UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(mark one)

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

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

For the Quarterly Period Ended September 30, 2004
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.)
1550 Utica Avenue South, Minneapolis, Minnesota (Address of principal executive offices)	55416 (Zip Code)

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

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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 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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of October 29, 2004, 88,556,077 shares of Common Stock, $0.01 par value, were outstanding.

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PART I. Financial Information

Item 1. ***Financial Statements***

MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands except share data) (Unaudited)

	September 30 2004	December 31 2003
ASSETS		
Cash and cash equivalents	$ —	$ 33,832
Cash and cash equivalents (substantially restricted) (Note 2)	788,687	1,025,026
Receivables, net (substantially restricted)	844,956	755,734
Investments (substantially restricted) (Note 4)	6,279,016	6,013,757
Property and equipment (Note 7)	90,273	95,207
Intangible assets (Note 8)	16,355	18,818
Goodwill (Note 8)	395,526	395,526
Assets of discontinued operations (Note 3)	—	641,724
Other assets	103,023	242,530
Total assets	$8,517,836	$9,222,154
LIABILITIES		
Payment service obligations (Note 2)	$7,532,691	$7,421,481
Debt (Note 9)	150,000	201,351
Derivative financial instruments (Note 5)	77,307	174,588
Pension and other postretirement benefits (Note 14)	105,541	101,039
Preferred stock subject to mandatory redemption (Note 10)	—	6,733
Accounts payable and other liabilities	92,731	115,922
Liabilities of discontinued operations (Note 3)	—	332,257
Total liabilities	7,958,270	8,353,371
COMMITMENTS AND CONTINGENCIES (Note 16)		
STOCKHOLDERS' EQUITY		
Common shares, $.01 par value: 250,000,000 shares authorized, 88,556,077 issued and outstanding	886	149,610
Additional paid-in capital	75,360	218,783
Retained income	485,519	863,944
Unearned employee benefits and other	(25,956)	(35,442)
Accumulated other comprehensive income (loss) (Note 12)	23,757	(35,208)
Treasury stock	—	(292,904)
Total stockholders' equity	559,566	868,783
Total liabilities and stockholders' equity	$8,517,836	$9,222,154

See Notes to Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In thousands except share and per share data) (Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2004	**2003**	**2004**	**2003**
REVENUE:				
Fee and other revenue (Note 2)	$ 128,000	$ 108,067	$ 363,706	$ 307,958
Investment revenue (Note 4)	77,276	76,783	231,510	245,439
Securities gains and losses, net (Note 4)	10,877	3,198	12,078	(6,001)
Total revenue	216,153	188,048	607,294	547,396
Fee commissions expense (Note 2)	47,593	37,864	132,021	104,798
Investment commissions expense (Note 2)	56,712	59,408	160,164	179,136
Total commissions expense	104,305	97,272	292,185	283,934
Net revenue	111,848	90,776	315,109	263,462
EXPENSES:				
Compensation and benefits	29,320	28,499	95,709	83,098
Transaction and operations support	33,383	26,030	89,069	76,712
Depreciation and amortization	7,439	6,841	22,058	19,990
Occupancy, equipment and supplies	7,012	5,894	22,727	19,230
Interest expense	1,234	1,882	4,361	7,877
Debt tender and redemption costs	—	—	20,661	—
Total expenses	78,388	69,146	254,585	206,907
Income from continuing operations before income taxes	33,460	21,630	60,524	56,555
Income tax expense (Note 11)	8,945	3,142	17,365	5,220
Income from continuing operations (Note 3)	24,515	18,488	43,159	51,335
Income and gain from discontinued operations, net of tax	—	6,348	21,282	36,400
NET INCOME	$ 24,515	$ 24,836	$ 64,441	$ 87,735
Basic earnings per share				
Income from continuing operations	$ 0.28	$ 0.22	$ 0.50	$ 0.59
Income from discontinued operations, net of tax	—	0.07	0.24	0.42
Earnings per common share	$ 0.28	$ 0.29	$ 0.74	$ 1.01
Average outstanding common shares	87,262	86,273	86,968	86,168
Diluted income per share				
Income from continuing operations	$ 0.28	$ 0.22	$ 0.50	$ 0.59
Income from discontinued operations, net of tax	—	0.07	0.24	0.42
Earnings per common share	$ 0.28	$ 0.29	$ 0.74	$ 1.01
Average outstanding and potentially dilutive common shares	87,588	86,720	87,400	86,524

