 43,801	$ (1,906)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (9.03)	$ (8.77)	$ (11.87)
Net loss available to common stockholders:			
Net income (loss) as reported	$ 59,406	$ 43,801	$ (1,906)
Accrued dividends on mezzanine equity	(30,934)	(125,005)	(110,279)
Accretion on mezzanine equity	(80,023)	(10,020)	(10,213)
Additional consideration issued from conversion of mezzanine equity	(366,797)	—	—
Cash dividends paid on mezzanine equity	(20,477)	—	—
Net loss available to common stockholders	$ (438,825)	$ (91,224)	$ (122,398)
Weighted−average outstanding common shares and equivalents	48,576	10,398	10,312

See Notes to Consolidated Financial Statements

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MONEYGRAM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands)			
NET INCOME (LOSS)	$59,406	$43,801	$(1,906)
OTHER COMPREHENSIVE (LOSS) INCOME			
Net unrealized gains on available−for−sale securities:			
Net holding gains arising during the period, net of tax benefit of $593, $0 and $0	179	4,452	3,107
Reclassification adjustment for net realized losses included in net income, net of tax expense of $0	4	334	4,071
	183	4,786	7,178
Net unrealized losses on derivative financial instruments:			
Reclassification adjustment for net unrealized gains included in net income, net of tax expense of $478	—	—	(780)
	—	—	(780)
Pension and postretirement benefit plans:			
Reclassification of prior service (credit) costs for pension and postretirement benefit plans recorded to net income (loss), net of tax (expense) benefit of ($227), $32 and $106	(370)	52	173
Reclassification of net actuarial loss for pension and postretirement benefit plans recorded to net income (loss), net of tax benefit of $2,482, $1,913 and $2,785	4,049	3,122	4,543
Valuation adjustment for pension and postretirement benefit plans, net of tax benefit of $3,578, $2,697 and $2,251	(5,838)	(4,400)	(3,672)
Unrealized foreign currency translation (losses) gains, net of tax (benefit) expense of ($2,558), $142 and ($249)	(4,173)	232	(406)
Other comprehensive (loss) income	(6,149)	3,792	7,036
COMPREHENSIVE INCOME	$53,257	$47,593	$ 5,130

See Notes to Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	2011	2010	2009
(Amounts in thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$ 59,406	$ 43,801	$ (1,906)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	46,051	48,074	57,091
Net securities gain	(32,816)	(2,115)	(3,486)
Unrealized gain on trading investments and related put options	—	—	(4,304)
Asset impairments and net losses upon disposal	6,911	2,158	18,228
Provision for deferred income taxes	(72,803)	10,023	(14,915)
Loss on debt extinguishment	37,522	—	—
Amortization of debt discount and deferred financing costs	7,418	17,492	12,765
Provision for uncollectible receivables	6,571	6,404	21,432
Non−cash compensation and pension expense	25,767	35,106	9,608
Other non−cash items, net	3,837	2,347	5,390
Change in foreign currency translation adjustments	(4,173)	232	(406)
Signing bonus amortization	32,618	29,247	35,280
Signing bonus payments	(32,994)	(27,172)	(22,176)
Change in other assets	4,544	(16,545)	31,246
Change in accounts payable and other liabilities	33,164	(32,853)	13,156
Total adjustments	61,617	72,398	158,909
Change in cash and cash equivalents (substantially restricted)	291,767	510,883	700,557
Change in trading investments and related put options (substantially restricted)	—	29,400	32,900
Change in receivables, net (substantially restricted)	(245,319)	63,037	186,619
Change in payment service obligations	20,639	(658,782)	(594,545)
Net cash provided by operating activities	188,110	60,737	482,534
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of investments classified as available−for−sale (substantially restricted)	56,320	140,985	140,999
Proceeds from settlement of investments (substantially restricted)	32,820	—	—
Purchase of short−term investments (substantially restricted)	(540,338)	(707,137)	(400,000)
Proceeds from maturities of short−term investments (substantially restricted)	422,469	701,368	—
Purchases of property and equipment	(44,223)	(40,191)	(37,948)
Proceeds from disposal of assets and businesses	2,683	7,537	4,500
Cash paid for acquisitions, net of cash acquired	(53)	(330)	(3,210)
Net cash (used in) provided by investing activities	(70,322)	102,232	(295,659)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	536,025	—	—
Transaction costs for issuance and amendment of debt	(17,066)	—	—
Payments on debt	(366,625)	(165,000)	(41,875)
Prepayment penalty on debt	(23,188)	—	—
Payments on revolving credit facility	—	—	(145,000)
Additional consideration issued from conversion of mezzanine equity	(218,333)	—	—
Transaction costs for the conversion and issuance of stock	(5,444)	—	—
Cash dividends paid on mezzanine equity	(20,477)	—	—
Transaction costs for the secondary offering	(3,396)	—	—
Proceeds from exercise of stock options	716	2,031	—
Net cash used in financing activities	(117,788)	(162,969)	(186,875)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—
CASH AND CASH EQUIVALENTS — Beginning of period	$ —	$ —	$ —
CASH AND CASH EQUIVALENTS — End of period	$ —	$ —	$ —

See Notes to Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

(Amounts in thousands)	Preferred Stock	Common Stock	Additional Paid−In Capital	Retained Loss	Unearned Employee Benefits	Accumulated Other Comprehensive Loss	Treasury Stock	Total
December 31, 2008	—	886	62,324	(649,254)	(424)	(42,707)	(152,561)	(781,736)
Net loss				(1,906)				(1,906)
Accrued dividends on mezzanine equity			(66,525)	(43,754)				(110,279)
Accretion on mezzanine equity			(10,213)					(10,213)
Employee benefit plans			14,414		416		(745)	14,085
Net unrealized gain on available−for−sale securities						7,178		7,178
Reclassification of unrealized gain on derivative financial instruments, net of tax						(780)		(780)
Amortization of prior service cost for pension and postretirement benefits, net of tax						173		173
Amortization of unrealized losses on pension and postretirement benefits, net of tax						4,543		4,543
Valuation adjustment for pension and postretirement benefit plans, net of tax						(3,672)		(3,672)
Unrealized foreign currency translation adjustment, net of tax						(406)		(406)
December 31, 2009	—	886	—	(694,914)	(8)	(35,671)	(153,306)	(883,013)
Net income				43,801				43,801
Accrued dividends on mezzanine equity			(25,570)	(99,435)				(125,005)
Accretion on mezzanine equity			(10,020)					(10,020)
Employee benefit plans			35,590	(20,996)	8		13,361	27,963
Net unrealized gain on available−for−sale securities						4,786		4,786
Amortization of prior service cost for pension and postretirement benefits, net of tax						52		52
Amortization of unrealized losses on pension and postretirement benefits, net of tax						3,122		3,122
Valuation adjustment for pension and postretirement benefit plans, net of tax						(4,400)		(4,400)
Unrealized foreign currency translation adjustment, net of tax						232		232
December 31, 2010	—	886	—	(771,544)	—	(31,879)	(139,945)	(942,482)
Net income				59,406				59,406
Accrued dividends on mezzanine equity			(2,115)	(28,819)				(30,934)
Accretion on mezzanine equity			(1,575)	(76,952)				(78,527)
Cash dividends paid on mezzanine equity				(20,477)				(20,477)
Conversion of mezzanine equity	394,215	2,864	713,232					1,110,311
Additional consideration in connection with conversion of mezzanine equity	52,710	282	95,472	(366,797)				(218,333)
1 for 8 reverse stock split		(3,489)	3,489					—
Conversion of D Stock to common stock	(165,027)	80	164,947					—
Employee benefit plans			15,738	(11,360)			12,609	16,987
Net unrealized gain on available−for−sale securities						183		183
Amortization of prior service cost for pension and postretirement benefits, net of tax						(370)		(370)
Amortization of unrealized losses on pension and postretirement benefits, net of tax						4,049		4,049
Valuation adjustment for pension and postretirement benefit plans, net of tax						(5,838)		(5,838)
Unrealized foreign currency translation adjustment, net of tax						(4,173)		(4,173)
December 31, 2011	$ 281,898	$ 623	$ 989,188	$(1,216,543)	$ —	$ (38,028)	$(127,336)	$ (110,198)

See Notes to Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business

MoneyGram International, Inc. and its wholly owned subsidiaries ("MoneyGram") offers products and services under its two reporting segments: Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfer services and bill payment services to consumers through a network of agents. The Financial Paper Products segment provides payment processing services, primarily official check outsourcing services, and money orders through financial institutions and agents. The Company's headquarters is located in Dallas, Texas, United States of America. References to "MoneyGram," the "Company," "we," "us" and "our" are to MoneyGram International, Inc. and its subsidiaries and consolidated entities.

2011 Recapitalization — Following shareholder approval on May 18, 2011, the Company completed its recapitalization transaction in accordance with the Recapitalization Agreement (the "Recapitalization Agreement"), dated as of March 7, 2011, as amended, by and among the Company, affiliates and co−investors of Thomas H. Lee Partners, L.P. ("THL") and affiliates of Goldman, Sachs & Co. ("Goldman Sachs," and collectively with THL, the "Investors"). Pursuant to the Recapitalization Agreement, (i) THL converted all of its shares of Series B Participating Convertible Preferred Stock, par value $0.01 per share (the "B Stock"), into 35.8 million shares of common stock and (ii) Goldman Sachs converted all of its shares of Series B−1 Participating Convertible Preferred Stock, par value $0.01 per share (the "B−1 Stock," and collectively with the B Stock, the "Series B Stock"), into 157,686 shares of Series D Participating Convertible Preferred Stock, par value $0.01 per share (the "D Stock"), and (iii) THL received 3.5 million additional shares of common stock and $140.8 million in cash, and Goldman Sachs received 15,503 additional shares of D Stock and $77.5 million in cash. Collectively, these transactions are referred to as the "2011 Recapitalization". Under the 2011 Recapitalization, the Investors received a cash dividend payment for amounts earned under the terms of the B and B−1 Stock for the period from March 26, 2011 through May 18, 2011. As a result of the 2011 Recapitalization, all amounts included in mezzanine equity were converted into components of stockholders' equity. During 2011, the Company recognized $5.4 million for transaction costs related to the 2011 Recapitalization, which are recorded in the "Other" line in the Consolidated Statements of Income.

Following is a summary of the transactional components of the 2011 Recapitalization and their corresponding impacts to Mezzanine Equity and the components of Stockholders' Deficit in the Consolidated Balance Sheets:

		Stockholders' Deficit				
(Amounts in thousands)	Mezzanine Equity	D Stock	Common Stock	Additional Paid−in Capital	Retained Loss	Total Activity
Conversion of B Stock to common stock	$ (716,096)	$ —	$ 2,864	$713,232	$ —	$ —
Conversion of B−1 Stock to D Stock	(394,215)	394,215	—	—	—	—
Accretion of unamortized mezzanine equity discounts	76,099	—	—	—	(76,099)	—
Additional stock consideration paid	—	52,710	282	95,472	(148,464)	—
Non−cash activity	(1,034,212)	446,925	3,146	808,704	(224,563)	—
Additional cash consideration paid	—	—	—	—	(218,333)	(218,333)
Cash dividends paid on mezzanine equity	—	—	—	—	(20,477)	(20,477)
Cash activity	—	—	—	—	(238,810)	(238,810)
Total 2011 Recapitalization impact to Mezzanine Equity and Stockholders' Deficit	$(1,034,212)	$446,925	$ 3,146	$808,704	$(463,373)	$(238,810)
Shares issued upon conversion	—	157,686	35,804,796			
Additional stock consideration paid	—	15,503	3,520,358			
Total new shares issued under the 2011 Recapitalization	—	173,189	39,325,154			

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Reverse Stock Split — On November 14, 2011, the Company filed a certificate of amendment to its Amended and Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a reverse stock split ratio of 1−for−8 and to decrease the number of authorized shares of common stock from 1,300,000,000 to 162,500,000. All share and per share amounts have been retroactively adjusted to reflect the stock split with the exception of the Company's treasury stock, which was not a part of the reverse stock split.

Secondary Offering — In November and December 2011, the Company completed a secondary offering (the "Secondary Offering") pursuant to which the Investors sold an aggregate of 10,237,524 shares in an underwritten offering. In connection with the Secondary Offering, 63,950 shares of D Stock were converted to 7,993,762 shares of common stock. The Company did not receive proceeds from the offering and incurred transaction costs totaling $1.0 million for the year ended December 31, 2011, which are recorded in the "Other" line in the Consolidated Statement of Income.

Participation Agreement between the Investors and Wal−Mart Stores, Inc. — As previously disclosed, the Investors have a Participation Agreement with Wal−Mart Stores, Inc. ("Wal−Mart"), under which the Investors are obligated to pay Wal−Mart certain percentages of any accumulated cash payments received by the Investors in excess of the Investors' original investment in the Company. While the Company is not a party to, and has no obligations to Wal−Mart or additional obligations to the Investors under, the Participation Agreement, the Company must recognize the Participation Agreement in its consolidated financial statements as the Company indirectly benefits from the agreement. A liability and the related expense associated with the Participation Agreement would be recognized by the Company in the period in which it becomes probable that a liquidity event will occur that would require the Investors to make a payment to Wal−Mart (a "liquidity event"). Upon payment by the Investors to Wal−Mart, the liability would be released through a credit to the Company's additional paid−in capital. The amount of the non−operating expense could be material to the Company's financial position or results of operations, but would have no impact on the Company's cash flows. As liquidity events are dependent on many external factors and uncertainties, the Company does not consider a liquidity event to be probable at this time, and has not recognized a liability or expense related to the Participation Agreement. The additional consideration paid to the Investors in connection with the 2011 Recapitalization did not result in a liquidity event as the amounts received by the Investors are less than their original investment in the Company.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation — The consolidated financial statements of MoneyGram are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The Consolidated Balance Sheets are unclassified due to the short−term nature of the settlement obligations, contrasted with the ability to invest cash awaiting settlement in long−term investment securities.

Principles of Consolidation — The consolidated financial statements include the accounts of MoneyGram International, Inc. and its subsidiaries. Intercompany profits, transactions and account balances have been eliminated in consolidation. The Company participates in various trust arrangements (special purpose entities or "SPEs") related to official check processing agreements with financial institutions and structured investments within the investment portfolio.

Working in cooperation with certain financial institutions, the Company historically established separate consolidated SPEs that provided these financial institutions with additional assurance of its ability to clear their official checks. The Company maintains control of the assets of the SPEs and receives all investment revenue generated by the assets. The Company remains liable to satisfy the obligations of the SPEs, both contractually and by operation of the Uniform Commercial Code, as issuer and drawer of the official checks. As the Company is the primary beneficiary and bears the primary burden of any losses, the SPEs are consolidated in the consolidated financial statements. The assets of the SPEs are recorded in the Consolidated Balance Sheets in a manner consistent with the assets of the Company based on the nature of the asset. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under "Payment service obligations." The investment revenue generated by the assets of the SPEs is allocated to the Financial Paper Products segment in the Consolidated Statements of Income (Loss). For the years ending December 31, 2011 and 2010, the Company's

SPEs had cash and cash equivalents of $46.8 million and $83.2 million, respectively, and payment service obligations of $41.9 million and $76.9 million, respectively.

In connection with the SPEs, the Company must maintain certain specified ratios of greater than 100 percent of segregated assets to outstanding payment instruments. These specified ratios require the Company to contribute additional assets if the fair value of the segregated assets is less than the outstanding payment instruments at any time. The segregated assets consist solely of cash and cash equivalents; therefore, the Company does not anticipate a need to contribute additional assets in the future to maintain the specified ratios as required by the SPEs. Under certain limited circumstances, the related financial institution customers have the right to either demand liquidation of the segregated assets or to replace the Company as the administrator of the SPE. Such limited circumstances consist of material (and in most cases continued) failure of MoneyGram to uphold its warranties and obligations pursuant to its underlying agreements with the financial institution customers.

Certain structured investments owned by the Company represent beneficial interests in grantor trusts or other similar entities. These trusts typically contain an investment grade security, generally a United States Treasury strip, and an investment in the residual interest in a collateralized debt obligation, or in some cases, a limited partnership interest. For certain of these trusts, the Company owns a percentage of the beneficial interests which results in the Company absorbing a majority of the expected losses. Therefore, the Company consolidates these trusts by recording and accounting for the assets of the trust separately in the consolidated financial statements.

Management Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Substantially Restricted — The Company’s licensed entity MPSI is regulated by various U.S. state agencies that generally require the Company to maintain a pool of assets with an investment rating of A or higher (“permissible investments”) in an amount equal to the payment service obligations, as defined by each state, for those regulated payment instruments, namely teller checks, agent checks, money orders and money transfers. The regulatory payment service assets measure varies by state, but in all cases excludes investments rated below A−. The most restrictive states may also exclude assets held at banks that do not belong to a national insurance program, varying amounts of accounts receivable balances and/or assets held in one of the SPEs. The regulatory payment service obligations measure varies by state, but in all cases is substantially lower than the Company’s payment service obligations as disclosed in the Consolidated Balance Sheets as the Company is not regulated by state agencies for payment service obligations resulting from outstanding cashier’s checks or for amounts payable to agents and brokers.

In connection with its second lien notes, one clearing bank agreement and the SPEs, the Company also has certain financial covenants that require it to maintain pre−defined ratios of certain assets to payment service obligations. The financial covenants under the credit facilities are described in Note 9 — *Debt.* One clearing bank agreement has financial covenants that include the maintenance of total cash, cash equivalents, receivables and investments in an amount at least equal to payment service obligations, as disclosed in the Consolidated Balance Sheets, as well as the maintenance of a minimum 103 percent ratio of total assets held at that bank to instruments estimated to clear through that bank. Financial covenants related to the SPEs include the maintenance of specified ratios of cash, cash equivalents and investments held in the SPE to the outstanding payment instruments issued by the related financial institution customer.

The regulatory and contractual requirements do not require the Company to specify individual assets held to meet its payment service obligations, nor is the Company required to deposit specific assets into a trust, escrow or other special account. Rather, the Company must maintain a pool of liquid assets sufficient to comply with the requirements. No third party places limitations, legal or otherwise, on the Company regarding the use of its individual liquid assets. The Company is able to withdraw, deposit or sell its individual liquid assets at will, with no prior notice or penalty, provided the Company maintains a total pool of liquid assets sufficient to meet the regulatory and contractual requirements.

The Company is not regulated by state agencies for payment service obligations resulting from outstanding cashier’s checks; however, the Company restricts a portion of the funds related to these payment instruments due to contractual arrangements and Company policy. Assets restricted for regulatory or contractual reasons are not available to satisfy working capital or other financing requirements. Consequently, the Company considers a significant amount of cash and cash equivalents, receivables and investments to be restricted to satisfy the liability to pay the principal amount of regulated payment service obligations upon presentment. Cash and cash equivalents, receivables and investments exceeding payment service obligations are generally available; however, management considers a portion of these amounts as providing additional assurance that business needs and regulatory requirements are maintained during the normal fluctuations in the value of the Company's payment service assets and obligations. The following table shows the amount of assets in excess of payment service obligations at December 31:

(Amounts in thousands)	2011	2010
Cash and cash equivalents (substantially restricted)	$ 2,572,174	$ 2,865,941
Receivables, net (substantially restricted)	1,220,065	982,319
Short−term investments (substantially restricted)	522,024	405,769
Available−for−sale investments (substantially restricted)	102,771	160,936
	4,417,034	4,414,965
Payment service obligations	(4,205,375)	(4,184,736)
Assets in excess of payment service obligations	$ 211,659	$ 230,229

Regulatory requirements also require MPSI to maintain positive net worth, with one state requiring that MPSI maintain positive tangible net worth. In its most restrictive state, the Company had excess permissible investments of $445.7 million over the state's payment service obligations measure at December 31, 2011, with substantially higher excess permissible investments for most other states. The Company was in compliance with its contractual and financial regulatory requirements as of December 31, 2011.

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

Receivables, net (substantially restricted) — The Company has receivables due from financial institutions and agents for payment instruments sold and amounts advanced by the Company to certain agents for operational and local regulatory compliance purposes. These receivables are outstanding from the day of the sale of the payment instrument until the financial institution or agent remits the funds to the Company. The Company provides an allowance for the portion of the receivable estimated to become uncollectible as determined based on known delinquent accounts and historical trends. Receivables are generally considered past due one day after the contractual remittance schedule, which is typically one to three days after the sale of the underlying payment instrument. Receivables are evaluated for collectability by examining the facts and circumstances surrounding each customer where an account is delinquent and a loss is deemed possible. Receivables are generally written off against the allowance one year after becoming past due. Following is a summary of activity within the allowance for losses:

(Amounts in thousands)	2011	2010	2009
Beginning balance	$ 19,971	$ 24,535	$ 16,178
Charged to expense	6,571	6,404	21,432
Write−offs, net of recoveries	(16,038)	(10,968)	(13,075)
Ending balance	$ 10,504	$ 19,971	$ 24,535

Investments (substantially restricted) — The Company classifies securities as short−term, trading, or available−for−sale in its Consolidated Balance Sheets. The Company has no securities classified as held−to−maturity. Time deposits and certificates of deposits with original maturities of greater than three months are classified as short−term investments and recorded at amortized cost. Securities that are bought and held principally for the purpose of resale in the near term are classified as trading securities. The Company records trading securities at fair value, with gains or losses reported in the Consolidated Statements of Income (Loss). Securities held for indefinite periods of time, including any securities that may be sold to assist in the clearing of payment service obligations or in the management of the investment portfolio, are classified as available−for−sale securities. These securities are recorded at fair value, with the net after−tax unrealized gain or loss recorded as a separate component of stockholders' deficit. Realized gains and losses and other−than−temporary impairments are recorded in the Consolidated Statements of Income (Loss).

Interest income on "Residential mortgage−backed securities" for which risk of credit loss is deemed remote is recorded utilizing the level yield method. Changes in estimated cash flows, both positive and negative, are accounted for with retrospective changes to the carrying value of investments in order to maintain a level yield over the life of the investment. Interest income on mortgage−backed securities for which risk of credit loss is not deemed remote is recorded under the prospective method as adjustments of yield.

The Company applies the cost recovery method of accounting for interest to its investments categorized as "Other asset−backed securities." The cost recovery method accounts for interest on a cash basis and treats any interest payments received as deemed recoveries of principal, reducing the book value of the related security. When the book value of the related security is reduced to zero, interest payments are then recognized as income upon receipt. The Company applies the cost recovery method of accounting as it believes it is probable that the Company will not recover all, or substantially all, of its principal investment and interest for its "Other asset−backed securities" given the sustained deterioration in the investment and securities market, the collapse of many asset−backed securities and the low levels to which the securities have been written down.

Securities with gross unrealized losses at the balance sheet date are subject to a process for identifying other−than−temporary impairments. Securities that the Company deems to be other−than−temporarily impaired are written down to fair value in the period the impairment occurs. The assessment of whether such impairment has occurred is based on management's evaluation of the underlying reasons for the decline in fair value on an individual security basis. The Company considers a wide range of factors about the security and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and the prospects for recovery. The Company considers an investment to be other−than−temporarily impaired when it is deemed probable that the Company will not receive all of the cash flows contractually stipulated for the investment. The Company evaluates mortgage−backed and other asset−backed investments rated A and below for which risk of credit loss is deemed more than remote for impairment. When an adverse change in expected cash flows occurs, and if the fair value of a security is less than its carrying value, the investment is written down to fair value through a permanent reduction to its amortized cost. Securities gains and losses are recognized upon the sale, call or maturity of securities using the specific identification method to determine the cost basis of securities sold. Unrealized gains and losses resulting from changes in the fair value of trading investments and put options related to trading investments are recognized in the period in which the change occurs. Any impairment charges and other securities gains and losses are included in the Consolidated Statements of Income (Loss) under "Net securities (gains) losses."

Payment Service Obligations — Payment service obligations primarily consist of: outstanding payment instruments; amounts owed to financial institutions for funds paid to the Company to cover clearings of official check payment instruments, remittances and clearing adjustments; amounts owed to agents for funds paid to consumers on behalf of the Company; commissions owed to financial institution customers and agents for instruments sold; amounts owed to investment brokers for purchased securities; and unclaimed instruments owed to various states. These obligations are recognized by the Company at the time the underlying transactions occur.

Fair Value of Financial Instruments — Financial instruments consist of cash and cash equivalents, investments, derivatives, deferred compensation and debt. The carrying values of cash and cash equivalents and short−term investments approximate fair value due to the short−term nature of these instruments. The carrying value of debt is stated at amortized cost, and for disclosure purposes the fair value is estimated. See Note 4 — *Financial Instruments and Fair Value Measurement* for information regarding the principles and processes used to estimate the fair value of financial instruments.

Derivative Financial Instruments — The Company recognizes derivative instruments in the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the Company recognizes the change in fair value in earnings in the period of change, together with the offsetting change in the hedged item.

Cash flows resulting from derivative financial instruments are classified in the same category as the cash flows from the items being hedged. The Company does not use derivative instruments for trading or speculative purposes.

Property and Equipment — Property and equipment includes agent equipment, communication equipment, computer hardware, computer software, leasehold improvements, office furniture and equipment, land and signs, and is stated at cost net of accumulated depreciation. Property and equipment, with the exception of land, is depreciated using a straight−line method over the useful life or term of the lease or license. Land is not depreciated. The cost and related accumulated depreciation of assets sold or disposed of are removed from the financial statements, with the resulting gain or loss, if any, recognized under the caption “Occupancy, equipment and supplies” in the Consolidated Statements of Income (Loss). Estimated useful lives by major asset category are generally as follows:

Agent equipment	3 years
Communication equipment	5 years
Computer hardware	3 years
Computer software	5−7 years
Leasehold improvements	10 years
Office furniture and equipment	7 years
Signage	3 years

For the years ended December 31, 2011 and 2010, software development costs of $9.4 million and $14.2 million, respectively, were capitalized. At December 31, 2011 and 2010, there was $39.3 million and $40.9 million of unamortized software development costs included in property and equipment.

Tenant allowances for leasehold improvements are capitalized as leasehold improvements upon completion of the improvement and depreciated over the shorter of the remaining term of the lease or 10 years.

Goodwill and Intangible Assets — Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate. Intangible assets are recorded at their estimated fair value at the date of acquisition or at cost if internally developed. Goodwill and intangible assets with indefinite lives are not amortized, but are instead subject to impairment testing. Intangible assets with finite lives are amortized using a straight−line method over their respective useful lives as follows:

Customer lists	4−15 years
Patents	15 years
Non−compete agreements	3 years
Trademarks	36−40 years
Developed technology	5 years

Goodwill and intangible assets are tested for impairment annually as of November 30, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment using a fair−value based approach, and is assessed at the reporting unit level. The carrying value of the reporting unit is compared to its estimated fair value, with any excess of carrying value over fair value deemed to be an indicator of potential impairment, in which case a second step is performed comparing the recorded amount of goodwill to its implied fair value. Intangible assets with finite lives and other long−lived assets are tested for impairment by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for goodwill and intangible assets, the carrying value of the asset is reduced to the estimated fair value.

Payments on Long−Term Contracts — The Company makes payments to certain agents and financial institution customers as an incentive to enter into long−term contracts. The payments, or signing bonuses, are generally required to be refunded pro rata in the event of nonperformance under, or cancellation of, the contract by the customer. For contracts requiring payments to be refunded, the signing bonuses are capitalized and amortized over the life of the related contract as such costs are recoverable through future operations or, in the case of early termination, through penalties or refunds. Amortization of signing bonuses on long−term contracts is recorded in "Fee and other commissions expense" in the Consolidated Statements of Income (Loss). The carrying values of the signing bonuses are reviewed annually or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Signing bonuses for contracts that do not require a refund in the event of nonperformance or cancellation are expensed upon payment in "Fee and other commissions expense" in the Consolidated Statements of Income (Loss).

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

The liability for unrecognized tax benefits is recorded as a non−cash item in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. The Company records interest and penalties for unrecognized tax benefits in "Income tax (benefit) expense" in the Consolidated Statements of Income (Loss). See Note 14 — *Income Taxes* for further discussion.

Treasury Stock — Repurchased common stock is stated at cost and is presented as a separate component of stockholders' deficit. See Note 12 — *Stockholders' Deficit* for further discussion.

Foreign Currency Translation — The Company converts assets and liabilities of foreign operations to their U.S. dollar equivalents at rates in effect at the balance sheet dates, recording the translation adjustments in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets. Income statements of foreign operations are translated from the operation's functional currency to U.S. dollar equivalents at the average exchange rate for the month. Foreign currency exchange transaction gains and losses are reported in "Transaction and operations support" in the Consolidated Statements of Income (Loss).

Revenue Recognition — The Company derives revenue primarily through service fees charged to consumers and its investing activity. A description of these revenues and recognition policies is as follows:

- Fee and other revenue consists of transaction fees, service revenue, foreign exchange revenue and other revenue.
  - Transaction fees consist primarily of fees earned on money transfer, money order, bill payment and official check transactions. The money transfer transaction fees vary based on the principal value of the transaction and the locations in which these money transfers originate and to which they are sent. The money order and bill payment transaction fees are fixed fees charged on a per item basis. Transaction fees are recognized at the time of the transaction or sale of the product.
  - Service revenue primarily consists of service charges on aged outstanding money orders and money order dispenser fees.
  - Foreign exchange revenue is derived from the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. Foreign exchange revenue is recognized at the time the exchange in funds occurs.

- Investment revenue is derived from the investment of funds generated from the sale of payment instruments, primarily official checks and money orders, and consists of interest income, dividend income and amortization of premiums and discounts.

Fee and Other Commissions Expense — The Company pays fee commissions to third−party agents for money transfer and bill payment products. In a money transfer transaction, both the agent initiating the transaction and the agent disbursing the funds receive a commission that is generally based on a percentage of the fee charged to the customer. The Company generally does not pay commissions to agents on the sale of money orders. Fee commissions are recognized at the time of the transaction. Other commissions expense includes the amortization of capitalized signing bonus payments.

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

Marketing and Advertising Expense — Marketing and advertising costs are expensed as incurred or at the time the advertising first takes place and are recorded in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss). Marketing and advertising expense was $57.5 million, $47.1 million and $40.2 million for 2011, 2010 and 2009, respectively.

Stock−Based Compensation — All stock−based compensation awards are measured at fair value at the date of grant and expensed over their vesting or service periods. Expense, net of estimated forfeitures, is recognized using the straight−line method. See Note 13 — *Stock−Based Compensation* for further discussion of the Company's stock−based compensation.

Restructuring and Reorganization Expenses — Restructuring and reorganization expenses may consist of direct and incremental costs associated with restructuring and related activities, including severance; outplacement and other employee related benefits; facility closures, cease−use or related charges; asset impairments or accelerated depreciation; and other expenses related to relocation of various operations to existing or new Company facilities and third−party providers, including hiring, training, relocation, travel and professional fees. The Company records severance−related expenses once they are both probable and estimable related to severance provided under an on−going benefit arrangement. One−time, involuntary benefit arrangements and other exit costs are generally recognized when the liability is incurred. The Company evaluates impairment issues associated with restructuring activities when the carrying amount of the assets may not be fully recoverable, and also reviews the appropriateness of the remaining useful lives of impacted fixed assets.

In connection with restructuring and related activities during 2011 and 2010, the Company recorded total expenses of $23.5 million and $5.9 million, respectively. Restructuring activities consisted of severance costs recorded in the "Compensation and benefits" line, general restructuring costs recorded in the "Transaction and operations support" line and facilities and certain related asset write−off charges recorded in the "Occupancy, equipment and supplies" line in the operating expense section of the Consolidated Statements of Income. During 2011, the Company recognized an impairment charge of $2.3 million for restructuring−related efforts to dispose of land held for non−operating purposes. The impairment charge was recorded in the "Other" line of the Consolidated Statements of Income. Restructuring costs recorded consist of the following:

(Amounts in thousands)	2011	2010	2009
Restructuring costs in operating expenses:			
Compensation and benefits	$ 4,696	$2,970	$ —
Transaction and operations support	13,707	1,303	—
Occupancy, equipment and supplies	2,694	1,580	—
Restructuring costs in non−operating expenses:			
Other	2,373	—	—
Total restructuring costs	$23,470	$5,853	$ —

Other Expenses — Other expenses are recorded in a separate section below operating income and include items based on management's assessment of their nature as non−operating. Included in other expenses and reported separately are securities (gains) losses, interest expense and debt extinguishment costs. Following is a summary of other costs:

(Amounts in thousands)	2011	2010	2009
Capital transaction costs	$ 6,446	$ —	$ —
Disposal loss from asset dispositions	972	—	—
Impairment loss from asset dispositions	4,458	—	—
Gain on forward foreign currency contracts	—	—	(2,401)
Total other	$11,876	$ —	$(2,401)

Earnings Per Share — The Company utilizes the two−class method for computing basic earnings per common share, which reflects the amount of undistributed earnings allocated to the common stockholders using the participation percentage of each class of stock. Undistributed earnings is determined as the Company's net income less dividends declared, accumulated, deemed or paid on preferred stock. Deemed dividends include preferred stock accretion and the additional consideration paid in connection with the 2011 Recapitalization. The undistributed earnings allocated to the common stockholders are divided by the weighted−average number of common shares outstanding during the period to compute basic earnings per common share. For 2011, the D Stock is included in the weighted−average number of common shares outstanding using the if−converted method as the D Stock is deemed a common stock equivalent. Diluted earnings per common share reflects the potential dilution that could result if securities or incremental shares arising out of the Company's stock−based compensation plans and the outstanding shares of Series B Stock were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method and the conversion of the Series B Stock using the if−converted method. Non−vested performance based awards are included in diluted shares outstanding if the performance condition is met at the end of the reporting period.

For the calculation of earnings per share for discrete periods after June 30, 2011, the Company will no longer apply the two−class method of calculating basic earnings per share as the Series B Stock is no longer outstanding and the D Stock is deemed a common stock equivalent.

Potential common shares are excluded from the computation of diluted earnings per common share when the effect would be anti−dilutive. All potential common shares are anti−dilutive in periods of net loss available to common stockholders. Stock options are anti−dilutive when the exercise price of these instruments is greater than the average market price of the Company's common stock for the period. The Series B Stock is anti−dilutive when the incremental earnings per share of Series B Stock on an if−converted basis is greater than the basic earnings per common share. Following are the weighted−average potential common shares excluded from diluted loss per common share as their effect is anti−dilutive or their performance conditions are not met:

(Amounts in thousands)	2011	2010	2009
Shares related to stock options	5,162	4,665	2,705
Shares related to restricted stock and stock units	62	—	4
Shares related to preferred stock	20,989	53,969	47,719
Shares excluded from the computation	26,213	58,634	50,428

Recent Accounting Pronouncements and Related Developments — In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011−04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS,* ("ASU 2011−04"). ASU 2011−04 amends Accounting Standards Codification ("ASC") 820, *Fair Value Measurements,* ("ASC 820"), providing a consistent definition and measurement of fair value, as well as similar disclosure requirements between U.S. GAAP and International Financial Reporting Standards. ASU 2011−04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement and expands the ASC 820 disclosure requirements, particularly for Level 3 fair value measurements. ASU 2011−04 will be effective for the Company's interim and annual periods beginning after December 15, 2011, with early adoption prohibited. The Company is currently evaluating the adoption of ASU 2011−04, but does not expect it to have a material effect on the Company's Consolidated Financial Statements, although additional disclosures may be required.

In June 2011, the FASB issued ASU No. 2011−05, *Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income,* ("ASU 2011−05") to amend financial statement presentation guidance for other comprehensive income ("OCI"). Under ASU 2011−05, the statement of income and OCI can be presented either as a continuous statement or in two separate consecutive statements. As such, the option to present the components of other comprehensive income as part of the statement of stockholders' equity is eliminated. The amendments in ASU 2011−05 do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011−05 will be effective for the Company as of January 1, 2012. The Company is currently evaluating the impact of this standard on the presentation of its Consolidated Financial Statements.

In September 2011, the FASB issued ASU No. 2011−08, *Testing Goodwill for Impairment* ("ASU 2011−08"). ASU 2011−08 provides entities an option of assessing qualitative factors when testing goodwill for impairment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If an entity determines that the fair value of a reporting unit is more likely than not less than its carrying value, then performing the two step impairment test is required after performing a qualitative assessment. Otherwise, the two step impairment test is not necessary. ASU 2011−08 is effective for the Company as of January 1, 2012, with early adoption permitted. The Company is currently evaluating the impact of this standard on its annual goodwill impairment test, but does not expect any impact to the Company's Consolidated Financial Statements.

Note 3 — Acquisitions and Disposals

PropertyBridge — After evaluating the Company's market opportunity for certain of its electronic payment services, the Company received approval from its Board of Directors and began to actively pursue the sale of certain assets of PropertyBridge, Inc. ("PropertyBridge") in 2011. In connection with this decision, the Company recorded an impairment charge of $2.3 million. In October 2011, certain assets and liabilities associated with PropertyBridge were sold, resulting in a loss on disposal of $0.3 million. The impairment charge and loss on disposal are recorded in the "Other" line in the Consolidated Statements of Income (Loss). A tax benefit of $9.7 million was recorded in the income tax (benefit) expense line of the Consolidated Statements of Income (loss) upon disposition of the remaining assets.

The assets, liabilities and loss on disposal related to the PropertyBridge transaction are immaterial to the Consolidated Balance Sheets as of December 31, 2011 and the Consolidated Statements of Income (Loss) for the year ended December 31, 2011.

Blue Dolphin Financial Services N.V. — On February 5, 2010, the Company acquired Blue Dolphin Financial Services N.V. ("Blue Dolphin"), a former super−agent in Belgium and the Netherlands, for a purchase price of $1.4 million, including cash acquired of $1.1 million, and an earn−out potential of up to $1.4 million. The acquisition of Blue Dolphin provided the Company with the opportunity for further network expansion in the Netherlands and Belgium under the European Union Payment Services Directive and additional control over sales and marketing activities.

The Company finalized its purchase price allocation in 2010, resulting in $3.1 million of goodwill assigned to the Company's Global Funds Transfer segment, and the forgiveness of $2.7 million of liabilities. The final earn−out was calculated as of December 31, 2010 in the amount of $0.8 million. As a result, the Company recorded a gain of $0.2 million in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss). The Company also incurred $0.1 million of transaction costs related to the acquisition in 2010, which are included in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss).

The operating results of Blue Dolphin subsequent to the acquisition date are included in the Company's Consolidated Statements of Income (Loss). The financial impact of the acquisition is not material to the Consolidated Balance Sheets or Consolidated Statements of Income (Loss).

R. Raphaels & Sons PLC — On February 2, 2009, the Company acquired the French assets of R. Raphaels & Sons PLC ("Raphaels Bank") for a purchase price of $3.2 million. The acquisition of Raphaels Bank provided the Company with five money transfer stores in and around Paris, France that have been integrated into its French retail operations.

The Company finalized its purchase price allocation in 2010, resulting in $2.0 million of goodwill assigned to the Company's Global Funds Transfer segment. The Company incurred $0.2 million of transaction costs related to this acquisition in 2008 which are included in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss). The operating results of Raphaels Bank subsequent to the acquisition date are included in the Company's Consolidated Statements of Income (Loss). The financial impact of the acquisition is not material to the Consolidated Balance Sheets or Consolidated Statements of Income (Loss).

FSMC, Inc. — On May 15, 2009, the Company's subsidiary FSMC, Inc. ("FSMC"), entered into an agreement with Solutran, Inc. to sell certain assets and rights for a price of $4.5 million. As a result of the sale, which was completed in the third quarter of 2009, the Company recorded an impairment charge of $0.6 million to write off goodwill associated with FSMC. This impairment charge is recorded in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss). The operating results of FSMC are not material to the Company's Consolidated Statements of Income (Loss) and the assets and liabilities are not material to the Company's Consolidated Balance Sheets. FSMC is included in the Company's "Other" results for segment reporting purposes.