See Notes to Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) (Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Net income	$ 24,515	$ 24,836	$ 64,441	$ 87,735
Other comprehensive income:				
Unrealized gains on available-for-sale securities				
Reclassification of securities from held-to-maturity to available-for-sale, net of tax expense	—	—	—	30,222
Holding gains (losses) arising during the period, net of tax expense	38,989	(19,797)	(10,254)	(5,923)
Net reclassification adjustment for net realized gain (losses) included in net income, net of tax expense (benefit)	6,798	(1,951)	7,549	(6,427)
	45,787	(21,748)	(2,705)	17,872
Unrealized losses on derivative financial instruments:				
Holding (losses) gains arising during the period, net of tax benefit	(28,949)	(15,920)	1,878	(46,913)
Net reclassifications from other comprehensive income to net income, net of tax benefit	18,493	21,734	57,123	64,683
	(10,456)	5,814	59,001	17,770
Unrealized foreign currency translation gains	293	415	(287)	1,071
Other comprehensive income (loss)	35,624	(15,519)	56,009	36,713
Comprehensive income	$ 60,139	$ 9,317	$120,450	$124,448

See Notes to Consolidated Financial Statements.

MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2004	**2003**	**2004**	**2003**
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$ 24,515	$ 24,836	$ 64,441	$ 87,735
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Net earnings in discontinued operations	—	(6,348)	(21,282)	(36,400)
Depreciation and amortization	7,439	6,841	22,058	19,989
Investment impairment charges and adjustments	6,763	—	13,374	20,813
Provision for deferred income taxes	(2,586)	(194)	(10,883)	(12,160)
Net gain on sale of investments	(17,641)	(3,198)	(25,453)	(10,917)
Debt redemption and retirement costs	—	—	20,661	—
Net amortization of investment premium	6,097	13,206	20,714	33,629
Other noncash items, net	3,510	(4,995)	552	(3,678)
Changes in foreign currency translation adjustments	293	415	(185)	1,069
Loss on sale of property and equipment	40	—	724	94
Changes in assets and liabilities:				
Other assets	9,033	(3,846)	(1,730)	646
Accounts payable and other liabilities	(1,315)	(10,572)	4,379	(12,450)
Total adjustments	11,633	(8,691)	22,929	636
Change in cash and cash equivalents (substantially restricted)	218,931	(441,158)	214,522	(143,139)
Change in receivables, net (substantially restricted)	86,728	661,525	(64,193)	(21,962)
Change in payment service obligations	(329,414)	(492,933)	111,211	443,339
Net cash provided by (used in) continuing operating activities	12,393	(256,421)	348,910	366,609
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales and maturities of investments classified as available-for-sale	851,229	1,729,178	2,328,923	3,672,790
Proceeds from maturities of investment securities classified as held-to-maturity	—	—	—	283,690
Purchases of investments classified as available-for-sale	(683,071)	(1,466,292)	(2,503,979)	(4,106,165)
Purchases of property and equipment	(9,097)	(7,547)	(22,166)	(18,778)
Cash paid for acquisition of minority interest of MoneyGram International Limited				(105,080)
Proceeds from the sale of Game Financial Corporation	—	—	15,247	
Other investing activities	—	(87)	(960)	(1,683)
Net cash provided by (used in) investing activities	159,061	255,252	(182,935)	(275,226)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments on debt retirement	—	—	(203,429)	(94,265)
Proceeds from borrowings	—	6,102	150,000	
Payments on sale of reverse repurchase agreements	(173,000)	—	—	
Proceeds from exercise of options	2,445	1,593	2,902	3,033
Preferred stock redemption	—	—	(23,895)	—
Purchase of treasury stock	—	—		(976)
Cash dividends paid	(899)	(7,706)	(16,527)	(23,784)
Net cash used in financing activities	(171,454)	(11)	(90,949)	(115,992)
Net cash provided by (used in) discontinued operations	—	6,239	(108,858)	8,683
NET DECREASE IN CASH AND CASH EQUIVALENTS	0	5,059	(33,832)	(15,926)
CASH AND CASH EQUIVALENTS - Beginning of period	—	18,140	33,832	39,125
CASH AND CASH EQUIVALENTS - End of period	$ 0	$ 23,199	$ —	$ 23,199

MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands) (Unaudited)