ACH Commerce — After evaluating the Company's market opportunity for certain of its electronic payment services, the Company announced a decision in December 2008 to exit the ACH Commerce business. In connection with this decision, the Company recognized an impairment charge of $8.8 million to write off the goodwill associated with ACH Commerce. In the third quarter of 2009, the Company recorded an impairment charge of $1.4 million for its proprietary software related to ACH Commerce. The impairment charge was recorded in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss). ACH Commerce is not material to the Consolidated Statements of Income (Loss) or the Consolidated Balance Sheets. ACH Commerce is included in the Company's "Other" results for segment reporting purposes.

Other Disposals — During 2010, the Company completed the sale of its corporate airplane with net proceeds of $7.5 million. Upon completion of the sale in the third quarter of 2010 the Company recorded an impairment charge of $1.5 million. In 2009, in connection with this decision to sell the airplane, the Company recognized a $7.0 million impairment charge. Impairment charges are recorded in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss).

Note 4 — Fair Value Measurement

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

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

- *Available−for−sale Investments* — For U.S. government agencies and residential mortgage−backed securities collateralized by U.S. government agency securities, fair value measures are generally obtained from independent sources, including a pricing service. Because market quotes are generally not readily available or accessible for these specific securities, the pricing service generally measures fair value through the use of pricing models and observable inputs for similar assets and market data. Accordingly, these securities are classified as Level 2 financial instruments. The Company periodically corroborates the valuations provided by the pricing service through internal valuations utilizing externally developed cash flow models, comparison to actual transaction prices for any sold securities and any broker quotes received on the same security.

For other asset−backed securities, investments in limited partnerships and trading investments, market quotes are generally not available. If available, the Company will utilize a fair value measurement from a pricing service. The pricing service utilizes a pricing model based on market observable data and indices, such as quotes for comparable securities, yield curves, default indices, interest rates and historical prepayment speeds. If a fair value measurement is not available from the pricing service, the Company will utilize a broker quote if available. Due to a general lack of transparency in the process that the brokers use to develop prices, most valuations that are based on brokers' quotes are classified as Level 3. If no broker quote is available, or if such quote cannot be corroborated by market data or internal valuations, the Company will perform internal valuations utilizing externally developed cash flow models. These pricing models are based on market observable spreads and, when available, observable market indices. The pricing models also use inputs such as the rate of future prepayments and expected default rates on the principal, which are derived by the Company based on the characteristics of the underlying structure and historical prepayment speeds experienced at the interest rate levels projected for the underlying collateral. The pricing models for certain asset−backed securities also include significant non−observable inputs such as internally assessed credit ratings for non−rated securities, combined with externally provided credit spreads. Observability of market inputs to the valuation models used for pricing certain of the Company's investments deteriorated with the disruption to the credit markets as overall liquidity and trading activity in these sectors has been substantially reduced. Accordingly, securities valued using a pricing model have consistently been classified as Level 3 financial instruments.

- *Derivative Financial Instruments* — Derivatives consist of forward contracts to hedge income statement exposure to foreign currency exchange risk arising from the Company's assets and liabilities denominated in foreign currencies. The Company's forward contracts are well−established products, allowing the use of standardized models with market−based inputs. These models do not contain a high level of subjectivity and the inputs are readily observable. Accordingly, the Company has classified its forward contracts as Level 2 financial instruments. See Note 6 — *Derivative Financial Instruments* for more information on the forward contracts.

- *Other Financial Instruments* — Other financial instruments consisted of put options related to trading investments. The fair value of the put options related to trading investments were estimated using the expected cash flows from the instruments through their assumed exercise date. These cash flows were discounted at a rate corroborated by market data for a financial institution comparable to the put option counter−party, as well as the Company's interest rate on its debt. The discounted cash flows of the put options were then reduced by the estimated fair value of the related trading investments. Given the subjectivity of the discount rate and the estimated fair value of the trading investments, the Company classified its put options related to trading investments as Level 3 financial instruments. The fair value of the put options is remeasured each period, with the change in fair value recognized in the Consolidated Statements of Income.

- *Deferred compensation* — The assets associated with the deferred compensation plan which are funded through voluntary contributions by the Company consist of investments in mutual funds. These investments were classified as Level 1 as there are quoted market prices for these funds.

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Following are the Company's financial assets and liabilities measured at fair value by hierarchy level as of December 31:

(Amounts in thousands)	Balance at December 31, 2011	Fair Value at December 31, 2011 Level 1	Level 2	Level 3	Total
Financial assets:					
Available−for−sale investments (substantially restricted):					
United States government agencies	$ 8,827	$ —	$ 8,827	$ —	$ 8,827
Residential mortgage−backed securities — agencies	69,712	—	69,712	—	69,712
Other asset−backed securities	24,232	—	—	24,232	24,232
Investment related to deferred compensation trust	8,118	8,118	—	—	8,118
Forward contracts	399	—	399	—	399
Total financial assets	$ 111,288	$8,118	$78,938	$24,232	$111,288
Financial liabilities:					
Forward contracts	$ 46	$ —	$ 46	$ —	$ 46

(Amounts in thousands)	Balance at December 31, 2010	Fair Value at December 31, 2010 Level 1	Level 2	Level 3	Total
Available−for−sale investments (substantially restricted):					
United States government agencies	$ 8,641	$ —	$ 8,641	$ —	$ 8,641
Residential mortgage−backed securities — agencies	128,585	—	128,585	—	128,585
Other asset−backed securities	23,710	—	—	23,710	23,710
Investment related to deferred compensation trust	10,693	10,693	—	—	10,693
Forward contracts	1,117	—	1,117	—	1,117
Total financial assets	$ 172,746	$10,693	$138,343	$23,710	$172,746
Financial liabilities:					
Forward contracts	$ 535	$ —	$ 535	$ —	$ 535

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The table below provides a roll−forward of the financial assets classified in Level 3 which are measured at fair value on a recurring basis for the years ended December 31:

	2011		2010		
(Amounts in thousands)	Other Asset−Backed Securities	Total Level 3 Financial Assets	Trading Investments and Related Put Options	Other Asset−Backed Securities	Total Level 3 Financial Assets
Beginning balance	$ 23,710	$23,710	$ 26,951	$ 22,088	$ 49,039
Realized gains	—	—	2,449	—	2,449
Realized losses	—	—	—	—	—
Principal paydowns	(657)	(657)	(29,400)	(3,711)	(33,111)
Other−than−temporary impairments	(4)	(4)	—	(334)	(334)
Unrealized gains — instruments still held at the reporting date	10,047	10,047	—	7,632	7,632
Unrealized losses — instruments still held at the reporting date	(8,864)	(8,864)	—	(1,965)	(1,965)
Ending balance	$ 24,232	$24,232	$ —	$ 23,710	$ 23,710

Realized gains and losses and other−than−temporary impairments related to these available−for−sale investment securities are reported in the “Net securities (gains) losses” line in the Consolidated Statements of Income (Loss) while unrealized gains and losses related to available−for−sale securities are recorded in accumulated other comprehensive loss in stockholders’ deficit.

b) Assets and liabilities that are disclosed at fair value

Debt is carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The fair value of debt is estimated using market quotations, where available, credit ratings, observable market indices and other market data. As of December 31, 2011, the fair value of the senior secured facility is $479.8 million compared to the carrying value of $489.6 million. As of December 31, 2011 the fair value of the Company’s second lien notes is estimated at $335.6 million compared to a carrying value of $325.0 million. As of December 31, 2010, the fair value of Tranche A and Tranche B under the Company’s senior facility is estimated at $95.3 million and $40.0 million, respectively, compared to carrying values of $100.0 million and $39.9 million, respectively.

c) Assets and liabilities measured at fair value on a non−recurring basis

Assets and liabilities measured at fair value on a non−recurring basis relate primarily to the Company’s tangible fixed assets, goodwill and other intangible assets which are re−measured only in the event of an impairment. The following table represents non−recurring fair value for those assets remeasured to fair value during the year ended December 31, 2011 and 2010:

(Amounts in thousands)	Impairments	Remaining Net Carrying Value December 31, 2011	Impairments	Remaining Net Carrying Value December 31, 2010
Land	$ 2,356	$ 410	$ —	$ —
Customer Lists	2,038	486	414	3,235
Aircraft	—	—	1,500	—
Capitalized software	677	—	—	—
Total	$ 5,071	$ 896	$ 1,914	$ 3,235

Fair value re−measurements are normally based on significant unobservable inputs (Level 3). Tangible and intangible fixed asset fair values are normally derived using a discounted cash flow model based on expected future cash flows discounted using a weighted−average cost of capital rate. When it is determined an impairment loss has occurred, the carrying value of the asset is reduced to fair value with a corresponding charge to the Consolidated Statements of Income (Loss).

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d) Other Fair Value Measurements

The Company also records the investments in its defined benefit pension plan trust at fair value. The majority of the plan's investments are interest−bearing cash or common collective trusts issued and held by the plan's trustee. The fair values of plan investments held by the trustee of the plan are determined by the trustee based on the current market values of the underlying assets. In instances where market prices are not available, market values are determined by using bid quotations obtained from major market makers or security exchanges or bid quotations for identical or similar obligations. See Note 10 — *Pension and Other Benefits* for further description of investments held by the plan.

Note 5 — Investment Portfolio

The Company's portfolio is invested in cash and cash equivalents, short−term investments, trading investments and available−for−sale investments, all of which are substantially restricted as described in Note 2 — *Summary of Significant Accounting Policies*. Components of the Company's investment portfolio as of December 31, are as follows:

(Amounts in thousands)	**2011**	**2010**
Cash	$2,016,451	$1,042,381
Money markets	555,659	1,818,138
Deposits	64	5,422
Cash and cash equivalents (substantially restricted)	2,572,174	2,865,941
Short−term investments (substantially restricted)	522,024	405,769
Available−for−sale investments (substantially restricted)	102,771	160,936
Total investment portfolio	$3,196,969	$3,432,646

Cash and Cash Equivalents (substantially restricted) — Cash and cash equivalents consist of cash, money−market securities and time deposits. Cash primarily consists of interest−bearing deposit accounts and non−interest bearing transaction accounts. The Company's money−market securities are invested in six funds, all of which are AAA rated and consist of United States Treasury bills, notes or other obligations issued or guaranteed by the U.S. government and its agencies, as well as repurchase agreements secured by such instruments. Deposits consist of time deposits with original maturities of three months or less, and are with financial institutions rated BBB as of the date of this filing.

Short−Term Investments (substantially restricted) — Short−term investments consist of time deposits and certificates of deposit with original maturities of greater than three months but no more than thirteen months, and are issued from financial institutions rated AA− as of the date of this filing.

Available−for−sale Investments (substantially restricted) — Available−for−sale investments consist of mortgage−backed securities, asset−backed securities and agency debenture securities. After other−than−temporary impairment charges, the amortized cost and fair value of available−for−sale investments are as follows at December 31:

	2011				
(Amounts in thousands, except net average price)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Net Average Price
Residential mortgage−backed securities−agencies	$ 65,211	$ 4,501	$ —	$ 69,712	$107.63
Other asset−backed securities	8,951	15,281	—	24,232	5.49
United States government agencies	7,723	1,104	—	8,827	98.08
Total	$ 81,885	$ 20,886	$ —	$102,771	$ 21.83

	2010				
(Amounts in thousands, except net average price)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Net Average Price
Residential mortgage−backed securities−agencies	$121,677	$ 7,001	$ (93)	$128,585	$106.37
Other asset−backed securities	10,690	13,020	—	23,710	4.68
United States government agencies	7,273	1,368	—	8,641	96.01
Total	$139,640	$ 21,389	$ (93)	$160,936	$ 25.27

At December 31, 2011 and 2010, approximately 76 percent and 85 percent, respectively, of the available−for−sale portfolio is invested in debentures of U.S. government agencies or securities collateralized by U.S. government agency debentures. These securities have always had the implicit backing of the U.S. government and the Company expects to receive full par value upon maturity or pay−down, as well as all interest payments. Included in other asset−backed securities are collaterized debt obligations backed primarily by high−grade debt, mezzanine equity tranches of collateralized debt obligations and home equity loans, along with private equity investments. The Other asset−backed securities continue to have market exposure. The Company has factored this risk into its fair value estimates, with the average price of an asset−backed security at $0.05 per dollar of par at December 31, 2011.

Gains and Losses and Other−Than−Temporary Impairments — At December 31, 2011 and 2010, net unrealized gains of $21.5 million and $21.3 million, respectively, are included in the Consolidated Balance Sheets in “Accumulated other comprehensive loss.” During 2011, 2010 and 2009, net losses of less than $0.1 million, $0.3 million and $4.1 million, respectively, were reclassified from “Accumulated other comprehensive loss” to “Net securities (gains) losses” in connection with other−than−temporary impairments and realized gains and losses recognized during the year. “Net securities (gains) losses” were as follows for the year ended December 31:

(Amounts in thousands)	2011	2010	2009
Realized gains from available−for−sale investments	$(32,820)	$ —	$ —
Realized losses from available−for−sale investments	—	—	2
Other−than−temporary impairments from available−for−sale investments	4	334	4,069
Valuation gains on trading investments and related put options	—	—	(4,304)
Realized gains from trading investments and related put options	—	(2,449)	(7,557)
Net securities gains	$(32,816)	$(2,115)	$(7,790)

During 2011, the Company recognized settlements of $32.8 million equal to all of the outstanding principal from two securities classified in its “other asset−backed securities”. These securities had previously been written down

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to a nominal fair value, resulting in a realized gain of $32.8 million in 2011 recorded in “Net securities gains” in the Consolidated Income Statements. The Company’s final trading investment was called at par during 2010, resulting in a $2.4 million gain, net of the reversal of the related put options, recorded in “Net securities gains”.

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

	2011			2010		
(Dollars in thousands)	Number of Securities	Fair Value	Percent of Investments	Number of Securities	Fair Value	Percent of Investments
AAA, including United States agencies	24	$ 78,267	76%	25	$136,893	85%
Below investment grade	60	24,504	24%	64	24,043	15%
Total	84	$102,771	100%	89	$160,936	100%

Had the Company used the lowest rating from the rating agencies in the information presented above, there would be less than a $0.1 million change to investments rated A or better as of December 31, 2011 and no change at December 31, 2010.

Contractual Maturities — The amortized cost and fair value of available−for−sale securities at December 31, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations, sometimes without call or prepayment penalties. Maturities of mortgage−backed and other asset−backed securities depend on the repayment characteristics and experience of the underlying obligations.

	2011		2010	
(Amounts in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
After one year through five years	$ 7,723	$ 8,827	$ 7,273	$ 8,641
Mortgage−backed and other asset−backed securities	74,162	93,944	132,367	152,295
Total	$ 81,885	$102,771	$139,640	$160,936

Fair Value Determination — The Company uses various sources of pricing for its fair value estimates of its available−for−sale portfolio. The percentage of the portfolio for which the various pricing sources were used is as follows at December 31, 2011 and 2010: 69 percent and 81 percent, respectively, used a third party pricing service; 13 percent and 6 percent, respectively, used broker pricing; and 18 percent and 13 percent, respectively, used internal pricing.

Assessment of Unrealized Losses — At December 31, 2011, the Company had no unrealized losses in its available−for−sale portfolio. As of December 31 2010, the Company had nominal unrealized losses in its available−for−sale portfolio, with one residential mortgage−backed agency security in an unrealized loss position aged 12 months or more, after the recognition of other−than−temporary impairment charges.

Note 6 — Derivative Financial Instruments

The Company uses forward contracts to manage its foreign currency needs and exchange risk arising from its assets and liabilities denominated in foreign currencies. While these contracts mitigate certain foreign currency risk, they are not designated as hedges for accounting purposes. The “Transaction and operations support” line in

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the Consolidated Statements of Income (Loss) includes the following losses (gains) related to assets and liabilities denominated in foreign currencies:

(Amounts in thousands)	2011	2010	2009
Net realized foreign currency losses	$2,911	$ 7,204	$ 102
Net losses (gains) from the related forward contracts	5,748	(1,840)	5,189
Net losses (gains) from foreign currency transactions and related forward contracts	$8,659	$ 5,364	$5,291

As of December 31, 2011 and 2010, the Company had $65.5 million and $123.8 million, respectively, of outstanding notional amounts relating to its forward contracts. At December 31, the Company reflects the following fair values of derivative forward contract instruments in its Consolidated Balance Sheets:

(Amounts in thousands)	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		2011	2010	2011	2010
Forward contracts	Other assets	$399	$1,117	$ 46	$535

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

Historically, the Company entered into foreign currency forward contracts with 12−month durations to hedge forecasted foreign currency money transfer transactions. The Company designated these forward contracts as cash flow hedges. All cash flow hedges matured in 2009. For the year ended December 31, 2009, the Company recognized a gain of $2.4 million in the "Other" expense line in the non−operating section of the Consolidated Statements of Income (Loss). Included in this gain is $0.8 million of unrealized gains reclassified from "Accumulated other comprehensive income (loss)" upon the final settlement of these cash flow hedges for the years ending December 31, 2009.

Note 7 — Property and Equipment

Property and equipment consists of the following at December 31:

(Amounts in thousands)	2011	2010
Computer hardware and software	196,168	187,604
Signage	80,303	62,774
Agent equipment	69,643	67,766
Office furniture and equipment	36,733	32,633
Leasehold improvements	27,562	23,947
Land	410	2,907
	410,819	377,631
Accumulated depreciation	(294,478)	(262,520)
Total property and equipment	$ 116,341	$ 115,111

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Depreciation expense for the year ended December 31 is as follows:

(Amounts in thousands)	2011	2010	2009
Computer hardware and software	$21,064	$20,314	$23,351
Signage	9,616	8,688	10,891
Agent equipment	6,469	8,989	11,449
Office furniture and equipment	3,962	3,772	4,600
Leasehold improvements	3,744	3,885	3,526
Total depreciation expense	$44,855	$45,648	$53,817

At December 31, 2011 and 2010, there was $9.9 million and $3.9 million, respectively, of property and equipment that had been received by the Company and included in “Accounts payable and other liabilities” in the Consolidated Balance Sheets.

Following its decision to sell land in 2011, the Company recognized a $2.4 million impairment charge. During 2011, the Company also recognized a $0.7 million capitalized software impairment charge, primarily in connection with the disposition of assets in the Global Funds Transfer segment. The impairment charges recorded in 2011 were included in the “Other” line in the Consolidated Statements of Income (Loss).

In connection with its decision to sell its corporate airplane, the Company recognized a $7.0 million impairment charge in 2009 and a $1.5 million impairment charge in 2010. The sale was completed in the third quarter of 2010. In 2009, the Company fully impaired $1.4 million of software related to its ACH Commerce business based on changes in its exit plan. The impairment charges recorded in 2010 and 2009 were included in the “Transaction and operations support” line in the Consolidated Statements of Income (Loss).

Note 8 — Goodwill and Intangible Assets

Following is a roll−forward of goodwill by reporting segment:

(Amounts in thousands)	Global Funds Transfer	Financial Paper Products	Other	Total
Balance as of January 1, 2009	$ 426,794	$ 2,487	$ 5,056	$434,337
Acquisitions	2,012	—	—	2,012
Impairment charge	(3,176)	(2,487)	(582)	(6,245)
Divestitures	—	—	(4,474)	(4,474)
Balance as of December 31, 2009	$ 425,630	$ —	$ —	$425,630
Acquisitions	3,061	—	—	3,061
Balance as of December 31, 2010	$ 428,691	$ —	$ —	$428,691
Balance as of December 31, 2011	$ 428,691	$ —	$ —	$428,691

Goodwill acquired in 2010 relates to the acquisition of Blue Dolphin which is a component of the Global Funds Transfer segment and is not deductible for tax purposes.

The Company impaired $3.2 million of goodwill in 2009 allocated to the Global Funds Transfer segment associated with a decision to discontinue certain bill payment product offerings. In connection with the sale of FSMC in 2009, the Company recorded a charge of $0.6 million to impair goodwill that was in excess of the final sale price. In addition, goodwill was reduced by $4.5 million from the sale of FSMC. The FSMC reporting unit was not a component of the Global Funds Transfer or Financial Paper Products segments.

The Company performed an annual assessment of goodwill during the fourth quarters of 2011, 2010 and 2009. As a result of the 2009 annual assessment, it was determined that the fair value of the retail money order reporting unit, a component of the Financial Paper Products segment, was fully impaired. The Company recorded an impairment charge of $2.5 million to the Financial Paper Products segment in 2009, which was calculated as the excess of the implied fair value of the retail money order reporting unit over the carrying amount of goodwill. Goodwill impairment charges are included in the “Transaction and operations support” line of the Consolidated Statements of Income (Loss).

Following are the gross goodwill balances and accumulated impairments at December 31, 2011 and 2010:

\(Amounts in thousands)	Gross Goodwill	Accumulated Impairments
Global Funds Transfer	$431,867	$ (3,176)
Financial Paper Products	2,487	(2,487)
Other	15,746	(15,746)

Intangible assets are included in “Other assets” in the Consolidated Balance Sheets and consist of the following:

	2011			2010		
(Amounts in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:						
Customer lists	$ 7,272	$ (6,074)	$ 1,198	$15,592	$ (11,149)	$ 4,443
Non−compete agreements	137	(68)	69	137	(40)	97
Trademarks and license	597	(1)	596	613	(15)	598
Developed technology	146	(100)	46	1,519	(965)	554
Total intangible assets	$ 8,152	$ (6,243)	$ 1,909	$17,861	$ (12,169)	$ 5,692

In 2011, the Company acquired the agent contracts of a former super−agent in Spain for a purchase price of $1.0 million, which will be amortized over a life of four years. The acquisition of these agent contracts provides the Company with further network expansion in its money transfer business in its Global Funds Transfer segment.

The Company recognized an impairment charge of $2.0 million in 2011, primarily due to a disposition of assets and acquisition activity, for certain agent contracts utilized in the Global Funds Transfer segment. The impairment charge was recorded in the “Other” line in the Consolidated Statements of Income (Loss). In 2010, the Company recorded impairment charges of $0.4 million related to customer lists as a result of acquired customer terminations in the “Transaction and operations support” line of the Consolidated Statements of Income (Loss). In 2009, the Company recorded impairment charges of $3.6 million related to customer lists and trademarks associated with its retail money order business in the “Transaction and operations support” line of the Consolidated Statements of Income (Loss).

Intangible asset amortization expense for 2011, 2010 and 2009 was $1.2 million, $2.4 million and $3.3 million, respectively. The estimated future intangible asset amortization expense is $0.4 million, $0.2 million, $0.2 million, $0.1 million and $0.1 million for 2012, 2013, 2014, 2015 and 2016, respectively.

Note 9 — Debt

Following is a summary of the outstanding debt at December 31:

(Amounts in thousands)	2008 Senior Facility		2011 Credit Agreement			
	Senior Tranche A Loan due 2013 (1)	Senior Tranche B Loan due 2013 (1)	Senior secured credit facility due 2017 (1)	Senior secured incremental term loan due 2017 (1)	Second Lien Notes due 2018 (1)	Total Debt
Balance at January 1, 2009	$ 100,000	$ 233,881	$ —	$ —	$ 500,000	$ 833,881
Payments	—	(41,875)	—	—	—	(41,875)
Accretion of discount	—	2,934	—	—	—	2,934
Write−off of discount	—	1,851	—	—	—	1,851
Balance at January 1, 2010	100,000	196,791	—	—	500,000	796,791
Payments	—	(165,000)	—	—	—	(165,000)
Accretion of discount	—	2,253	—	—	—	2,253
Write−off of discount	—	5,902	—	—	—	5,902
Balance at January 1, 2011	100,000	39,946	—	—	500,000	639,946
Borrowings, gross	—	—	390,000	150,000	—	540,000
Discount on borrowings	—	—	(975)	(3,000)	—	(3,975)
Payments	(100,000)	(41,250)	(50,000)	(375)	(175,000)	(366,625)
Accretion and write−off of discount	—	219	207	31	—	457
Debt extinguishment loss	—	1,085	—	—	—	1,085
Balance at December 31, 2011	$ —	$ —	$ 339,232	$ 146,656	$ 325,000	$ 810,888

(1) For the year ended December 31, 2011, the weighted average interest rates were 4.52% for the Senior secured credit facility, 4.5% for the Senior secured incremental term loan and 13.25% for the Second Lien Notes. For the year ended December 31, 2010 the weighted average interest rates were 5.75% for the Senior Tranche A Loan, 7.25% for the Senior Tranche B Loan and 13.25% for the Second Lien Notes.

2008 Senior Facility — In connection with the 2011 Recapitalization, the 2008 senior facility was terminated. Prior to the termination, the Company was able to elect an interest rate for the 2008 senior facility at each reset period based on the JP Morgan prime bank rate or the Eurodollar rate. During 2011, 2010 and 2009, the Company elected the United States prime bank rate as its interest basis.

2011 Credit Agreement — On May 18, 2011, Worldwide entered into the 2011 Credit Agreement of $540.0 million with BOA as Administrative Agent for a group of lenders. The 2011 Credit Agreement is comprised of a $390.0 million six−and−one−half−year term loan maturing the earlier of November 2017 and 180 days prior to the scheduled maturity of the Second Lien Notes, and a $150.0 million five−year revolving credit facility, maturing May 2016. The term loan was issued by Worldwide at 99.75% of par. On November 21, 2011, Worldwide entered into an amendment related to the 2011 Credit Agreement and obtained an incremental term loan in an aggregate principal amount of $150 million. The incremental term loan was issued to Worldwide at 98.0% of par. The discounts for the term loan and the incremental term loan are recorded as a reduction in the carrying value of the loans and will be amortized over the life of the debt using the effective interest method. The incremental term loan has quarterly principal payments of $0.4 million beginning September 30, 2011, with the remaining outstanding principal due November 2017.

The Company may elect an interest rate for the 2011 Credit Agreement at each reset period based on the BOA alternate base rate or the Eurodollar rate. The interest rate election may be made individually for the term loan, incremental term loan and each draw under the revolving credit facility. The interest rate is either the BOA prime rate plus 225 basis points or the Eurodollar rate plus 325 basis points. Since inception of the 2011 Credit Agreement, the Company elected the Eurodollar rate as its primary interest basis, with a minimal amount of the term debt at the BOA alternate base rate. Under the terms of the 2011 Credit Agreement, the interest rate determined using the Eurodollar rate has a minimum rate of 1.25 percent.

Fees on the daily unused availability under the revolving credit facility are 62.5 basis points. Substantially all of the Company's non−financial assets are pledged as collateral for the loans under the 2011 Credit Agreement, with the collateral guaranteed by the Company's material domestic subsidiaries. The non−financial assets of the material domestic subsidiaries are pledged as collateral for these guarantees. As of December 31, 2011, the Company has $137.3 million of availability under the revolving credit facility, net of $12.7 million of outstanding letters of credit that reduce the amount available. At December 31, 2011 there are no amounts outstanding under the revolving credit facility.

Amortization of the debt discount for 2011, 2010 and 2009 include pro−rata write−offs as a result of the term debt and the Tranche B prepayments, respectively. Following is the debt discount amortization recorded in "Interest expense" in the Consolidated Statements of Income for the years ended December 31:

(Amounts in thousands)	**2011**	**2010**	**2009**
Amortization of debt discount	$330	$2,253	$2,934
Accelerated amortization of debt discount upon prepayments	127	5,902	1,851
Total amortization of discount	$457	$8,155	$4,785

Second Lien Notes — As part of the Company's recapitalization transaction in March 2008 (the "2008 Recapitalization"), Worldwide issued $500.0 million of second lien notes to Goldman Sachs, which will mature in March 2018. The indenture governing the second lien notes was amended in March 2011 to permit the 2011 Recapitalization. In August 2011, following the downgrade of U.S. government debt, the indenture was amended to update the definition of highly rated investments. On November 21, 2011 the indenture was further amended to allow Worldwide the ability to redeem a portion of its Second Lien Notes after the completion of a qualified equity offering of its common stock. On November 23, 2011, Worldwide exercised under this right and incurred a prepayment penalty totaling $23.2 million, which is recognized in the "Debt extinguishment costs" line in the Consolidated Statements of Income (Loss).

Prior to the fifth anniversary, the Company may redeem some or all of the second lien notes at a price equal to 100 percent of the principal, plus any accrued and unpaid interest plus a premium equal to the greater of one percent or an amount calculated by discounting the sum of (a) the redemption payment that would be due upon the fifth anniversary plus (b) all required interest payments due through such fifth anniversary using the treasury rate plus 50 basis points. Starting with the fifth anniversary, the Company may redeem some or all of the second lien notes at prices expressed as a percentage of the outstanding principal amount of the second lien notes plus accrued and unpaid interest, starting at approximately 107 percent on the fifth anniversary, decreasing to 100 percent on or after the eighth anniversary. Upon a change of control, the Company is required to make an offer to repurchase the second lien notes at a price equal to 101 percent of the principal amount plus accrued and unpaid interest. The Company is also required to make an offer to repurchase the second lien notes with proceeds of certain asset sales that have not been reinvested in accordance with the terms of the second lien notes or have not been used to repay certain debt.

Inter−creditor Agreement — In connection with the above financing arrangements, both the lenders under the 2011 Credit Agreement and the trustee on behalf of the holders of the second lien notes entered into an inter−creditor agreement under which the lenders and trustee have agreed to waive certain rights and limit the exercise of certain remedies available to them for a limited period of time, both before and following a default under the financing arrangements.

Debt Covenants and Other Restrictions — Borrowings under the Company's debt agreements are subject to various covenants that limit the Company's ability to: incur additional indebtedness; create or incur additional liens; effect mergers and consolidations; make certain acquisitions; sell assets or subsidiary stock; pay dividends and other restricted payments; invest in certain assets; and effect loans, advances and certain other transactions with affiliates. In addition, the 2011 Credit Agreement has a covenant that places limitations on the use of proceeds from borrowings under the facility.

The indenture governing the second lien notes contains a financial covenant requiring the Company to maintain a minimum liquidity ratio of at least 1:1 for certain assets to outstanding payment service obligations. The 2011

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Credit Agreement also has quarterly financial covenants to maintain the following interest coverage and total leverage ratios:

	Interest Coverage minimum ratio	Total Leverage not to exceed
Present through September 30, 2012	2.00:1	4.75:1
December 31, 2012 through September 30, 2013	2.15:1	4.625:1
December 31, 2013 through September 30, 2014	2.15:1	4.375:1
December 31, 2014 through September 30, 2015	2.25:1	4.00:1
December 31, 2015 through September 30, 2016	2.25:1	3.75:1
December 31, 2016 through maturity	2.25:1	3.50:1

At December 31, 2011, the Company is in compliance with its financial covenants by a substantial margin.

Deferred Financing Costs —The Company capitalized financing costs in “Other assets” in the Consolidated Balance Sheets and amortized them over the term of the related debt using the effective interest method. Amortization of the deferred financing costs during 2011, 2010 and 2009 include the write−off of a pro−rata portion of deferred financing costs in connection with the payments on the Second Lien Notes, the incremental term loan, the term debt and the Senior Tranche B. Amortization is recorded in “Interest expense” in the Consolidated Statements of Income. Following is a summary of the deferred financing costs at December 31:

	2008 Senior Facility	2011 Credit Agreement				
(Amounts in thousands)	Senior Tranche B Loan	Senior secured credit facility	Senior secured incremental term	Senior revolving credit facility	Second Lien Notes	Total Deferred Financing Costs
Balance at January 1, 2009	$ 16,586	$ —	$ —	$ —	$ 30,872	$ 47,458
Amortization of deferred financing costs	(3,875)	—	—	—	(3,251)	(7,126)
Write−off of deferred financing costs	(854)	—	—	—	—	(854)
Balance at January 1, 2010	11,857	—	—	—	27,621	39,478
Amortization of deferred financing costs	(3,330)	—	—	—	(3,274)	(6,604)
Write−off of deferred financing costs	(2,734)	—	—	—	—	(2,734)
Balance at January 1, 2011	5,793	—	—	—	24,347	30,140
Capitalized deferred financing costs	—	8,732	3,151	4,024	5,000	20,907
Amortization of deferred financing costs	(968)	(750)	(51)	(501)	(3,583)	(5,853)
Write−off of deferred financing costs	(4,825)	(1,100)	(8)	—	(9,115)	(15,048)
Balance at December 31, 2011	$ —	$ 6,882	$ 3,092	$ 3,523	$ 16,649	$ 30,146

Debt Extinguishment Losses — The Company recognized total debt extinguishment losses of $37.5 million in 2011. In connection with the refinancing of our 2008 senior debt facility in May 2011, we recorded $5.2 million of debt extinguishment costs, primarily from the write−off of unamortized deferred financing costs. In connection with the partial redemption of the Second Lien Notes in November 2011, the Company incurred a prepayment penalty of $23.2 million and wrote−off $9.1 million of unamortized deferred financing costs.

Interest Paid in Cash — The Company paid $78.5 million, $83.5 million and $94.4 million of interest in 2011, 2010 and 2009, respectively.

Maturities — At December 31, 2011, debt totaling $481.0 million will mature in 2017 and $325.0 million will mature in 2018, while debt principal totaling $8.6 million will be paid in increments of $0.4 million quarterly through 2017.

Note 10 — Pensions and Other Benefits

Pension Benefits — The Pension Plan is a frozen non−contributory funded defined benefit pension plan under which no new service or compensation credits are accrued by the plan participants. Cash accumulation accounts continue to be credited with interest credits until participants withdraw their money from the Pension Plan. It is the Company’s policy to fund the minimum required contribution each year.

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Supplemental Executive Retirement Plans — The Company has obligations under various Supplemental Executive Retirement Plans ("SERPs"), which are unfunded non−qualified defined benefit pension plans providing postretirement income to their participants. As of December 31, 2011, all benefit accruals under the SERPs are frozen with the exception of one plan for which service is frozen but future pay increases are reflected for active participants. It is the Company's policy to fund the SERPs as benefits are paid.

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

Actuarial Valuation Assumptions — The measurement date for the Company's defined benefit pension plan, SERPs and postretirement benefit plans is December 31. Following are the weighted−average actuarial assumptions used in calculating the benefit obligation and net benefit cost as of and for the years ended December 31:

	Pension			SERPs			Postretirement Benefits		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Net periodic benefit cost:									
Discount rate	5.30%	5.80%	6.30%	5.30%	5.80%	6.30%	5.30%	5.80%	6.30%
Expected return on plan assets	8.00%	8.00%	8.00%	—	—	—	—	—	—
Rate of compensation increase	—	—	—	5.75%	5.75%	5.75%	—	—	—
Initial healthcare cost trend rate	—	—	—	—	—	—	9.00%	9.50%	8.50%
Ultimate healthcare cost trend rate	—	—	—	—	—	—	5.00%	5.00%	5.00%
Year ultimate healthcare cost trend rate is reached	—	—	—	—	—	—	2019	2019	2013
Projected benefit obligation:									
Discount rate	4.90%	5.30%	5.80%	4.80%	5.30%	5.80%	4.90%	5.30%	5.80%
Rate of compensation increase	—	—	—	5.75%	5.75%	5.75%	—	—	—
Initial healthcare cost trend rate	—	—	—	—	—	—	8.50%	9.00%	9.50%
Ultimate healthcare cost trend rate	—	—	—	—	—	—	5.00%	5.00%	5.00%
Year ultimate healthcare cost trend rate is reached	—	—	—	—	—	—	2019	2019	2019

The Company utilizes a building−block approach in determining the long−term expected rate of return on plan assets. Historical markets are studied and long−term historical relationships between equity securities and fixed income securities are preserved consistent with the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors, such as inflation and interest rates, are evaluated before long−term capital market assumptions are determined. The long−term portfolio return also takes proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed for reasonableness and appropriateness.

A one−percentage point change in assumed health care trends would have the following effects for 2011:

(Amounts in thousands)	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 12	$ (10)
Effect on postretirement benefit obligation	238	(196)

Pension Assets — The Company employs a total return investment approach whereby a mix of equity and fixed income securities are used to maximize the long−term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income securities. Furthermore, equity securities are diversified across United States and non−United States stocks, as well as growth, value, and small and large capitalizations. Other assets, such as real estate and cash, are used judiciously to enhance long−term returns while improving portfolio diversification. The Company strives to maintain an equity and fixed income securities allocation mix of approximately 60 percent and 40 percent, respectively. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

The Company's weighted−average asset allocation for the defined benefit pension plan by asset category at the measurement date of December 31 is as follows:

	2011	2010
Equity securities	55.9%	59.8%
Fixed income securities	38.3%	34.4%
Real estate	4.3%	3.9%
Other	1.5%	1.9%
Total	100.0%	100.0%

The Company records its pension assets at fair value as described in Note 4 — *Fair Value Measurement.* Following is a description of the Plan's investments at fair value and valuation methodologies:

- *Short−term securities* — These securities are highly liquid investments that are short−term in nature and are comprised of interest−bearing cash accounts and time deposits with original maturities of less than three months, and are valued at historical cost, which approximates fair value. Amounts in these investments are typically the result of temporary timing differences between receipts from other investments and reinvestment of those funds or benefit payments to plan participants.
- *Common collective trusts issued and held by the trustee* — These investments in equity and fixed income securities comprise the substantial portion of the pension plan trust and are held in various common/collective trusts that are maintained by a bank, trust company, or similar institution that is regulated, supervised and subject to periodic examination by a state or federal agency. Common collective trusts are held by the trustee for the collective investment and reinvestment of assets contributed from employee benefit plans maintained by more than one employer or a controlled group of corporations. The fair value of the common collective trust is determined based on the price per unit held as of the end of a period as determined by the trustee in accordance with their valuation methodology.
- *Real estate* — The pension plan trust holds an investment in a real estate development project. The fair value of this investment represents the estimated market value of the plan's related ownership percentage of the project based upon an appraisal as of each balance sheet date. As of December 31, 2011 and 2010, there is no unfunded commitment or potential redemptions related to this asset. The fund strategy for this asset is long−term capital appreciation.
- *Experience fund investment contracts* — These investments are actuarially determined annuity reserves for certain participants for whom annuities were purchased under a group annuity contract and were superseded and converted into an investment contract. The fair value is determined by multiplying their balances at cost times a discount factor, which is intended to recognize the difference between the investment yield at cost and the investment yield which prevailed generally at the balance sheet date for new investments of a similar nature. During 2010, these contracts were transitioned out of the plan to the group annuity carriers who assumed the obligation to pay the guaranteed benefits directly to the annuitants. As a result of the transition, the excess assets of approximately $1.0 million were returned to the plan and invested into common collective trusts.

Following are the Plan's financial assets recorded at fair value by hierarchy level as of December 31:

(Amounts in thousands)	2011 Level 1	Level 2	Level 3	Total
Short−term securities	$ —	$ 1,644	$ —	$ 1,644
Common collective trust — equity securities				
Large Cap securities	—	46,133	—	46,133
Small Cap securities	—	10,274	—	10,274
International securities	—	5,126	—	5,126
Common collective trust — fixed income securities				
Core fixed income	5,267	16,558	—	21,825
Long duration fixed income	—	20,380	—	20,380
Real estate	—	—	4,760	4,760
Total financial assets	$5,267	$100,115	$4,760	$110,142

(Amounts in thousands)	2010 Level 1	Level 2	Level 3	Total
Short−term securities	$1,949	$ —	$ —	$ 1,949
Common collective trust — equity securities				
Large Cap securities	—	47,178	—	47,178
Small Cap securities	—	10,641	—	10,641
International securities	—	6,282	—	6,282
Common collective trust — fixed income securities				
Core fixed income	4,943	13,949	—	18,892
Long duration fixed income	—	17,973	—	17,973
Real estate	—	—	4,194	4,194
Experience fund investment contracts	—	27	—	27
Total financial assets	$6,892	$96,050	$4,194	$107,136

The Company's pension plan assets include one security that the Company considers to be a Level 3 asset for valuation purposes. This security is an investment in a real estate joint venture and requires the use of unobservable inputs in its fair value measurement. The fair value of this asset as of December 31, 2011 and 2010 was $4.8 million and $4.2 million, respectively. The change in reported net asset value for this asset resulted in an unrealized gain of $0.6 million for 2011 and an unrealized loss of $1.5 million for 2010.