	Common Stock	Additional Capital	Retained Income	Unearned Employee Benefits and Other	Accumulated Other Comprehensive (Loss) Income	Common Stock in Treasury	Total
December 31, 2003	$ 149,610	$ 218,783	$ 863,944	$(35,442)	$ (35,208)	$(292,904)	$ 868,783
Net income	—	—	40,993	—	—	—	40,993
Dividends on common and preferred stock	—	—	(7,807)	—	—	—	(7,807)
Employee benefit plans	—	(4,635)	—	2,815	—	5,474	3,654
Unrealized foreign currency translation adjustment	—	—	—	—	(408)	—	(408)
Unrealized gain on available-for-sale securities	—	—	—	—	31,035	—	31,035
Unrealized loss on derivative financial instruments	—	—	—	—	(2,992)	—	(2,992)
Other, net	—	—	48	—	—	—	48
March 31, 2004	149,610	214,148	897,178	(32,627)	(7,573)	(287,430)	933,306
Net Loss	—	—	(1,067)	—	—	—	(1,067)
Dividends on common and preferred stock	—	—	(7,822)	—	—	—	(7,822)
Employee benefit plans	—	4,972	—	217	—	(345)	4,844
Unrealized foreign currency translation adjustment	—	—	—	—	(172)	—	(172)
Unrealized loss on available-for-sale securities	—	—	—	—	(76,570)	—	(76,570)
Unrealized gain on derivative financial instruments	—	—	—	—	72,448	—	72,448
Other, net	—	—	170	—	—	—	170
Spin off from Viad Corp (Note 3)	(148,724)	(139,051)	(426,556)	—	—	287,775	(426,556)
June 30, 2004	886	80,069	461,903	(32,410)	(11,867)	—	498,581
Net income	—	—	24,515	—	—	—	24,515
Dividends on common and preferred stock	—	—	(899)	—	—	—	(899)
Employee benefit plans	—	(4,709)	—	6,454	—	—	1,745
Unrealized foreign currency translation adjustment	—	—	—	—	293	—	293
Unrealized gain on available-for-sale securities	—	—	—	—	45,787	—	45,787
Unrealized loss on derivative financial instruments	—	—	—	—	(10,456)	—	(10,456)
September 30, 2004	$ 886	$ 75,360	$ 485,519	$(25,956)	$ 23,757	$ —	$ 559,566

See Notes to Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(Dollars in thousands unless otherwise stated)

1. Description of the Business and Background

MoneyGram International, Inc. offers products and services including global money transfer, urgent bill payment services, issuance and processing of money orders, processing of official checks and share drafts, controlled disbursement processing, and routine bill payment service. These products and services are offered to consumers and businesses through a network of agents and financial institution customers.

On December 18, 2003, MoneyGram International, Inc. was incorporated in the state of Delaware as a subsidiary of Viad Corp ("Viad") to effect the spin off of Viad's payment services business operated by Travelers Express Company, Inc. ("Travelers") to its shareholders. References to "MoneyGram," the "Company," "we," "us" and "our" are to MoneyGram International, Inc. and its subsidiaries and consolidated entities. On June 30, 2004 (the "Distribution Date"), Travelers was merged with a subsidiary of MoneyGram and Viad then distributed 88.6 million shares of MoneyGram common stock in a tax-free distribution (the "Distribution"). Shareholders of Viad received one share of MoneyGram common stock for every share of Viad common stock owned on the record date, June 24, 2004. Due to the relative significance of MoneyGram to Viad, MoneyGram is the divesting entity and treated as the "accounting successor" to Viad for financial reporting purposes in accordance with Emerging Issues Task Force ("EITF") Issue No. 02-11, *Accounting for Reverse Spinoffs*. See Note 3 regarding the spin-off transaction and resulting discontinued operations of Viad.

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. All material inter-company profits, transactions, and account balances have been eliminated in consolidation.

Consolidation of Special Purpose Entities—We participate in various trust arrangements (special purpose entities) related to official check processing agreements with financial institutions and structured investments within the investment portfolio. These special purpose entities are included in our consolidated financial statements. Working in cooperation with certain financial institutions, we have established separate consolidated entities (special-purpose entities) and processes that provide these financial institutions with additional assurance of our ability to clear their official checks. These processes include maintenance of specified ratios of segregated investments to outstanding payment instruments, typically 1 to 1. In some cases, alternative credit support has been purchased that provides backstop funding as additional security for payment of instruments. However, we remain liable to satisfy the obligations, both contractually and by operation of the Uniform Commercial Code, as issuer and drawer of the official checks. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under "Payment service obligations." Under certain limited circumstances, clients have the right to either demand liquidation of the segregated assets or to replace us as the administrator of the special-purpose entity. 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 clients. While an orderly liquidation of assets would be required, any of these actions by a client could nonetheless diminish the value of the total investment portfolio, decrease earnings, and result in loss of the client or other customers or prospects. We offer the special purpose entity to certain financial institution clients as a benefit unique in the payment services industry.