Plan Financial Information — Net periodic benefit expense (income) for the defined benefit pension plan and SERPs and postretirement benefit plans includes the following components for the years ended December 31:

(Amounts in thousands)	Pension and SERPs 2011	2010	2009	Postretirement Benefits 2011	2010	2009
Service cost	$ —	$ —	$ 894	$ —	$ —	$ 572
Interest cost	11,365	11,876	12,659	51	253	837
Expected return on plan assets	(8,223)	(8,664)	(9,403)	—	—	—
Amortization of prior service cost (credit)	29	84	346	(626)	—	(352)
Recognized net actuarial loss	6,287	4,782	3,777	244	15	—
Curtailment gain	—	—	(1,535)	—	—	(12,804)
Net periodic benefit expense (income)	$ 9,458	$ 8,078	$ 6,738	$(331)	$268	$(11,747)

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The Company recognized a net $1.5 million curtailment gain in 2009 from the amendment of two SERPs and accumulated participant terminations. The amendment of the postretirement benefit plan resulted in a curtailment gain of $12.8 million in 2009. The postretirement benefits expense for 2011 and 2010 was reduced by less than $0.1 million and for 2009 it was reduced by $0.4 million due to subsidies received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. The Company will not receive any subsidies in 2012.

Amounts recognized in other comprehensive income (loss) and net periodic benefit expense as of December 31 are as follows:

	2011	
(Amounts in thousands)	**Pension and SERPs**	**Postretirement Benefits**
Net actuarial loss	$ 7,625	$ 1,790
Amortization of net actuarial loss	(6,287)	(244)
Amortization of prior service (cost) credit	(29)	626
Total recognized in other comprehensive income	$ 1,309	$ 2,172
Total recognized in net periodic benefit expense (income)	$ 9,458	$ (331)
Total recognized in net periodic benefit expense (income) and other comprehensive income	$ 10,767	$ 1,841

	2010	
(Amounts in thousands)	**Pension and SERPs**	**Postretirement Benefits**
Net actuarial loss	$ 10,150	$ 1,100
Prior service credit	—	(4,153)
Amortization of net actuarial loss	(4,782)	(15)
Amortization of prior service cost	(84)	—
Total recognized in other comprehensive income (loss)	$ 5,284	$ (3,068)
Total recognized in net periodic benefit expense	$ 8,078	$ 268
Total recognized in net periodic benefit expense and other comprehensive income (loss)	$ 13,362	$ (2,800)

	2009	
(Amounts in thousands)	**Pension and SERPs**	**Postretirement Benefits**
Net actuarial loss	$ 2,837	$ 3,086
Amortization of net actuarial loss	(3,777)	—
Amortization of prior service (cost) credit	(346)	352
Curtailment gain (loss)		
Prior service (costs) credit	(2,124)	1,839
Net actuarial loss	(2,577)	(973)
Total recognized in other comprehensive (loss) income	$ (5,987)	$ 4,304
Total recognized in net periodic benefit expense (income)	$ 6,738	$ (11,747)
Total recognized in net periodic benefit expense (income) and other comprehensive (loss) income	$ 751	$ (7,443)

The estimated net loss and prior service cost for the defined benefit pension plan and SERPs that will be amortized from “Accumulated other comprehensive loss” into “Net periodic benefit expense” during 2012 is $5.9 million ($3.6 million net of tax) and less than $0.1 million, respectively. The estimated net loss and prior service credit for the postretirement benefit plans that will be amortized from “Accumulated other comprehensive loss” into “Net periodic benefit expense” during 2011 is $0.4 million ($0.2 million, net of tax) and $0.6 million ($0.4 million net of tax), respectively.

The benefit obligation and plan assets, changes to the benefit obligation and plan assets, and the funded status of the defined benefit pension plan and SERPs and the postretirement benefit plans as of and for the year ended December 31 are as follows:

	Pension and SERPs		Postretirement Benefits	
(Amounts in thousands)	2011	2010	2011	2010
Change in benefit obligation:				
Benefit obligation at the beginning of the year	$221,491	$211,616	$1,027	$ 4,521
Interest cost	11,365	11,876	51	253
Actuarial loss	3,444	11,417	1,790	1,100
Plan amendments	—	—	—	(4,154)
Medicare Part D reimbursements	—	—	27	32
Benefits paid	(12,701)	(13,418)	(860)	(725)
Benefit obligation at the end of the year	$223,599	$221,491	$2,035	$ 1,027

	Pension and SERPs		Postretirement Benefits	
(Amounts in thousands)	2011	2010	2011	2010
Change in plan assets:				
Fair value of plan assets at the beginning of the year	$ 107,136	$ 102,908	$ —	$ —
Actual return on plan assets	4,042	9,931	—	—
Employer contributions	11,665	7,715	860	725
Benefits paid	(12,701)	(13,418)	(860)	(725)
Fair value of plan assets at the end of the year	$ 110,142	$ 107,136	$ —	$ —
Unfunded status at the end of the year	$(113,457)	$(114,355)	$(2,035)	$(1,027)

The unfunded status of the Pension and SERPs decreased by less than one percent as the benefit obligation increased $2.1 million and the fair value of the pension plan assets increased $3.0 million during the year. The unfunded status of the defined benefit pension plan was $50.6 million and $45.8 million at December 31, 2011 and 2010, respectively, and the unfunded status of the SERPs was $62.8 million and $68.6 million at December 31, 2011 and 2010, respectively.

Following are the components recognized in the Consolidated Balance Sheets relating to the defined benefit pension plan and SERPs and the postretirement benefit plans at December 31:

	Pension and SERPs		Postretirement Benefits	
(Amounts in thousands)	2011	2010	2011	2010
Components recognized in the Consolidated Balance Sheets:				
Pension and other postretirement benefits liability	$(113,457)	$(114,355)	$ (2,035)	$ (1,027)
Accumulated other comprehensive loss:				
Unrealized losses for pension and postretirement benefits, net of tax	60,536	59,706	2,026	1,067
Prior service cost (credit) for pension and postretirement benefits, net of tax	153	171	(2,187)	(2,575)

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The projected benefit obligation and accumulated benefit obligation for the defined benefit pension plan, SERPs and the postretirement benefit plans are in excess of the fair value of plan assets as shown below:

	Pension Plan		SERPs		Postretirement Benefits	
(Amounts in thousands)	2011	2010	2011	2010	2011	2010
Projected benefit obligation	$160,787	$152,904	$62,812	$68,587	$ 2,035	$ 1,027
Accumulated benefit obligation	160,787	152,904	62,812	68,587	—	—
Fair value of plan assets	110,142	107,136	—	—	—	—

Estimated future benefit payments for the defined benefit pension plan and SERPs and the postretirement benefit plans are as follows:

(Amounts in thousands)	2012	2013	2014	2015	2016	2017−21
Pension and SERPs	$14,018	$14,094	$14,166	$20,034	$14,336	$72,804
Postretirement benefits	153	166	172	161	154	577

The Company has a minimum required contribution of approximately $10.2 million for the defined benefit pension plan in 2012, and will continue to make contributions to the SERPs and the postretirement benefit plans to the extent benefits are paid. Aggregate benefits paid for the unfunded plans are expected to be $4.1 million in 2012.

Employee Savings Plan — The Company has an employee savings plan that qualifies under Section 401(k) of the Internal Revenue Code of 1986, as amended. Contributions to, and costs of, the 401(k) defined contribution plan totaled $3.5 million, $3.4 million and $3.7 million in 2011, 2010 and 2009, respectively. MoneyGram does not have an employee stock ownership plan.

International Benefit Plans — The Company’s international subsidiaries have certain defined contribution benefit plans. Contributions to and costs related to international plans were $1.2 million, $1.0 million and $0.8 million for 2011, 2010 and 2009, respectively.

Deferred Compensation Plans — The Deferred Compensation Plan for Directors of MoneyGram International, Inc., which allowed non−employee directors to defer all or part of their retainers, fees and stock awards, was permanently discontinued as of January 1, 2009. The deferred compensation plans are unfunded and unsecured, and the Company is not required to physically segregate any assets in connection with the deferred accounts. The Company has rabbi trusts associated with each deferred compensation plan which are funded through voluntary contributions by the Company. At December 31, 2011 and 2010, the Company had a liability related to the deferred compensation plans of $3.4 million and $3.8 million, respectively, recorded in the “Accounts payable and other liabilities” line in the Consolidated Balance Sheets. The rabbi trust had a market value of $8.1 million and $10.7 million at December 31, 2011 and 2010, respectively, recorded in “Other assets” in the Consolidated Balance Sheets.

Note 11 — Mezzanine Equity

Preferred Stock — In connection with the 2011 Recapitalization, all amounts included in mezzanine equity were converted into components of stockholders’ deficit. Following the closing of the 2011 Recapitalization, no shares of Series B Stock remained issued and outstanding and the Company filed a Certificate of Elimination to eliminate all shares of Series B Stock. See Note 1— *Description of Business — “2011 Recapitalization”* for further information.

Prior to May 18, 2011, the Series B Stock was recorded in the Company’s Consolidated Balance Sheets as “Mezzanine equity” as it had redemption features not solely within the Company’s control. During 2011 and 2010 the transaction costs relating to the issuance of the B Stock and B−1 Stock were accreted to the Series B Stock redemption value over a 10−year period using the effective interest method.

The Series B Stock paid a cash dividend of 10 percent. During 2011 and 2010, the Company accrued dividends through a charge to “Additional paid−in capital” to the extent available and through a charge to “Retained loss”

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for the remainder as accumulated and unpaid dividends were included in the redemption price of the Series B Stock.

At December 31, 2010 the Company had 800,000 shares and 500,000 shares, respectively, of B and B−1 Stock authorized. For 2010, 495,000 shares and 272,500 shares, respectively, of B and B−1 Stock were issued and outstanding. Following is a summary of mezzanine equity activity:

(Amounts in thousands)	B Stock	B−1 Stock	Series B Stock
Balance at December 31, 2009	539,084	325,244	864,328
Dividends accrued	80,622	44,383	125,005
Accretion	8,493	1,527	10,020
Balance at December 31, 2010	628,199	371,154	999,353
Dividends accrued	19,951	10,983	30,934
Accretion	67,946	12,078	80,024
Conversion	(716,096)	(394,215)	(1,110,311)
Balance at December 31, 2011	$ —	$ —	$ —

Note 12 — Stockholders' Deficit

Reverse Stock Split — On November 14, 2011, the Company filed a certificate of amendment to its Amended and Restated Certificate of Incorporation to effect a reverse stock split of the Company's common stock at a reverse stock split ratio of 1−for−8 and to decrease the number of authorized shares of common stock from 1,300,000,000 to 162,500,000. As the par value of common stock was not affected, $3.5 million was transferred from common stock to additional paid in capital. In connection with the reverse stock split, the conversion ratio of the D Stock to common stock decreased from 1,000 to 125. All share and per share amounts have been retroactively adjusted to reflect the stock split with the exception of the Company's treasury stock, which was not a part of the reverse stock split.

Following is a summary of the activity of the Company's stock authorized, issued and outstanding at December 31:

	D Stock			Common Stock			Treasury Stock
(Amounts in thousands)	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding	
December 31, 2009		—	—	162,500	16,355	10,314	(6,041)
Stock option exercises and release of restricted stock, net of shares withheld for taxes	—	—	—	—	(966)	139	1,105
December 31, 2010	—	—	—	162,500	15,389	10,453	(4,936)
Conversion of B Stock to common stock	—	—	—		39,325	39,325	—
Conversion of Series B−1 Stock to D stock	—	173	173		—	—	—
Conversion of D stock to common stock	—	(64)	(64)		7,994	7,994	—
Stock option exercises and release of restricted stock units	—	—	—		(444)	63	507
December 31, 2011	200	109	109	162,500	62,264	57,835	(4,429)

On September 27, 2011, the Company filed a Certificate of Elimination to eliminate the Company's Series A Junior Participating Preferred Stock, par value $0.01 per share (the "Series A shares"), which results in the shares resuming their status as undesignated preferred stock of the Company. At December 31, 2010, the Company had 2,000,000 shares of Series A Junior Participating Preferred Stock authorized. There was no Series A Junior Participating Preferred Stock issued or outstanding in 2011 and 2010.

Equity Registration Rights Agreement — In connection with the 2008 Recapitalization, the Company and the Investors entered into a Registration Rights Agreement (the "Equity Registration Rights Agreement") on March 25, 2008, as amended on May 18, 2011, with respect to the Series B Stock and D Stock, and the common stock owned by the Investors and their affiliates (collectively, the "Registrable Securities"). Under the terms of the Equity Registration Rights Agreement, we are required, after a specified holding period, to use our reasonable best efforts to promptly file with the Securities and Exchange Commission (the "SEC") a shelf registration statement relating to the offer and sale of the Registrable Securities. We are obligated to keep such shelf registration statement continuously effective under the Securities Act of 1933, as amended (the "Securities Act"), until the earlier of (1) the date as of which all of the Registrable Securities have been sold, (2) the date as of which each of the holders of the Registrable Securities is permitted to sell its Registrable Securities without registration pursuant to Rule 144 under the Securities Act and (3) fifteen years. The holders of the Registrable Securities are also entitled to six demand registrations and unlimited piggyback registrations during the term of the Equity Registration Rights Agreement. On December 14, 2010, we filed a shelf registration statement on Form S−3 with the SEC that permits the offer and sale of the Registrable Securities, as required by the terms of the Equity Registration Rights Agreement. The registration statement also permits the Company to offer and sell up to $500 million of its common stock, preferred stock, debt securities or any combination of these, from time to time, subject to market conditions and the Company's capital needs. The registration statement was declared effective by the SEC on July 7, 2011.

Secondary Offering — In November 2011, the Company completed a secondary offering pursuant to which the Investors sold an aggregate of 10,237,524 shares in an underwritten offering. In connection with the secondary offering, 63,950 shares of D Stock were converted to 7,993,762 shares of common stock, which resulted in a decrease to D Stock of $165.0 million and an increase to common stock and additional paid in capital. The Company did not receive proceeds from the offering.

Preferred Stock — The Company's Amended and Restated Certificate of Incorporation provides for the issuance of up to 7,000,000 shares of preferred stock that may be issued in one or more series, with each series to have certain rights and preferences as shall be determined in the unlimited discretion of the Company's Board of Directors, including, without limitation, voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences.

Series D Participating Convertible Preferred Stock — In connection with the 2011 Recapitalization, the Company issued 173,189 shares of D Stock to Goldman Sachs. Each share of D Stock has a liquidation preference of $0.01 and is convertible into 125 shares of common stock by a stockholder other than Goldman Sachs who receives such shares by means of (i) a widespread public distribution, (ii) a transfer to an underwriter for the purpose of conducting a widespread public distribution, (iii) a transfer in which no transferee (or group of associated transferees) would receive 2 percent or more of any class of voting securities of the Company, or (iv) a transfer to a transferee that would control more than 50 percent of the voting securities of the Company without any transfer from such transferor or its affiliates as applicable (each of (i) — (iv), a "Widely Dispersed Offering"). The D Stock is non−voting while held by Goldman Sachs or any holder who receives such shares by any means other than a Widely Dispersed Offering (a "non−voting holder"). Holders of D Stock other than Goldman Sachs and non−voting holders vote as a single class with the holders of the common stock on an as−converted basis. The D Stock also participates in any dividends declared on the common stock on an as−converted basis.

Common Stock — The Company's Amended and Restated Certificate of Incorporation provides for the issuance of up to 162,500,000 shares of common stock with a par value of $0.01. In connection with the spin−off, MoneyGram was recapitalized such that there were 15,388,120 shares of MoneyGram common stock issued. On May 18, 2011, the Company issued an additional 39,325,154 shares of common stock in connection with the 2011 Recapitalization. See Note 1 — *Description of Business — 2011 Recapitalization* for further information. The holders of MoneyGram common stock are entitled to one vote per share on all matters to be voted upon by its stockholders. The holders of common stock have no preemptive, conversion or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. The determination to pay dividends on common stock will be at the discretion of the Board of Directors and will depend on applicable laws and the Company's financial condition, results of operations, cash requirements, prospects and such other factors

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as the Board of Directors may deem relevant. No dividends were paid in 2011. The Company's ability to declare or pay dividends or distributions to the holders of the Company's common stock is restricted under the Company's 2011 Credit Agreement and the indenture governing the Company's second lien notes.

Treasury Stock — The Board of Directors has authorized the repurchase of a total of 12,000,000 shares. As of December 31, 2011, the Company has repurchased 6,795,017 shares of common stock under this authorization and has remaining authorization to repurchase up to 5,204,983 shares. In relation to the reverse stock split, the Company repurchased 17 shares in 2011.

Accumulated Other Comprehensive Loss — The components of "Accumulated other comprehensive loss" at December 31 include:

(Amounts in thousands)	**2011**	**2010**
Net unrealized gains on securities classified as available−for−sale, net of tax	$ 21,479	$ 21,296
Cumulative foreign currency translation adjustments, net of tax	1,021	5,194
Prior service credit (cost) for pension and postretirement benefits, net of tax	2,034	2,404
Unrealized losses on pension and postretirement benefits, net of tax	(62,562)	(60,773)
Accumulated other comprehensive loss	$(38,028)	$(31,879)

Note 13 — Stock−Based Compensation

The MoneyGram International, Inc. 2005 Omnibus Incentive Plan ("2005 Plan") provides for the granting of equity−based compensation awards, including stock options, stock appreciation rights, restricted stock units and restricted stock awards (collectively, "share−based awards") to officers, employees and directors. The Company is authorized to issue a total of 5,875,000 of share−based awards. As of December 31, 2011, the Company has remaining authorization to issue future grants of up to 1,312,624 shares.

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

Following is a summary of stock−based compensation expense for the years ended December 31:

(Amounts in thousands)	**2011**	**2010**	**2009**
Expense recognized related to stock options	$15,564	$25,643	$14,488
Expense recognized related to restricted stock units	716	360	—
Expense recognized related to restricted stock	—	8	(307)
Expense related to stock appreciation rights [1]	—	—	—
Stock−based compensation expense	$16,280	$26,011	$14,181

(1) Expense recognized related to stock appreciation rights for 2011 was nominal. There was no expense related to stock appreciation rights for 2010 and 2009.

Stock Options — Beginning in 2009, option awards are generally granted with an exercise price equal to the closing market price of the Company's common stock on the date of grant. All outstanding stock options contain certain forfeiture and non−compete provisions.

Pursuant to the terms of options granted in 2009, 2010 and prior to the fourth quarter 2011, 50 percent of the options awarded become exercisable through the passage of time (the "Time−based Tranche") and 50 percent of the options awarded become exercisable upon the achievement of certain market and performance conditions (the

"Performance−based Tranche"). The Time−based Tranche generally becomes exercisable over a five−year period in either (a) an equal number of shares each year or (b) for some issuances in 2009, a tranched vesting schedule whereby 15 percent of the Time−based Tranche vests immediately and then at rates of 10 to 20 percent each year. The Performance−based Tranche becomes exercisable upon the achievement within five years of grant of the earlier of (a) a pre−defined common stock price for any period of 20 consecutive trading days, (b) a change in control of the Company resulting in a pre−defined per share consideration or (c) in the event the Company's common stock does not trade on a U.S. exchange or trading market, resulting in the Company's common stock meeting pre−defined equity values. All options granted in 2009, 2010 and 2011 have a term of 10 years. Beginning in the fourth quarter of 2011, all options issued are time−based.

For purposes of determining the fair value of stock option awards, the Company uses the Black−Scholes single option pricing model for the Time−based Tranches and awards and a combination of Monte−Carlo simulation and the Black−Scholes single option pricing model for the Performance−based Tranches. The following table provides weighted−average grant−date fair value and assumptions utilized to estimate the grant−date fair value of the options granted during the years ended December 31:

	2011	2010	2009
Expected dividend yield [(1)]	0.0%	0.0%	0.0%
Expected volatility [(2)]	71.3%−72.9%	72.9%−74.8%	72.8%−76.9%
Risk−free interest rate [(3)]	1.3%−2.9%	1.8%−3.3%	2.3%−3.2%
Expected life [(4)]	6.3−6.5 years	5.3−6.5 years	5.3−6.5 years
Weighted−average grant−date fair value per option	$16.23	$16.40	$11.92

(1) Expected dividend yield represents the level of dividends expected to be paid on the Company's common stock over the expected term of the option. The Company does not anticipate declaring any dividends at this time.

(2) Expected volatility is the amount by which the Company's stock price has fluctuated or will fluctuate during the expected term of the option. The Company's expected volatility is calculated based on the historical volatility of the price of the Company's common stock since the spin−off from Viad Corporation on June 30, 2004. The Company also considers any known of anticipated factors which will likely impact future volatility.

(3) The risk−free rate for the Black−Scholes model is based on the United States Treasury yield curve in effect at the time of grant for periods within the expected term of the option, while the risk−free rate for the Monte−Carlo simulation is based on the five−year United States Treasury yield in effect at the time of grant.

(4) Expected term represents the period of time that options are expected to be outstanding. The expected term was determined using the simplified method as the pattern of changes in the value of the Company's common stock and exercise activity since late 2007 has been inconsistent and substantially different from historical patterns. Additionally, there have been minimal stock option exercises which would be representative of the Company's normal exercise activity since 2007. Accordingly, the Company does not believe that historical terms are relevant to the assessment of the expected term of the grant. Based on these factors, the Company does not believe that it has the ability to make a more refined estimate than the use of the simplified method.

A summary of the Company's stock option activity for the year ended December 31, 2011 is as follows:

	Shares	Weighted−Average Exercise Price	Weighted−Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)
Options outstanding at December 31, 2010	4,987,301	$ 26.47		
Granted	1,314,690	23.14		
Exercised	(35,314)	18.40		
Forfeited/Expired	(901,592)	39.91		
Options outstanding at December 31, 2011	5,365,085	$ 23.45	7.98 years	$ 4,121
Vested or expected to vest at December 31, 2011	5,183,595	$ 23.52	7.94 years	$ 4,072
Options exercisable at December 31, 2011	1,164,178	$ 31.65	5.94 years	$ 1,865

The following represents stock option compensation information as of December 31, 2011:

(Amounts in thousands)	**2011**	**2010**	**2009**
Intrinsic value of options exercised	$ 221,937	$1,263	$—
Cash received from option exercises	$ 716	$2,031	$—
Unrecognized stock option expense	$ 24,397		
Remaining weighted−average vesting period	1.6 years		

Restricted Stock Units — In the fourth quarter of 2011, the Company issued a grant of performance−based restricted stock units to certain employees which will vest and become payable in shares to the extent the Company attains the performance goals applicable to the performance period. The performance goal is based on the degree to which the Company's average annual adjusted EBITDA, defined as earnings before interest, taxes, depreciation and amortization and less certain non−recurring or other unexpected expenses, meets, exceeds or falls short of the target performance goal of achieving an average annual adjusted EBITDA increase of 10 percent over a three year period. Under the terms of the grant, 50 percent of the target restricted stock units may vest on the second anniversary if the performance goal is achieved as of that date. The number of restricted stock units that vest is determined on a pro rata basis by the extent to which the performance goal is met within a threshold minimum and maximum. In the event the target performance goal is not met, but the Company achieves a minimum performance goal of an average annual adjusted EBITDA growth of five percent, the participant will be entitled to vest in 50 percent of the target number of restricted stock units. In the event the Company achieves its maximum performance goal of an average annual adjusted EBITDA growth of 20 percent, the participant will be entitled to 200 percent of the target number of restricted stock units.

In 2011 and 2010, the Company granted time−based restricted stock units to members of the Board of Directors, excluding the Chairman of the Board, as compensation for services to be provided. The restricted stock units vest on the first anniversary of their issuance and may only be settled in the Company's common stock.

The fair value of restricted stock units is calculated based on the stock price at the time of grant. For performance based restricted stock units, expense is recognized if achievement of the performance goal is deemed probable, with the amount of expense recognized based on the Company's best estimate of the ultimate achievement level. For the 2011 performance based restricted stock units, the grant date fair value at the minimum, target and maximum thresholds is $1.4 million, $2.7 million and $5.4 million, respectively. As of December 31, 2011, the Company believes it is probable it will achieve the performance goal at the target level on the third anniversary. For grants to employees, expense is recognized in the "Compensation and benefits" line and expense for grants to Directors is recorded in the "Transaction and operations support" line in the Consolidated Statements of Income using the straight−line method over the vesting period.

A summary of the Company's restricted stock unit activity for the year ended December 31, 2011 is as follows:

	Total Shares	**Weighted Average Price**
Restricted stock units outstanding at December 31, 2010	27,984	$ 21.44
Granted	339,036	17.77
Vested	(27,984)	21.44
Forfeited	(1,360)	17.03
Restricted stock units outstanding at December 31, 2011	337,676	$ 17.77

The following represents restricted stock and restricted stock unit compensation information as of December 31, 2011:

(Amounts in thousands)	2011	2010	2009
Market value of restricted stock vested	—	283	1,550
Market value of restricted stock units vested	600	—	—
Unrecognized restricted stock unit expense	$ 2,377		
Remaining weighted−average vesting period	2.7 years		

Unrecognized restricted stock unit expense and the remaining weighted−average vesting period are presented under the Company’s current estimate of achievement of the target performance goal on the third anniversary. Unrecognized restricted stock unit expense as of December 31, 2011 under the minimum and maximum thresholds is $1.0 million and $4.4 million, respectively.

Restricted Stock Awards — Restricted stock awards were valued at the quoted market price of the Company’s common stock on the date of grant and expensed using the straight−line method over the vesting or service period of the award. All restricted stock awards vested during 2010.

Stock Appreciation Rights — In November 2011, the Company issued a grant of stock appreciation rights to certain employees which entitle the holder to any per share appreciation from the price at issuance. The grants vest and become exercisable over a four−year period in an equal number of shares each year. Upon exercise, the employee will receive an amount which is equal to the excess of the closing sale price of the Company’s common stock at the time of exercise over the grant price paid in cash up to a maximum of $12.00.

The fair value of stock appreciation rights was calculated using a Black−Scholes single option pricing model and is recorded as a liability in the “Other liabilities” line in the Consolidated Balance Sheets. Expense for stock appreciation rights is recognized in the “Compensation and benefits” line in the Consolidated Statements of Income (Loss) using the straight−line method over the vesting period.

A summary of the Company’s stock appreciation rights activity for the year ended December 31, 2011 is as follows:

	Total Shares	Weighted Average Price
Stock appreciation rights outstanding at December 31, 2010	—	$ —
Granted	8,600	17.03
Stock appreciation rights outstanding at December 31, 2011	8,600	$ 17.03

Note 14 — Income Taxes

The components of income (loss) before income taxes are as follows for the year ended December 31:

(Amounts in thousands)	2011	2010	2009
United States	$39,749	$56,872	$(19,975)
Foreign	21	1,508	(2,347)
Income (loss) before income taxes	$39,770	$58,380	$(22,322)

Foreign income consists of statutory income and losses from the Company's international subsidiaries. Most of the Company's wholly owned subsidiaries recognize revenue based solely on services agreements with the primary United States operating subsidiary. Income tax (benefit) expense is as follows for the year ended December 31:

(Amounts in thousands)	2011	2010	2009
Current income tax expense (benefit):			
Federal	$ 39,961	$ (757)	$ (8,172)
State	6,293	147	669
Foreign	6,913	5,166	2,002
Current income tax expense (benefit)	53,167	4,556	(5,501)
Deferred income tax (benefit) expense	(72,803)	10,023	(14,915)
Income tax (benefit) expense	$(19,636)	$14,579	$(20,416)

As of December 31, 2011 and 2010, the Company had a net income tax payable of $51.5 million and $6.3 million, respectively, recorded in the "Accounts payable and other liabilities" line in the Consolidated Balance Sheets and a net income tax receivable of $1.6 million and $1.3 million, respectively, recorded in the "Other assets" line in the Consolidated Balance Sheets, respectively. Income taxes paid were $3.7 million, $3.9 million and $2.2 million for 2011, 2010 and 2009, respectively. The Company received $3.8 million and $43.5 million federal income tax refunds in 2010 and 2009, respectively.

A reconciliation of the expected federal income tax at statutory rates for year ended to the actual taxes provided is as follows:

(Amounts in thousands)	2011	2010	2009
Income tax at statutory federal income tax rate	$ 13,920	$ 20,433	$ (7,813)
Tax effect of:			
State income tax, net of federal income tax effect	1,897	1,309	2,051
Valuation allowance	(31,442)	(10,016)	(16,090)
International taxes	1,338	1,405	1,249
Net permanent differences	(5,995)	51	3,092
Decrease in tax reserve	(230)	(377)	(2,469)
Other	876	1,774	(436)
Income tax (benefit) expense	$(19,636)	$ 14,579	$(20,416)

In 2011, the Company recognized a tax benefit of $19.6 million, reflecting benefits of $34.0 million for the reversal of a portion of the valuation allowance on domestic deferred tax assets, partially offset by an increase in the valuation allowance on a portion of deferred tax assets as a result of losses in certain jurisdictions outside of the United States. The effective tax rate for 2011 reflects the expected utilization of net operating loss carry−forwards based on the Company's review of current facts and circumstances, including the three year cumulative income position and expectations that the Company will maintain a cumulative income tax position in the future. Changes in facts and circumstances may cause the Company to record additional tax expense or benefits in the future. Net permanent differences in 2011 include a benefit of $9.7 million from the sale of assets, partially offset by the effect of non−deductible capital transaction costs and restructuring expenses of $2.1 million and $0.9 million, respectively.

In 2010, the Company had tax expense of $14.6 million, including the release of $11.9 million of valuation allowances on deferred tax assets in the U.S. jurisdiction. The decrease in the tax reserve in 2010 was driven by the favorable settlement or closing of years subject to state audit. "Other" for 2010 includes a change in the tax treatment of the Medicare subsidy under the 2010 federal healthcare legislation and adjustments to the deferred taxes on fixed assets.

In 2009, the Company recognized a tax benefit of $20.4 million, primarily reflecting the release of $17.6 million of valuation allowances on deferred tax assets. Our pre−tax net loss of $22.3 million, when adjusted for our estimated book to tax differences, resulted in taxable income, which allowed us to release some valuation allowances on our tax loss carryovers. These book to tax differences include impairments on securities and other assets and accruals related to separated employees, litigation and unrealized foreign exchange losses. Net permanent differences in 2009 include the effect of non−deductible expense of $2.3 million related to asset impairments. The decrease in tax reserve in 2009 was driven by the favorable settlement or closing of years subject to state audit. Included in "Other" for 2009 is $1.6 million of expense for the reversal of tax benefits upon the forfeiture of share−based awards, partially offset by $1.1 million of tax benefits from changes in estimates to previously recorded tax amounts as a result of new information received during the year.

During the second quarter of 2010, the IRS completed its examination of the Company's consolidated income tax returns for 2005 to 2007, and issued its Revenue Agent Report ("RAR") challenging the Company's tax position relating to net securities losses and disallowing the related deductions. The Company disagrees with the RAR regarding the net securities losses and filed a protest letter. The Company had conferences with the IRS Appeals Office in 2010 and through October 2011, but was unable to reach agreement with the IRS Appeals Division. The Company is also currently under examination for its 2008 and 2009 tax returns, which had similar deductions. As a result, the Company expects to receive Notices of Deficiency within the next 12 months disallowing approximately $908.5 million of cumulative deductions taken for net securities losses in its 2007, 2008 and 2009 tax returns. As of December 31, 2011, the Company has recognized a cumulative benefit of approximately $136.1 million relating to these deductions. If the Notices of Deficiency contain adjustments with which the Company does not agree, the Company anticipates that it will file a petition in the United States Tax Court contesting such adjustments. The Company continues to believe that the amounts recorded in its consolidated financial statements reflect its best estimate of the ultimate outcome of this matter.

The Company's deferred tax assets and liabilities at December 31 are composed of the following:

(Amounts in thousands)	**2011**	**2010**
Deferred tax assets:		
Postretirement benefits and other employee benefits	$ 56,851	$ 54,754
Tax loss carryovers	414,231	328,398
Tax credit carryovers	35,465	47,602
Basis difference in revalued investments	101,058	106,863
Bad debt and other reserves	5,246	7,185
Valuation allowance	(476,290)	(485,790)
Total deferred tax asset	136,561	59,012
Deferred tax liabilities:		
Depreciation and amortization	(66,713)	(63,316)
Gross deferred tax liability	(66,713)	(63,316)
Net deferred tax asset (liability)	$ 69,848	$ (4,304)

Net deferred tax asset positions are reflected in the "Other assets" line in the Consolidated Balance Sheets, while net deferred tax liability positions are included in the "Accounts payable and other liabilities" line in the Consolidated Balance Sheets. Substantially all of the deferred tax assets relate to the U.S. jurisdiction.

In 2010, based on cumulative losses, a valuation allowance was recorded for a substantial portion of our net deferred tax asset. During 2011, the Company released a portion of the valuation allowance based on a three year cumulative income position and the expectation that the Company will maintain a cumulative income position in the future. Changes in facts and circumstances in the future may cause the Company to record additional tax benefits as further deferred tax valuation allowances are released and carry−forwards are utilized. The Company continues to evaluate additional available tax positions related to the net securities losses in prior years.

The amount and expiration dates of tax loss carry−forwards (not tax effected) and credit carry−forwards as of December 31, 2011 are as follows:

(Amounts in thousands)	Expiration Date	Amount
United States federal and state loss carry−forwards	2012 −2031	1,071,134
United States federal tax credit carry−forwards	2020 −2024	10,794
United States federal tax credit carry−forwards	Indefinite	24,671

The Company, or one of its subsidiaries, files income tax returns in the United States federal jurisdiction and various states and foreign jurisdictions. With a few exceptions, the Company is no longer subject to foreign or United States federal, state and local income tax examinations for years prior to 2005. The Company is subject to foreign, United States federal and certain state income tax examinations for 2005 through 2009. A United States federal income tax examination for 2005 through 2007 is currently in administrative appeals and a United States federal income tax examination for 2008 and 2009 currently in process.

Unrecognized tax benefits are recorded in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. Following is a reconciliation of unrecognized tax benefits for the year ended December 31:

(Amounts in thousands)	2011	2010	2009
Beginning balance	$10,204	$10,711	$13,089
Additions based on tax positions related to the current year	—	—	832
Settlements	—	(296)	(1,029)
Lapse in statute of limitations	(533)	(211)	(2,181)
Reductions for tax positions of prior years	(37)	—	—
Ending balance	$ 9,634	$10,204	$10,711

As of December 31, 2011, the liability for unrecognized tax benefits was $9.6 million, all of which could impact the effective tax rate if recognized. The Company accrues interest and penalties for unrecognized tax benefits through "Income tax expense (benefit)" in the Consolidated Statements of Income (Loss). For the years ended December 31, 2011, 2010 and 2009, the Company accrued approximately $0.2 million, $0.3 million and $0.6 million, respectively, in interest and penalties in its Consolidated Statements of Income (Loss), respectively. As of December 31, 2011 and 2010, the Company had a liability of $1.6 million and $1.7 million, respectively, for interest and penalties related to its unrecognized tax benefits. As of December 31, 2011, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax positions over the next 12 months.

The Company does not consider its earnings in its foreign entities to be permanently reinvested. As of December 31, 2011 and 2010, a deferred tax liability of $5.9 million and $4.8 million, respectively, was recognized for the unremitted earnings of its foreign entities.

Note 15 — Commitments and Contingencies

Operating Leases — The Company has various non−cancelable operating leases for buildings and equipment that terminate through 2021. Certain of these leases contain rent holidays and rent escalation clauses based on pre−determined annual rate increases. The Company recognizes rent expense under the straight−line method over the term of the lease. Any difference between the straight−line rent amounts and amounts payable under the leases are recorded as deferred rent in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. Cash or lease incentives received under certain leases are recorded as deferred rent when the incentive is received and amortized as a reduction to rent over the term of the lease using the straight−line method. Incentives received relating to tenant improvements are recognized as a reduction of rent expense under the straight−line method over the term of the lease. Tenant improvements are capitalized as leasehold improvements and depreciated over the shorter of the remaining term of the lease or 10 years. At December 31, 2011, the deferred rent liability relating to these incentives was $2.7 million.

Rent expense under operating leases was $16.6 million, $15.3 million and $13.8 million during 2011, 2010 and 2009, respectively. Minimum future rental payments for all non−cancelable operating leases with an initial term of more than one year are (amounts in thousands):

2012	$ 12,927
2013	11,714
2014	10,733
2015	8,551
2016.	2,405
Thereafter	7,623
Total	$ 53,953

Credit Facilities — At December 31, 2011, the Company has overdraft facilities through its senior facility consisting of $12.7 million of letters of credit to assist in the management of investments and the clearing of payment service obligations. All of these letters of credit are outstanding as of December 31, 2011. These overdraft facilities reduce amounts available under the senior facility. Fees on the letters of credit are paid in accordance with the terms of the senior facility described in Note 9 — *Debt.*

Minimum Commission Guarantees — In limited circumstances as an incentive to new or renewing agents, the Company may grant minimum commission guarantees for a specified period of time at a contractually specified amount. Under the guarantees, the Company will pay to the agent the difference between the contractually specified minimum commission and the actual commissions earned by the agent. Expense related to the guarantee is recognized in the "Fee commissions expense" line in the Consolidated Statements of Income (Loss).

As of December 31, 2011, the liability for minimum commission guarantees is $1.7 million and the maximum amount that could be paid under the minimum commission guarantees is $7.2 million over a weighted average remaining term of 3.5 years. The maximum payment is calculated as the contractually guaranteed minimum commission times the remaining term of the contract and, therefore, assumes that the agent generates no money transfer transactions during the remainder of its contract. However, under the terms of certain agent contracts, the Company may terminate the contract if the projected or actual volume of transactions falls beneath a contractually specified amount. With respect to minimum commission guarantees expiring in 2011 and 2010, the Company paid $0.4 million and $0.5 million, respectively, or 34 percent and 22 percent, respectively, of the estimated maximum payment for the year.

Other Commitments — The Company has agreements with certain co−investors to provide funds related to investments in limited partnership interests. As of December 31, 2011, the total amount of unfunded commitments related to these agreements was $0.3 million. The amortization expense was recognized as part of "Transaction and operations support" expense in the Consolidated Statements of Income (Loss).

Legal Proceedings — The matters set forth below are subject to uncertainties and outcomes that are not predictable with certainty. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigations alleged. In relation to various legal matters, including those described above, the Company had $3.0 million and $2.3 million of liability recorded in the "Accounts payable and other liabilities" line in the Consolidated Balance Sheets as of December 31, 2011 and 2010, respectively. A charge of $1.9 million, a net gain of $12.7 million and charges totaling $54.9 million, net of insurance recoveries, were recorded in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss) during 2011, 2010 and 2009, respectively.