Certain structured investments we own represent beneficial interests in grantor trusts or other similar entities. These trusts typically contain an investment grade security, generally a U.S. 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, we own a majority of the beneficial interests, and therefore, consolidate those trusts by recording and accounting for the assets of the trust separately in our 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.

Reclassifications—Certain reclassifications have been made to prior periods financial statements to conform to the current presentation.

Cash and Cash Equivalents, Receivables, and Investments—We generate funds from the sale of money orders, official checks (including cashier's checks, teller checks, and agent checks), and other payment instruments (classified as "Payment service obligations" in the Consolidated Balance Sheets), the proceeds of which are invested in cash and cash equivalents and investments until the time needed to satisfy the liability to pay the face amount of such payment service obligations upon presentment.

Cash and Cash Equivalents (substantially restricted)—We consider cash on hand and all highly liquid debt instruments purchased with original maturities of three months or less to be cash and cash equivalents.

Receivables, net (substantially restricted)—We have receivables due from financial institutions and agents for payment instruments sold. These receivables are outstanding from the day of the sale of the payment instrument, until the financial institution or agent remits the funds to us. We provide an allowance for the portion of the receivable estimated to become uncollectible using historical charge-off and recovery patterns, as well as current economic conditions.

We sell an undivided percentage ownership interest in certain of these receivables, primarily receivables from our money order agents. The sale is recorded in accordance with Statement of Financial Accounting Standards ("SFAS") No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Upon sale, we remove the sold agent receivables from the Consolidated Balance Sheets.

Investments (substantially restricted)— Our investments consist primarily of mortgage-backed securities, other asset-backed securities, state and municipal government obligations, and corporate debt securities. These investments are held in custody with major financial institutions. We classify securities as available-for-sale or held-to-maturity in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. During the first quarter of 2003, we determined that we no longer had the positive intent to hold to maturity the securities classified as held-to-maturity due to the desire to have more flexibility in managing the investment portfolio. Therefore, on March 31, 2003, we reclassified securities in the portfolio from held-to-maturity to available-for-sale. As a result of this reclassification, we cannot hold held-to-maturity securities until March 31, 2005. There are no securities classified as trading securities.

Securities held for indefinite periods of time, including those securities that may be sold to assist in the clearing of payment service obligations or in the management of securities, are classified as securities available-for-sale. These securities are reported at fair value, with the net after-tax unrealized gain or loss reported as a separate component of stockholders' equity.

Other asset-backed securities are collateralized by various types of loans and leases, including home equity, corporate, manufactured housing, credit card, and airline. Interest income on mortgage-backed and other asset-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 and other asset-backed investments for which risk of credit loss is not deemed remote is recorded under the prospective method in accordance with EITF Issue No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*, as adjustments of yield.

Securities with gross unrealized losses at the consolidated balance sheet date are subject to our process for identifying other-than-temporary impairments in accordance with SFAS No. 115 *Accounting For Certain Investments in Debt and Equity Securities,* and EITF Issue No. 99-20. We write down to fair value those securities that we deem to be other-than-temporarily impaired in the period the securities are deemed to be other than temporarily impaired. Under SFAS No. 115, the assessment of whether such impairment has occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. We consider a wide range of factors about the security and use our best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for recovery. We evaluate mortgage-backed and other asset-backed investments for which risk of credit loss is not deemed remote under EITF Issue No. 99-20. We generally consider risk of credit loss for securities rated AA and above to be remote. 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. Any impairment charges are included in the Consolidated Statement of Income under "Securities gains and losses, net." Fair value is generally based on quoted market prices. However, certain investment securities are not readily marketable. As a result, the carrying value of these investments is based on cash flow projections, which require a significant degree of management judgment as to default and recovery rates of the underlying investments.

Substantially Restricted—We are regulated by various state agencies, which generally require us to maintain liquid assets and investments with an investment rating of A or higher, in an amount generally equal to the payment service obligation for those regulated payment instruments, namely teller checks, agent checks, money orders, and money transfers. Consequently, a significant amount of cash and cash equivalents, receivables, and investments are restricted to satisfy the liability to pay the face amount of regulated payment service obligations upon presentment. We are not regulated by state agencies for payment service obligations resulting from outstanding cashier's checks; however, we restrict a portion of the funds related to these payment instruments due to contractual arrangements, and/or Company policy. Accordingly, assets restricted for regulatory or contractual reasons are not available to satisfy working capital or other financing requirements.

We have unrestricted cash and cash equivalents, receivables, and investments to the extent those assets exceed all payment service obligations. The following table shows the total amount of assets restricted for payment service obligations and unrestricted assets:

	September 30 2004	December 31 2003
Cash and cash equivalents	$ 788,687	$1,025,026
Receivables, net	844,956	755,734
Investments	6,279,016	6,013,757
	7,912,659	7,794,517
Amounts restricted to cover payment service obligations	7,532,691	7,421,481
Unrestricted assets	$ 379,968	$ 373,036

Derivative Financial Instruments—We recognize derivative instruments as either assets or liabilities on the Consolidated Balance Sheets and measure those instruments 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, we recognize the gain or loss in earnings in the period of change together with the offsetting loss or gain on the hedged item attributed to the risk being hedged. For a derivative instrument designated as a cash flow hedge, we initially report the effective portion of the derivative's gain or loss as a component of other comprehensive gain or loss and subsequently reclassify it into earnings when the hedged exposure affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

For a derivative instrument that does not qualify, or is not designated, as a hedge, the change in fair value is recognized in “Transaction and operations support” in the Consolidated Statements of Income.

The effective portion of the change in fair value of derivatives that qualify as cash flow hedges under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities,* is recorded in other comprehensive income. Amounts receivable or payable under the derivative agreements are reclassified from other comprehensive income to net income as an adjustment to the expense of the related transaction. These amounts are included in the Consolidated Statements of Income under “Investment commissions expense.”

We use derivative instruments to manage exposures to foreign currency risk. The objective in holding derivatives is to minimize the volatility of earnings and cash flow associated with changes in foreign currency. We purchase currency options and designate these currency options as cash flow hedges of foreign currency forecasted transactions related to certain operating revenues. We enter into foreign currency forwards to hedge forecasted foreign currency money transfer transactions and designate these derivatives as cash flow hedges. We also enter into foreign exchange forward contracts to minimize the short-term impact of currency fluctuations. The foreign exchange forward contracts are not designated as accounting hedges, and all changes in fair value are recognized in earnings in the period of change.

Fair Value of Financial Instruments-The estimated fair value of financial instruments has been determined using available market information and the valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, these estimates may not be indicative of the amounts we could realize in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

Property and Equipment-Property and equipment includes office equipment, software and hardware, and leasehold improvements, which are stated at cost, net of accumulated depreciation. Property and equipment is depreciated using a straight-line method over estimated useful lives ranging from two to ten years for all assets except leasehold improvements, which are amortized using the straight-line method over the lesser of the lease term or useful life of the asset. We capitalize certain software development costs in accordance with Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. (See Note 7)

Intangible Assets and Goodwill-Goodwill and certain intangible assets with indefinite lives are not amortized but instead are subject to periodic impairment testing. We performed an annual assessment of these assets during the fourth quarter 2003 and determined that there was no impairment. The fair value was estimated using the expected present value of future cash flows. Intangible assets with finite lives are amortized over their respective useful lives and tested for impairment only whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. (See Note 8)

Payments on Long-Term Contracts-We make incentive payments to certain agents and financial institution customers as an incentive to enter into long-term contracts. The payments are generally required to be refunded pro rata in the event of nonperformance or cancellation by the customer and are capitalized and amortized over the life of the related agent or financial institution contracts as management is satisfied that such costs are recoverable through future operations, minimums, penalties, or refunds in case of early termination. We review the carrying values of these incentive payments whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment and Disposal of Long-Lived Assets*.

Income Taxes- Prior to the spin off, income taxes were determined on a separate return basis as if MoneyGram had not been eligible to be included in the consolidated income tax return of Viad and its affiliates. Deferred income taxes result from temporary differences between the financial reporting basis of assets and liabilities and their respective tax-reporting basis. Future tax benefits are recognized to the extent that realization of such benefits is more likely than not. (See Note 11)

Foreign Currency Translation-The Euro is the functional currency of MoneyGram International Limited ("MIL"), a wholly-owned subsidiary of MoneyGram. Assets and liabilities for MIL are translated into U.S. dollars based on the exchange rate in effect at the balance sheet date. Income statement accounts are translated at the average exchange rate during the period covered. Translation adjustments arising from the use of differing exchange rates from period to period are included in the Consolidated Balance Sheets as a separate component of stockholders' equity under the caption "Accumulated other comprehensive income (loss)."