Litigation Commenced Against the Company:

Shareholder Litigation — On April 15, 2011 a complaint was filed in the Court of Chancery of the State of Delaware by Willie R. Pittman purporting to be a class action complaint on behalf of all shareholders and a shareholder derivative complaint against the Company, THL, Goldman Sachs and each of the Company's directors. Ms. Pittman alleges in her complaint that she is a stockholder of the Company and asserts, among other things, (i) breach of fiduciary duty and disclosure claims against the Company's directors, THL and Goldman Sachs, (ii) breach of the Company's certificate of incorporation claims against the Company, THL and Goldman Sachs, and (iii) claims for aiding and abetting breach of fiduciary duties against Goldman Sachs. Ms. Pittman purports to sue on her own behalf and on behalf of the Company and its stockholders. Pittman sought to, among other things, enjoin or rescind the 2011 Recapitalization. On April 29, 2011 the plaintiff filed an amended complaint to add two additional plaintiffs, Susan Seales and Stephen Selzer. On May 16, 2011 a hearing to enjoin or rescind the 2011 Recapitalization was held in the Court of Chancery of the State of Delaware, and at the hearing, the plaintiffs' request for a preliminary injunction was denied. The 2011 Recapitalization was completed on May 18, 2011. Since that time, Ms. Pittman has withdrawn as a putative class representative; Ms. Seales and Mr. Selzer remain as plaintiffs. The plaintiffs seek to recover damages of some or all of the cash and stock payments made to THL and Goldman Sachs by the Company in connection with the recapitalization transaction. This litigation is ongoing and is scheduled for trial in the second quarter of 2012.

On May 12, 2011 a complaint was filed in the County Court at Law No. 3 in Dallas County, Texas by Hilary Kramer purporting to be a class action complaint on behalf of all shareholders and a shareholder derivative complaint against the Company, THL, Goldman Sachs and each of the Company's directors. Ms. Kramer alleges in her complaint that she is a stockholder of the Company and asserts, among other things, (i) breach of fiduciary duty claims against the Company's directors, THL and Goldman Sachs and (ii) claims for aiding and abetting breach of fiduciary duties against Goldman Sachs. Ms. Kramer purports to sue on her own behalf and on behalf of the Company and its stockholders. Ms. Kramer sought to, among other things, enjoin the 2011 Recapitalization. The defendants have moved for the Texas court to stay this litigation in favor of the Pittman litigation in Delaware, which has an overlapping class definition.

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

Government Investigations:

MoneyGram has been served with subpoenas to produce documents and testify before a grand jury in the U.S. District Court for the Middle District of Pennsylvania. The subpoenas sought information related to, *inter alia*, MoneyGram's U.S. and Canadian agents, as well as certain transactions involving such agents, fraud complaint data, and MoneyGram's consumer anti−fraud program during the period from 2004 to 2009. MoneyGram has provided information requested pursuant to the subpoenas and continues to provide additional information relating to the investigation. In addition, the Company has been provided with subpoenas for the testimony of certain current and former employees in connection with the investigation. The Company has also been notified of a request for interviews of one current executive officer and one former chief executive officer of the Company. The U.S. Department of the Treasury Financial Crimes Enforcement Network ("FinCEN") also requested information, which information was subsequently provided by MoneyGram, concerning MoneyGram's reporting of fraudulent transactions during this period. In November 2010, MoneyGram met with representatives from the U.S. Attorney's Office for the Middle District of Pennsylvania (the "MDPA USAO") and representatives of FinCEN to discuss the investigation. In July 2011, MoneyGram had further discussions with the MDPA USAO and representatives of the Asset Forfeiture and Money Laundering Section of the U.S. Department of Justice ("US DOJ"). MoneyGram has been informed that it is being investigated by the federal grand jury in connection with these matters for the period 2004 to early 2009 as well as MoneyGram's anti−money laundering program during that period. In January 2012, meetings were held between representatives of the Company, the MDPA USAO and the Criminal Division of the US DOJ to discuss the investigation. MoneyGram continues to engage in discussions and cooperate with such government representatives regarding the ongoing investigation. During the course of these discussions, the Company was advised that consideration is being given to a range of possible outcomes, including the seeking of criminal penalties against the Company. However, no conclusions can be drawn at this time as to the outcome of the investigation, and we are unable to predict the probable loss, or range of loss, if any, associated with this matter.

MoneyGram has also received Civil Investigative Demands from a working group of nine state attorneys general who have initiated an investigation into whether the Company has taken adequate steps to prevent consumer fraud during the period from 2007 to 2011. The Civil Investigative Demands seek information and documents relating to the Company's procedures to prevent fraudulent transfers and consumer complaint information. MoneyGram continues to cooperate fully with the states in this matter. MoneyGram has submitted the information and documents requested by the states. No claims have been made against MoneyGram at this time.

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

Note 16 — Segment Information

The Company's reporting segments are primarily organized based on the nature of products and services offered and the type of consumer served. The Company primarily manages its business through two reporting segments, Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfers and bill payment services to consumers through a network of agents and, in select markets, company−operated locations. The Financial Paper Products segment provides money orders to consumers through retail and financial institution locations in the United States and Puerto Rico, and provides official check services to financial institutions in the United States. One of the Company's agents of both the Global Funds Transfer segment and the Financial Paper Products segment accounted for 29 percent, 30 percent and 29 percent of total revenue in 2011, 2010 and 2009, respectively. Businesses which are not operated within these segments are categorized as "Other," and primarily relate to discontinued products and businesses. Segment pre−tax operating income and segment operating margin are used to review operating performance and allocate resources.

Prior to the fourth quarter of 2011, the Company managed the Global Funds Transfer segment as two geographical regions or operating segments, the Americas and EMEAAP, to coordinate sales, agent management and marketing activities. These operating segments were aggregated into one reporting segment. As the Company no longer monitors performance and allocates resources by region, the Company has one operating and reporting segment for Global Funds Transfer.

Segment accounting policies are the same as those described in Note 2 — *Summary of Significant Accounting Policies*. The Company manages its investment portfolio on a consolidated level, with no specific investment security assigned to a particular segment. However, investment revenue is allocated to each segment based on the average investable balances generated by that segment's sale of payment instruments during the period. Net securities (gains) losses are not allocated to the segments as the investment portfolio is managed at a consolidated level. While the derivatives portfolio is also managed on a consolidated level, each derivative instrument is utilized in a manner that can be identified to a particular segment.

Also excluded from operating income for Global Funds Transfer and Financial Paper Products are interest and other expenses related to the Company's credit agreements, items related to the Company's preferred stock, operating income from businesses categorized as "Other," certain pension and benefit obligation expenses, director deferred compensation plan expenses, executive severance and related costs, certain legal and corporate costs not related to the performance of the segments and restructuring and reorganization costs. Unallocated expenses in 2011 include $4.8 million of legal settlements and related costs for securities litigation associated with our May 2011 Recapitalization, $0.3 million of asset impairments and other net corporate costs of $4.8 million not allocated to the segments. Unallocated expenses in 2010 include $1.8 million of asset impairments in addition to other net corporate costs of $7.4 million not allocated to the segments. Unallocated expenses in 2009 include $20.3 million of legal reserves related to securities litigation and stockholder derivative claims, a net curtailment gain on benefit plans of $14.3 million, $7.0 million of asset impairments and $4.4 million of executive severance and related costs in addition to other net corporate costs of $12.9 million not allocated to the segments.

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The following tables set forth revenue, operating results, depreciation and amortization, capital expenditures and assets by segment for the year ended December 31:

(Amounts in thousands)	2011	2010	2009
Revenue			
Global Funds Transfer:			
Money transfer	$1,040,087	$ 926,733	$ 890,838
Bill payment	112,629	126,548	134,611
Total Global Funds Transfer	1,152,716	1,053,281	1,025,449
Financial Paper Products:			
Money order	60,450	68,293	74,880
Official check	32,882	41,222	47,903
Total Financial Paper Products	93,332	109,515	122,783
Other	1,721	3,857	13,479
Total revenue	$1,247,769	$1,166,653	$1,161,711

(Amounts in thousands)	2011	2010	2009
Segment operating income:			
Global Funds Transfer	$124,793	$139,314	$ 82,647
Financial Paper Products	29,168	36,508	27,372
Other	(1,556)	(2,367)	(4,316)
Total segment operating income	152,405	173,455	105,703
Other unallocated expenses	9,888	15,057	30,305
Total operating income	142,517	158,398	75,398
Net securities gains	(32,816)	(2,115)	(7,790)
Interest expense	86,165	102,133	107,911
Debt extinguishment costs	37,522	—	—
Other	11,876	—	(2,401)
Income (loss) before income taxes	$ 39,770	$ 58,380	$ (22,322)

(Amounts in thousands)	2011	2010	2009
Depreciation and amortization:			
Global Funds Transfer	$40,575	$40,489	$43,512
Financial Paper Products	5,408	7,527	12,590
Other	68	58	989
Total depreciation and amortization	$46,051	$48,074	$57,091
Capital expenditures:			
Global Funds Transfer	$44,269	$37,090	$32,236
Financial Paper Products	5,867	5,935	6,005
Other	—	—	17
Total capital expenditures	$50,136	$43,025	$38,258

(Amounts in thousands)	2011	2010
Assets:		
Global Funds Transfer	$1,247,355	$1,017,574
Financial Paper Products	3,683,393	3,797,911
Other	244,830	300,251
Total assets	$5,175,578	$5,115,736

Geographic areas — International operations are located principally in Europe. International revenues are defined as revenues generated from money transfer transactions originating in a country other than the United States. Long−lived assets are principally located in the United States. The table below presents revenue by major geographic area for the year ended December 31:

(Amounts in thousands)	2011	2010	2009
United States	$ 768,662	$ 762,276	$ 789,222
International	479,107	404,377	372,489
Total revenue	$1,247,769	$1,166,653	$1,161,711

Note 17 — Quarterly Financial Data (Unaudited)

The summation of quarterly earnings per share may not equate to the calculation for the full year as quarterly calculations are performed on a discrete basis.

2011 Fiscal Quarters

(Amounts in thousands, except per share data)	First (1)	Second (1)	Third (1)	Fourth (1)
Revenue	$294,024	$309,953	$321,947	$321,845
Total operating expenses	262,323	275,695	281,622	285,612
Operating income	31,701	34,258	40,325	36,233
Total other expenses, net	20,613	4,913	23,004	54,217
Income before income taxes	$ 11,088	$ 29,345	$ 17,321	$ (17,984)
Net income	$ 14,045	$ 26,404	$ 15,834	$ 3,123
(Loss) Income per common share				
Basic and diluted	$ (0.26)	$ (1.37)	$ 0.03	$ 0.04

2010 Fiscal Quarters

(Amounts in thousands, except per share data)	First	Second (2)	Third (2)	Fourth (2)
Revenue	$286,504	$283,897	$292,887	$303,365
Total operating expenses	251,442	247,119	254,413	255,281
Operating income	35,062	36,778	38,474	48,084
Total other expenses, net	22,015	27,717	24,689	25,597
Income (loss) before income taxes	$ 13,047	$ 9,061	$ 13,785	$ 22,487
Net income (loss)	$ 10,812	$ 6,848	$ 9,985	$ 16,156
Loss per common share				
Basic and diluted	$ (0.26)	$ (0.31)	$ (0.30)	$ (0.23)

(1) Operating expenses in the first, second, third and fourth quarter of 2011 include restructuring and reorganization costs of $2.9 million, $5.6 million, $6.4 million and $6.2 million, respectively. Operating expenses in the second, third and fourth quarter of 2011 include legal accruals of $2.6 million, $1.3 million and $0.9 million, respectively. Other expenses in the second quarter of 2011 include net securities gains of $32.8 million, restructuring and reorganization costs of $2.3 million, capital transaction costs of $5.5 million, asset impairment charges of $1.8 million and debt extinguishment loss of $5.2 million. Other expenses in the third quarter of 2011 include impairment loss from asset disposition of $0.9 million. Other expenses in the fourth quarter of 2011 include debt extinguishment loss of $32.3 million, capital transaction costs of $1.0 million and asset impairment charges of $0.3 million.

(2) Operating expenses in the second quarter of 2010 include an impairment charge of $1.5 million. Operating expenses in the second, third and fourth quarters of 2010 include restructuring and reorganization costs of $1.9 million, $1.6 million and $2.3 million, respectively. Operating expenses in the third quarter of 2010 include legal accruals of $1.8 million. Operating expenses in the fourth quarter of 2010 include the reversal of a legal accrual of $16.4 million.

Note 18 — Condensed Consolidating Financial Statements

In the event the Company offers debt securities pursuant to an effective registration statement on Form S−3, these debt securities may be guaranteed by certain of its subsidiaries. Accordingly, the Company is providing condensed consolidating financial information in accordance with SEC Regulation S−X Rule 3−10, *Financial Statements of Guarantors and Issuers of Guaranteed Securities Registered or Being Registered.* If the Company issues debt securities, the following 100 percent directly or indirectly owned subsidiaries could fully and unconditionally guarantee the debt securities on a joint and several basis: MoneyGram Payment Systems Worldwide, Inc.; MoneyGram Payment Systems, Inc.; and MoneyGram of New York LLC (collectively, the “Guarantors”).

The following information represents condensed, consolidating Balance Sheets as of December 31, 2011 and 2010, along with condensed, consolidating Statements of Income (Loss) and Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009. The condensed, consolidating financial information presents financial information in separate columns for MoneyGram International, Inc. on a Parent−only basis carrying its investment in subsidiaries under the equity method; Guarantors on a combined basis, carrying investments in subsidiaries that are not expected to guarantee the debt (collectively, the “Non−Guarantors”) under the equity method; Non−Guarantors on a combined basis; and eliminating entries. The eliminating entries primarily reflect intercompany transactions, such as accounts receivable and payable, fee revenue and commissions expense and the elimination of equity investments and income in subsidiaries. As described in Note 2 — *Summary of Significant Accounting Policies* the Company has corrected the presentation of certain investments in time deposits and certificates of deposit in the 2009 condensed, consolidating financial statements.

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MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2011

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ —
Cash and cash equivalents (substantially restricted)	524	2,462,106	109,544	—	2,572,174
Receivables, net (substantially restricted)	—	1,204,903	15,162	—	1,220,065
Short−term investments (substantially restricted)	—	500,000	22,024	—	522,024
Available−for−sale−investments (substantially restricted)	—	102,771	—	—	102,771
Property and equipment	—	87,172	29,169	—	116,341
Goodwill	—	306,878	121,813	—	428,691
Other assets	4,820	190,295	18,397	—	213,512
Equity investments in subsidiaries	85,436	177,385	—	(262,821)	—
Intercompany receivables	—	187,441	—	(187,441)	—
Total assets	$ 90,780	$5,218,951	$ 316,109	$ (450,262)	$ 5,175,578
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY					
Payment service obligations	$ —	$4,138,418	$ 66,957	$ —	$ 4,205,375
Debt	—	810,888	—	—	810,888
Pension and other postretirement benefits	—	118,580	1,672	—	120,252
Accounts payable and other liabilities	54,803	65,629	28,829	—	149,261
Intercompany liabilities	146,175	—	41,266	(187,441)	—
Total liabilities	200,978	5,133,515	138,724	(187,441)	5,285,776
Total stockholders' (deficit) equity	(110,198)	85,436	177,385	(262,821)	(110,198)
Total liabilities and stockholders' (deficit) equity	$ 90,780	$5,218,951	$ 316,109	$ (450,262)	$ 5,175,578

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MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING STATEMENTS OF INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2011

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
REVENUE					
Fee and other revenue	$ —	$1,203,416	$ 288,498	$ (261,056)	$ 1,230,858
Investment revenue	—	16,368	543	—	16,911
Total revenue	—	1,219,784	289,041	(261,056)	1,247,769
EXPENSES					
Fee and other commissions expense	—	576,447	148,388	(177,262)	547,573
Investment commissions expense	—	431	—	—	431
Total commissions expense	—	576,878	148,388	(177,262)	548,004
Compensation and benefits	(16)	173,624	62,088	—	235,696
Transaction and operations support	6,137	258,005	47,414	(83,794)	227,762
Occupancy, equipment and supplies	—	36,061	11,678	—	47,739
Depreciation and amortization	—	34,545	11,506	—	46,051
Total operating expenses	6,121	1,079,113	281,074	(261,056)	1,105,252
OPERATING (LOSS) INCOME	(6,121)	140,671	7,967	—	142,517
Other expense					
Net securities gains	—	(32,816)	—	—	(32,816)
Interest expense	—	86,165	—	—	86,165
Debt extinguishment costs	—	37,522	—	—	37,522
Other	6,442	5,091	343	—	11,876
Total other expenses, net	6,442	95,962	343	—	102,747
(Loss) income before income taxes	(12,563)	44,709	7,624	—	39,770
Income tax (benefit) expense	(4,397)	(18,386)	3,147	—	(19,636)
(Loss) income after income taxes	(8,166)	63,095	4,477	—	59,406
Equity income (loss) in subsidiaries	67,572	4,477	—	(72,049)	—
NET INCOME (LOSS)	$ 59,406	$ 67,572	$ 4,477	$ (72,049)	$ 59,406

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MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 41,701	$ 112,536	$ 33,873	$ —	$ 188,110
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from maturities of investments classified as available−for−sale (substantially restricted)	—	56,320	—	—	56,320
Proceeds from settlements of investments (substantially restricted)	—	32,820	—	—	32,820
Purchase of short−term investments (substantially restricted)	—	(494,142)	(46,196)	—	(540,338)
Proceeds from maturities of short−term investments (substantially restricted)	—	400,500	21,969	—	422,469
Purchases of property and equipment	—	(28,191)	(16,032)	—	(44,223)
Proceeds from disposal of assets and businesses	—	2,683	—	—	2,683
Cash paid for acquisitions, net of cash acquired	—	—	(53)	—	(53)
Dividends to parent/Capital contribution from subsidiary guarantors	241,977	(6,439)	—	(235,538)	—
Net cash provided by (used in) investing activities	241,977	(36,449)	(40,312)	(235,538)	(70,322)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issuance of debt	—	536,025	—	—	536,025
Transaction costs for issuance and amendment of debt	—	(17,066)	—	—	(17,066)
Payments on debt	—	(366,625)	—	—	(366,625)
Prepayment penalty on debt	—	(23,188)	—	—	(23,188)
Additional consideration issued in connection with conversion of mezzanine equity	(218,333)	—	—	—	(218,333)
Transaction costs for the conversion and issuance of stock	(5,444)	—	—	—	(5,444)
Cash dividends paid on mezzanine equity	(20,477)	—	—	—	(20,477)
Transaction costs for secondary offering	—	(3,396)	—	—	(3,396)
Proceeds from exercise of stock options	716	—	—	—	716
Intercompany financings	(40,140)	40,140	—	—	—
Dividends from guarantors/Capital contribution to non−guarantors	—	(241,977)	6,439	235,538	—
Net cash (used in) provided by financing activities	(283,678)	(76,087)	6,439	235,538	(117,788)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—	—	—
CASH AND CASH EQUIVALENTS — Beginning of period	—	—	—	—	—
CASH AND CASH EQUIVALENTS — End of period	$ —	$ —	$ —	$ —	$ —

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MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ —	$ —	$ —	$ —	$ —
Cash and cash equivalents (substantially restricted)	108	2,704,865	160,968	—	2,865,941
Receivables, net (substantially restricted)	—	970,108	12,211	—	982,319
Short−term investments (substantially restricted)	—	405,769	—	—	405,769
Available−for−sale investments (substantially restricted)	—	160,936	—	—	160,936
Property and equipment	—	93,006	22,105	—	115,111
Goodwill	—	306,878	121,813	—	428,691
Other assets	—	141,469	15,500	—	156,969
Equity investments in subsidiaries	265,990	168,978	—	(434,968)	—
Intercompany receivables		260,803	—	(260,803)	—
Total assets	$ 266,098	$ 5,212,812	$ 332,597	$ (695,771)	$ 5,115,736
LIABILITIES AND STOCKHOLDERS' DEFICIT (EQUITY)					
Payment service obligations	$ —	$ 4,095,734	$ 89,002	$ —	$ 4,184,736
Debt	—	639,946	—	—	639,946
Pension and other postretirement benefits	—	119,008	1,528	—	120,536
Accounts payable and other liabilities	6,631	92,134	14,882	—	113,647
Intercompany liabilities	202,596	—	58,207	(260,803)	—
Total liabilities	209,227	4,946,822	163,619	(260,803)	5,058,865
Mezzanine equity	999,353	—	—	—	999,353
Total stockholders' deficit (equity)	(942,482)	265,990	168,978	(434,968)	(942,482)
Total liabilities, mezzanine equity and stockholders' deficit (equity)	$ 266,098	$ 5,212,812	$ 332,597	$ (695,771)	$ 5,115,736

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MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING STATEMENTS OF INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
REVENUE					
Fee and other revenue	$ —	$1,125,014	$ 204,267	$ (183,969)	$ 1,145,312
Investment revenue	—	21,080	261	—	21,341
Total revenue	—	1,146,094	204,528	(183,969)	1,166,653
EXPENSES					
Fee and other commissions expense	—	527,539	91,647	(118,427)	500,759
Investment commissions expense	—	737	—	—	737
Total commissions expense	—	528,276	91,647	(118,427)	501,496
Compensation and benefits	(217)	175,521	51,118	—	226,422
Transaction and operations support	1,564	208,966	40,794	(65,542)	185,782
Occupancy, equipment and supplies	—	36,987	9,494	—	46,481
Depreciation and amortization	—	37,412	10,662	—	48,074
Total operating expenses	1,347	987,162	203,715	(183,969)	1,008,255
OPERATING (LOSS) INCOME	(1,347)	158,932	813	—	158,398
Other expense (income)					
Net securities (gains) losses	—	(2,115)	—	—	(2,115)
Interest expense	—	102,133	—	—	102,133
Other	—	—	—	—	—
Total other expenses, net	—	100,018	—	—	100,018
(Loss) income before income taxes	(1,347)	58,914	813	—	58,380
Income tax (benefit) expense	(471)	11,113	3,937	—	14,579
(Loss) income after income taxes	(876)	47,801	(3,124)	—	43,801
Equity income (loss) in subsidiaries	44,677	(3,124)	—	(41,553)	—
NET INCOME (LOSS)	$43,801	$ 44,677	$ (3,124)	$ (41,553)	$ 43,801

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MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$(21,872)	$ 73,029	$ 9,580	$ —	$ 60,737
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from settlements of investments (substantially restricted)	—	140,985	—	—	140,985
Purchase of short−term investments (substantially restricted)	—	(707,137)	—	—	(707,137)
Proceeds from maturities of short−term investments (substantially restricted)	—	701,368	—	—	701,368
Purchases of property and equipment, net of disposals	—	(17,901)	(14,753)	—	(32,654)
Cash paid for acquisitions, net of cash acquired	—	(1,436)	1,106	—	(330)
Dividends to parent/Capital contribution from subsidiary guarantors	20,000	(4,067)	—	(15,933)	—
Net cash provided by (used in) investing activities	20,000	111,812	(13,647)	(15,933)	102,232
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on debt	—	(165,000)	—	—	(165,000)
Proceeds from exercise of stock options	2,031	—	—	—	2,031
Intercompany financings	(159)	159	—	—	—
Dividends from guarantors/Capital contribution to non−guarantors	—	(20,000)	4,067	15,933	—
Net cash provided by (used in) financing activities	1,872	(184,841)	4,067	15,933	(162,969)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—	—	—
CASH AND CASH EQUIVALENTS —Beginning of period	—	—	—	—	—
CASH AND CASH EQUIVALENTS — End of period	$ —	$ —	$ —	$ —	$ —

Table of Contents

MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING STATEMENTS OF (LOSS) INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
REVENUE					
Fee and other revenue	$ —	$1,123,375	$ 126,810	$ (121,693)	$ 1,128,492
Investment revenue	—	31,208	2,011	—	33,219
Total revenue	—	1,154,583	128,821	(121,693)	1,161,711
EXPENSES					
Fee and other commissions expense	—	514,142	21,573	(38,610)	497,105
Investment commissions expense	—	1,362	—	—	1,362
Total commissions expense	—	515,504	21,573	(38,610)	498,467
Compensation and benefits	3,942	155,008	40,103	—	199,053
Transaction and operations support	42,878	267,375	57,107	(83,083)	284,277
Occupancy, equipment and supplies	—	37,999	9,426	—	47,425
Depreciation and amortization	—	44,979	12,112	—	57,091
Total operating expenses	46,820	1,020,865	140,321	(121,693)	1,086,313
OPERATING (LOSS) INCOME	(46,820)	133,718	(11,500)	—	75,398
Other expense (income)					
Net securities (gains) losses	—	(7,790)	—	—	(7,790)
Interest expense	—	107,911	—	—	107,911
Other	—	(2,401)	—	—	(2,401)
Total other expenses, net	—	97,720	—	—	97,720
(Loss) income before income taxes	(46,820)	35,998	(11,500)	—	(22,322)
Income tax (benefit) expense	(16,387)	(6,010)	1,981	—	(20,416)
(Loss) income after income taxes	(30,433)	42,008	(13,481)	—	(1,906)
Equity income (loss) in subsidiaries	28,527	(13,481)	—	(15,046)	—
NET (LOSS) INCOME	$ (1,906)	$ 28,527	$ (13,481)	$ (15,046)	$ (1,906)

MONEYGRAM INTERNATIONAL, INC.

CONDENSED, CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

(Amounts in thousands)	Parent	Subsidiary Guarantors	Non−Guarantors	Eliminations	Consolidated
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 25,847	$ 423,763	$ 32,924	$ —	$ 482,534
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from settlements of investments (substantially restricted)	—	140,999	—	—	140,999
Purchase of short−term investments (substantially restricted)	—	(400,000)	—	—	(400,000)
Purchases of property and equipment	—	(26,253)	(11,695)	—	(37,948)
Proceeds from disposal of a business	—	4,500	—	—	4,500
Cash paid for acquisitions, net of cash acquired	—	—	(3,210)	—	(3,210)
Capital contribution to subsidiary guarantors	—	18,019	—	(18,019)	—
Net cash used in investing activities	—	(262,735)	(14,905)	(18,019)	(295,659)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on debt	—	(41,875)	—	—	(41,875)
Payments on revolving credit facility	—	(145,000)	—	—	(145,000)
Intercompany financings	(25,847)	25,847	—	—	—
Capital contribution from non−guarantors	—	—	(18,019)	18,019	—
Net cash (used in) provided by financing activities	(25,847)	(161,028)	(18,019)	18,019	(186,875)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—	—	—
CASH AND CASH EQUIVALENTS —Beginning of period	—	—	—	—	—
CASH AND CASH EQUIVALENTS — End of period	$ —	$ —	$ —	$ —	$ —

Exhibit 4.3

FIRST SUPPLEMENTAL INDENTURE

Supplemental Indenture (this *"Supplemental Indenture")*, dated as of August 6, 2009, among MoneyGram Securities, LLC (the *"Guaranteeing Subsidiary")*, a subsidiary of MoneyGram Payment Systems Worldwide, Inc. (or its permitted successor), a Delaware corporation (the *"Company")*, the other Guarantors (as defined in the Indenture referred to herein), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent under the Indenture referred to below (the *"Trustee"*).

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the *"Indenture")*, dated as of March 25, 2008 providing for the issuance of 13.25% Senior Secured Second Lien Notes due 2018 (the *"Notes"*);

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the *"Note Guarantee");* and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Agreement to Guarantee. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

3. No Recourse Against Others. No past, present or future director, officer, employee, incorporator, stockholder or agent of the Guaranteeing Subsidiary, as such, shall have any liability for any obligations of the Company or any Guaranteeing Subsidiary under the Notes, any Note Guarantees, the Indenture or this Supplemental Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws and it is the view of the SEC that such a waiver is against public policy.

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. Counterparts. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: August 6, 2009

MONEYGRAM SECURITIES, LLC

By: /s/ Daniel J. Collins
Name: Daniel J. Collins
Title: SVP + Treasurer

MONEYGRAM PAYMENT SYSTEMS
WORLDWIDE, INC.

By: /s/ Daniel J. Collins
Name: Daniel J. Collins
Title: SVP + Treasurer

MONEYGRAM INTERNATIONAL, INC.
MONEYGRAM PAYMENT SYSTEMS, INC.
MONEYGRAM INVESTMENTS, LLC
PROJECT REFUND, INC.
MONEYGRAM OF NEW YORK, LLC
PROPERTYBRIDGE, INC.
MONEYGRAM SECURITIES, LLC

By: /s/ Daniel J. Collins
Name: Daniel J. Collins
Title: SVP + Treasurer

DEUTSCHE BANK TRUST COMPANY
AMERICAS, a New York banking corporation, as
Trustee and Collateral Agent

By: Deutsche Bank National Trust Company

/s/ David Contino, Vice President
Authorized Signatory

By:

/s/ Irina Golovashchuk, Assistant Vice President
Authorized Signatory

Exhibit 4.4

SECOND SUPPLEMENTAL INDENTURE

This Second Supplemental Indenture (this *"Second Supplemental Indenture")*, dated as of June 29, 2010, among MoneyGram Payment Systems Worldwide, Inc. (or its permitted successor), a Delaware corporation (the *"Company")*, the Guarantors (as defined in the Indenture referred to herein) and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent under the Indenture referred to below (the *"Trustee")*.

WITNESSETH

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the *"Base Indenture")*, dated as of March 25, 2008 providing for the issuance of 13.25% Senior Secured Second Lien Notes due 2018 (the *"Notes")* and a first supplemental Indenture thereto (together with the Base Indenture, the *"Indenture");*

WHEREAS, Section 9.02 of the Indenture provides that, subject to certain exceptions, the Company and the Trustee may amend or supplement the Indenture with the consent of the Holders of at least a majority in the aggregate principal amount of the then outstanding Notes voting as a single class;

WHEREAS, Holders of at least a majority in the aggregate principal amount of the outstanding Notes have provided written consent to this Second Supplemental Indenture; and

WHEREAS, the execution of this Second Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Indenture, the Company has delivered to the Trustee an officer's certificate and an opinion of counsel with respect to such execution and all things necessary to make this Second Supplemental Indenture a valid agreement between the Company and the Trustee in accordance with its terms have been done.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

l. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Amendment. The Indenture is hereby amended as follows:

(a) Section 1.01 is hereby amended by inserting in alphabetical order the following definitions:

"*"Second Supplemental Indenture"* means that certain Second Supplemental Indenture, dated as of June 29, 2010, among the Company, the Guarantors and the Trustee.

"Second Supplemental Indenture Effective Date" means the "Effective Date" as defined in the Second Supplemental Indenture.

"Segregated Account" means any account of the Company established with an SRI Depository Bank and set forth in Schedule 1.1(c),and "Segregated Accounts" means any two or more of them collectively.

"Specified Conditions" means (a) that the Specified SRIs are held at all times in Segregated Accounts of MoneyGram Payment Systems, Inc. for so long as such Specified SRIs are beneficially owned by the Company or its Subsidiaries (b) that each Specified SRI shall at all times be held in the Segregated Account of the SRI Depository Bank adjacent to such Specified SRI in Schedule 1.1 (c), (c) that no securities or other Investments shall be held in the Segregated Accounts other than the Specified SRIs,(d) that the Segregated Accounts are free and clear of any Lien or other security interest are not subject to any control agreement and are in the sole control of MoneyGram Payment Systems, Inc. (in each case, other than a Permitted Lien under clauses (v), (x), (aa) and (dd) of the definition of Permitted Liens) and (e) that the Company provides to the Trustee and the Holders within 45 days of the end of each fiscal quarter a report in the form of Exhibit G detailing all assets held in. and activities for, each of the Segregated Accounts. Notwithstanding the foregoing, for any Specified SRI set forth on Schedule1.1(c) that is a limited partnership interest, (i) such Specified SRI need not be held in a Segregated Account of a SRI Depository Bank adjacent to such Specified SRI in Schedule 1.1 (c); (ii) the Company shall provide to the Trustee and the Holders within 15 days of Company's receipt, a copy of the limited partnership interest report and (iii) such Specified SRI shall be free and clear of any Lien (in each case, other than a Permitted Lien under clauses (v), (x), (aa) and (dd) of the definition of Permitted Liens).

"Specified SRIs" shall have the meaning set forth in the definition of "Minimum Liquidity Ratio".

"SRI Depository Bank" means each financial institution set forth adjacent to each Specified SRI on Schedule 1.1(c)."

(b) Section 1.0 I is hereby amended by amending and restating in its entirety the definition of "Minimum Liquidity Ratio" as follows:

"Minimum Liquidity Ratio" means the ratio of (a) the fair value of the Restricted Investment Portfolio (other than Scheduled Restricted Investments, which shall be valued at the lower of (x) fair value and (y) the actual par amount of each Scheduled Restricted Investment held by the Company or any of its Subsidiaries on the date of determination multiplied by (A) in respect of the Scheduled Restricted Investments set forth under the heading C−l on Schedule 1.1 (c), 0.98, (B) in respect of the Scheduled Restricted Investments set forth under the heading C−2 on Schedule 1.1 (c). 0.049525, and (C) in respect of the Scheduled Restricted Investments set forth under the heading C−3 on Schedule 1.1 (c), zero; provided,

that any Scheduled Restricted Investments set forth under the heading C−l on Schedule 1.1 (c) shall be valued at fair value after June 30, 2008; and provided further, if any of such Scheduled Restricted Investments set forth under the headings C−2 and C−3 on Schedule 1. 1(c) as of the Second Supplemental Indenture Effective Date (the *"Specified SRIs")* have been sold, the aggregate value of such remaining Specified SRIs shall be the lower of (x) fair value of such remaining Specified SRIs and (y) the aggregate value of all Specified SRIs (determined in accordance with the valuation methodology described above) less the net proceeds received for the Specified SRIs sold (not to be less than zero)) to (b) all Payment Service Obligations.

(c) Section 4.07 of the Indenture IS amended by inserting the following immediately before "." at the end of such Section:

"; provided further that the Company will provide 15 days prior written notice to the Trustee and the Holders of the payment of any dividend to the holders of preferred stock or common stock of the Company pursuant to Section 4.07(b)(10), setting forth in reasonable detail any calculation with respect to the such dividend"

(d) Section 4.28 of the Indenture is hereby amended and restated in its entirety to read as follows:

"(a) The Company shall (i) within 30 days of the Closing Date, cause to be formed and duly incorporated a Wholly−Owned Subsidiary of the Company (the *"Specified SRI Subsidiary"),* for the limited organizational purpose of holding and disposing of the Specified SRIs and distributing the proceeds thereof in accordance with this Indenture. and not engaging in any other activity, (ii) within 30 days of the Closing Date, transfer to the Specified SRI Subsidiary all of the Specified SRIs. (iii) not permit the Specified SRI Subsidiary to engage in any other activities or own or acquire any other assets or investments other than Specified SRIs and cash received from the sale thereof and (iv) not sell or transfer any Specified SRIs except to third parties for cash consideration; provided that on or after the Second Supplemental Indenture Effective Date, (x) if no Default or Event of Default is continuing, such Specified SRI Subsidiary may be dissolved if the Specified Conditions are met and (y) following such liquidation, the Company shall comply with the Specified Conditions at all times; provided, further that following such liquidation any reference herein to Specified SRI Subsidiary shall be to MoneyGram Payment Systems, Inc.

(b) The Company shall promptly provide any information in respect of the Specified SRIs as may reasonably be requested in writing by the Trustee or any Holder and shall request from the SRI Depositary Bank such information in the Company's possession and shall provide such information to the Trustee and the Holders following receipt thereof within a reasonable period."

(e) Section 6.01(3) of the Indenture is hereby amended and restated in its entirety to read as follows:

"(3) (A) failure by the Company to comply with its obligations under Sections 4.15 or 5.01 hereof, (B) failure by the Company or any Company Subsidiary for 45 days (30 days in respect of Section 4.27) after receipt of written notice given by the Trustee or the actual knowledge of the Company of such failure, to comply with any of its other agreements under this Indenture or the Notes to the extent such failure does not otherwise constitute a Default under clause (l), (2) or *(3)(A)* above, or (C) failure by MoneyGram Payment Systems, Inc. for 30 days after receipt of written notice given by the Trustee or the actual knowledge of the Company of such failure to comply with clauses (a), (b), (c) and (e) of the definition of the "Specified Conditions";"

(f) Schedule 1.1(c) to the Indenture attached hereto as Annex A is replaced in its entirety by Schedule 1.1 (c) to the Indenture attached hereto as Annex B.

3. Effect. This Second Supplemental Indenture shall become effective immediately upon its execution by the parties hereto (such date the *"Effective Date"*).

4. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SECOND SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

5. Effect on Indenture. This Second Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. Except as expressly set forth herein, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect including with respect to this Second Supplemental Indenture. This Second Supplemental Indenture shall not be deemed to be a waiver of, or consent to. or a modification or amendment of, any other term or condition of the Indenture or the Notes or to prejudice any other right or rights which the Holders of the Notes may now have or may have in the future under or in connection with the Indenture or any of the instruments or agreements referred to therein, as the same may be amended from time to time.

6. Separability Clause. In case any provision in this Second Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

7. Counterparts. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original but all of them together represent the same agreement.

8. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

9. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Second Supplemental Indenture or for or in respect of the recitals contained herein all of which recitals are made solely by the Guarantors and the Company.

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed and attested, all as of the date first above written.

Dated: May 21, 2010

MONEYGRAM PAYMENT SYSTEMS WORLDWIDE, INC.

By:

/s/ Daniel J. Collins
Name: Daniel J. Collins
Title: SVP + Treasurer

[Signature Page to Second Supplemental Indenture]

MONEYGRAM INTERNATIONAL, INC.
MONEYGRAM PAYMENT SYSTEMS, INC.
MONEYGRAM OF NEW YORK, LLC
PROPERTYBRIDGE, INC.