Revenue Recognition-We derive revenue primarily through service fees charged to consumers and through investments. A description of these revenues and recognition policies are as follows:

- Fee revenues primarily consist of transaction fees, foreign exchange revenue, and other revenue.
  - Transaction fees consist primarily of fees earned on the sale of money transfers, retail money orders, and bill payment services. The money transfer transaction fees are fixed fees per transaction that may vary based upon the face value of the amount of the transaction and the locations in which these money transfers originate and to which they are sent. Money transfer transaction fees are recognized at the time of the transaction. The money order and bill payment transaction fees are fixed fees charged on a per item basis and are recognized at the time of the transaction or sale of the product.
  - Foreign exchange revenue is derived from the management of currency exchange spreads (as a percentage of face value of the transaction) on international money transfer transactions. Foreign exchange revenue is recognized at the time the exchange in funds occurs.
  - Other revenue consists of processing fees on rebate checks and controlled disbursements, service charges on aged outstanding money orders, money order dispenser fees, and other miscellaneous charges. These fees are recognized in earnings in the period the item is processed or billed.
- Investment revenue is derived from the investment of funds generated from the sale of official checks, money orders and other payment instruments. These funds are available for investment until the items are presented for payment. Interest and dividends are recognized as earned.
- Securities gains and losses are recognized on the sale of securities, and impairments are recognized on securities with gross unrealized losses and other-than-temporary impairments in the period the other-than-temporary impairment occurs.

Fee Commissions Expense-We pay fee commissions to third-party agents for money transfer services. In a money transfer transaction, both the agent initiating the transaction and the agent disbursing the funds receive a commission. The commission amount is generally based on a percentage of the fee charged to the customer. Fee commissions also include the amortization of the capitalized incentive payments to agents. We generally do not pay commissions to agents on the sale of money orders.

Investment Commissions Expense-Investment commissions expense includes amounts paid to financial institution customers based upon average outstanding balances generated by the sale of official checks, costs associated with swaps, and the sale of receivables program. Commissions paid to financial institution customers generally are variable based on short-term interest rates; however, a portion of the commission expense has been fixed through the use of interest rate swap agreements.

Stock Based Compensation — Prior to the Distribution, certain of our employees participated in Viad employee incentive plans and received awards consisting of stock options, restricted stock or other deferred compensation that are described more fully in Note 15. We accounted for these stock option grants under the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25 ("APB 25"), *Accounting for Stock Issued to Employees*. Accordingly, no compensation expense has been recognized for our stock-based compensation plans other than for performance-based and restricted stock awards, which gave rise to compensation expense aggregating $378 thousand and $397 thousand during the three months ending September 30, 2004 and

2003 respectively, and $947 thousand and $981 thousand during the nine months ending September 30, 2004 and 2003, respectively. Assuming that we had recognized compensation cost for stock options and performance-based stock awards in accordance with the fair value method of accounting defined in SFAS No. 123, *Accounting for Stock-Based Compensation,* net income and diluted and basic income per share would be as presented in the following table. Compensation cost calculated under SFAS No. 123 is recognized ratably over the vesting period and is net of estimated forfeitures and tax benefits.

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Net income, as reported	$24,515	$24,836	$64,441	$87,735
Plus: stock-based compensation expense recorded under APB 25, net of tax	—	—	—	28
Less: stock-based compensation expense determined under the fair value method, net of tax	(528)	(856)	(1,934)	(3,633)
Pro forma net income	$23,987	$23,980	$62,507	$84,130
Basic income per share:				
As reported	$ 0.28	$ 0.29	$ 0.74	$ 1.01
Pro forma	$ 0.27	$ 0.28	$ 0.72	$ 0.97
Diluted income per share:				
As reported	$ 0.28	$ 0.29	$ 0.74	$ 1.01
Pro forma	$ 0.27	$ 0.28	$ 0.72	$ 0.97

For purposes of applying SFAS No. 123, the estimated fair value of stock options granted during the first nine months of 2004 and for 2003 was $5.49 and $3.80 per share, respectively. The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes single option pricing model with the following assumptions:

	2004	2003
Expected dividend yield	0.0%	1.8%
Expected volatility	25.2%	30.4%
Risk-free interest rate	3.2%	2.7%
Expected life	5 years	5 years

Income per share — Basic income per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Since our common stock was not issued until June 30, 2004, the weighted average number of common shares outstanding for each period is the number of Viad shares outstanding. Diluted income per common share is calculated by adjusting weighted average outstanding shares, assuming conversion of all potentially dilutive stock options.