By:

/s/ Daniel J. Collins
Name: Daniel J. Collins
Title: SVP + Treasurer

[Signature Page to Second Supplemental Indenture]

DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation, as Trustee and Collateral Agent

By:

/s/ Chris Niesz, Associate
Authorized Signatory

By:

/s/ Irina Golovashchuk, Assistant Vice President
Authorized Signatory

[Signature Page to Second Supplemental Indenture]

ANNEX A

Schedule C

Category	CUSIP	Par Value (12/31/2007) (a)	Par Value (01/31/2008) (a)	Investor Value (12/31) (a)	Investor Value (1/31) (a)
C−1					
FHLB 4 3/09 C 4/04	3133X4VF5	$ 9,465,000	$ 9,465,000		
FHLB 4 3/26/09 C 4/04	3133X4Q87	22,200,000	22,200,000		
FHLB 4.02 12/10 C 9/03	31339X4E1	7,700,000	7,700,000		
FHLB 6.125 12/29/14	3133XLGV9	10,390,000	10,390,000		
FHLB 6.32 06/17	3133XLGE7	10,000,000	10,000,000		
FHLMC 4.1 12/10	3128X1FX0	13,175,000	13,175,000		
FHLMC 4.5 13	3134A4SA3	1,000,000	1,000,000		
FHLMC 4.95 5/13 C 5/04	3128X1CT2	10,000,000	10,000,000		
FNMA 0 07/05/14	TT3169600	8,000,000	8,000,000		
FNMA 5 2/13 C 5/04	3136F3AJ5	10,000,000	10,000,000		
FNMA 5.15 1/13 C 1/05	3136F2B56	3,000,000	3,000,000		
FNMA 6 03/20/17	3136F8GW9	10,000,000	10,000,000		
FNMA 6.25 08/15/16	3136F7U88	10,000,000	10,000,000		
FHR 2006 ZB	3133TBQM5	4,968,134	4,919,859		
FHR 2018 Z	3133TCJ74	1,483,856	1,465,299		
FHR 2080 Z	3133TG3U1	5,174,843	5,117,437		
FHR 2211 ZA	3133TNEQ3	4,145,362	4,093,653		
FHR 2336 TB	3133986U8	2,990,710	2,802,165		
FHR 2391 XG	31339LYF1	12,494,891	12,318,766		
FHR 2466 DG	31392MM74	91,490	0		
FHR 2482 EJ	31392PQU2	10,143,625	10,005,887		
FHR 2484 VB	31392PRK3	7,799,226	7,540,881		
FHR 2532 A	31393FNV4	4,883,558	4,807,616		
FHR 2539 TC	31393FXA9	25,000,000	25,000,000		
FHR 2564 QC	31393LNU3	16,687,124	16,470,888		
FHR 2574 PC	31393L2N2	43,317,106	40,912,072		
FHR 2603 JP	31393PST2	6,313,823	6,210,745		
FHR 2641 KC	31393WV63	6,348,949	6,257,238		
FHR 2656 AC	31394HR86	7,092,716	7,081,975		
FHR 2675 PB	31394J4P9	27,052,753	26,664,236		
FHR 2691 LD	31394LDU3	17,090,000	17,090,000		
FHR 2740 PC	31394P3P6	20,000,000	20,000,000		
FHR 2793 GC	31394YG99	12,750,000	12,750,000		
FHR 2793 GC	31394YG99	10,000,000	10,000,000		
FHR 2807 JA	31395AM44	4,195,383	4,194,766		
FHR 2878 QD	31395GKM3	20,000,000	20,000,000		
FHR 3014 DW	31395XAD7	3,397,571	3,326,814		
FN 725341	31402CZE5	14,349,101	14,153,804		
FNR 02−77 QE	31392F4E4	25,000,000	25,000,000		
FNR 1997−12 KB	31359NE64	573,745	572,197		
FNR 1999−33 ZA	31359WKG5	6,700,618	6,638,305		
FNR 2001−23 PG	31359S4D9	9,123,523	9,105,038		
FNR 2001−31 VB	313920CB4	2,613,792	2,130,331		
FNR 2001−63 TB	31392AUH9	4,468,244	4,389,351		
FNR 2002−55 VL	31392EFY1	6,050,749	5,669,540		
FNR 2003−41 PM	31393BD51	26,916,040	26,916,040		
FNR 2003−97 WC	31393TNL6	20,136,482	20,136,482		
FNR 2005−53 MB	31394DH60	29,884,512	29,884,512		
FNR 2005−58 CW	31394EDC9	9,873,409	9,783,888		
FNR 2007−10 VA	31396PNB3	11,511,731	11,420,679		
GNR 1998−24 Z	3837H1B42	4,239,680	4,177,436		
GNR 2000−26 PD	3837H4B79	98,833	94,741		
GNR 2002−67 VB	38373VQX1	7,403,134	7,007,396		
FHR 49 G	31340YRU5	645,266	635,324		
FFCB 5 3/14 C 6/04	31331TWT4	12,000,000	0		
FHLMC 4.25 3/10 C 9/04	3128X2ZL2	20,000,000	0		
FHLMC 5 3/13 C 9/04	3128X2C52	22,825,000	22,825,000		
FHLMC 5.25 2/14 C 2/05	3128X2QV0	11,000,000	0		
FNMA 4.01 8/09 C 8/04	3136F5CC3	9,230,000	9,230,000		
FNMA 4.27 1/09 C 4/04	3136F4W83	22,915,000	0		
FNMA 4.3 3/10 C 6/04	3136F5HH7	20,000,000	0		
FNMA 4.6 9/10 C 12/04	3136F6EW5	30,735,000	0		
FNMA 5 2/12 C 5/04	3136F45M2	25,000,000	0		
FNMA 5 8/11 C 5/04	3136F46A7	6,785,000	0		
FNMA 5.25 1/13 C 7/03	3136F2J90	30,120,000	0		
FNMA 5.25% 1/13 C 4/04	3136F2P77	10,545,000	0		
FNMA 5.5 11/14 2/05	3136F6MW6	20,000,000	0		
Total C−1		**$819,094,978**	**$603,730,361**	**$802,713,079**	**$591,655,754**
Investor Value / Par Value				***98.0000%***	***98.0000%***

(a) Par Values ($) and Investor Values ($) for illustrative purposes only

Schedule C

Category	CUSIP	Par Value (12/31/2007) (a)	Par Value (01/31/2008) (a)	Investor Value (12/31) (a)	Investor Value (1/31) (a)
C−2					
ACCDO V C	00388EAC5	9,000,000	9,000,000		
ACCDO V D	00388EAD3	3,000,000	3,000,000		
ACCDO 10A C	00389KAD8	10,000,000	10,000,000		
ACCOA 2007−1A A2	00389UAC8	9,000,000	9,000,000		
ANDY 2007−1A A2	034050AD6	14,997,425	14,997,425		
ANDY 2007−1A B	034050AE4	5,000,000	5,000,000		
AYRES 2005−1A C	05473WAJ5	3,500,000	3,500,000		
CCRK 2006−1A A3	164553AD1	2,955,049	2,955,049		
CCRK 2007−2A A2	164554AC1	20,000,000	20,000,000		
CRONA 2007−1A B	219655AHO	10,000,000	10,000,000		
FORTS 2006−2A A2	34957YAC1	15,000,000	15,000,000		
FORTS 2006−2A B	34957YAD9	5,000,000	5,000,000		
GLCR 2006−4A C	37638NAD3	1,957,460	1,991,692		
GSCSF 2007−1RA A1LC	3622MTAC4	14,998,669	14,998,669		
HLCDO 2006−1A A2	40536UAB8	20,000,000	20,000,000		
INDE4 4A C	453433AF1	5,674,111	5,674,111		
INDE7 7A B	45377MAG6	8,500,000	8,500,000		
LEXN 2006−2A D	52902WAF6	2,553,175	2,583,726		
MID 01−1A A1L	59541 FAB4	5,817,852	5,817,852		
NEPTN 2004−1A A3L	640699AD6	2,270,444	2,270,444		
NEPTN 2007−5A A2L	64069WAD5	10,000,000	10,000,000		
ORCHD 03−1A B	68571SAC8	9,375,000	9,375,000		
ORCHD 03−1A C1	68571SAD6	2,661,494	2,661,494		
PSCBO 1A A1 L	74438VAA6	6,116	6,116		
PSCBO 1A A1	74438VAB4	12,231	12,231		
PYXIS 2007−1A B	74732XAD9	10,000,000	10,000,000		
SAYB 2001−1A A	805659AA7	5,865,492	5,865,492		
SHERW 2006−3A A1J	82442VAB1	20,000,000	20,000,000		
SOLST 1A A	83436UAA1	5,180,454	5,180,454		
STAK 2006−2A 4	85234AAE6	11,000,000	11,000,000		
TABS 2007−7A A1J	872159AB4	20,000,000	20,000,000		
VERT 2007−1A A1J	92534YAC1	10,000,000	10,000,000		
VERT 2007−1A A2	92534YAE7	10,000,000	10,000,000		
NORTH 2001−3A	25153HAA2	13,625,000	13,625,000		
COOKS 2007−9A A	2163P2AAO	10,000,000	10,000,000		
GSCSF 2006−1A B	3622XOAC5	10,000,000	10,000,000		
IXION 2006−9A 12	46601WAJ4	10,000,000	10,000,000		
LCERT 2006−1A B	50547QAC1	15,000,000	15,000,000		
LEXN 2007−3A E	52902YAN5	5,650,000	5,650,000		
MILL REEF 05−1	600008ACO	8,595,000	8,595,000		
SALISBURY 05−14	795267AG8	15,000,000	15,000,000		
SALISBURY 06−1	79526EAK4	20,000,000	20,000,000		
SALISBURY 06−16	79526FAA3	20,000,000	20,000,000		
SKYBOX 05−1A C	83083GAEO	13,699,474	13,699,474		
AYRESOME CDO I PREF	05473U209	5,000,000	5,000,000		
DUKEF 2005−HG1A SUB	264412AA5	5,000,000	5,000,000		
MILL REEF PREF	27020EAA6	5,000,000	5,000,000		
OPUS 2006−1A SUB	68402DAAO	5,000,000	5,000,000		
SHERW 2006−3A SUB	82442TAA8	5,209,000	5,209,000		
STILLWATER PREF	860721208	7,800,000	7,800,000		
TABS 2005−2A SUB	87337LAF1	5,000,000	5,000,000		
GSTAR 05−5A IN	362905AA9	3,000,000	3,000,000		
NEPTN 2004−1A SUB	64069QAA4	6,400,000	6,400,000		
MID 2001−1A	59541BAC1	5,823,641	5,823,641		
LOGAN 05−1 C	42702MBA1	15,264,000	15,264,000		
COOKS 2007−18A A	21638PAA8	20,000,000	20,000,000		
THOM 2006−1A C	874008AE5	19,996,541	19,996,541		
CENTS 2006−1A A3	156323AJ6	10,000,000	10,000,000		
CENTS 2006−1A B	156323AL1	15,000,000	15,000,000		
CLSVF 2007−3A A3	18272FAD1	10,000,000	10,000,000		
EIGHT 2007−1A A3	28248EAG7	20,000,000	20,000,000		
MARSC 2007−1A A3	571656AC1	19,935,528	19,935,528		
PTPLS 2007−1A A2	730594AC2	19,926,117	19,926,117		
SQRD 2007−1A A2A	85223XAC3	15,000,000	15,000,000		
TRIC 2005−4A A3L	89608VAD2	7,500,000	7,500,000		
TRIC 2006−6A A2L	89609AAD7	5,000,000	5,000,000		
TWOLF 2007−1A A2	88714PAF3	19,959,131	19,959,131		
ZING 6A B1	98885LAE7	6,400,000	6,400,000		
Total C−2		**$682,108,404**	**$682,173,188**	**$ 33,781,351**	**$ 33,784,559**
Investor Value / Par Value				***4.9525%***	***4.9525%***

(a) *Per Values ($) ana Investor Values ($) for illustrative purposes only*

Schedule C

Category	CUSIP	Par Value (12/31/2007) (a)	Par Value (01/31/2008) (a)	Investor Value (12/31) (a)	Investor Value (1/31) (a)
C−3					
TABERNA 05−2A D	87330UAJ0	31,823,490	31,823,490		
TABERNA PFD	87330L200	3,000,000	3,000,000		
TAF 1A B1	89675YAC6	8,667,066	8,667,066		
CMLTI 2006−WF1 M2	17307G4N5	6,500,000	6,500,000		
CMLTI 2006−WF2 M1	17309BAF4	9,100,000	9,100,000		
SHARP 05−HE4N N	820018BV0	643,858	643,858		
RAMC 2007−2 M3	75970QAM2	5,500,000	5,500,000		
MLMI 2005−HE2 M2	59020US55	5,000,000	5,000,000		
FFML 04−FF10 M5	32027NMN8	3,058,212	3,058,212		
SVHE 2005−OPT3 M6	83611MGZ5	2,000,000	2,000,000		
ACE 2004−HE3 B	004421JB0	912,306	703,751		
SACO 2005−9 M4	785778MR9	15,088,000	15,088,000		
GPMF 2005−HE4 MB	39538WDQ8	3,000,000	3,000,000		
QUEST 2006−X1 M1	748351AT0	1,000,000	1,000,000		
CONHE 1997−1 M2	21075WEG6	597,046	597,046		
SASC 2004−18H B2	86359BF48	1,721,348	1,719,064		
SASC 2000−5 B5	8635722E2	124,812	111,584		
SASC 2001−9 B4	86358REH6	122,607	122,323		
OCMBS 99−R1 AP	675748BR7	280,555	280,555		
RAST 2006−A7CB B1	76113NAU7	1,971,858	1,970,696		
SIMSBURY CLO	829192BC6	5,000,000	5,000,000		
STANFIELD CLO	85430NAA8	10,000,000	10,000,000		
LONGHORN 2000−1	543044200	5,000,000	5,000,000		
ANCHORAGE FIN SUB−TR IV	033302209	15,000,000	15,000,000		
NORTH CASTLE CUST TR VIII	65831M208	17,900,000	17,900,000		
SUTTON CAPITAL TRUST III	86943W207	29,400,000	29,400,000		
TIERS 2001−6	88652RAA4	1,735,794	1,735,794		
US BANK PIPER JAFFREY TRUST	USBPJT	4,123,487	4,123,487		
Total C−3		**$188,270,439**	**$188,044,925**	**$ 0**	**$ 0**
Investor Value / Par Value				***0.0000%***	***0.0000%***

(a) Par Values ($) and Investor Values ($) for illustrative purposes only

ANNEX B

Schedule 1.1(c) C−1 securities

Category	CUSIP	Par Value 12/31/2007 (a)	Par Value 01/31/2008 (a)	Par Value 03/31/2010 (a)	Investor Value 12/31 (a)	Investor Value 1/31 (a)
C−1						
FHLB 4 3/09 C 4/04	3133X4VF5	$ 9,465,000	$ 9,465,000	$ —		
FHLB 4 3/26/09 C 4/04	3133X4Q87	22,200,000	22,200,000	—		
FHLB 4.02 12/10 C 9/03	31339X4E1	7,700,000	7,700,000	—		
FHLB 6.125 12/29/14	3133XLGV9	10,390,000	10,390,000	—		
FHLB 6.32 06/17	3133XLGE7	10,000,000	10,000,000	—		
FHLMC 4.1 12/10	3128X1FX0	13,175,000	13,175,000	—		
FHLMC 4.5 13	3134A4SA3	1,000,000	1,000,000	1,000,000		
FHLMC 4.95 5/13 C 5/04	3128X1CT2	10,000,000	10,000,000	—		
FNMA 0 07/05/14	TT3169600	8,000,000	8,000,000	8,000,000		
FNMA 5 2/13 C 5/04	3136F3AJ5	10,000,000	10,000,000	—		
FNMA 5.15 1/13 C 1/05	3136F2B56	3,000,000	3,000,000	—		
FNMA 6 03/20/17	3136F8GW9	10,000,000	10,000,000	—		
FNMA 6.25 08/15/16	3136F7U88	10,000,000	10,000,000	—		
FHR 2006 ZB	3133TBQM5	4,968,134	4,919,859	3,380,322		
FHR 2018 Z	3133TCJ74	1,483,856	1,465,299	924,045		
FHR 2080 Z	3133TG3U1	5,174,843	5,117,437	3,235,550		
FHR 2211 ZA	3133TNEQ3	4,145,362	4,093,653	2,835,071		
FHR 2336 TB	3133986U8	2,990,710	2,802,165	454,577		
FHR 2391 XG	31339LYF1	12,494,891	12,318,766	3,138,064		
FHR 2466 DG	31392MM74	91,490	—	—		
FHR 2482 EJ	31392PQU2	10,143,625	10,005,887	4,328,762		
FHR 2484 VB	31392PRK3	7,799,226	7,540,881	—		
FHR 2532 A	31393FNV4	4,883,558	4,807,616	225,939		
FHR 2539 TC	31393FXA9	25,000,000	25,000,000	15,178,517		
FHR 2564 QC	31393LNU3	16,687,124	16,470,888	7,396,723		
FHR 2574 PC	31393L2N2	43,317,106	40,912,072	—		
FHR 2603 JP	31393PST2	6,313,823	6,210,745	222,955		
FHR 2641 KC	31393WV63	6,348,949	6,257,238	3,683,483		
FHR 2656 AC	31394HR86	7,092,716	7,081,975	4,614,663		
FHR 2675 PB	31394J4P9	27,052,753	26,664,236	14,661,171		
FHR 2691 LD	31394LDU3	17,090,000	17,090,000	9,743,272		
FHR 2740 PC	31394P3P6	20,000,000	20,000,000	13,248,668		
FHR 2793 GC	31394YG99	12,750,000	12,750,000	2,261,072		
FHR 2793 GC	31394YG99	10,000,000	10,000,000	1,773,390		
FHR 2807 JA	31395AM44	4,195,383	4,194,766	—		
FHR 2878 QD	31395GKM3	20,000,000	20,000,000	6,964,592		
FHR 3014 DW	31395XAD7	3,397,571	3,326,814	1,875,282		
FN 725341	31402CZE5	14,349,101	14,153,804	8,792,043		
FNR 02−77 QE	31392F4E4	25,000,000	25,000,000	15,721,536		
FNR 1997−12 KB	31359NE64	573,745	572,197	440,808		
FNR 1999−33 ZA	31359WKG5	6,700,618	6,638,305	4,277,996		
FNR 2001−23 PG	31359S4D9	9,123,523	9,105,038	6,572,962		
FNR 2001−31 VB	313920CB4	2,613,792	2,130,331	—		
FNR 2001−63 TB	31392AUH9	4,468,244	4,389,351	44,601		
FNR 2002−55 VL	31392EFY1	6,050,749	5,669,540	—		
FNR 2003−41 PM	31393BD51	26,916,040	26,916,040	19,683,718		
FNR 2003−97 WC	31393TNL6	20,136,482	20,136,482	15,194,213		
FNR 2005−53 MB	31394DH60	29,884,512	29,884,512	25,787,188		
FNR 2005−58 CW	31394EDC9	9,873,409	9,783,888	7,009,664		
FNR 2007−10 VA	31396PNB3	11,511,731	11,420,679	8,886,656		
GNR 1998−24 Z	3837H1B42	4,239,680	4,177,436	2,798,097		
GNR 2000−26 PD	3837H4B79	98,833	94,741	—		
GNR 2002−67 VB	38373VQX1	7,403,134	7,007,396	—		
FHR 49 G	31340YRU5	645,266	635,324	391,511		
FFCB 5 3/14 C 6/04	31331TWT4	12,000,000	—	—		
FHLMC 4.25 3/10 C 9/04	3128X2ZL2	20,000,000	—	—		
FHLMC 5 3/13 C 9/04	3128X2C52	22,825,000	22,825,000	—		
FHLMC 5.25 2/14 C 2/05	3128X2QV0	11,000,000	—	—		
FNMA 4.01 8/09 C 8/04	3136F5CC3	9,230,000	9,230,000	—		
FNMA 4.27 1/09 C 4/04	3136F4W83	22,915,000	—	—		
FNMA 4.3 3/10 C 6/04	3136F5HH7	20,000,000	—	—		
FNMA 4.6 9/10 C 12/04	3136F6EW5	30,735,000	—	—		
FNMA 5 2/12 C 5/04	3136F45M2	25,000,000	—	—		
FNMA 5 8/11 C 5/04	3136F46A7	6,785,000	—	—		
FNMA 5.25 1/13 C 7/03	3136F2J90	30,120,000	—	—		
FNMA 5.25% 1/13 C 4/04	3136F2P77	10,545,000	—	—		
FNMA 5.5 11/14 2/05	3136F6MW6	20,000,000	—	—		
Total C−1 securities		**$819,094,979**	**$603,730,361**	**$224,747,107**	**$802,713,079**	**$591,655,754**
Investor Value / Par Value					98.0000%	98.0000%

(a) Par Values ($) and Investor Values ($) for illustrative purposes only
(b) Security was called or paid in full.

Annex A

Schedule 1.1(c) C−2 securities

Category	CUSIP	Par Value 12/31/2007 (a)	Par Value 01/31/2008 (a)	Par Value 03/31/2010 (a)	Investor Value 12/31 (a)	Investor Value 1/31 (a)	SRI Depository Bank
C−2							
ACCDO V C	00388EAC5	9,000,000	9,000,000	9,082,993			Wells Fargo Bank N.A.
ACCDO V D	00388EAD3	3,000,000	3,000,000	3,059,624			Wells Fargo Bank N.A.
ACCDO 10A C	00389KAD8	10,000,000	10,000,000	10,615,025			Wells Fargo Bank N.A.
ACCOA 2007−1A A2	00389UAC8	9,000,000	9,000,000	9,000,000			Wells Fargo Bank N.A.
ANDY 2007−1A A2	034050AD6	14,997,425	14,997,425	14,997,425			Wells Fargo Bank N.A.
ANDY 2007−1A B	034050AE4	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
AYRES 2005−1A C	05473WAJ5	3,500,000	3,500,000	3,500,000			Wells Fargo Bank N.A.
CCRK 2006−1A A3	164553AD1	2,955,049	2,955,049	—			(c)
CCRK 2007−2A A2	164554AC1	20,000,000	20,000,000	20,000,000			Wells Fargo Bank N.A.
CRONA 2007−1A B	219655AH0	10,000,000	10,000,000	—			(c)
FORTS 2006−2A A2	34957YAC1	15,000,000	15,000,000	15,000,000			Wells Fargo Bank N.A.
FORTS 2006−2A B	34957YAD9	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
GLCR 2006−4A C	37638NAD3	1,957,460	1,991,692	—			(d)
GSCSF 2007−1RA A1LC	3622MTAC4	14,998,669	14,998,669	14,998,669			Wells Fargo Bank N.A.
HLCDO 2006−1A A2	40536UAB8	20,000,000	20,000,000	—			(c)
INDE4 4A C	453433AF1	5,674,111	5,674,111	6,505,899			Wells Fargo Bank N.A.
INDE7 7A B	45377MAG6	8,500,000	8,500,000	8,500,000			Wells Fargo Bank N.A.
LEXN 2006−2A D	52902WAF6	2,553,175	2,583,726	2,705,068			Wells Fargo Bank N.A.
MID 01−1A A1L	59541FAB4	5,817,852	5,817,852	4,850,541			Wells Fargo Bank N.A.
NEPTN 2004−1A A3L	640699AD6	2,270,444	2,270,444	2,248,358			Wells Fargo Bank N.A.
NEPTN 2007−5A A2L	64069WAD5	10,000,000	10,000,000	10,000,000			Wells Fargo Bank N.A.
ORCHD 03−1A B	68571SAC8	9,375,000	9,375,000	9,375,000			Wells Fargo Bank N.A.
ORCHD 03−1A C1	68571SAD6	2,661,494	2,661,494	2,661,494			Wells Fargo Bank N.A.
PSCBO 1A A1L	74438VAA6	6,116	6,116	—			(b)
PSCBO 1A A1	74438VAB4	12,231	12,231	—			(b)
PYXIS 2007−1A B	74732XAD9	10,000,000	10,000,000	—			(b)
SAYB 2001−1A A	805659AA7	5,865,492	5,865,492	3,608,108			Wells Fargo Bank N.A.
SHERW 2006−3A A1J	82442VAB1	20,000,000	20,000,000	20,000,000			Wells Fargo Bank N.A.
SOLST 1A A	83436UAA1	5,180,454	5,180,454	3,766,785			Wells Fargo Bank N.A.
STAK 2006−2A 4	85234AAE6	11,000,000	11,000,000	—			(c)
TABS 2007−7A A1J	872159AB4	20,000,000	20,000,000	—			(b)
VERT 2007−1A A1J	92534YAC1	10,000,000	10,000,000	—			(c)
VERT 2007−1A A2	92534YAE7	10,000,000	10,000,000	—			(c)
NORTH 2001−3A	25153HAA2	13,625,000	13,625,000	13,625,000			Wells Fargo Bank N.A.
COOKS 2007−9A A	2163P2AA0	10,000,000	10,000,000	—			(c)
GSCSF 2006−1A B	3622X0AC5	10,000,000	10,000,000	10,000,000			Wells Fargo Bank N.A.
IXION 2006−9A 12	46601WAJ4	10,000,000	10,000,000	—			(c)
LCERT 2006−1A B	50547QAC1	15,000,000	15,000,000	15,000,000			Wells Fargo Bank N.A.
LEXN 2007−3A E	52902YAN5	5,650,000	5,650,000	5,936,230			Wells Fargo Bank N.A.
MILL REEF 05−1	600008AC0	8,595,000	8,595,000	8,306,407			Wells Fargo Bank N.A.
SALISBURY 05−14	795267AG8	15,000,000	15,000,000	15,000,000			Wells Fargo Bank N.A.
SALISBURY 06−1	79526EAK4	20,000,000	20,000,000	—			(c)
SALISBURY 06−16	79526FAA3	20,000,000	20,000,000	—			(c)
SKYBOX 05−1A C	83083GAE0	13,699,474	13,699,474	11,931,399			Wells Fargo Bank N.A.
AYRESOME CDO I PREF	05473U209	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
DUKEF 2005−HG1A SUB	264412AA5	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
MILL REEF PREF	27020EAA6	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
OPUS 2006−1A SUB	68402DAA0	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
SHERW 2006−3A SUB	82442TAA8	5,209,000	5,209,000	5,209,000			Wells Fargo Bank N.A.
STILLWATER PREF	860721208	7,800,000	7,800,000	7,800,000			Wells Fargo Bank N.A.
TABS 2005−2A SUB	87337LAF1	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
GSTAR 05−5A IN	362905AA9	3,000,000	3,000,000	3,000,000			Wells Fargo Bank N.A.
NEPTN 2004−1A SUB	64069QAA4	6,400,000	6,400,000	6,400,000			Wells Fargo Bank N.A.
MID 2001−1A	59541BAC1	5,823,641	5,823,641	5,823,641			Wells Fargo Bank N.A.
LOGAN 05−1 C	42702MBA1	15,264,000	15,264,000	15,264,000			Wells Fargo Bank N.A.
COOKS 2007−18A A	21699ACX5	20,000,000	20,000,000	20,000,000			(c)
THOM 2006−1 A C	874008AE5	19,996,541	19,996,541	21,782,724			Wells Fargo Bank N.A.
CENTS 2006−1A A3	156323AJ6	10,000,000	10,000,000	10,000,000			Wells Fargo Bank N.A.
CENTS 2006−1A B	156323AL1	15,000,000	15,000,000	15,000,000			Wells Fargo Bank N.A.
CLSVF 2007−3A A3	18272FAD 1	10,000,000	10,000,000	10,000,000			Wells Fargo Bank N.A.
EIGHT 2007−1A A3	28248EAG7	20,000,000	20,000,000	20,000,000			Wells Fargo Bank N.A.
MARSC 2007−1A A3	571656AC1	19,935,528	19,935,528	—			(c)
PTPLS 2007−1A A2	730594AC2	19,926,117	19,926,117	19,926,117			Wells Fargo Bank N.A.
SQRD 2007−1A A2A	85223XAC3	15,000,000	15,000,000	15,000,000			Wells Fargo Bank N.A.
TRIC 2005−4A A3L	89608VAD2	7,500,000	7,500,000	7,500,000			Wells Fargo Bank N.A.
TRIC 2006−6A A2L	89609AAD7	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
TWOLF 2007−1A A2	88714PAF3	19,959,131	19,959,131	—			(c)
ZING 6A B1	98885LAE7	6,400,000	6,400,000	6,400,000			Wells Fargo Bank N.A.
Total C2 securities		**$ 682,108,404**	**$ 682,173,187**	**$ 483,379,506**	**$ 33,781,351**	**$ 33,784,559**	
Investor Value / Par Value					4.9525%	4.9525%	

(a) Par Values ($) and Investor Values ($) for illustrative purposes only
(b) Security was called or paid in full.
(c) Security was collapsed.
(d) Security was sold.

Annex A

Schedule 1.1(c) C−3 securities

Category	CUSIP	Par Value 12/31/2007 (a)	Par Value 01/31/2008 (a)	Par Value 03/31/2010 (a)	Investor Value 12/31 (a)	Investor Value 1/31 (a)	SRI Depository Bank
C−3							
TABERNA 05−2A D	87330UAJ0	31,823,490	31,823,490	34,898,548			Wells Fargo Bank N.A.
TABERNA PFD	87330L200	3,000,000	3,000,000	3,000,000			Wells Fargo Bank N.A.
TAF 1A B1	89675YAC6	8,667,066	8,667,066	8,667,066			Wells Fargo Bank N.A.
CMLTI 2006−WF1 M2	17307G4N5	6,500,000	6,500,000	1,448,492			Wells Fargo Bank N.A.
CMLTI 2006−WF2 M1	17309BAF4	9,100,000	9,100,000	7,447,353			Wells Fargo Bank N.A.
SHARP 05−HE4N N	820018BV0	643,858	643,858	643,858			Wells Fargo Bank N.A.
RAMC 2007−2 M3	75970QAM2	5,500,000	5,500,000	5,500,000			Wells Fargo Bank N.A.
MLMI 2005−HE2 M2	59020US55	5,000,000	5,000,000	4,379,467			Wells Fargo Bank N.A.
FFML 04−FF10 M5	32027NMN8	3,058,212	3,058,212	—			(c)
SVHE 2005−OPT3 M6	83611MGZ5	2,000,000	2,000,000	2,000,000			Wells Fargo Bank N.A.
ACE 2004−HE3 B	004421JB0	912,306	703,751	—			(c)
SACO 2005−9 M4	785778MR9	15,088,000	15,088,000	—			(c)
GPMF 2005−HE4 M8	39538WDQ8	3,000,000	3,000,000	—			(c)
QUEST 2006−X1 M1	748351AT0	1,000,000	1,000,000	1,000,000			Wells Fargo Bank N.A.
CONHE 1997−1 M2	21075WEG6	597,046	597,046	525,397			Wells Fargo Bank N.A.
SASC 2004−18H B2	86359BF48	1,721,348	1,719,064	1,460,589			Wells Fargo Bank N.A.
SASC 2000−5 B5	8635722E2	124,812	111,584	—			(c)
SASC 2001−9 B4	86358REH6	122,607	122,323	—			(c)
OCMBS 99−R1 AP	675748BR7	280,555	280,555	130,937			Wells Fargo Bank N.A.
RAST 2006−A7CB B1	76113NAU7	1,971,858	1,970,696	437,088			Wells Fargo Bank N.A.
SIMSBURY CLO	829192BC6	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
STANFIELD CLO	85430NAA8	10,000,000	10,000,000	10,000,000			Wells Fargo Bank N.A.
LONGHORN 2000−1	543044200	5,000,000	5,000,000	5,000,000			Wells Fargo Bank N.A.
ANCHORAGE FIN SUB−TR IV	033302209	15,000,000	15,000,000	—			(b)
NORTH CASTLE CUST TR VIII	65831M208	17,900,000	17,900,000	—			(b)
SUTTON CAPITAL TRUST III	86943W207	29,400,000	29,400,000	—			(b)
TIERS 2001−6	88652RAA4	1,735,794	1,735,794	1,735,794			Limited Partnership Interest
US BANK PIPER JAFFREY TRUST	USBPJT	4,123,487	4,123,487	4,123,487			Limited Partnership Interest
BSIC MERCHANT BANKING	055678AB2	(e)	(e)	4,103,520			Limited Partnership Interest
Total C−3 securities		**$ 188,270,439**	**$ 188,044,926**	**$ 101,501,595**	**$ —**	**$ —**	
Investor Value/Par Value					0.0000%	0.0000%	

(a) Par Values ($) and Investor Values ($) for illustrative purposes only
(b) Security was called or paid in full.
(c) Security was collapsed.
(e) Not included in original Schedule 1.1C as presumed to be sold.

Exhibit 10.64

MoneyGram International, Inc.
Non−Employee Director Compensation Arrangements
Revised as of September 28, 2011

The following compensation program is available to non−employee directors of MoneyGram International, Inc.

Retainers and Fees for Non−Employee Directors (effective as of January 1, 2012)

An annual Board membership retainer of $90,000 shall be paid to each non−employee director. The retainer shall be made in arrears in four equal installments on the first business day following March 31, June 30, September 30, December 31 (each a "Payable Date").

The Chair of the Audit committee shall receive an additional $15,000 in cash per year of Chairmanship; payment will be made in arrears in four equal installments on each Payable Date.

The Chair of the Human Resources and Nominating committee shall receive an additional $7,500 in cash per year of Chairmanship; payment will be made in arrears in four equal installments on each Payable Date.

Non−employee directors are also reimbursed for their expenses for each Board or committee meeting attended. To the extent that any taxable reimbursements are provided, they shall be made or provided in accordance with Section 409A of the Internal Revenue Code and the Treasury Regulations thereunder.

Equity Awards for Non−Employee Directors (effective as of the 2012 annual meeting)

Under the MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended, each non−employee director, at the annual meeting in May, shall receive a restricted stock unit ("RSU") covering shares of common stock the fair market value of which shall be equal to $90,000, as determined by the per share closing price of the common stock on the New York Stock Exchange, as reported in the consolidated transaction reporting system, on the date of award of the RSU. RSUs awarded under this program shall be payable in shares.

Each RSU shall vest in full, if at all, upon the first anniversary of the date of award of such RSU. If a director voluntarily resigns such director's Board membership prior to the completion of the one year vesting period, then such director's RSU shall be forfeited in whole. Notwithstanding the foregoing, a director's RSUs then outstanding (i.e. granted and not previously forfeited) will vest immediately and in full upon (i) a change in control (as defined in the standard Restricted Stock Unit Award Agreement approved for use under the MoneyGram International, Inc. 2005 Omnibus Incentive Plan) so long as the director remains on the Board through the date immediately prior to the change in control; or (ii) the director ceases Board membership due to death or disability.

Proration of Retainer and Equity Awards

With respect to Directors who join the Board during a year, the Board may prorate such Director's retainer and/or equity award as it deems appropriate.

Amendment or Termination

The Board may amend, alter, suspend, discontinue or terminate this program at any time.

Exhibit 10.85

GSMP V ONSHORE US, LTD.
GSMP V OFFSHORE US, LTD.
GSMP V INSTITUTIONAL US, LTD.
200 West Street
New York, NY 10282−2198

October 24, 2011

MONEYGRAM PAYMENT SYSTEMS
WORLDWIDE, INC.
2828 N. Harwood Street, 15th Floor
Dallas, TX 75201

DEUTSCHE BANK TRUST COMPANY
AMERICAS, as Trustee
Trust & Securities Services
60 Wall Street, MS2710
New York, NY 10005

DEUTSCHE BANK TRUST COMPANY
AMERICAS
c/o Deutsche Bank National Trust Company
Trust & Securities Services
25 DeForest Avenue, MS SUMO1−0105
Summit, NJ 07901

Re: 13.25% Senior Secured Second Lien Notes Due 2018

Reference is hereby made to that certain Indenture (the "Base Indenture") dated as of March 25, 2008, as supplemented by the First Supplemental Indenture, dated as of August 6, 2009, the Second Supplemental Indenture dated as of June 29, 2010 and the Third Supplemental Indenture dated as of April 19, 2011, and Fourth Supplemental Indenture dated as of September 29, 2011 (together with the Base Indenture, the "Indenture") by and among MoneyGram Payment Systems Worldwide, Inc. as the issuer (the "Company"), the Guarantors listed on the signature pages of the Indenture (the "Guarantors") and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"). Capitalized terms used, but not defined, in this consent shall have the meaning defined (including by reference) in the Indenture (as supplemented by the Fifth Supplemental Indenture, as defined below).

GSMP V ONSHORE US, LTD., GSMP V OFFSHORE US, LTD., and GSMP V INSTITUTIONAL US, LTD. (collectively, the "GS Holders") hereby represent and warrant to the Company and the Trustee that the GS Holders collectively own 100% in the aggregate principal amount of the outstanding 13.25% Senior Secured Second Lien Notes due 2018 (the "Notes") voting as a single class issued pursuant to the Indenture. The GS Holders hereby consent to the entry into a fifth supplemental indenture (the "Fifth Supplemental Indenture") to the Indenture in substantially the form attached hereto as Annex A. At the request of the Company, the GS Holders, in their capacity as Required Holders under the Note Purchase Agreement and the Indenture, hereby consent to the changes to the definition of "Highly Rated Investments" contained in the Fifth Supplemental Indenture (and consent to any resulting changes in the Investment Policy relating to Holdco's and the Holdco Subsidiaries' investment portfolio).

The execution and delivery of this letter shall not operate as a waiver of any right, power or remedy of the GS Holders under the Indenture, nor constitute an amendment of any other provision of the Indenture or for any purpose except as expressly set forth herein.

The Company hereby represents and warrants as follows:

1. The Fifth Supplemental Indenture, when fully−executed and effective, will constitute the legal, valid and binding obligation of the Company and the Guarantors enforceable in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the Company and the Guarantors rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

2. The Company and each Guarantor has all requisite corporate power and authority to enter into the Fifth Supplemental Indenture and to carry out the transactions contemplated by, and perform its obligations under, the Fifth Supplemental Indenture and the Indenture as amended by the Fifth Supplemental Indenture.

3. After giving effect to the Fifth Supplemental Indenture, the Indenture, as amended, does not impair the validity, effectiveness or priority of the Liens granted pursuant to the Security Documents, and such Liens continue unimpaired with the same priority to secure repayment of all Obligations with respect to the Notes, whether heretofore or hereafter incurred. The position of the GS Holders with respect to such Liens, the Collateral in which a security interest was granted pursuant to the Security Documents and the ability of the Trustee to realize upon such Liens pursuant to the terms of the Security Documents have not been adversely affected in any material respect by the amendments to the Indenture effected pursuant to the Fifth Supplemental Indenture or by the execution, delivery, performance or effectiveness of the Fifth Supplemental Indenture. The Company and each Guarantor confirm that the Indenture and each Security Document to which it is a party is, and shall continue to be, in full force and effect, and the same are hereby ratified, approved and confirmed in all respects, except as the Indenture may be amended by the Fifth Supplemental Indenture.

4. As of the date hereof (and giving effect to the Fifth Supplemental Indenture), no event has occurred and is continuing or will result from the consummation of the transactions contemplated by the Fifth Supplemental Indenture or the Indenture as amended by the Fifth Supplemental Indenture that would constitute an Event of Default.

The Company and each Guarantor reaffirm as of the date hereof their respective covenants and agreements contained in the Indenture and each Security Documents to which it is a party, including, in each case, as such covenants and agreements may be modified by the Fifth Supplemental Indenture.

THIS LETTER SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

[SIGNATURE PAGE FOLLOWS]

HOLDERS:

GSMP V ONSHORE US, LTD.

By: /s/ John E. Bowman
Name: John E. Bowman
Title: Vice President

GSMP V OFFSHORE US, LTD.

By: /s/ John E. Bowman
Name: John E. Bowman
Title: Vice President

GSMP V INSTITUTIONAL US, LTD.

By: /s/ John E. Bowman
Name: John E. Bowman
Title: Vice President

Agreed and acknowledged as of the first date written above:

MONEYGRAM PAYMENT SYSTEMS WORLDWIDE, INC.

By: /s/ James E. Shields
Name: James E. Shields
Title: Executive Vice President and Chief Financial Officer

[Signature Page to Holder Consent]

MONEYGRAM INTERNATIONAL, INC.
MONEYGRAM PAYMENT SYSTEMS, INC.
MONEYGRAM OF NEW YORK, LLC

By: /s/ James E. Shields
Name: James E. Shields
Title: Executive Vice President and
Chief Financial Officer

Copies to: F. William Reindel
Fried, Frank, Harris, Shriver & Jacobson LLP
One New York Plaza
New York, NY 10004

Valinda Wolfert
Vinson & Elkins L.L.P.
2001 Ross Avenue
Suite 3700
Dallas, TX 75201

ANNEX A

FIFTH SUPPLEMENTAL INDENTURE

This Fifth Supplemental Indenture, dated as of October , 2011 to be effective as of the Effective Date referred to below (this "*Fifth Supplemental Indenture*"), among MoneyGram Payment Systems Worldwide, Inc. (or its permitted successor), a Delaware corporation (the "*Company*"), the Guarantors (as defined in the Indenture referred to herein) and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent under the Indenture referred to below (the "*Trustee*").

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "*Base Indenture*"), dated as of March 25, 2008, providing for the issuance of 13.25% Senior Secured Second Lien Notes due 2018 (the "*Notes*") and a first supplemental Indenture thereto, a second supplemental Indenture thereto, a third supplement Indenture thereto, and a fourth supplemental Indenture thereto (together with the Base Indenture, the "*Indenture*");

WHEREAS, Section 9.02 of the Indenture provides that the Company and the Trustee may amend or supplement the Indenture with the consent of the Holders specified in Section 9.02;

WHEREAS, Holders of 100% of the aggregate principal amount of the outstanding Notes have provided written consent to this Fifth Supplemental Indenture; and

WHEREAS, the execution of this Fifth Supplemental Indenture by the parties hereto is in all respects authorized by the provisions of the Indenture, the Company has delivered to the Trustee an officer's certificate and an opinion of counsel with respect to such execution, and all things necessary to make this Fifth Supplemental Indenture a valid agreement between the Company and the Trustee in accordance with its terms have been done.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Company, the Guarantors and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. Amendment of Definitions.