Recent Accounting Pronouncements - Effective March 31, 2004, EITF No. 03-1 *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* was issued. EITF 03-1 provides guidance for determining the meaning of "other-than-temporarily impaired" and its application to certain debt and equity securities within the scope of SFAS 115 and investments accounted for under the cost method. The guidance requires that investments which have declined in value due to credit concerns or solely due to changes in interest rates must be recorded as other-than-temporarily impaired unless the Company can assert and demonstrate its intention to hold the security for a period of time sufficient to allow for a recovery of fair value up to or beyond the cost of the investment which might mean maturity. EITF 03-1 also requires disclosures assessing the ability and intent to hold investments in instances in which an investor determines that an investment with a fair value less than cost is not other-than-temporarily impaired. On September 30, 2004, the Financial Accounting Standards Board

(“FASB”) issued Staff Position (“FSP”) EITF Issue 03-1-1, which delayed the effective date of the guidance on how to evaluate and recognize an impairment loss that is other than temporary, pending issuance of proposed FSP EITF Issue 03-1-a. As of September 30, 2004, we had total unrealized pre-tax losses in our available-for-sale portfolio of $17.3 million which is already reflected in Stockholders’ Equity. If we did not have the intent and ability to hold these securities until recovery, and if we had implemented EITF 03-1, this amount would have been reflected as an impairment charge in our income statement. This unrealized loss is measured as of a point in time and could fluctuate significantly as interest rates change.

In March 2004, the FASB issued an exposure draft of a proposed standard entitled “Share Based Payment”, which would amend FAS No. 123, “Accounting for Stock-Based Compensation,” and FAS No. 95, “ Statement of Cash Flows.” The proposed standard, if adopted, would require expensing stock options issued by the Company based on their estimated fair value at the date of grant and would be effective for the third quarter of 2005. Upon issuance of a final standard, which is expected in late 2004, we will evaluate the impact on our consolidated financial position and results of operations.

In May 2004, the FASB issued FSP FAS 106-2 on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the “Act”), which was enacted into law on December 8, 2003, and which provides a federal subsidy to employers that sponsor postretirement health care plans that provide certain prescription drug benefits to the extent such benefits are deemed “actuarially equivalent” to Medicare Part D. We made a one-time election, under the previously issued FSP FAS 106-1, to defer recognition of the effects of the Act until further authoritative guidance was issued. With FSP FAS 106-2, which superceded FSP FAS 106-1, specific guidance was provided in accounting for the subsidy, effective for the first reporting period beginning after June 15, 2004. The Company adopted FSP FAS 106-2 on July 1, 2004 using the prospective method. Refer to Note 14 for the effects of the Act on our Consolidated Balance Sheets and Consolidated Statements of Income.

3. DISCONTINUED OPERATIONS

Viad Corp

MoneyGram is considered the divesting entity and treated as the “accounting successor” to Viad for financial reporting purposes. The continuing business of Viad is referred to as “New Viad.” The spin off of New Viad was accounted for pursuant to APB Opinion No. 29, *Accounting for Nonmonetary Transactions* and was accounted for based upon the recorded amounts of the net assets divested. On June 30, 2004, we charged directly to equity as a dividend the historical cost carrying amount of the net assets of New Viad of $426 million. As a result, the results of operations of New Viad (with certain adjustments) are included in the Statements of Consolidated Income in “Income and gain from discontinued operations” in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Also included in “Income and gain from discontinued operations” for the periods ended June 30, 2004, is a one-time charge for spin-off related costs of $14.1 million.

The results of operations of Viad, included in “Income and gain from discontinued operations” include the following:

	Three months ended September 30		Nine months ended September 30	
	2004	**2003**	**2004**	**2003**
Revenue	$ —	$ 278,035	$414,933	$942,146
Earnings before income taxes	—	9,997	13,495	57,149
Income from discontinued operations	—	6,098	8,232	34,861

As part of the transaction, we entered into several agreements with Viad for the purpose of governing the relationship. A Separation and Distribution Agreement provides for the principal corporate transactions required to effect the separation of MoneyGram from Viad and the spin-off and other matters governing the relationship between New Viad and MoneyGram following the spin-off. The Employee Benefits Agreement provides for the allocation of employees, employee benefit plans and associated liabilities and related assets between Viad and MoneyGram. The Interim Services Agreement provides for services to be provided by Viad for MoneyGram on an interim basis. The Tax Sharing Agreement provides for the allocation of federal, state, and foreign tax liabilities for all periods through the Distribution Date.

The services to be provided under the Interim Services Agreement will generally be provided by New Viad for a term of two years beginning on the Distribution Date. We may, at any time after the first year anniversary of the Distribution, request termination of the service upon 90 days advance notice to Viad. However, certain services may not be terminated prior to the second anniversary of the Distribution Date without Viad's consent.