(a) Section 1.01 of the Indenture is hereby amended to add the following definition of Tax−Efficient Restructuring to be inserted in alphabetical order:

"*Tax−Efficient Restructuring*" means one or more transfers from MoneyGram Payment Systems, Inc. to one or more Wholly−Owned Non−Guarantors of intellectual property interests and related contracts with an aggregate fair market value, for all such transfers during the term of this Indenture, of not greater than $100,000,000 as part of a restructuring deemed by Holdco to be tax efficient for Holdco and its Subsidiaries.

(b) The definition of Asset Sale in Section 1.01 of the Indenture is hereby amended by deleting the clause “and” at the end of the subsection (o), inserting the following as new subsection (p), and re−numbering current subsection (p) as subsection (q):

(p) sales or other dispositions comprising all or a portion of the Tax−Efficient Restructuring; and

(c) The definition of Permitted Investment in Section 1.01 of the Indenture is hereby amended by deleting the clause “and” at the end of subsection (17), inserting the following as new subsection (18), and restating current subsection (18) as subsection (19) as set forth below:

(18) Investments by MoneyGram Payment Systems, Inc. in one or more Non−Guarantors arising directly as a result of the Tax−Efficient Restructuring (through contributions to equity of, or intercompany loans or advances to, such Non−Guarantors); and

(19) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (19) that are at that time outstanding, not to exceed $50.0 million (with the fair market value of each Investment being measured at the time made and without giving effect to subsequent changes in value).

(d) The definition of Business Combination in Section 1.01 of the Indenture is hereby amended by inserting the following at the end thereof:

; provided that for the avoidance of doubt the sale of Capital Stock of Holdco by the Sponsors in a primary or secondary public offering shall not constitute a Business Combination.

(e) The definitions of Credit Agreement, Highly Rated Investment, Intercreditor Agreement, and Qualified Equity Offering in Section 1.01 of the Indenture are hereby amended by restating them to read as follows:

“*Credit Agreement*” means that certain Credit Agreement, dated as of May 18, 2011, by and among the Company, Bank of America, N.A., as the administrative agent, and the other financial institutions signatory thereto as amended, restated, amended and restated, modified renewed, refunded, replaced (whether upon or after termination or otherwise) or refinanced (including by means of sales of debt securities to institutional investors) in whole or in part from time to time.

“*Highly Rated Investments*” means:

(1) U.S. dollars, euros, Australian dollars, Canadian dollars, Pounds Sterling or any national currency of any participating state of the EMU;

(2) Government Securities with maturities not to exceed 24 months;

(3) securities (including fixed rate mortgages) issued by any agency of the United States or government−sponsored enterprise (such as debt securities or mortgage−backed securities issued by Freddie Mac, Fannie Mae, Federal Home Loan Banks and other government−sponsored enterprises), which may or may not be backed by the full faith and credit of the United States, rated A3 or better by Moody's and A− or better by S&P, in each case with maturities not to exceed 24 months;

(4) any overnight Repurchase Agreement with any bank or trust company organized under the laws of any state of the United States or any national banking association or any government securities dealer which is listed as reporting to the market statistics division of the Federal Reserve Bank of New York;

(5) certificates of deposit, time deposits and eurodollar time deposits with maturities of 24 months or less from the date of acquisition, banker's acceptances with maturities not exceeding 24 months and overnight bank deposits, in each case (i) with a commercial bank and (ii) rated A3 or better by Moody's and A− or better by S&P;

(6) any foreign currency held on deposit with any financial institution for the purpose of settlement of fund transfers;

(7) commercial paper rated at least P−1 by Moody's or at least A−1 by S&P and in each case maturing within 12 months after the date of creation thereof;

(8) registered senior notes denominated in U.S. dollars issued by corporate issuers which are not financial institutions or structured investment vehicles and other than corporations used in structured financing transactions, rated A3 or better by Moody's and A− or better by S&P, in each case with maturities not to exceed 24 months; and

(9) any money market mutual fund registered under the Investment Company Act of 1940, as amended, that invest exclusively in any one or more of the securities described in clauses (2), (3), (4) or (5) above.

"*Intercreditor Agreement*" means that certain Intercreditor Agreement, dated as of May 18, 2011, by and among Bank of America, N.A., Deutsche Bank Trust Company Americas, the Company and the other parties thereto, as amended, restated or otherwise modified from time to time, or replaced in connection with any amendment, restatement, modification, renewal or replacement of Credit Facilities.

"*Qualified Equity Offering*" means any primary or secondary public offering in which Goldman, Sachs & Co. or any of its affiliates participate as a selling stockholder and any subsequent primary or secondary public offerings, in each case for aggregate cash proceeds of at least $50,000,000 and in respect of Equity Interests (other than Disqualified Stock) of Holdco and any direct or indirect parent of Holdco.

3. Amendment of Certain Provisions in Article 3 of the Indenture.

(a) Section 3.01 of the Indenture is hereby amended to read in its entirety as follows:

The Company must furnish to the Trustee an Officer's Certificate if the Company elects to redeem Notes pursuant to the optional redemption provisions of Section 3.07 hereof. If such optional redemption is pursuant to Sections 3.07(a) or 3.07(c) hereof, such Officer's Certificate must be furnished to the Trustee at least 30 days but not more than 60 days before the Redemption Date. If such optional redemption is pursuant to Section 3.07(d) hereof, such Officer's Certificate must be furnished to the Trustee at least four Business Days before the Redemption Date, but not more than 60 days before the Redemption Date. In either case, such Officer's Certificate shall set forth and certify:

(i) the clause of this Indenture pursuant to which the redemption shall occur;

(ii) the Redemption Date;

(iii) the principal amount of Notes to be redeemed; and

(iv) the redemption price.

(b) The second paragraph of Section 3.02 of the Indenture is hereby amended to read in its entirety as follows:

In the event of partial redemption or purchase by lot, the particular Notes to be redeemed or purchased will be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the redemption or purchase date by the Trustee from the outstanding Notes not previously called for redemption or purchase; provided, however, that, notwithstanding the foregoing, in the event of a partial redemption pursuant to Section 3.07(d) hereof, such Notes may be selected by the Trustee on or prior to the Redemption Date, but not more than 60 days before the Redemption Date.

(c) Section 3.03 of the Indenture is hereby amended to read in its entirety as follows:

Subject to the provisions of Section 3.09 hereof, at least 30 days but not more than 60 days before a Redemption Date, the Company will mail or cause to be mailed, by first class mail, a notice of redemption to each Holder whose Notes are to be redeemed at such Holder's registered address, except that (a) redemption notices may be mailed more than 60 days prior to a Redemption Date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of this Indenture pursuant to Articles 8 or 13 hereof and (b) in the case of an optional redemption pursuant to Section 3.07(d) hereof, redemption notices shall be mailed at least four Business Days before a Redemption Date, but not more than 60 days before a Redemption Date.

The notice will identify the Notes (including CUSIP number(s)) to be redeemed and will state:

(i) the Redemption Date;

(ii) the appropriate method for calculation of the redemption price, but need not include the redemption price itself; the actual redemption price shall be set forth in an Officer's Certificate delivered to the Trustee no later than two (2) Business Days prior to the Redemption Date unless the redemption is pursuant to Section 3.07(a) or Section 3.07(d) hereof, in which case such Officer's Certificate should be delivered on the Redemption Date;

(iii) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note;

(iv) the name and address of the Paying Agent;

(v) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(vi) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;

(vii) the paragraph of the Notes and/or Section of this Indenture pursuant to which the Notes called for redemption are being redeemed; and

(viii) that no representation is made as to the correctness or accuracy of the CUSIP number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee will give the notice of redemption in the Company's name and at its expense; provided, however, that the Company has delivered to the Trustee an Officer's Certificate requesting that the Trustee give such notice and setting forth the information to be stated in such notice as provided in the preceding paragraph at least 35 days, or in the case of an optional redemption pursuant to Section 3.07(d) hereof four Business Days, prior to the Redemption Date.

The Company may provide in the notice of redemption that payment of the redemption price and performance of the Company's obligations with respect to such redemption or purchase may be performed by another Person.

(d) The first sentence of Section 3.04 of the Indenture is hereby amended to read in its entirety as follows:

Except with respect to Notes called for redemption pursuant to Section 3.07(d) hereof for which notices of redemption shall be revocable as set forth in such Section, once notice of redemption is mailed in accordance with Section 3.03 hereof, Notes called for redemption become irrevocably due and payable on the Redemption Date at the redemption price.

(e) Section 3.07(d) of the Indenture is hereby amended to read in its entirety as follows:

At any time on or after a Qualified Equity Offering and prior to the fourth anniversary of the Closing Date, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of the Notes, upon no more than 60 days' prior notice, at a redemption price equal to 113.25% of the then outstanding principal amount thereof, plus accrued and unpaid interest thereon to (but not including) the Redemption Date, subject to the rights of the Holders on the relevant Record Date to receive interest on the relevant Interest Payment Date; provided, however, that (i) each such redemption shall be in an aggregate principal amount of Notes of no less than $50,000,000 and (ii) at least 65% of the aggregate principal amount of Notes originally issued under this Indenture, as such principal amount shall have been increased through the capitalization of interest (excluding Notes held by the Company and the Company Subsidiaries), remains outstanding immediately after the occurrence of such redemption; provided, further, that the principal amount of Notes redeemed may not exceed the aggregate cash proceeds (net of underwriting discounts and commissions) received by Holdco and/or any other selling stockholders participating in any Qualified Equity Offering of all Qualified Equity Offerings. Any notice of redemption pursuant to Section 3.04 hereof in respect of an optional redemption pursuant to this Section 3.07(d) may be expressly conditioned upon the successful consummation of a financing transaction or series of financing transactions by the Company, and such notice of redemption may be revoked if such condition is not satisfied.

4. Amendment of Certain Provisions in Article 6 of the Indenture. Section 6.01 of the Indenture is amended by restating subsections (4), (5), and (9) to read as follows:

(4) (A) the failure by the Company or any Company Subsidiary to pay any Indebtedness that is pari passu with the Notes within any applicable grace period after final maturity or acceleration by the holders thereof because of a default or (B) a default occurs with respect to any Indebtedness of the Company or any Company Subsidiary that is subordinated to the Notes, which default permits the holder or holders thereof (or any trustee or agent on their behalf) to accelerate such Indebtedness (giving effect to any applicable grace period), and, in the case of (A) or (B) the total amount of such Indebtedness unpaid or accelerated or in default at the time exceeds $25.0 million;

(5) final judgments against Holdco or any of its Subsidiaries aggregating in excess of $25.0 million, which final judgments remain unpaid, undischarged and unstayed for a period of more than 60 days after such judgment becomes final;

(9) [Reserved]; or

5. Effective as of the date hereof, any notice to the Company under Section 14.01 shall be provided to the following address in lieu of the address in Section 14.01 of the Indenture:

MoneyGram International, Inc.
2828 N. Harwood Street, 15th Floor
Dallas, TX 75201
Attention: Chief Financial Officer
Facsimile: (952) 591−3860

With a copy to:

Vinson & Elkins LLP
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
Attention: Valinda Wolfert
Facsimile: (214) 999−7843

6. Amendments to Notes. The Notes are hereby amended to delete all provisions inconsistent with, and to conform the provisions thereof to reflect, the amendments to the Indenture effected by this Fifth Supplemental Indenture.

7. Effect. This Fifth Supplemental Indenture shall become effective as of October ___, 2011 (such date, the "*Effective Date*") upon its execution by the parties hereto.

8. NEW YORK LAW TO GOVERN. THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS FIFTH SUPPLEMENTAL INDENTURE WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAW TO THE EXTENT THAT THE APPLICATION OF THE LAWS OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

9. Effect on Indenture. This Fifth Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder of Notes heretofore or hereafter authenticated and delivered shall be bound hereby. Except as expressly set forth herein, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect, including with respect to this Fifth Supplemental Indenture. This Fifth Supplemental Indenture shall not be deemed to be a waiver of, or consent to, or a modification or amendment of, any other term or condition of the Indenture or the Notes or to prejudice any other right or rights which the Holders of the Notes may now have or may have in the future under or in connection with the Indenture or any of the instruments or agreements referred to therein, as the same may be amended from time to time.

10. Separability Clause. In case any provision in this Fifth Supplemental Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

11. Counterparts. The parties may sign any number of copies of this Fifth Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. This Fifth Supplemental Indenture may be executed by any party hereto by original or facsimile signature, or electronic format (including pdf) signature, and any facsimile or electronic signature shall also be deemed valid, binding and enforceable as an original signature.

12. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

13. The Trustee. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifth Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guarantors and the Company.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first above written, to be effective as of the Effective Date.

MONEYGRAM PAYMENT SYSTEMS
WORLDWIDE, INC.

By: ________________________
Name: ________________________
Title: ________________________

MONEYGRAM INTERNATIONAL, INC.
MONEYGRAM PAYMENT SYSTEMS, INC.
MONEYGRAM OF NEW YORK, LLC

By: ____________________
Name: ____________________
Title: ____________________

DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York banking corporation, as Trustee and Collateral Agent

By:______________________________
Authorized Signatory

By:______________________________
Authorized Signatory

Exhibit 10.92

MONEYGRAM INTERNATIONAL, INC.
2005 OMNIBUS INCENTIVE PLAN

GLOBAL STOCK APPRECIATION RIGHT AGREEMENT

This Stock Appreciation Right Agreement (this "Agreement") is made effective as of [ ], 20[ ] (the "Grant Date") between MoneyGram International, Inc., a Delaware corporation (the "Company"), and [ ] (the "Holder"). Each capitalized term used but not defined in this Agreement shall have the meaning assigned to that term in the Company's 2005 Omnibus Incentive Plan (the "Plan").

WHEREAS, in connection with the Holder's employment with the Company, the Company desires to grant to the Holder Stock Appreciation Rights ("SARs"), which entitle the Holder to any per share appreciation between the fair market value of the Company's Common Stock (the "Common Stock") on the Grant Date (the "SARs Price"), subject to appropriate adjustment as may be determined by the Committee from time to time in accordance with Section 8 of this Agreement and the closing sale price of the Company's Common Stock on the exercise date of the SAR on the New York Stock Exchange, subject to the terms and conditions of this Agreement, including any country−specific appendix thereto (the "Appendix"), and the Plan;

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of SARs.

Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Holder on the Grant Date, SARs equivalent to [ ] shares of Common Stock.

2. Term of SARs and Exercisability.

(a) The term of the SARs shall be for a period of ten years from the Grant Date, terminating at the close of business on [ ], 20[ ] (the "Expiration Date") or such shorter period as is prescribed in Sections 4 and 5 of this Agreement. Subject to the provisions of Sections 3, 4 and 5 of this Agreement, the SARs shall vest and become exercisable as follows:

Vesting Date	Aggregate Percentage Vested
[insert vesting schedule]	

There shall be no partial vesting during any period. Except as set forth in Section 4 hereof, if the Holder's employment with the Company or any of its Subsidiaries is terminated on or prior to the fourth anniversary of the Grant Date, the unvested portion of the SARs shall be forfeited as described in Section 4 hereof.

(b) For purposes of this Agreement, "Subsidiary" shall mean any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

3. Effect of Change in Control.

Notwithstanding the vesting provisions contained in Section 2 above, but subject to the other terms and conditions contained in this Agreement, from and after a Change in Control (as defined below) the following provisions shall apply:

(a) If at the time of the Change in Control, the per share Fair Market Value of the Common Stock does not exceed the per share SARs Price, then the SARs, whether vested or unvested, shall immediately terminate in full and be of no further force or effect; and

(b) If at the time of the Change in Control, the per share Fair Market Value of the Common Stock exceeds the SARs Price, then the Committee, in its sole discretion, may:

(i) provide the Holder a reasonable amount of time (such period of time to be determined by the Committee in its sole discretion) to exercise the vested and unexercised portion of the SARs that is outstanding at the time of the Change in Control and, if not exercised within such period, have the SARs terminate in full and be of no further force or effect with respect to any unexercised portion of such SARs (and the unvested portion of the SARs shall be forfeited);

(ii) provide for the termination of the SARs in exchange for payment to the Holder of the excess of (x) the aggregate Fair Market Value of the Common Stock issuable pursuant to the vested portion of the SARs that is outstanding and unexercised at the time of the Change in Control over (y) the aggregate SARs Price for such vested portion of the SARs (and the unvested portion of the appropriate adjustment as may be determined by the Committee from time to time in accordance with Section 8 shall be forfeited); or

(iii) if the Change in Control involves the merger or consolidation of the Company with or into another entity, provide for the substitution by the surviving entity or its direct or indirect parent of awards with substantially the same terms as the SARs in accordance with Section 409A of the United States Internal Revenue Code of 1986, as amended, and Section 4(c) of the Plan.

(c) Notwithstanding the other provisions of this Section 3, if a Change in Control occurs, and after giving effect thereto (i) the Common Stock no longer trades on a United States securities exchange or trading market, and (ii) the Holder's employment is terminated by the Company or any of its Subsidiaries without Cause (as defined in Section 4 below) or the Holder terminates his or her employment with "Good Reason" (as such term is defined below) in each case following the occurrence of such Change in Control, then any portion of the SARs outstanding as of the termination of employment but not previously vested shall automatically accelerate and become vested.

"Good Reason" with respect to the Holder shall mean following a Change in Control: (A) a material reduction in the Holder's position or responsibilities from the Holder's position or responsibilities in effect immediately prior to such Change in Control, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; (B) a material reduction in the Holder's base salary or target bonus opportunity, if any, as in effect immediately prior to such Change in Control, except in connection with an across−the−board reduction of not more than 10% applicable to similarly situated employees of the Company, or (C) the reassignment, without the Holder's consent, of the Holder's place of work to a location more than 50 miles from the Holder's place of work immediately prior to the Change in Control; provided that none of the events described in clauses (A), (B) and (C) shall constitute Good Reason hereunder unless (x) the Holder shall have given written notice to the Company of the Holder's intent to terminate his or her employment with Good Reason within sixty (60) days following the occurrence of any such event and (y) the Company shall have failed to remedy such event within thirty (30) days of the Company's receipt of such notice.

(d) For purposes of this Agreement, notwithstanding the definition of Change in Control in any other agreement or plan that may be applicable to the Holder, "Change in Control" shall mean (i) a sale, transfer or other conveyance or disposition, in any single transaction or series of transactions, of all or substantially all of the Company's assets, (ii) the transfer of more than 50% of the outstanding securities of the Company, calculated on a fully−diluted basis, to an entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the United States Securities Exchange Act of 1934 (the "Exchange Act")), or (iii) the merger, consolidation reorganization, recapitalization or share exchange of the Company with another entity, in each case in clauses (ii) and (iii) above under circumstances in which the holders of the voting power of the outstanding securities of the Company, as the case may be, immediately prior to such transaction, together with such holders' affiliates and related parties, hold less than 50% in voting power of the outstanding securities of the Company or the surviving entity or resulting entity, as the case may be, immediately following such transaction; provided, however, that the issuance of securities by the Company shall not, in any event, constitute a Change in Control, and for the avoidance of doubt a sale or other transfer or series of transfers of all or any portion of the securities of the Company held by the Investors and their affiliates and related parties shall not constitute a Change in Control unless such sale or transfer or series of transfers results in a entity or group (as defined in the Exchange Act) other than the Investors and their affiliates and related parties holding more than 50% in voting power of the outstanding securities of the Company.

For purposes hereof, "Investors" shall mean the "Investors" as defined in that certain Amended and Restated Purchase Agreement, dated March 17, 2008, by and between the Company and the other parties thereto, and their respective affiliates (not including the Company).

4. Effect of Termination of Employment.

If the Holder's employment is terminated, the following shall apply:

(a) if the Holder's employment with the Company or any of its Subsidiaries is terminated for Cause (as defined below), any portion of the SARs that has not been exercised on the date of the Holder's termination of employment, whether vested or unvested, shall be immediately forfeited;

(b) if the Holder's employment with the Company or any of its Subsidiaries is terminated by the Company without Cause or the Holder terminates his employment with Good Reason, any portion of the SARs that has not vested on the date of the Holder's termination of employment shall be forfeited, and any portion of the SARs that has vested may be exercised until the earlier of (i) the Expiration Date and (ii) the date that is one hundred eighty (180) days after the date of the Holder's termination of employment;

(c) if the Holder resigns without Good Reason or for any reason other than death or Disability (as defined below), any portion of the SARs that has not vested on the date of the Holder's termination of employment shall be immediately forfeited, and any portion of the SARs that has vested may be exercised until the earlier of (i) the Expiration Date, or (ii) the date that is thirty (30) days after the date of the Holder's termination of employment;

(d) if the Holder's employment with the Company or any of its Subsidiaries is terminated due to a Disability, any portion of the SARs that has not vested on the date of the Holder's termination of employment and that does not vest pursuant to Section 4(f) shall be forfeited, and any portion of the SARs that has vested, or that vests pursuant to Section 4(f) below, may be exercised until the earlier of (i) the Expiration Date and (ii) the date that is twelve (12) months after the later of the date of the Holder's termination due to Disability or the date of any subsequent vesting pursuant to Section 4(f) below; and

(e) if the Holder's employment with the Company or any of its Subsidiaries is terminated due to death, any portion of the SARs that has not vested on the date of the Holder's termination of employment and that does not vest pursuant to Section 4(f) shall be forfeited, and any portion of the SARs that has vested, or that vests pursuant to Section 4(f) below, may be exercised by the Holder's personal representative or the administrators of the Holder's estate or by any Person or Persons to whom the SARs have been transferred by will or the applicable laws of descent and distribution until the earlier of (i) the Expiration Date and (ii) the date that is twelve (12) months after the later of the date of the Holder's death or the date of any subsequent vesting pursuant to Section 4(f) below.

(f) if the Holder's employment with the Company or any of its Subsidiaries is terminated due to a Disability (as defined below) or death, then (x) upon such termination, the portion of such SARs that otherwise, absent such termination, would vest during the 12−month period following the date of such termination shall vest on the date of termination. The number of SARs deemed exercisable upon termination shall be calculated after giving effect to the acceleration of vesting specified in this clause (f).

For purposes of this Agreement, termination of the Holder's employment (whether or not in breach of any local employment law in the country where the Holder resides, and whether or not later found to be invalid) shall be effective as of the date that the Holder is no longer actively providing Services and will not be extended by any notice period mandated under an employment law or practice in the country where the Holder resides, even if otherwise applicable to the Holder's employment benefits (*e.g.*, active employment would not include a period of "garden leave" or similar period); furthermore, in the event of termination of the Holder's employment, the Holder's right to vest in the or exercise the SARs after termination of employment, if any, will be measured by the date the Holder ceases to provide active services and will not be extended by any notice period describe above; the Committee shall have the exclusive discretion to determine when the Holder is no longer actively employed for purposes of the SARs.

For purposes of this Agreement, "Cause" shall mean (A) the Holder's willful refusal to carry out, in all material respects, the reasonable and lawful directions of the person or persons to whom the Holder reports or the Board that are within the Holder's control and consistent with the Holder's status with the Company of its Subsidiary and his or her duties and responsibilities hereunder (except for a failure that is attributable to the Holder's illness, injury or Disability) for a period of 10 days following written notice by the Company or its Subsidiary to the Holder of such failure, (B) fraud or material dishonesty in the performance of the Holder's duties hereunder, (C) an act or acts on the Holder's part constituting (x) a felony under the laws of the United States or any state thereof, (y) a misdemeanor involving moral turpitude or (z) a material violation of the securities laws of the United States or any state thereof, (D) an indictment of the Holder for a felony under the laws of the United States or any state thereof, (E) the Holder's willful misconduct or gross negligence in connection with the Holder's duties which could reasonably be expected to be injurious in any material respect to the financial condition or business reputation of the Company as determined in good faith by the Board, (F) the Holder's material breach of the Company's Code of Ethics, Always Honest policy or any other code of conduct in effect from time to time to the extent applicable to the Holder, and which breach could reasonably be expected to have a material adverse effect on the Company as determined in good faith by the Board, or (G) the Holder's breach of the Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement (the "Post−Employment Restriction Agreement") which breach has an adverse effect on the Company or its Subsidiaries.

For purposes of this Agreement, "Disability" shall mean that the Holder becomes physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty−four (24) consecutive month period to perform his or her duties. Any question as to the existence of the Disability of the Holder for purposes of this Agreement as to which the Holder and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Holder and the Company. If the Holder and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Holder shall be final and conclusive for all purposes of the Agreement

5. Forfeiture and Repayment Provisions.

(a) Failure to properly execute the Agreement (and each other document required to be executed by the Holder in connection with the Holder's receipt of the SARs) in a timely manner following the Grant Date may result in the forfeiture of the SARs, as determined in the sole discretion of the Company.

(b) The right to exercise the SARs shall be conditional upon the fact that the Holder has read and understood the forfeiture and repayment provisions set forth in this Section 5, that the Holder has not engaged in any misconduct or acts contrary to the Company as described below, and that the Holder has no intent to leave employment with the Company or any of its Subsidiaries for the purpose of engaging in any activity or providing any services which are contrary to the spirit and intent of the Post−Employment Restriction Agreement.

(c) The Company is authorized to suspend or terminate the SARs held by the Holder prior to or after termination of employment if the Holder engages in any conduct agreed to be avoided pursuant to the Post−Employment Restriction Agreement. If, at any time during the applicable restriction period described in the Post−Employment Restriction Agreement, the Holder engages in any conduct agreed to be avoided pursuant to the Post−Employment Restriction Agreement, then any gain (without regard to tax effects) realized by the Holder from the exercise of the SARs, in whole or in part, shall be paid by the Holder to the Company. The Holder consents to the deduction from any amounts the Company or any of its Subsidiaries owes to the Holder to the extent of the amounts the Holder owes the Company hereunder.

(d) Misconduct.

(i) The Company is authorized to suspend or terminate the SARs held by the Holder prior to or after termination of employment if the Company reasonably determines that during the Holder's employment with the Company or any of its Subsidiaries:

(1) The Holder knowingly participated in misconduct that causes a misstatement of the financial statements of the Company or any of its Subsidiaries or misconduct which represents a material violation of any code of ethics of the Company applicable to the Holder or of the Always Honest compliance program or similar program of the Company; or

(2) The Holder was aware of and failed to report, as required by any code of ethics of the Company applicable to the Holder or by the Always Honest compliance program or similar program of the Company, misconduct that causes a misstatement of the financial statements of the Company or any of its Subsidiaries or misconduct which represents a material violation of any code of ethics of the Company applicable to the Holder or of the Always Honest compliance program or similar program of the Company.

(ii) If, at any time after the Holder exercises the SARs, in whole or in part, the Company reasonably determines that the provisions of Section 5(c) applies to the Holder, then any gain (without regard to tax effects) realized by the Holder from such exercise shall be paid by the Holder to the Company. The Holder consents to the deduction from any amounts the Company or any of its Subsidiaries owes to the Holder to the extent of the amounts the Holder owes the Company under this Section 5.

6. Method of Exercising SARs; Settlement of SARs.

(a) Subject to the terms and conditions of this Agreement, the Holder may exercise the SARs by following the procedures established by the Company from time to time. In addition, the Holder may exercise the SARs by written notice to the Company as provided in Section 9(k) of this Agreement that states (i) the Holder's election to exercise the SARs, (ii) the Grant Date of the SARs, (iii) the SARs equivalent to the number of shares as to which the SARs are being exercised, and (iv) the manner of payment for any Tax−Related Items (as defined in Section 7 below) withholding amount. The notice shall be signed by the Holder or the Person or Persons exercising the SARs. The notice shall be accompanied by payment in full of the Tax−Related Items withholding for the SARs equivalent to the number of shares designated in the notice. To the extent that the SARs are exercised after the Holder's death, the notice of exercise shall also be accompanied by appropriate proof of the right of such Person or Persons to exercise the SARs.

(b) Upon any exercise of the SARs with respect to one share, the Holder shall receive from the Company an amount which is equal to the excess of the closing sale price of the Company's Common stock at the time of exercise on the New York Stock Exchange as reported in the consolidated transaction reporting system on such date, or if such Exchange is not open for trading on such date, on the most recent preceding date when such Exchange is open for trading, over the SARs price. Such amount will be paid to the Holder, in cash, subject to satisfaction of all Tax−Related Items (as defined in Section 7 hereto).

7. Responsibility for Taxes.

(a) Regardless of any action the Company or the Holder's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax−related items related to the Holder's participation in the Plan and legally applicable to the Holder ("Tax−Related Items"), the Holder acknowledges that the ultimate liability for all Tax−Related Items is and remains the Holder's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Holder further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax−Related Items in connection with any aspect of the SARs, including, but not limited to, the grant, vesting or exercise of the SARs; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the SARs to reduce or eliminate the Holder's liability for Tax−Related Items or achieve any particular tax result. Further, if the Holder has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Holder acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax−Related Items in more than one jurisdiction.

(b) Prior to the relevant taxable or tax withholding event, as applicable, the Holder will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax−Related Items. In this regard, the Holder authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax−Related Items by one or a combination of the following: (i) withholding from the Holder's wages or other cash compensation paid to the Holder by the Company and/or the Employer; or (ii) withholding from proceeds of the cash acquired at exercise of the SARs.

8. Adjustments.

In the event that the Company engages in a transaction such that any dividend or other distribution (whether in the form of cash, shares of Common Stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split−up, spin−off, combination, repurchase or exchange of shares or other securities of the Company, issuance of warrants or other rights to purchase shares or other securities of the Company or other similar corporate transaction or event affects the shares covered by the SARs, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Agreement, the terms of the SARs (including, without limitation, the number and kind of shares underlying the SARs and the SARs Price) shall be adjusted as set forth in Section 4(c) of the Plan.

Upon a Change in Control, the Committee may, in its sole discretion, adjust the terms of the SARs (including, without limitation, the number and kind of shares underlying the SARs and the SARs Price) by taking any of the actions permitted under this Agreement and in accordance with Section 4(c) of the Plan.

9. General Provisions.

(a) Interpretations. This Agreement is subject in all respects to the terms of the Plan. A copy of the Plan is available upon the Holder’s request. Terms used herein which are defined in the Plan shall have the respective meanings given to such terms in the Plan, unless otherwise defined herein. In the event that any provision of this Agreement is inconsistent with the terms of the Plan, the terms of the Plan shall govern. Any question of administration or interpretation arising under this Agreement shall be determined by the Committee, and such determination shall be final, conclusive and binding upon all parties in interest.

(b) No Rights as a Shareholder. Neither the Holder nor the Holder’s legal representatives shall have any of the rights and privileges of a shareholder of the Company with respect to the shares of Common Stock subject to the SARs.

(c) Nature of Grant. In accepting the SARs, the Holder acknowledges, understands and agrees that:

(i) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time;

(ii) the grant of the SARs is voluntary and occasional and does not create any contractual or other right to receive future grants of SARs, or benefits in lieu of SARs, even if SARs have been granted repeatedly in the past;

(iii) all decisions with respect to future SARs grants, if any, will be at the sole discretion of the Company;

(iv) the Holder's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Holder's employment or service relationship (if any) at any time;

(v) the Holder is voluntarily participating in the Plan;

(vi) the SARs acquired under the Plan are not intended to replace any pension rights or compensation;

(vii) the future value of the shares of Common Stock underlying the SARs is unknown, indeterminable and cannot be predicted with certainty;

(viii) if the underlying shares of Common Stock do not increase in value, the SARs will have no value;

(ix) no claim or entitlement to compensation or damages shall arise from forfeiture of the SARs resulting from the Holder's termination of employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of any employment law in the country where the Holder resides, even if otherwise applicable to the Holder's employment benefits from the Employer, and whether or not later found to be invalid) and in consideration of the grant of the SARs to which the Holder is otherwise not entitled, the Holder irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Holder shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(x) the following provisions apply only to the Holders providing services outside the United States, as determined by the Company:

(A) the SARs are extraordinary items that are outside the scope of the Holder's employment or service contract, if any;

(B) the SARs are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long−service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company**,** the Employer, or any Subsidiary; and

(C) the SARs grant and the Holder's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any Subsidiary.

(d) No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Holder's participation in the Plan. The Holder is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(e) <u>Data Privacy</u>.

(i) The Holder hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Holder's personal data as described in this Agreement and any other SARs grant materials by and among, as applicable, the Employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Holder's participation in the Plan.

(ii) The Holder understands that the Company and the Employer may hold certain personal information about the Holder, including, but not limited to, the Holder's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all SARs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Holder's favor, for the exclusive purpose of implementing, administering and managing the Plan ("<u>Data</u>").

(iii) The Holder understands that Data will be transferred to E*Trade Financial Services, or such other stock plan service provider as may be selected by the Company in the future or other stock plan service provider that is selected by the Holder to the extent permitted by the Company in its sole discretion, in each case, that is assisting the Company with the implementation, administration and management of the Plan. The Holder understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than the Holder's country. The Holder understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Holder's local human resources representative. The Holder authorizes the Company, E*Trade Financial Services and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing his or her participation in the Plan. The Holder understands that Data will be held only as long as is necessary to implement, administer and manage the Holder's participation in the Plan. The Holder understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. The Holder understands, however, that refusing or withdrawing his or her consent may affect the Holder's ability to participate in the Plan. For more information on the consequences of the Holder's refusal to consent or withdrawal of consent, the Holder understands that he or she may contact his or her local human resources representative.

(f) <u>SARs Not Transferable</u>. Except as otherwise provided by the Plan or by the Committee, the SARs shall not be transferable other than by will or by the laws of descent and distribution and the SARs shall be exercisable during the Holder's lifetime only by the

Holder or by the Holder's guardian or legal representative. The SARs may not be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance of the SARs shall be void and unenforceable against the Company or any Subsidiaries.

(g) Assignment. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Holder.

(h) Successors and Assigns; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the Company and the Holder and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Company and the Holder, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(i) Headings. Headings are given to the sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision hereof.

(j) Governing Law; Arbitration. The internal law, and not the law of conflicts, of the State of Minnesota will govern all questions concerning the validity, construction and effect of this Agreement. Any controversy, dispute or claim arising under or in connection with this Agreement (including, without limitation, the existence, validity, interpretation or breach hereof and any claim based on contract, tort or statute) shall be resolved by a binding arbitration, to be held in Minneapolis, Minnesota pursuant to the U.S. Federal Arbitration Act and in accordance with the then−prevailing National Rules of Resolution of Employment Disputes of the American Arbitration Association (the "AAA"). The AAA shall select a sole arbitrator. Each party shall bear its own expenses incurred in connection with arbitration and the fees and expenses of the arbitrator shall be shared equally by the parties involved in the dispute and advanced by them from time to time as required. It is the mutual intention and desire of the parties that the arbitrator be chosen as expeditiously as possible following the submission of the dispute to arbitration. Once such arbitrator is chosen, and except as may otherwise be agreed in writing by the parties involved in such dispute or as ordered by the arbitrator upon substantial justification shown, the hearing for the dispute will be held within sixty (60) days of submission of the dispute to arbitration. The arbitrator shall render his or her final award within sixty (60) days, subject to extension by the arbitrator upon substantial justification shown of extraordinary circumstances, following conclusion of the hearing and any required post−hearing briefing or other proceedings ordered by the arbitrator. Any discovery in connection with arbitration hereunder shall be limited to information directly relevant to the controversy or claim in arbitration. The arbitrator will state the factual and legal basis for the award. The decision of the arbitrator in any such proceeding will be final and binding and not subject to judicial review and final judgment may be entered upon such an award in any court of competent jurisdiction, but entry of such judgment will not be required to make such award effective. Any action against any party hereto ancillary to arbitration, including any action for provisional or conservatory measures or action to enforce an arbitration award or any judgment entered by any court in respect of any thereof may be brought in any federal or state court of competent jurisdiction location within the State of Minnesota, and the parties hereto hereby irrevocably submit to the non−exclusive jurisdiction of any federal or state court located within the State of Minnesota over any such action. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such action brought in such court or any defense of inconvenient forum for the maintenance of such action. Each of the parties hereto agrees that a judgment in any such action may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(k) Notices. The Holder should send all written notices regarding this Agreement or the Plan to the Company at the following address:

MoneyGram International, Inc.
EVP, General Counsel & Secretary
2828 North Harwood Street, 15th Floor
Dallas, TX 75201

(l) Amendments. The Company may amend this Agreement at any time; provided that, subject to Section 8 hereof and Section 7 of the Plan, no such amendment, alteration, suspension, discontinuation or termination shall be made without the Holder's consent, if such action would materially diminish any of the Holder's rights under this Agreement. The Company reserves the right to impose other requirements on the SARs, to the extent the Company determines it is necessary or advisable under the laws of the country in which the Holder resides pertaining to the grant or exercise of the SARs, or to facilitate the administration of the Plan.

(m) Entire Agreement. This Agreement, including the Appendix, and the Plan and the other agreements referred to herein and therein and any schedules, exhibits and other documents referred to herein and therein constitute the entire agreement and understanding among the parties hereto in respect of the subject matter hereof and thereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, among the parties hereto, or between any of them, with respect to the subject matter hereof and thereof.

(n) Severability. If any provision of this Agreement is invalid, illegal, or incapable of being enforced by any law, all other provisions of this Agreement shall remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party. If any provision of this Agreement is held to be invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(o) Holder Undertaking. The Holder agrees to take such additional action and execute such additional documents the Company may deem necessary or advisable to carry out or effect one or more of the obligations or restrictions imposed either on the Holder or upon the SARs pursuant to the provisions of this Agreement.

(p) Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

(q) Confidentiality. The Holder agrees to maintain the confidentiality of the existence and terms of the SARs; provided, however, that the Holder may disclose, on a confidential basis, the existence and terms of the SARs to his or her spouse, accountant and legal counsel and to the extent required by law or legal process.

(r) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Holder hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on−line or electronic system established and maintained by the Company or a third party designated by the Company.

(s) Language. If the Holder has received this Agreement, or any other document related to the SARs and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

(t) Addendum. The SARs shall be subject to any special provisions set forth in the Addendum for the Holder’s country of residence, if any. If the Holder relocates to one of the countries included in the Addendum during the life of the SARs, the special provisions for such country shall apply to the Holder, to the extent the Company determines that the application of such provisions is necessary or under the laws of the country in which the Holder resides pertaining to the grant or exercise of the SARs, or to facilitate the administration of the Plan. The Addendum constitutes part of this Agreement.

* * * * * * * *

By signing below, the Holder accepts the SARs and the terms and conditions in this Agreement and the Plan.

MONEYGRAM INTERNATIONAL, INC.

By:
Title:

HOLDER

Signature:
Print Name: [ ]

[THIS IS THE SIGNATURE PAGE TO THE STOCK APPRECIATION RIGHT AGREEMENT BETWEEN THE ABOVE−REFERENCED PARTIES]

Exhibit 10.93

MONEYGRAM INTERNATIONAL, INC.
2005 OMNIBUS INCENTIVE PLAN

PERFORMANCE RESTRICTED STOCK UNIT
AWARD AGREEMENT
(FOR PARTICIPANTS IN FRANCE)

This **PERFORMANCE RESTRICTED STOCK UNIT AWARD AGREEMENT** (the "*Agreement*") is made by and between **MoneyGram International, Inc.**, a Delaware corporation (the "*Company*"), and (the "*Participant*"). The grant date of this award is (the "*Grant Date*").

1. Award.

The Company hereby grants to the Participant a Restricted Stock Unit (a "*Unit*") award covering shares (the "*Shares*") of Common Stock, $.01 par value per share, of the Company according to the terms and conditions as provided in this Agreement, the 2005 Omnibus Incentive Plan for Grantees in France (the "*French Sub−Plan*"), and in the Company's 2005 Omnibus Incentive Plan (the "*U.S. Plan*") (collectively, the "*Plan*"). Each Unit represents the right to receive one Share, subject to the vesting requirements of this Agreement and the terms of the Plan. The Units are granted under Section 6(c) and 6(d) of the U.S. Plan. A copy of the U.S. Plan and the French Sub−Plan shall be provided to each Participant. Each capitalized term used but not defined in this Agreement shall have the meaning assigned to that term in the Plan.

The Units granted under this Agreement to "covered employees" (within the meaning of Code Section 162(m) of the United States Internal Revenue Code of 1986, as amended (the "*Code*") and the regulations promulgated thereunder) are intended to qualify as "qualified performance−based compensation" as described in Code Section 162(m)(4)(C) ("*Qualified Performance−Based Compensation*").

The Units are intended to qualify for the favorable tax and social security regime in France under Section L. 225−197 to L. 225−197−6 of the French Commercial Code, as amended. Certain events may affect the status of the Units as French−qualified Restricted Stock Units and the French−qualified Restricted Stock Units may be disqualified in the future. The Company does not make any undertaking or representation to maintain the qualified status of the Units. If the Units no longer qualify as French−qualified Restricted Stock Units, the favorable tax and social security treatment will not apply and the Participant will be required to pay any applicable income tax and social security contributions resulting from the Units.

2. Vesting.

(a) The Units granted under this Agreement shall vest and become payable in Shares (i) as long as the Participant remains continuously employed by the Company or a Subsidiary from the Grant Date through (1) the last day of the performance period specified in the attached Schedule A (the "*Performance Period*") or (2) if later, on the second anniversary of the Grant Date, or such other minimum period as required for the vesting period applicable to French−qualified Restricted Stock Units under Section L. 225−197−1 of the French Commercial Code, as amended, or relevant Section of the French Tax Code or the French Social Security code, as amended, and (ii) to the extent the performance goals applicable to the Performance Period specified in the attached Schedule A (the "*Performance Goals*") are attained, as determined accordance with Section 2(b) below, unless otherwise provided in this Agreement. Except in the event of a Participant's death, to benefit from the favorable tax and social security regime, no vesting shall occur prior to the second anniversary of the Grant Date, or such other minimum period as required for the vesting period applicable to French−qualified Restricted Stock Units under Section L. 225−197−1 of the French Commercial Code, as amended, or relevant Section of the French Tax Code or the French Social Security Code, as amended.

(b) As soon as reasonably practicable after the completion of the Performance Period, the Committee shall determine the actual level of attainment of the Performance Goals; provided, however, that in the case of Units intended to constitute Qualified Performance−Based Compensation, the determination of the level of attainment of Performance Goals shall be certified in writing in accordance with the requirements of Code Section 162(m) by the Committee, which shall be comprised of "outside directors" within the meaning of Code Section 162(m). On the basis of the determination or certified level of attainment of the Performance Goal, the number of Units that are eligible to vest shall be calculated. In the case of Units that are intended to constitute Qualified Performance−Based Compensation, the Committee may not increase the number of Units that may be eligible to vest to a number that is greater than the number of Units determined in accordance with the foregoing sentence, but it retains the sole discretion to reduce the number of Units that would otherwise be eligible to vest based on the attainment level of the Performance Goals. For Units that are intended to constitute Qualified Performance−Based Compensation, the Performance Goal may not be adjusted except as specified in the attached Schedule A in accordance with the requirements of Code Section 162(m). For Units that are not intended to constitute Qualified Performance−Based Compensation, the Committee may make such adjustment to the Performance Goal as the Committee in its sole discretion deems appropriate.

(c) The Participant shall have no rights to the Shares until the Units have vested and the restrictions on the sale or transfer of Shares set forth in Section 4 below are met. Prior to settlement, the Units represent an unfunded and unsecured obligation of the Company.

(d) For purposes of this Agreement, "Subsidiary" shall mean any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code, including the Company's French Subsidiaries as that term is defined in the French Sub−Plan.

3. Settlement of RSUs. As soon as practicable after the date the Units vest in accordance with Section 2 above (or, if sooner, Section 6 below), but in any event, no later than March 15 of the calendar year following the calendar year of vesting, the Units shall be settled solely in whole shares.

4. Restrictions on Sale or Transfer of Shares

(a) Unless otherwise provided herein, the Participant may not sell or otherwise transfer the Shares issued to him or her at vesting of the Units prior to the second anniversary of the respective vesting date, or such other period as is required to comply with the minimum mandatory holding period applicable to French−qualified Restricted Stock Units to benefit from the special tax and social security regime.

(b) To the extent that the Shares paid at vesting qualify for favorable tax and social security treatment and the holding period described in Section 4(a) has been met, the Participant understands and agrees that the Shares may not be sold during certain Closed Periods, as long as and to the extent applicable to the Company under French law and as interpreted by the French administrative guidelines. These Closed Periods are (i) ten (10) quotation days preceding and following the disclosure to the public of the consolidated financial statements or the annual statements of the Company, and (ii) any period during which the corporate management of the Company (involved in the governance of the Company, such as the Board, Committee, etc.) possesses confidential information which could, if disclosed to the public, significantly impact the trading price of the Company's Shares, until ten (10) quotation days after the day such information is disclosed to the public.

(c) If the Participant's employment with the Company or any of its Subsidiaries terminates due to death and Disability, his or her heirs are not required to comply with the restrictions set forth in Section 4(a) and 4(b) hereof, respectively.

5. Restrictions on Transfer of Units.

(a) Except as otherwise provided by the Plan or by the Committee, the Units shall not be transferable other than by will or by the laws of descent and distribution. The Units may not be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance of the Units shall be void and unenforceable against the Company or any Subsidiaries.

(b) None of the Shares acquired pursuant to the Unit shall be assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law, unless such transfer is in compliance with all applicable securities laws (including, without limitation, the United States Securities Act of 1933, as amended).

6. Effect of Involuntary Termination Following Change in Control. Notwithstanding the vesting provisions contained in Section 2 above, but subject to the other terms and conditions contained in this Agreement, from and after a Change in Control (as defined below), the following provisions shall apply:

(a) Notwithstanding the other provisions of this Section 6, if the Units are assumed or otherwise replaced in connection with a Change in Control and the Participant's employment is terminated by the Company or any of its Subsidiaries without Cause (as defined in Section 6(c) below) or the Participant terminates his or her employment for "Good Reason" (as such term is defined below) or is terminated by his or her employer for the reasons set forth in Section 6(b) below in each case within 12 months following the occurrence of such Change in Control, then the Units will immediately vest with respect to a number of Units that is the greater of (i) the Target Number of Units specified in the attached Schedule A and (ii) the number of Units determined based on the actual level of attainment of the Performance Goal as of the date of the Change in Control, provided, however, no vesting shall occur prior to the second anniversary of the Grant Date, or such other minimum period applicable to French−qualified Restricted Stock Units under Section L. 225−197−1 of the French Commercial Code as amended, or relevant Section of the French Tax Code or French Social Security Code, as amended. In addition, notwithstanding any accelerated vesting upon a Change in Control as set forth in this Section, the Shares issued upon vesting shall nevertheless be subject to the minimum mandatory holding periods set forth in Section 4 above. Should the Company decide to accelerate vesting prior to the second anniversary of the Grant Date, or such other minimum period as required for the vesting period applicable to French−qualified Restricted Stock Units under Section L. 225−197−1 of the French Commercial Code, as amended, or relevant Section of the French Tax Code or the French Social Security Code, as amended, and/or to lift the minimum mandatory holding period applicable to French−qualified Restricted Stock Units is met, the Units shall no longer benefit from the favorable tax and social security regime.

(b) "Good Reason" for purposes of this Agreement shall mean following a Change in Control: (A) a material reduction in the Participant's position or responsibilities from the Participant's position or responsibilities in effect immediately prior to such Change in Control, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; (B) a material reduction in the Participant's base salary or target bonus opportunity, if any, as in effect immediately prior to such Change in Control, except in connection with an across−the−board reduction of not more than 10% applicable to similarly situated employees of the Company and its Subsidiaries, or (C) the reassignment, without the Participant's consent, of the Participant's place of work to a location more than 50 miles from the Participant's place of work immediately prior to the Change in Control; provided that none of the events described in clauses (A), (B) and (C) shall constitute Good Reason hereunder unless (x) the Participant shall have given written notice to the Company of the Participant's intent to terminate his employment with Good Reason within sixty (60) days following the occurrence of any such event and (y) the Company shall have failed to remedy such event within thirty (30) days of the Company's receipt of such notice.

(c) For purposes of this Agreement, notwithstanding the definition of Change in Control in any other agreement or plan that may be applicable to the Participant, "Change in Control" shall mean (i) a sale, transfer or other conveyance or disposition, in any single transaction or series of transactions, of all or substantially all of the Company's assets, (ii) the transfer of more than 50% of the outstanding securities of the Company, calculated on a fully−diluted basis, to an entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act), or (iii) the merger, consolidation reorganization, recapitalization or share exchange of the Company with another entity, in each case in clauses (ii) and (iii) above under circumstances in which the holders of the voting power of the outstanding securities of the Company, as the case may be, immediately prior to such transaction, together with such holders' affiliates and related parties, hold less than 50% in voting power of the outstanding securities of the Company or the surviving entity or resulting entity, as the case may be, immediately following such transaction; provided, however, that the issuance of securities by the Company shall not, in any event, constitute a Change in Control, and for the avoidance of doubt a sale or other transfer or series of transfers of all or any portion of the securities of the Company held by the Investors and their affiliates and related parties shall not constitute a Change in Control unless such sale or transfer or series of transfers results in a entity or group (as defined in the Exchange Act) other than the Investors and their affiliates and related parties holding more than 50% in voting power of the outstanding securities of the Company.

For purposes hereof, "Investors" shall mean the "Investors" as defined in that certain Amended and Restated Purchase Agreement, dated March 17, 2008, by and between the Company and the other parties thereto, and their respective affiliates (not including the Company).

(d) For purposes of this Agreement, "*Cause*" shall mean (A) the Participant's willful refusal to carry out, in all material respects, the reasonable and lawful directions of the person or persons to whom the Participant reports or the Board that are within the Participant's control and consistent with the Participant's status with the Company or its Subsidiary and his or her duties and responsibilities hereunder (except for a failure that is attributable to the Participant's illness, injury or Disability) for a period of 10 days following written notice by the Company or its Subsidiary to the Participant of such failure, (B) fraud or material dishonesty in the performance of the Participant's duties hereunder, (C) an act or acts on the Participant's part constituting (x) a felony under the laws of the United States or any state thereof or similar act under foreign law for the non−U.S. Participants, (y) a misdemeanor involving moral turpitude or (z) a material violation of the securities laws of the United States or any state thereof or similar act under foreign law for the non−U.S. Participants, (D) an indictment of the Participant for a felony under the laws of the United States or any state thereof or similar act under foreign law for the non−U.S. Participants, (E) the Participant's willful misconduct or gross negligence in connection with the Participant's duties which could reasonably be expected to be injurious in any material respect to the financial condition or business reputation of the Company as determined in good faith by the Board, (F) the Participant's material breach of the Company's Code of Ethics, Always Honest policy or any other code of conduct in effect from time to time to the extent applicable to the Participant, and which breach could reasonably be expected to have a material adverse effect on the Company as determined in good faith by the Board, (G) the Participant's breach of the Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement (the "*Post−Employment Restriction Agreement*") which breach has an adverse effect on the Company or its Subsidiaries, or (H) an equivalent act as shall constitute "Cause" under the terms of any employment agreement or employment law applicable to the Participant.

7. Effect of Termination of Employment. Except as provided in this Section 7 and in Section 6 above or as otherwise may be determined by the Board, if the Participant ceases to be an employee of the Company or any of its Subsidiaries, the following actions shall occur:

(a) Termination for Cause; Resignation. Except in the event of termination due to death, if the Participant's employment with the Company or any of its Subsidiaries is terminated for Cause (as defined below) or the Participant resigns for any reason, including as a result of the Participant's retirement, any Units that are not vested as of the date of the Participant's termination of employment shall be immediately forfeited.

(b) Involuntary Termination/Disability Prior to Mid−Performance Period. Except in the event of termination due to death, if the Participant's employment with the Company or any of its Subsidiaries is terminated without Cause or is terminated due to Disability (as defined below) prior to the completion of 50% of the Performance Period, the Units that are not vested as of the date of the Participant's termination of employment shall immediately be forfeited.

(c) Involuntary Termination/Disability Following Mid−Performance Period. If the Participant's employment with the Company or any of its Subsidiaries is terminated without Cause or due to Disability after the completion of 50% of the Performance Period, the Units that are not vested as of the date of the Participant's termination of employment shall vest with respect to a number of Units equal to the product of (x) the number of Units that would eligible for vesting based on the actual level attainment of the Performance Goal with respect to the entire Performance Period, multiplied by (y) a fraction, the numerator of which is the number of days the Participant was employed during the Performance Period as of the date of the employment termination and the denominator of which is the number of days contained in the Performance Period, provided, however, except in the event of termination due to death or Disability, no vesting shall occur prior to the second anniversary of the Grant Date, or such other minimum period applicable to French−qualified Restricted Stock Units under Section L. 225−197−1 of the French Commercial Code as amended, or relevant Section of the French Tax Code or French Social Security Code, as amended. In addition, notwithstanding any accelerated vesting upon termination of employment as set forth in this Section, except in the event of termination due to death or Disability, the Shares issued upon vesting shall nevertheless be subject to the minimum mandatory holding periods set forth in Section 4 above. Except in the event of death or Disability, should the Company decide to accelerate vesting as a result of termination of the employment of the Participant prior to the second anniversary of the Grant Date, or such other minimum period as required for the vesting period applicable to French−qualified Restricted Stock Units under Section L. 225−197−1 of the French Commercial Code, as amended, or relevant Section of the French Tax Code or the French Social Security Code, as amended, and/or to lift the minimum mandatory holding period applicable to French−qualified Restricted Stock Units is met, the Units shall no longer benefit from the favorable tax and social security regime.

(d) Death. If the Participant's employment with the Company or any of its Subsidiaries is terminated due to death, any portion of the Units that has not vested on the date of the Participant's termination of employment shall become immediately transferable to the Participant's heirs on the date of death in keeping with Section III.3 of the French Plan. The Participant's heirs may request the issuance of the Shares equal to the Target Number of Shares (whether or not vested as of the date of death) within six months following the Participant's date of death. If the Participant's heirs do not request issuance of the Shares within six months following the Participant's date of death, the Units shall be forfeited. If applicable French law and regulations applicable to French−qualified Restricted Stock Units require that the Units vest differently than set forth above in the event of the Participant's death, the Units shall vest in accordance with such French law and regulations.

(e) For purposes of this Agreement, "*Disability*" shall mean that the Participant has suffered a Disability as that term is defined in the French Sub−Plan and is also physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty−four (24) consecutive month period to perform his or her duties. Any question as to the existence of the Disability of the Participant for purposes of this Agreement shall be determined in writing by a qualified independent physician selected by the Company. The determination of Disability made in writing to the Company and the Participant shall be final and conclusive for all purposes of the Agreement.

8. Forfeiture and Repayment Provisions.

(a) Failure to properly execute the Agreement (and each other document required to be executed by the Participant in connection with the Participant's receipt of the Units) in a timely manner following the Grant Date may result in the forfeiture of the Units, as determined in the sole discretion of the Company.

(b) The right to vest in the Units shall be conditional upon the fact that the Participant has read and understood the forfeiture and repayment provisions set forth in this Section 8, that the Participant has not engaged in any misconduct or acts contrary to the Company as described below, and that the Participant has no intent to leave employment with the Company or any of its Subsidiaries for the purpose of engaging in any activity or providing any services which are contrary to the spirit and intent of the Post−Employment Restriction Agreement.

(c) The Company is authorized to suspend or terminate this Unit prior to or after termination of employment if the Participant engages in any conduct agreed to be avoided pursuant to the Post−Employment Restriction Agreement. If, at any time during the applicable restriction period described in the Post−Employment Restriction Agreement, the Participant engages in any conduct agreed to be avoided pursuant to the Post−Employment Restriction Agreement, then any gain (without regard to tax effects) realized by the Participant from the vesting of the Units, in whole or in part, shall be paid by the Participant to the Company. The Participant consents to the deduction from any amounts the Company or any of its Subsidiaries owes to the Participant to the extent of the amounts the Participant owes the Company hereunder.

(d) Misconduct.

(i) The Company is authorized to suspend or terminate this Unit prior to or after termination of employment if the Company reasonably determines that during the Participant's employment with the Company or any of its Subsidiaries:

(1) The Participant knowingly participated in misconduct that causes a misstatement of the financial statements of the Company or any of its Subsidiaries or misconduct which represents a material violation of any code of ethics of the Company applicable to the Participant or of the Always Honest compliance program or similar program of the Company; or

(2) The Participant was aware of and failed to report, as required by any code of ethics of the Company applicable to the Participant or by the Always Honest compliance program or similar program of the Company, misconduct that causes a misstatement of the financial statements of the Company or any of its Subsidiaries or misconduct which represents a material violation of any code of ethics of the Company applicable to the Participant or of the Always Honest compliance program or similar program of the Company.

(ii) If, at any time after the Participant vests in the Units, in whole or in part, the Company reasonably determines that the provisions of Section 9(c) applies to the Participant, then any gain (without regard to tax effects) realized by the Participant from such vesting shall be paid by the Participant to the Company. The Participant consents to the deduction from any amounts the Company or any of its Subsidiaries owes to the Participant to the extent of the amounts the Participant owes the Company under this Section 8.

9. Miscellaneous.

(a) Issuance of Shares. Upon any vesting of the Units, and subject to the payment of any Tax−Related Items (as defined under Section 9(d) below), the Company shall issue the Shares in book entry form at the times specified in Section 3 above. The Shares acquired shall be registered in the name of the Participant, the Participant’s transferee and subject to the restrictions on the sale or transfer of Shares set forth in Section 4 above. If the Participant dies and the Participant’s heirs step forward in the time allotted in Section 7(d) above, the Shares acquired shall be registered in the name of the person entitled to receive the Shares in accordance with the Plan.

(b) Rights as Shareholder. Units are not actual Shares, but rather, represent a right to receive Shares according to the terms and conditions set forth herein and the terms of the Plan. Accordingly, the issuance of a Unit shall not entitle the Participant to any of the rights or benefits generally accorded to stockholders unless and until a Share is actually issued under Section 9(a) hereof.

(c) Adjustments to Award.

(i) In the event that the Company engages in a transaction such that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split−up, spin−off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the shares covered by the Unit, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Agreement, the terms of this Unit (including, without limitation, the number and kind of Shares subject to this Unit) shall be adjusted as set forth in Section 4(c) of the Plan and in keeping with Section III.2 of the French Plan.

(ii) Upon a Change in Control, the Committee may, in its sole discretion, adjust the terms of this Unit (including, without limitation, the number and kind of Shares subject to this Unit) by taking any of the actions permitted under this Agreement and in accordance with Section 4(c) of the Plan.

(d) <u>Responsibility for Taxes</u>.

(i) Regardless of any action the Company or the Participant's employer (the "*Employer*") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax−related items related to the Participant's participation in the Plan and legally applicable to the Participant ("*Tax−Related Items*"), the Participant acknowledges that the ultimate liability for all Tax−Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax−Related Items in connection with any aspect of the Units, including, but not limited to, the grant, vesting or settlement of the Units, the issuance of Shares upon settlement of the Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends [and/or any dividend equivalents]; and (2) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Units to reduce or eliminate the Participant's liability for Tax−Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the date of grant and the date of any relevant taxable or tax withholding event, as applicable, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax−Related Items in more than one jurisdiction.

(ii) Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax−Related Items. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax−Related Items by one or a combination of the following:

(1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company and/or the Employer; or

(2) withholding from proceeds of the sale of Shares acquired upon vesting/settlement of the Units either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); or

(3) if authorized by the Committee, withholding in Shares to be issued upon vesting/settlement of the Units.

(iii) To avoid negative accounting treatment, the Company may withhold or account for Tax−Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax−Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax−Related Items due as a result of any aspect of the Participant's participation in the Plan.

(iv) Finally, the Participant shall pay to the Company or the Employer any amount of Tax−Related Items that the Company or the Employer may be required to withhold or account for as a result of the Participant’s participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if the Participant fails to comply with the Participant’s obligations in connection with the Tax−Related Items.

(e) Interpretations. This Agreement is subject in all respects to the terms of the Plan. A copy of the Plan is available upon the Participant’s request. Terms used herein which are defined in the Plan shall have the respective meanings given to such terms in the Plan, unless otherwise defined herein. In the event that any provision of this Agreement is inconsistent with the terms of the Plan, the terms of the Plan shall govern. Any question of administration or interpretation arising under this Agreement shall be determined by the Committee, and such determination shall be final, conclusive and binding upon all parties in interest.

(f) Nature of Grant. In accepting the grant, the Participant acknowledges, understands and agrees that:

(i) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time;

(ii) the grant of the Units is voluntary and occasional and does not create any contractual or other right to receive future grants of units, or benefits in lieu of units, even if units have been granted repeatedly in the past;

(iii) all decisions with respect to future Unit grants, if any, will be at the sole discretion of the Company;

(iv) the Participant’s participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Participant’s employment or service relationship (if any) at any time;

(v) the Participant is voluntarily participating in the Plan;

(vi) the Units and the Shares subject to the Units are not intended to replace any pension rights or compensation;

(vii) the future value of the underlying Shares is unknown and cannot be predicted with certainty;

(viii) no claim or entitlement to compensation or damages shall arise from forfeiture of the Units resulting from the Participant’s termination of employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of any employment law in the country where the Participant resides, even it otherwise applicable to the Participant’s employment benefits from the Employer, and whether or not later found to be invalid), and in consideration of the grant of the Units to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the

Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(ix) the following provisions apply only to the Participants providing services outside the United States, as determined by the Company:

(A) the Units and the Shares subject to the Units are an extraordinary item that does not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of the Participant’s employment or service contract, if any;

(B) the Units and the Shares subject to the Units are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long−service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Subsidiary; and

(C) the Unit grant and the Participant’s participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any Subsidiary.

(g) No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant’s participation in the Plan, or the Participant’s acquisition or sale of the underlying Shares. The Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(h) ***Data Privacy***.

(i) ***The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant’s personal data as described in this Agreement and any other Unit grant materials by and among, as applicable, the Employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Participant’s participation in the Plan***.

(ii) ***The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant’s name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Units or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Participant’s favor, for the exclusive purpose of implementing, administering and managing the Plan (“Data”)***.

(iii) ***The Participant understands that Data will be transferred to E*Trade Financial Services, or such other stock plan service provider as may be selected by the Company in the future or other stock plan service provider that is selected by the Participant to the extent permitted by the Company in its sole discretion, in each case, that is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than France. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the Company, E*Trade Financial Services and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. The Participant understands, however, that refusing or withdrawing his or her consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative***.

(i) Reservation of Shares. The Company shall at all times during the term of the Unit reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of this Agreement.

(j) Securities Matters. The Company shall not be required to deliver any Shares until the requirements of any securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.

(k) Assignment. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Participant.

(l) Successors and Assigns; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the Company and the Participant and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Company and the Participant, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(m) Headings. Headings are given to the sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision hereof.

(n) Governing Law; Arbitration. It is intended that Restricted Stock Units granted under this French Plan shall qualify for the specific tax and social security treatment applicable to Restricted Stock Units granted for no consideration under Sections L. 225−197−1 to L. 225−197−6 of the French Commercial Code, as amended, and in accordance with the relevant provisions set forth by French tax and social security laws, and the terms of this French Plan shall be interpreted accordingly. The internal law, and not the law of conflicts, of the State of Minnesota will govern all questions concerning the validity, construction and effect of this Agreement. Any controversy, dispute or claim arising under or in connection with this Agreement (including, without limitation, the existence, validity, interpretation or breach hereof and any claim based on contract, tort or statute) shall be resolved by a binding arbitration, to be held in Minneapolis, Minnesota pursuant to the U.S. Federal Arbitration Act and in accordance with the then−prevailing National Rules of Resolution of Employment Disputes of the American Arbitration Association (the "*AAA*"). The AAA shall select a sole arbitrator. Each party shall bear its own expenses incurred in connection with arbitration and the fees and expenses of the arbitrator shall be shared equally by the parties involved in the dispute and advanced by them from time to time as required. It is the mutual intention and desire of the parties that the arbitrator be chosen as expeditiously as possible following the submission of the dispute to arbitration. Once such arbitrator is chosen, and except as may otherwise be agreed in writing by the parties involved in such dispute or as ordered by the arbitrator upon substantial justification shown, the hearing for the dispute will be held within sixty (60) days of submission of the dispute to arbitration. The arbitrator shall render his or her final award within sixty (60) days, subject to extension by the arbitrator upon substantial justification shown of extraordinary circumstances, following conclusion of the hearing and any required post−hearing briefing or other proceedings ordered by the arbitrator. Any discovery in connection with arbitration hereunder shall be limited to information directly relevant to the controversy or claim in arbitration. The arbitrator will state the factual and legal basis for the award. The decision of the arbitrator in any such proceeding will be final and binding and not subject to judicial review and final judgment may be entered upon such an award in any court of competent jurisdiction, but entry of such judgment will not be required to make such award effective. Any action against any party hereto ancillary to arbitration, including any action for provisional or conservatory measures or action to enforce an arbitration award or any judgment entered by any court in respect of any thereof may be brought in any federal or state court of competent jurisdiction location within the State of Minnesota, and the parties hereto hereby irrevocably submit to the non−exclusive jurisdiction of any federal or state court located within the State of Minnesota over any such action. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such action brought in such court or any defense of inconvenient forum for the maintenance of such action. Each of the parties hereto agrees that a judgment in any such action may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(o) Notices. The Participant should send all written notices regarding this Agreement or the Plan to the Company at the following address:

MoneyGram International, Inc.
EVP, General Counsel & Secretary
2828 North Harwood Street, 15th Floor
Dallas, TX 75201

(p) Amendments. The Company may amend this Agreement at any time; provided that, subject to Section 9(p) hereof and Section 7 of the Plan, no such amendment, alteration, suspension, discontinuation or termination shall be made without the Participant's consent, if such action would materially diminish any of the Participant's rights under this Agreement. The Company reserves the right to impose other requirements on the Units and the Shares acquired upon vesting of the Units, to the extent the Company determines it is necessary or advisable under the laws of the country in which the Participant resides pertaining to the issuance or sale of Shares or to facilitate the administration of the Plan.

(q) Entire Agreement. This Agreement and the Plan and the other agreements referred to herein and therein and any schedules, exhibits and other documents referred to herein and therein constitute the entire agreement and understanding among the parties hereto in respect of the subject matter hereof and thereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, among the parties hereto, or between any of them, with respect to the subject matter hereof and thereof.

(r) Severability. If any provision of this Agreement is invalid, illegal, or incapable of being enforced by any law, all other provisions of this Agreement shall remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party. If any provision of this Agreement is held to be invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(s) Participant Undertaking. The Participant agrees to take such additional action and execute such additional documents the Company may deem necessary or advisable to carry out or effect one or more of the obligations or restrictions imposed either on the Participant or upon this Unit pursuant to the provisions of this Agreement.

(t) Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

(u) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on−line or electronic system established and maintained by the Company or a third party designated by the Company.

(v) Language Consent. By accepting the Units, the Participant confirms having read and understood the documents relating to this grant (the U.S. Plan, the French Plan and the Agreement), which were provided in the English language. The Participant accepts the terms of those documents accordingly.

En acceptant l'attribution, vous confirmez ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan US, le sous−plan pour la France, et le contrat) qui ont été communiqués en langue anglaise. Vous acceptez les termes en connaissance de cause.

(w) No Trust or Fund Created. Neither the Plan nor the Agreement shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Subsidiary and the Participant or any other person.

(x) Section 409A Provisions. The payment of Shares under this Agreement is intended to be exempt from the application of Section 409A of the Code, as amended ("*Section 409A*") by reason of the short−term deferral exemption set forth in United States Treasury Regulation §1.409A−1(b)(4). Notwithstanding anything in the Plan or this Agreement to the contrary, to the extent that any amount or benefit hereunder that constitutes "deferred compensation" to the Participant under Section 409A and applicable guidance thereunder is otherwise payable or distributable to the Participant under the Plan or this Agreement solely by reason of the occurrence of a Change in Control or due to the Participant's Disability or separation from service, such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless the Committee determines in good faith that (i) the circumstances giving rise to such Change in Control, Disability or separation from service meet the definition of a change in ownership or control, disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable final regulations, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short−term deferral exemption or otherwise (including, but not limited to, a payment made pursuant to an involuntary separation arrangement that is exempt from Section 409A under the "short−term deferral" exception). Any payment or distribution that constitutes deferred compensation subject to Code Section 409A and that otherwise would be made to a Participant who is a specified employee as defined in Section 409A(a)(2)(B) of the Code on account of separation from service instead shall be made on the earlier of the date that is six months and one day after the date of the specified employee's separation from service and the specified employee's death. Except in the event of death or Disability as defined in the French Plan, should compliance with these provisions result in vesting of the Unit prior to the second anniversary of the Grant Date, or such other minimum period as required for the vesting period applicable to French−qualified Restricted Stock Units under Section L. 225−197−1 of the French Commercial Code, as amended, or relevant Section of the French Tax Code or the French Social Security Code, as amended, and/or the lifting of the minimum mandatory holding period applicable to French−qualified Restricted Stock Units prior to its completion, the Units shall no longer benefit from the favorable tax and social security regime.

IN WITNESS WHEREOF, the Company and the Participant have executed this Agreement on the date set forth in the first paragraph.

MONEYGRAM INTERNATIONAL, INC.

By:________________________________

PARTICIPANT

____

Print Name: ____________________________

SCHEDULE A

[Insert Schedule A Performance/Vesting Details]

Exhibit 10.94

MONEYGRAM INTERNATIONAL, INC.
2005 OMNIBUS INCENTIVE PLAN

STOCK OPTION AGREEMENT
(FOR OPTIONEES IN FRANCE)

This Global Stock Option Agreement (this "Agreement") is made effective as of [ ], 20[ ] (the "Grant Date") between MoneyGram International, Inc., a Delaware corporation (the "Company"), and [ ] (the "Optionee"). Each capitalized term used but not defined in this Agreement shall have the meaning assigned to that term in the Company's 2005 Omnibus Incentive Plan (the "U.S. Plan").

WHEREAS, in connection with the Optionee's employment with the Company, the Company desires to grant to the Optionee an option to purchase shares of the Company's Common Stock, par value $0.01 per share (the "Common Stock") on the date hereof pursuant to the terms and conditions of this Agreement, the 2005 Omnibus Incentive Plan for Grantees in France (the "French Sub−Plan") and the U.S. Plan (collectively, the "Plan");

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Grant of Option.

Subject to the terms and conditions of the Plan and this Agreement, the Company hereby grants to the Optionee on the Grant Date, an option to purchase up to [ ] shares of Common Stock at the option price set forth in Section 2 (the "Option").

The foregoing award is a U.S. Non−qualified Stock Option granted under the Plan, which is incorporated herein by this reference and made part of this Agreement. The Option is not an incentive stock option within the meaning of Section 422 of the United States Internal Revenue Code of 1986, as amended (the "Code").

The Option is intended to qualify for the favorable income tax and social security regime in France under Sections L. 225−177 to L. 225−186−1 of the French Commercial Code, as amended. Certain events may affect the status of the Option as French−qualified and the Option could be disqualified in the future. The Company does not make any undertaking or representation to maintain the qualified status of the Option during the lifetime of the Option. If the Option no longer qualifies for favorable tax and social security tax treatment in France, favorable tax and social security treatment will not apply and the Optionee will be required to pay any applicable income tax and social security contributions resulting from the Option.

2. Option Price.

The per share purchase price of the shares subject to the Option shall be $ (the "Option Price"). **Such Option Price meets the requirements of Section II.2(c) of the French Sub−Plan**.

3. Term of Option and Exercisability.

(a) The term of the Option shall be for a period of nine and one−half (9 1/2) years from the Grant Date, terminating at the close of business on [ ], 20[ ] (the "Expiration Date") or such shorter period as is prescribed in Sections 6 and 7 of this Agreement. Subject to the provisions of Sections 5, 6 and 7 of this Agreement, the Option shall vest and become exercisable as follows:

Vesting Date	Aggregate Percentage Vested
[Insert vesting schedule]	

There shall be no partial vesting during any period. Except as set forth in Section 6 hereof, if the Optionee's employment with the Company or any of its Subsidiaries is terminated on or prior to the fourth anniversary of the Grant Date, the unvested portion of the Option shall be forfeited as described in Section 6 hereof.

(b) For purposes of this Agreement, "Subsidiary" shall mean any present or future "subsidiary corporation" of the Company, as defined in Section 424(f) of the Code.

4. Sale Restriction and Holding Period for French−Qualified Options.

(a) Shares of Common Stock acquired upon exercise cannot be sold or transferred before the expiration of the applicable holding period for French−qualified options set forth by Section 163 bis C of the French Tax Code, as amended, except as provided in the French Sub−Plan or as otherwise in keeping with French law. Under current law, the holding period is four years from the Grant Date, but shall not be more than three years from the date on which the Optionee exercises his or her Option. In order to satisfy this holding period, the Company shall restrict the transfer of the shares of Common Stock until the expiration of the relevant holding period to benefit from the favorable tax and social regime in France.

(b) The sale of shares of Common Stock before the end of the four−year holding period following the Grant Date will not result in the loss of the favorable tax and social security regime in the event of the following special circumstances: (i) death, (ii) Disability (as defined in the French Sub−Plan), (iii) dismissal (as defined by Section 91−ter of Exhibit II to the French Tax Code and as construed by the French Tax Circulars and subject to the fulfillment of related conditions), or Forced Retirement where Participant has exercised his or her Option at least three months prior to the sending of the notice of dismissal or prior to the effective date of the Forced Retirement.

5. Effect of Change in Control.

Notwithstanding the vesting provisions contained in Section 3 above, but subject to the other terms and conditions contained in this Agreement, from and after a Change in Control (as defined below) the following provisions shall apply:

(a) If at the time of the Change in Control, the per share Fair Market Value of the Common Stock does not exceed the per share Option Price, then this Option, whether vested or unvested, shall immediately terminate in full and be of no further force or effect; and

(b) If at the time of the Change in Control, the per share Fair Market Value of the Common Stock exceeds the Option Price, then the Committee, in its sole discretion, may:

(i) provide the Optionee a reasonable amount of time (such period of time to be determined by the Committee in its sole discretion) to exercise the vested and unexercised portion of this Option that is outstanding at the time of the Change in Control and, if not exercised within such period, have this Option terminate in full and be of no further force or effect with respect to any unexercised portion of such Option (and the unvested portion of this Option shall be forfeited);

(ii) provide for the termination of this Option in exchange for payment to the Optionee of the excess of (x) the aggregate Fair Market Value of the Common Stock issuable pursuant to the vested portion of the Option that is outstanding and unexercised at the time of the Change in Control over (y) the aggregate Option Price for such vested portion of the Option (and the unvested portion of this Option shall be forfeited); or

(iii) if the Change in Control involves the merger or consolidation of the Company with or into another entity, provide for the substitution by the surviving entity or its direct or indirect parent of awards with substantially the same terms as this Option in accordance with Section 409A of the Code and Section 4(c) of the Plan.

Such actions and adjustments shall be subject to Section II.5 of the French Sub−Plan.

(c) Notwithstanding the other provisions of this Section 5, if a Change in Control occurs, and after giving effect thereto (i) the Common Stock no longer trades on a United States securities exchange or trading market, and (ii) the Optionee’s employment is terminated by the Company or any of its Subsidiaries without Cause (as defined in Section 6 below) or the Optionee terminates his or her employment with “Good Reason” (as such term is defined below) or is terminated by his or her employer for reasons considered Good Reason in each case following the occurrence of such Change in Control, then any portion of the Options outstanding as of the termination of employment but not previously vested shall automatically accelerate and become vested. “Good Reason” with respect to the Optionee shall mean following a Change in Control: (A) a material reduction in the Optionee’s position or responsibilities from the Optionee’s position or responsibilities in effect immediately prior to such Change in Control, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; (B) a material reduction in the Optionee’s base salary or target bonus opportunity, if any, as in effect immediately prior to such Change in Control, except in connection with an across−the−board reduction of not more than 10% applicable to similarly situated employees of the Company, or (C) the reassignment, without the Optionee's consent, of the Optionee's place of work to a location more than 50 miles from the Optionee's place of work immediately prior to the Change in Control; provided that none of the events described in clauses (A), (B) and (C) shall constitute Good Reason hereunder unless (x) the Optionee shall have given written notice to the Company of the Optionee's intent to terminate his employment with Good Reason within sixty (60) days following the occurrence of any such event and (y) the Company shall have failed to remedy such event within thirty (30) days of the Company's receipt of such notice. Such acceleration of the vesting of the Option shall be subject to section II.5 of the French Sub−Plan.

(d) For purposes of this Agreement, notwithstanding the definition of Change in Control in any other agreement or plan that may be applicable to the Optionee, "Change in Control" shall mean (i) a sale, transfer or other conveyance or disposition, in any single transaction or series of transactions, of all or substantially all of the Company's assets, (ii) the transfer of more than 50% of the outstanding securities of the Company, calculated on a fully−diluted basis, to an entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the United States Securities Exchange Act of 1934 (the "Exchange Act")), or (iii) the merger, consolidation reorganization, recapitalization or share exchange of the Company with another entity, in each case in clauses (ii) and (iii) above under circumstances in which the holders of the voting power of the outstanding securities of the Company, as the case may be, immediately prior to such transaction, together with such holders' affiliates and related parties, hold less than 50% in voting power of the outstanding securities of the Company or the surviving entity or resulting entity, as the case may be, immediately following such transaction; provided, however, that the issuance of securities by the Company shall not, in any event, constitute a Change in Control, and for the avoidance of doubt a sale or other transfer or series of transfers of all or any portion of the securities of the Company held by the Investors and their affiliates and related parties shall not constitute a Change in Control unless such sale or transfer or series of transfers results in a entity or group (as defined in the Exchange Act) other than the Investors and their affiliates and related parties holding more than 50% in voting power of the outstanding securities of the Company.

For purposes hereof, "Investors" shall mean the "Investors" as defined in that certain Amended and Restated Purchase Agreement, dated March 17, 2008, by and between the Company and the other parties thereto, and their respective affiliates (not including the Company).

6. Effect of Termination of Employment.

If the Optionee's employment is terminated, the following shall apply:

(a) if the Optionee's employment with the Company or any of its Subsidiaries is terminated for Cause (as defined below), any portion of the Option that has not been exercised on the date of the Optionee's termination of employment, whether vested or unvested, shall be immediately forfeited.

(b) if the Optionee's employment with the Company or any of its Subsidiaries is terminated by the Company without Cause or the Optionee terminates his or her employment with or is terminated for Good Reason, any portion of the Option that has not vested on the date of the Optionee's termination of employment shall be forfeited, and any portion of the Option that has vested may be exercised until the earlier of (i) the Expiration Date and (ii) the date that is one hundred eighty (180) days after the date of the Optionee's termination of employment. However, if the Optionee dies after the Optionee terminates employment due to Cause or Good Reason within such specified period, the Optionee's heirs, the legal representative of the Optionee's estate or the legatee of the Options under the Optionee's last will must exercise the Options within six months of the Optionee's death. Any Options exercised in this manner will benefit from the favorable tax and social security treatment of the French−qualified Options, irrespective of the date of sale of the shares of Common Stock subject to the Options; thus the minimum holding period described above in Section 4 will not apply. Any Options that remain unexercised shall expire six months following the Optionee's date of death.

(c) if the Optionee resigns without Good Reason or for any reason other than death or Disability (as defined below), any portion of the Option that has not vested on the date of the Optionee's termination of employment shall be immediately forfeited, and any portion of the Option that has vested may be exercised until the earlier of (i) the Expiration Date, or (ii) the date that is thirty (30) days after the date of the Optionee's termination of employment. However, if the Optionee dies after the Optionee resigns without Good Reason for any reason other than death or Disability within such specified period, the Optionee's heirs, the legal representative of the Optionee's estate or the legatee of the Options under the Optionee's last will must exercise the Options within six months of the Optionee's death. Any Options exercised in this manner will benefit from the favorable tax and social security treatment of the French−qualified Options, irrespective of the date of sale of the shares of Common Stock subject to the Options; thus the minimum holding period described above in Section 4 will not apply. Any Options that remain unexercised shall expire six months following the Optionee's date of death.

(d) if the Optionee's employment with the Company or any of its Subsidiaries is terminated due to a Disability, any portion of the Option that has not vested on the date of the Optionee's termination of employment and that does not vest pursuant to Section 6(f) shall be forfeited, and any portion of the Option that has vested, or that vests pursuant to Section 6(f) below, may be exercised until the earlier of (i) the Expiration Date and (ii) the date that is twelve (12) months after the later of the date of the Optionee's termination due to Disability or the date of any subsequent vesting pursuant to Section 6(f) below. However, if the Optionee dies after the Optionee terminates employment due to Disability within such specified period, the Optionee's heirs, the legal representative of the Optionee's estate or the legatee of the Options under the Optionee's last will must exercise the Options within six months of the Optionee's death. Any Options exercised in this manner will benefit from the favorable tax and social security treatment of the French−qualified Options, irrespective of the date of sale of the shares of Common Stock subject to the Options; thus the minimum holding period described above in Section 4 will not apply. Any Options that remain unexercised shall expire six months following the Optionee's date of death.

(e) if the Optionee's employment with the Company or any of its Subsidiaries is terminated due to death, any portion of the Option that has not vested on the date of the Optionee's termination of employment shall immediately become exercisable by the Optionee's heirs, the legal representative of the Optionee's estate or by the legatee of the Options under the Optionee's last will for the six−month period following the date of the Optionee's death, without regard for the term of the Option set forth in Section 3 above. Any Options exercised in accordance with this paragraph will benefit from the favorable tax and social security treatment of the French−qualified Options, irrespective of the date of sale of the shares of Common Stock subject to the Options; thus the minimum holding period described above in Section 4 will not apply. Any Options that remain unexercised shall expire six months following the Optionee's date of death.

(f) if the Optionee's employment with the Company or any of its Subsidiaries is terminated due to a Disability (as defined below), then (x) upon such termination, the portion of such Option that otherwise, absent such termination, would vest during the 12−month period following the date of such termination shall vest on the date of termination. The number of Options deemed exercisable upon termination shall be calculated after giving effect to the acceleration of vesting specified in this clause (f).

The Committee shall have the exclusive discretion to determine when the Optionee is no longer actively employed for purposes of the Option.

For purposes of this Agreement, "Cause" shall mean (A) the Optionee's willful refusal to carry out, in all material respects, the reasonable and lawful directions of the person or persons to whom the Optionee reports or the Board that are within the Optionee's control and consistent with the Optionee's status with the Company or its Subsidiary and his or her duties and responsibilities hereunder (except for a failure that is attributable to the Optionee's illness, injury or Disability) for a period of 10 days following written notice by the Company or its Subsidiary to the Optionee of such failure, (B) fraud or material dishonesty in the performance of the Optionee's duties hereunder, (C) an act or acts on the Optionee's part constituting (x) a felony under the laws of the United States or any state thereof, (y) a misdemeanor involving moral turpitude or (z) a material violation of the securities laws of the United States or any state thereof, (D) an indictment of the Optionee for a felony under the laws of the United States or any state thereof, (E) the Optionee's willful misconduct or gross negligence in connection with the Optionee's duties which could reasonably be expected to be injurious in any material respect to the financial condition or business reputation of the Company as determined in good faith by the Board, (F) the Optionee's material breach of the Company's Code of Ethics, Always Honest policy or any other code of conduct in effect from time to time to the extent applicable to the Optionee, and which breach could reasonably be expected to have a material adverse effect on the Company as determined in good faith by the Board, (G) the Optionee's breach of the Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement (the "Post−Employment Restriction Agreement") which breach has an adverse effect on the Company or its Subsidiaries, or (H) an equivalent act as shall constitute "Cause" under the terms of any employment agreement or employment law applicable to the Optionee.

For purposes of this Agreement, "Disability" shall mean that the Optionee has suffered a Disability as that term is defined in the French Sub−Plan and is also physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty−four (24) consecutive month period to perform his or her duties. Any question as to the existence of the Disability of the Optionee for purposes of this Agreement as to which the Optionee and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Optionee and the Company. If the Optionee and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and the Optionee shall be final and conclusive for all purposes of the Agreement

7. Forfeiture and Repayment Provisions.

(a) Failure to properly execute the Agreement (and each other document required to be executed by the Optionee in connection with the Optionee's receipt of the Option) in a timely manner following the Grant Date may result in the forfeiture of the Option, as determined in the sole discretion of the Company.

(b) The right to exercise this Option shall be conditional upon the fact that the Optionee has read and understood the forfeiture and repayment provisions set forth in this Section 7, that the Optionee has not engaged in any misconduct or acts contrary to the Company as described below, and that the Optionee has no intent to leave employment with the Company or any of its Subsidiaries for the purpose of engaging in any activity or providing any services which are contrary to the spirit and intent of the Post−Employment Restriction Agreement.

(c) The Company is authorized to suspend or terminate this Option and any other outstanding stock option held by the Optionee prior to or after termination of employment if the Optionee engages in any conduct agreed to be avoided pursuant to the Post−Employment Restriction Agreement. If, at any time during the applicable restriction period described in the Post−Employment Restriction Agreement, the Optionee engages in any conduct agreed to be avoided pursuant to the Post−Employment Restriction Agreement, then any gain (without regard to tax effects) realized by the Optionee from the exercise of this Option, in whole or in part, shall be paid by the Optionee to the Company. The Optionee consents to the deduction from any amounts the Company or any of its Subsidiaries owes to the Optionee to the extent of the amounts the Optionee owes the Company hereunder.

(d) Misconduct.

(i) The Company is authorized to suspend or terminate this Option and any other outstanding stock option held by the Optionee prior to or after termination of employment if the Company reasonably determines that during the Optionee's employment with the Company or any of its Subsidiaries:

(1) The Optionee knowingly participated in misconduct that causes a misstatement of the financial statements of the Company or any of its Subsidiaries or misconduct which represents a material violation of any code of ethics of the Company applicable to the Optionee or of the Always Honest compliance program or similar program of the Company; or

(2) The Optionee was aware of and failed to report, as required by any code of ethics of the Company applicable to the Optionee or by the Always Honest compliance program or similar program of the Company, misconduct that causes a misstatement of the financial statements of the Company or any of its Subsidiaries or misconduct which represents a material violation of any code of ethics of the Company applicable to the Optionee or of the Always Honest compliance program or similar program of the Company.

(ii) If, at any time after the Optionee exercises this Option, in whole or in part, the Company reasonably determines that the provisions of Section 7(c) applies to the Optionee, then any gain (without regard to tax effects) realized by the Optionee from such exercise shall be paid by the Optionee to the Company. The Optionee consents to the deduction from any amounts the Company or any of its Subsidiaries owes to the Optionee to the extent of the amounts the Optionee owes the Company under this Section 7.

8. <u>Method of Exercising Option; Payment of Option Price; Delivery of Purchased Shares</u>.

(a) Subject to the terms and conditions of this Agreement, the Optionee may exercise the Option by following the procedures established by the Company from time to time. In addition, the Optionee may exercise the Option by written notice to the Company as provided in Section 11(m) of this Agreement that states (i) the Optionee's election to exercise the Option, (ii) the Grant Date of the Option, (iii) the Option Price of the shares, (iv) the number of shares as to which the Option is being exercised, (v) the manner of payment and (vi) the manner of payment for any Tax−Related Items (as defined in Section 9 below) withholding amount. The notice shall be signed by the Optionee or the Person or Persons exercising the Option. The notice shall be accompanied by payment in full of the Option Price and the Tax−Related Items withholding for all shares designated in the notice. To the extent that the Option is exercised after the Optionee's death, the notice of exercise shall also be accompanied by appropriate proof of the right of such Person or Persons to exercise the Option.

(b) Payment of the Option Price shall be made to the Company through one or a combination of the following methods; provided, that in each such case, such payment method is not prohibited by, or contrary to, any loan document to which the Company is a party:

(i) If the Optionee exercises the Option prior to the expiration of the holding period described in Section 4(a) above and prior to such time as the holding period shall have ceased to be applicable to the Optionee pursuant to Section 4(b) above, the Optionee must pay the Option Price and any Tax−Related Items withholding by cash, in United States currency (including check, draft, money order or wire transfer made payable to the Company).

(ii) If the Optionee exercises the Option after the expiration of the holding period described in Section 4(a) above and/or after such time as the holding period shall have ceased to be applicable to the Optionee pursuant to Section 4(b) above, the Optionee may pay the Option Price and any Tax−Related Items withholding by cash in United States currency (including check, draft, money order or wire transfer made payable to the Company), or pursuant to a cashless exercise program adopted by the Company in connection with the Plan.

No delivery, surrender or attestation to the ownership of previously owned shares of Common Stock having a Fair Market Value on the date of delivery equal to the aggregate Option Price may be used to pay the Option Price.

(c) Upon any exercise of the Option, and subject to the payment of the Option Price under Section 8(b) and of all Tax−Related Items obligations under Section 9, the Company shall deliver the shares of Common Stock purchased in book entry form. The shares purchased shall be registered in the name of the Optionee, the Optionee's transferee, or if the Optionee so requests, in writing at the time of exercise, jointly in the name of the Optionee and another person with rights of survivorship. If the Optionee dies, the shares purchased shall be registered in the name of the person entitled to exercise the Option in accordance with the Plan.

9. Responsibility for Taxes.

(a) Regardless of any action the Company or the Optionees's employer (the "Employer") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax−related items related to the Optionee's participation in the Plan and legally applicable to the Optionee ("Tax−Related Items"), the Optionee acknowledges that the ultimate liability for all Tax−Related Items is and remains the Optionee's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Optionee further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax−Related Items in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of shares of Common Stock acquired pursuant to such exercise and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate the Optionee's liability for Tax−Related Items or achieve any particular tax result. Further, if the Optionee has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant taxable or tax withholding event, as applicable, the Optionee acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax−Related Items in more than one jurisdiction.

(b) Prior to the relevant taxable or tax withholding event, as applicable, the Optionee will pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax−Related Items. In this regard, the Optionee authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax−Related Items by one or a combination of the following:
(i) withholding from the Optionee's wages or other cash compensation paid to the Optionee by the Company and/or the Employer; or (ii) withholding from proceeds of the sale of shares of Common Stock acquired at exercise of the Option either through a voluntary sale or through a mandatory sale arranged by the Company (on the Optionee's behalf pursuant to this authorization); or (iii) if authorized by the Committee, withholding in shares of Common Stock to be issued at exercise of the Option.

(c) To avoid any negative accounting treatment, the Company may withhold or account for Tax−Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax−Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, the Optionee is deemed to have been issued the full number of shares of Common Stock subject to the exercised Options, notwithstanding that a number of the shares of Common Stock are held back solely for the purpose of paying the Tax−Related Items due as a result of any aspect of the Optionee's participation in the Plan.

(d) Finally, the Optionee shall pay to the Company or the Employer any amount of Tax−Related Items that the Company or the Employer may be required to withhold or account for as a result of the Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares or the proceeds of the sale of shares of Common Stock, if the Optionee fails to comply with the Optionee's obligations in connection with the Tax−Related Items.

10. Adjustments.

In the event that the Company engages in a transaction such that any dividend or other distribution (whether in the form of cash, shares of Common Stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split−up, spin−off, combination, repurchase or exchange of shares or other securities of the Company, issuance of warrants or other rights to purchase shares or other securities of the Company or other similar corporate transaction or event affects the shares covered by the Option, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under this Agreement, the terms of this Option (including, without limitation, the number and kind of shares subject to this Option and the Option Price) shall be adjusted as set forth in Section 4(c) of the Plan.

Upon a Change in Control, the Committee may, in its sole discretion, adjust the terms of this Option (including, without limitation, the number and kind of shares subject to this Option and the Option Price) by taking any of the actions permitted under this Agreement and in accordance with Section 4(c) of the Plan.

Any adjustment provided for in this Section 10 is subject to Section II.5 of the French Sub−Plan.

11. General Provisions.

(a) Interpretations. This Agreement is subject in all respects to the terms of the Plan. A copy of the U.S. Plan and the French Sub−Plan shall be provided to the Optionee. Terms used herein which are defined in the Plan shall have the respective meanings given to such terms in the Plan, unless otherwise defined herein. In the event that any provision of this Agreement is inconsistent with the terms of the Plan, the terms of the Plan shall govern. Any question of administration or interpretation arising under this Agreement shall be determined by the Committee, and such determination shall be final, conclusive and binding upon all parties in interest.

(b) No Rights as a Shareholder. Neither the Optionee nor the Optionee's legal representatives shall have any of the rights and privileges of a shareholder of the Company with respect to the shares of Common Stock subject to the Option unless and until such shares are issued upon exercise of the Option. Except as expressly provided by the Plan, no adjustment shall be made for dividends or other rights for which the record date is prior to the issuance of any purchased shares and the delivery of any certificate or certificates for such shares.

(c) Nature of Grant. In accepting the Option, the Optionee acknowledges, understands and agrees that:

(i) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time;

(ii) the grant of the Option is voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted repeatedly in the past;

(iii) all decisions with respect to future option grants, if any, will be at the sole discretion of the Company;

(iv) the Optionee's participation in the Plan shall not create a right to further employment with the Employer and shall not interfere with the ability of the Employer to terminate the Optionee's employment or service relationship (if any) at any time;

(v) the Optionee is voluntarily participating in the Plan;

(vi) the Option and any shares of Common Stock acquired under the Plan are not intended to replace any pension rights or compensation;

(vii) the future value of the shares of Common Stock underlying the Option is unknown, indeterminable and cannot be predicted with certainty;

(viii) if the underlying shares of Common Stock do not increase in value, the Option will have no value;

(ix) if the Optionee exercises the Option and acquires shares of Common Stock, the value of such shares of Common Stock may increase or decrease in value, even below the Option Price;

(x) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from the Optionee's termination of employment by the Company or the Employer (for any reason whatsoever and whether or not in breach of any employment law in the country where the Optionee resides, even if otherwise applicable to the Optionee's employment benefits from the Employer, and whether or not later found to be invalid) and in consideration of the grant of the Option to which the Optionee is otherwise not entitled, the Optionee irrevocably agrees never to institute any claim against the Company or the Employer, waives his or her ability, if any, to bring any such claim, and releases the Company and the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Optionee shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(xi) the following provisions apply only to the Optionees providing services outside the United States, as determined by the Company:

A. the Option and any shares of Common Stock acquired under the Plan are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or the Employer, and which is outside the scope of the Optionee's employment or service contract, if any;

B. the Option and any shares of Common Stock acquired under the Plan are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long−service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company**,** the Employer, or any Subsidiary of the Company; and

C. the Option grant and the Optionee's participation in the Plan will not be interpreted to form an employment or service contract or relationship with the Company or any Subsidiary.

(d) No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Optionee's participation in the Plan, or the Optionee's acquisition or sale of the underlying shares of Common Stock. The Optionee is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

(e) ***Data Privacy***.

(i) ***The Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Optionee's personal data as described in this Agreement and any other Option grant materials by and among, as applicable, the Employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing the Optionee's participation in the Plan***.

(ii) ***The Optionee understands that the Company and the Employer may hold certain personal information about the Optionee, including, but not limited to, the Optionee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Optionee's favor, for the exclusive purpose of implementing, administering and managing the Plan ("Data")***.

(iii) ***The Optionee understands that Data will be transferred to E*Trade Financial Services, or such other stock plan service provider as may be selected by the Company in the future or other stock plan service provider that is selected by the Optionee to the extent permitted by the Company in its sole discretion, in each case, that is assisting the Company with the implementation, administration and management of the Plan. The***

Optionee understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws and protections than France. The Optionee understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the Optionee's local human resources representative. The Optionee authorizes the Company, E*Trade Financial Services and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purpose of implementing, administering and managing his or her participation in the Plan. The Optionee understands that Data will be held only as long as is necessary to implement, administer and manage the Optionee's participation in the Plan. The Optionee understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. The Optionee understands, however, that refusing or withdrawing his or her consent may affect the Optionee's ability to participate in the Plan. For more information on the consequences of the Optionee's refusal to consent or withdrawal of consent, the Optionee understands that he or she may contact his or her local human resources representative.

(f) Option Not Transferable.

(i) Except as otherwise provided by the Plan or by the Committee, the Option shall not be transferable other than by will or by the laws of descent and distribution and the Option shall be exercisable during the Optionee's lifetime only by the Optionee or by the Optionee's guardian or legal representative. The Option may not be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance of the Option shall be void and unenforceable against the Company or any Subsidiaries.

(ii) None of the purchased shares acquired pursuant to the exercise of this Option shall be assigned, transferred, pledged, hypothecated, given away or in any other manner disposed of or encumbered, whether voluntarily or by operation of law, unless such transfer is in compliance with all applicable securities laws (including, without limitation, the United States Securities Act of 1933, as amended) and provided the holding periods set forth in Section 4 have been met.

(g) Reservation of Shares. The Company shall at all times during the term of the Option reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of this Agreement.

(h) Securities Matters. The Company shall not be required to deliver any shares of Common Stock until the requirements of any securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.

(i) Assignment. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable by the Optionee.

(j) Successors and Assigns; No Third Party Beneficiaries. This Agreement shall inure to the benefit of and be binding upon the Company and the Optionee and their respective heirs, successors, legal representatives and permitted assigns. Nothing in this Agreement, expressed or implied, is intended to confer on any Person other than the Company and the Optionee, and their respective heirs, successors, legal representatives and permitted assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

(k) Headings. Headings are given to the sections and subsections of this Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Agreement or any provision hereof.

(l) Governing Law; Arbitration. It is intended that the Options granted under this French Sub−Plan shall qualify for the specific tax and social security treatment applicable to Options granted under Sections L. 225−177 to L. 225−186−1 of the French Commercial Code, as amended, and in accordance with the relevant provisions set forth by the French tax and social security laws, and the terms of this French Sub−Plan shall be interpreted accordingly. The internal law, and not the law of conflicts, of the State of Minnesota will govern all questions concerning the validity, construction and effect of this Agreement. Any controversy, dispute or claim arising under or in connection with this Agreement (including, without limitation, the existence, validity, interpretation or breach hereof and any claim based on contract, tort or statute) shall be resolved by a binding arbitration, to be held in Minneapolis, Minnesota pursuant to the U.S. Federal Arbitration Act and in accordance with the then−prevailing National Rules of Resolution of Employment Disputes of the American Arbitration Association (the “AAA”). The AAA shall select a sole arbitrator. Each party shall bear its own expenses incurred in connection with arbitration and the fees and expenses of the arbitrator shall be shared equally by the parties involved in the dispute and advanced by them from time to time as required. It is the mutual intention and desire of the parties that the arbitrator be chosen as expeditiously as possible following the submission of the dispute to arbitration. Once such arbitrator is chosen, and except as may otherwise be agreed in writing by the parties involved in such dispute or as ordered by the arbitrator upon substantial justification shown, the hearing for the dispute will be held within sixty (60) days of submission of the dispute to arbitration. The arbitrator shall render his or her final award within sixty (60) days, subject to extension by the arbitrator upon substantial justification shown of extraordinary circumstances, following conclusion of the hearing and any required post−hearing briefing or other proceedings ordered by the arbitrator. Any discovery in connection with arbitration hereunder shall be limited to information directly relevant to the controversy or claim in arbitration. The arbitrator will state the factual and legal basis for the award. The decision of the arbitrator in any such proceeding will be final and binding and not subject to judicial review and final judgment may be entered upon such an award in any court of competent jurisdiction, but entry of such judgment will not be required to make such award effective. Any action against any party hereto ancillary to arbitration, including any action for provisional or conservatory measures or action to enforce an arbitration award or any judgment entered by any court in respect of any thereof may be brought in any federal or state court of competent jurisdiction location within the State of Minnesota, and the parties hereto hereby irrevocably submit to the non−exclusive jurisdiction of any federal or state court located within the State of Minnesota over any such action. The parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such action brought in such court or any defense of inconvenient forum for the maintenance of such action. Each of the parties hereto agrees that a judgment in any such action may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(m) Notices. The Optionee should send all written notices regarding this Agreement or the Plan to the Company at the following address:

MoneyGram International, Inc.
EVP, General Counsel & Secretary
2828 North Harwood Street, 15th Floor
Dallas, TX 75201

(n) Amendments. The Company may amend this Agreement at any time; provided that, subject to Section 10 hereof and Section 7 of the Plan, no such amendment, alteration, suspension, discontinuation or termination shall be made without the Optionee's consent, if such action would materially diminish any of the Optionee's rights under this Agreement. The Company reserves the right to impose other requirements on the Options and the Shares purchased upon exercise of the Option, to the extent the Company determines it is necessary or advisable under the laws of the country in which the Optionee resides pertaining to the issuance or sale of Shares or to facilitate the administration of the Plan.

(o) Entire Agreement. This Agreement and the Plan and the other agreements referred to herein and therein and any schedules, exhibits and other documents referred to herein and therein constitute the entire agreement and understanding among the parties hereto in respect of the subject matter hereof and thereof and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written, whether in term sheets, presentations or otherwise, among the parties hereto, or between any of them, with respect to the subject matter hereof and thereof.

(p) Severability. If any provision of this Agreement is invalid, illegal, or incapable of being enforced by any law, all other provisions of this Agreement shall remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby are not affected in any manner materially adverse to any party. If any provision of this Agreement is held to be invalid, illegal, or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

(q) Optionee Undertaking. The Optionee agrees to take such additional action and execute such additional documents the Company may deem necessary or advisable to carry out or effect one or more of the obligations or restrictions imposed either on the Optionee or upon this Option pursuant to the provisions of this Agreement.

(r) Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document.

(s) Confidentiality. The Optionee agrees to maintain the confidentiality of the existence and terms of this Option; provided, however, that the Optionee may disclose, on a confidential basis, the existence and terms of this Option to his or her spouse, accountant and legal counsel and to the extent required by law or legal process.

(t) Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Optionee hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on−line or electronic system established and maintained by the Company or a third party designated by the Company.

(u) Language Consent. By accepting the Option, the Optionee confirms having read and understood the documents relating to this grant (the Plan and the Agreement), which were provided in the English language. The Optionee accepts the terms of those documents accordingly.

En acceptant l'attribution, vous confirmez ainsi avoir lu et compris les documents relatifs à cette attribution (le Plan, et le contrat) qui ont été communiqués en langue anglaise. Vous acceptez les termes en connaissance de cause.

12. Disqualification of French−Qualified Options. If the Option is modified, adjusted or administered in a manner in keeping with the terms of the U.S. Plan or as mandated as a matter of law, including laws relating to obligations for Tax−Related Items, and the modification or adjustment is contrary to the terms and conditions of the French Sub−Plan, the Option may no longer qualify as a French−qualified Option. If the Option no longer qualifies as a French−qualified Option, the Committee may, provided it is authorized to do so under the U.S. Plan, determine to lift, shorten or terminate certain restrictions applicable to the vesting or exercisability of the Option or the sale of the shares of Common Stock, which may have been imposed under French Sub−Plan or in this Agreement delivered to the Optionee. In any case where the Option granted under this Agreement no longer qualifies for the favorable tax and social security regime in France, the Optionee accepts and agrees that he or she will be responsible for paying all Tax−Related Items resulting from the exercise of the Option and/or the sale of the shares of Common Stock.

* * * * * * * *

By signing below, the Optionee accepts this Option and the terms and conditions in this Agreement and the Plan.

MONEYGRAM INTERNATIONAL, INC.

By:
Title:

OPTIONEE

Signature:

Print Name: [ ]

[THIS IS THE SIGNATURE PAGE TO THE NON−QUALIFIED STOCK OPTION AGREEMENT BETWEEN THE ABOVE−REFERENCED PARTIES]

Exhibit 10.95

SEVERANCE AGREEMENT

SEVERANCE AGREEMENT (the "Agreement") dated as of [ ], 2009 by and between MoneyGram International, Inc., a Delaware corporation (together with its parent companies, direct and indirect subsidiaries, successors and permitted assigns under this Agreement, the "Company") and [ ] ("Executive").

The Company employs Executive as its [ ];

Executive's employment with the Company is at−will;

The Company is willing to provide Executive with severance benefits described in this Agreement and the benefits provided by the MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non−Qualified Stock Option Agreement ("Option Agreement") as consideration for Executive's agreement to continue providing services to the Company and Executive's agreement to enter into an Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement.

In consideration of the promises and mutual covenants herein and for other good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the parties agree as follows:

1. Definitions.

a. "Cause" shall mean (A) Executive's willful refusal to carry out, in all material respects, the reasonable and lawful directions of the person or persons to whom the Executive reports or the Board that are within Executive's control and consistent with Executive's status with the Company and his or her duties and responsibilities hereunder (except for a failure that is attributable to Executive's illness, injury or Disability) for a period of 10 days following written notice by the Company to Executive of such failure, (B) fraud or material dishonesty in the performance of Executive's duties hereunder, (C) an act or acts on Executive's part constituting (x) a felony under the laws of the United States or any state thereof, (y) a misdemeanor involving moral turpitude or (z) a material violation of federal or state securities laws, (D) an indictment of Executive for a felony under the laws of the United States or any state thereof, (E) Executive's willful misconduct or gross negligence in connection with Executive's duties which could reasonably be expected to be injurious in any material respect to the financial condition or business reputation of the Company as determined in good faith by the Board, (F) Executive's material breach of the Company's Code of Ethics, Always Honest policy or any other code of conduct in effect from time to time to the extent applicable to Executive, and which breach could reasonably be expected to have a material adverse effect on the Company as determined in good faith by the Board, or (G) Executive's breach of the Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement which breach has an adverse effect on the Company.

b. "Disability" shall exist if Executive becomes physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty−four (24) consecutive month period to perform

Executive's duties. Any question as to the existence of the Disability of Executive as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and Executive shall be final and conclusive for all purposes of the Agreement.

2. At−Will Employment. Executive's employment is at−will and may be terminated by either Executive or Company at any time and for any reason.

3. Termination by the Company without Cause. If at any time on or after the first anniversary of the date Executive first became an employee of the Company Executive's employment is terminated by the Company without Cause (other than by reason of death or Disability), Executive shall be entitled to receive the following payments, each of which shall at all times be made so as to satisfy the requirements of Section 409A of the Internal Revenue Code of 1986, as amended:

a. Salary Severance. A sum equal to Executive's then current monthly base salary multiplied by twelve, which, subject to Section 5 hereof, shall be payable in equal monthly installments on the last day of each month over the twelve month period following the date of termination of employment and in accordance with the Company's normal payroll practices in effect as of the date of Executive's termination of employment; and

b. Bonus Severance. Provided that the Company actually achieves performance goals for the applicable performance period necessary for participants in the Company's Management Incentive Plan (the "MIP") to receive cash bonuses pursuant to the MIP with respect to such performance period and that such cash bonuses are actually paid, a sum equal to a pro rata portion (based on the period between the beginning of the applicable performance period and the date of termination of Executive's employment) of Executive's cash bonus (up to Executive's cash bonus at target level) under the MIP payable for the year in which the termination of employment occurs, which, subject to Section 5 hereof, shall be paid in a lump sum payable when such cash bonus under the MIP is regularly paid to other MIP participants for such year, and which amount shall in no event exceed a pro rata portion of Executive's annual target incentive opportunity for such year under the MIP.

Executive acknowledges and agrees that Executive shall not be entitled to any payment or other benefit pursuant to this Agreement in the event Company terminates Executive's employment for Cause or in the event Executive resigns his or her employment for any reason or in the event of Executive's death or Disability.

Executive acknowledges and agrees that as a condition precedent to receiving any payments pursuant to this Severance Agreement, Executive shall have executed, within twenty−one (21) days, or if required for an effective release, forty−five (45) days, following Executive's termination of employment, a waiver and release substantially in the form attached hereto as Exhibit A and the applicable revocation period set forth in such release shall have expired.

4. Miscellaneous.

a. No Duplication. Executive acknowledges and agrees that Executive shall not be entitled to receive any separation payments under any other Company severance or similar policies.

b. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without regard to conflicts of laws principles thereof, to the extent Minnesota laws are not preempted by the Employee Retirement Income Security Act of 1974.

c. Severance Pay Plan Statement. Subject to Section 5 hereof, this Agreement shall be administered and interpreted in accordance with the MoneyGram International, Inc. Severance Pay Plan Statement.

d. Entire Agreement/Amendments. This Agreement and the other agreements, plans and documents referenced herein contain the entire understanding of the parties with respect to the provision of any severance rights, payments or benefits by Company to Executive. If any provision of any agreement, plan, program, policy, arrangement or other written document between or relating to the Company and Executive conflicts with any provision of this Agreement, the provision of this Agreement shall control and prevail. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

e. No Waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

f. Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

g. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of Executive's employment to the extent necessary to preserve such rights and obligations.

h. Successors; Binding Agreement. This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

i. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below in this Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

MoneyGram International, Inc.
1550 Utica Avenue South, Suite 100
Minneapolis, Minnesota 55416
Attention: Chairman of the Human Resources and Nominating Committee of the Board

If to Executive:

To the most recent address of Executive set forth in the personnel records of the Company.

j. Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such Federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

k. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

5. Code Section 409A.

a. The parties agree that this Agreement shall be interpreted to comply with or be exempt from Section 409A of the Internal Revenue Code of 1986 and the regulations and guidance promulgated thereunder to the extent applicable (collectively "Code Section 409A"), and all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. In no event whatsoever will the Company be liable for any additional tax, interest or penalties that may be imposed on Executive under Code Section 409A or any damages for failing to comply with Code Section 409A.

b. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Code Section 409A upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is otherwise considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)−month period measured from the date of such "separation from service" of Executive, and (ii) the date of Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 5(b) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

c. Notwithstanding anything to the contrary contained in this Agreement, all reimbursements for costs and expenses under this Agreement shall be paid in no event later than the end of the calendar year following the calendar year in which Executive incurs such expense. With regard to any provision herein that provides for reimbursement of costs and expenses or in−kind benefits, except as permitted by Code Section 409A, (i) all such expenses or reimbursements shall be made in any event on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive, (ii) the right to reimbursement or in−kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursements or in−kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in−kind benefits to be provided in any other taxable year, provided, however, that the foregoing clause (iii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

d. For purposes of Code Section 409A, Executive’s right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

MONEYGRAM INTERNATIONAL, INC.

By:
Title:

EXECUTIVE

Signature:

[ ]

[SIGNATURE PAGE TO THE SEVERANCE AGREEMENT
BETWEEN THE ABOVE−REFERENCED PARTIES]

Exhibit A

RELEASE

This RELEASE ("Release") is dated as of between MoneyGram International, Inc., a Delaware corporation (together with its parent companies, direct and indirect subsidiaries, successors and assigns, the "Company"), and [ ] ("Executive").

WHEREAS, the Company and Executive previously entered into a Severance Agreement dated [ ], 20[ ] (the "Severance Agreement"); and

WHEREAS, Executive's employment with the Company (has been) (will be) terminated effective ; and

WHEREAS, pursuant to the Severance Agreement, Executive is entitled to certain compensation and benefits upon such termination, contingent upon the execution of this Release;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein and in the Severance Agreement, to which Executive understands and acknowledges he or she may not otherwise be entitled without executing this Release, the Company and Executive agree as follows:

1. Executive, on his or her own behalf and on behalf of his or her heirs, estate and beneficiaries, hereby releases and forever discharges the Company, its parent companies, predecessors, successors, affiliates, subsidiaries, related companies, shareholders, and their respective members, managers, partners, employees, officers, agents, and directors (individually a "Released Party" and collectively the "Released Parties") from the following:

a. All claims arising out of or relating to Executive's employment with the Company and/or Executive's separation from that employment.

b. All claims arising out of or relating to the statements, actions, or omissions of the Released Parties.

c. All claims for any alleged unlawful discrimination, harassment, retaliation or reprisal, or other alleged unlawful practices arising under any federal, state, or local statute, ordinance, or regulation, including without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Americans with Disabilities Act of 1990, as amended; the Family and Medical Leave Act of 1993; the Equal Pay Act of 1963; the Worker Adjustment and Retraining Notification Act; the Employee Retirement Income Security Act of 1974; the Fair Credit Reporting Act; the Minnesota Human Rights Act, any other federal, state or local anti−discrimination acts, state wage payment statutes and non−interference or non−retaliation statutes.

d. All claims for alleged wrongful discharge; breach of contract; breach of implied contract; failure to keep any promise; breach of a covenant of good faith and fair dealing; breach of fiduciary duty; promissory estoppel; Executive's activities, if any, as a "whistleblower"; defamation; infliction of emotional distress; fraud; misrepresentation; negligence; harassment; retaliation or reprisal; constructive discharge; assault; battery; false imprisonment; invasion of privacy; interference with contractual or business relationships; any other wrongful employment practices; and violation of any other principle of common law.

e. All claims for compensation of any kind, including without limitation, commission payments, bonus payments, vacation pay, expense reimbursements, reimbursement for health and welfare benefits, and perquisites.

f. All claims for back pay, front pay, reinstatement, other equitable relief, compensatory damages, damages for alleged personal injury, liquidated damages, and punitive damages.

g. All claims for attorneys' fees, costs, and interest.

2. The Company acknowledges and agrees that Executive does not release any claims that the law does not allow to be waived by private agreement.

3. Executive acknowledges and agrees that even though claims and facts in addition to those now known or believed by him or her to exist may subsequently be discovered, it is his or her intention to fully settle and release all claims he or she may have against the Company and the persons and entities described above, whether known, unknown or suspected.

4. Executive relinquishes any right to future employment with the Company and the Company shall have the right to refuse to re−employ Executive, in each case without liability of Executive or the Company.

5. Executive reaffirms his or her agreement to the Employee Trade Secret, Confidential Information and Post−Employment Restriction Agreement to which Executive is a party.

6. Executive acknowledges that he or she has been provided at least twenty−one (21) days to review the Release and has been advised to review it with an attorney of his or her choice and at his or her own expense. In the event Executive elects to sign this Release Agreement prior to this twenty−one (21) day period, he or she agrees that it is a knowing and voluntary waiver of his or her right to wait the full twenty−one (21) days. Executive further understands that he or she has fifteen (15) days after the signing hereof to revoke it by so notifying the Company in writing, such notice to be received by within the fifteen (15) day period. Executive further acknowledges that he or she has carefully read this Release, knows and understands its contents and its binding legal effect. Executive acknowledges that by signing this Release, he or she does so of his or her own free will and act and that it is his or her intention that he or she be legally bound by its terms. Executive acknowledges that in deciding whether to sign this Release, he or she has not relied upon any statements made by the Company or its agents. Executive further acknowledges that he or she has not relied on any legal, tax or accounting advice from the Company or its agents in deciding whether to sign this Release.

7. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Minnesota, without regard to principles of conflict of laws. If any clause of this Release should ever be determined to be unenforceable, it is agreed that this will not affect the enforceability of any other clause or the remainder of this Release.

IN WITNESS WHEREOF, the parties have executed this Release on the date first above written.

MONEYGRAM INTERNATIONAL, INC.

By: ______________________________
Name:
Title:

____
[ ]

EXHIBIT 21

SUBSIDIARIES
OF
MONEYGRAM INTERNATIONAL, INC.

Blue Dolphin Financial Services (Nederland) B.V. (Netherlands)
Blue Dolphin Financial Services s.r.o. (Czech Republic)
Ferrum Trust (Delaware)
Hematite Trust (Delaware)
MIL Overseas Limited (United Kingdom)
MIL Overseas Nigeria Limited (Nigeria)
MoneyGram Foundation, Inc. (Texas)
MoneyGram France, S.A. (France)
MoneyGram India Private Ltd. (India)
MoneyGram International Holdings Limited (United Kingdom)
MoneyGram International Limited (Jordan)
MoneyGram International Limited (United Kingdom)
MoneyGram International Payment Systems, Inc. (Delaware)
MoneyGram International Pte. Ltd (Singapore)
MoneyGram of New York LLC (Delaware)
MoneyGram Overseas (Pty) Limited South Africa (South Africa)
MoneyGram Payment Systems Belgium N.V. (Belgium)
MoneyGram Payment Systems Bulgaria, EOOD (Bulgaria)
MoneyGram Payment Systems Canada, Inc. (Vancouver, BC)
MoneyGram Payment Systems, Inc. (Delaware)
MoneyGram Payment Systems Ireland Limited (Ireland)
MoneyGram Payment Systems Italy S.r.l. (Italy)
MoneyGram Payment Systems Spain, S.A. (Spain)
MoneyGram Payment Systems Worldwide, Inc. (Delaware)
PropertyBridge, Inc. (Delaware)
Travelers Express Co. (P.R.), Inc. (Puerto Rico)
Tsavorite Trust (Delaware)

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333−176567, No. 333−159709, No. 333−125122 and No. 333−116976 on Form S−8 and in Registration Statement No. 333−171151 on Form S−3 of our reports dated March 8, 2012, relating to the consolidated financial statements of MoneyGram International, Inc., and the effectiveness of MoneyGram International, Inc.'s internal control over financial reporting, appearing in the Annual Report on Form 10−K of MoneyGram International, Inc. for the year ended December 31, 2011.

/s/ DELOITTE & TOUCHE LLP
Minneapolis, Minnesota
March 8, 2012

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Timothy C. Everett and Corinna Ulrich, and each of them severally, his or her true and lawful attorneys−in−fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign MoneyGram International, Inc.'s Annual Report on Form 10−K for the fiscal year ended December 31, 2011, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys−in−fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys−in−fact and agents or any of them, or their or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ J. Coley Clark J. Coley Clark	February 23, 2012
/s/ Victor W. Dahir Victor W. Dahir	February 23, 2012
/s/ Thomas M. Hagerty Thomas M. Hagerty	February 23, 2012
/s/ Scott L. Jaeckel Scott L. Jaeckel	February 23, 2012
/s/ Seth W. Lawry Seth W. Lawry	February 23, 2012
/s/ Ann Mather Ann Mather	February 23, 2012
/s/ Ganesh B. Rao Ganesh B. Rao	February 23, 2012
/s/ W. Bruce Turner W. Bruce Turner	February 23, 2012

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes−Oxley Act of 2002

I, Pamela H. Patsley, certify that:

1. I have reviewed this Annual Report on Form 10−K of MoneyGram International, Inc. for the fiscal year ended December 31, 2011;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2012

/s/ Pamela H. Patsley
Pamela H. Patsley
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes−Oxley Act of 2002

I, James E. Shields, certify that:

1. I have reviewed this Annual Report on Form 10−K of MoneyGram International, Inc. for the fiscal year ended December 31, 2011;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a−15(f) and 15d−15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 8, 2012

/s/ James E. Shields
James E. Shields
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes−Oxley Act of 2002

In connection with the Annual Report on Form 10−K (the “Report”), of MoneyGram International, Inc. (the “Company”) for the period ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof I, Pamela H. Patsley, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2012

/s/ Pamela H. Patsley
Pamela H. Patsley
Chairman and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes−Oxley Act of 2002

In connection with the Annual Report on Form 10−K (the “Report”), of MoneyGram International, Inc. (the “Company”) for the period ended December 31, 2011, as filed with the Securities and Exchange Commission on the date hereof I, James E. Shields, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes−Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2012

/s/ James E. Shields
James E. Shields
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)