Game Financial Corporation

During the first quarter of 2004, we completed the sale of one of our subsidiaries, Game Financial Corporation ("Game Financial"), for approximately $43 million in cash, resulting in net cash received of $15.2 million. Game Financial provides cash access services to casinos and gaming establishments throughout the United States. As a result of the sale, we recorded a gain of approximately $18.9 million ($11.4 million after-tax) in the first quarter of 2004. In addition, in June 2004 we recorded a gain of $1.1 million (net of taxes) as a result of the settlement of a lawsuit brought by Game Financial. We may record future after-tax gains of approximately $4 million, based on contingencies in the Sales and Purchase Agreement related to the continued operations of Game Financial with two casinos. Game Financial was a part of our Payment Systems segment.

In accordance with SFAS No. 144, the results of operations of Game Financial and the gain on the disposal of Game Financial have been reflected as components of discontinued operations. All prior periods in the historical Consolidated Statements of Income have therefore been restated. Game Financial assets and liabilities have not been restated on the Consolidated Balance Sheets. The results of operations of Game Financial, included in "Income and gain from discontinued operations" include the following:

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Revenue	$ —	$ 15,696	$10,668	$48,999
Earnings before income taxes	—	413	852	2,544
Gain on disposition	—	—	11,417	—
Income and gain from discontinued operations	—	250	13,050	1,539

Components of Game Financial included in the Consolidated Balance Sheets at December 31, 2003 consists of the following:

Cash	$33,576
Other assets	8,687
Liabilities	22,557
Net Assets	$19,706

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4. Investments (Substantially Restricted)

The amortized cost and market value of investments by type are as follows:

	September 30, 2004			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Obligations of states and political subdivisions	$ 885,643	$ 64,427	$ (189)	$ 949,881
Mortgage-backed and other asset-backed securities	4,302,972	96,865	(12,829)	4,387,008
U.S. government agencies	499,359	3,083	(706)	501,736
Debt securities issued by foreign governments	—	—	—	—
Corporate debt securities	346,792	20,741	(910)	366,623
Preferred and common stock	75,427	1,295	(2,954)	73,768
Total	$6,110,193	$186,411	$(17,588)	$6,279,016

	December 31, 2003			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Obligations of states and political subdivisions	$ 938,693	$ 73,663	$ (271)	$1,012,085
Mortgage-backed and other asset-backed securities	4,092,067	92,131	(20,926)	4,163,272
U.S. government agencies	405,378	6,068	(405)	411,041
Debt securities issued by foreign governments	5,373	321	—	5,694
Corporate debt securities	323,747	23,142	(721)	346,168
Preferred and common stock	75,546	1,601	(1,650)	75,497
Total	$5,840,804	$196,926	$(23,973)	$6,013,757

On March 31, 2003, we reclassified securities in the portfolio with an amortized cost of $1.2 billion from held-to-maturity to available-for-sale. The gross unrealized gains and losses related to these securities were $55.3 million and $5.3 million, respectively, on the date of transfer, which were recorded in "Accumulated other comprehensive income (loss)". At September 30, 2004 and December 31, 2003 we had no securities classified as held-to-maturity, and due to the above reclassification, we cannot classify investments as held-to-maturity until March 31, 2005.

The amortized cost and market value of securities at September 30, 2004, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because 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.

	September 30, 2004	
	Amortized Cost	Market Value
In one year or less	$ 36,837	$ 37,556
After one year through five years	210,536	218,556
After five years through ten years	1,007,879	1,051,973
After ten years	476,542	510,155
Mortgage-backs and other asset-backed securities	4,302,972	4,387,008
Preferred and common stock	75,427	73,768
Total	$6,110,193	$6,279,016

At September 30, 2004 and December 31, 2003, net unrealized gains were $168.8 million ($105.5 million net of tax) and $173.0 million ($105.5 million net of taxes) respectively, and are included in the Consolidated Balance Sheets as a separate component of stockholders' equity under the caption "Accumulated other comprehensive income (loss)."

Gross realized gains and losses on sales of securities classified as available-for-sale, using the specific identification method, and other-than-temporary impairments were as follows:

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Gross realized gains	$21,590	$ 4,490	$ 30,487	$ 12,390
Gross realized losses	(3,949)	(1,292)	(5,035)	(1,854)
Other-than-temporary impairments	(6,764)	—	(13,374)	(16,537)
Securities gains and losses, net	$10,877	$ 3,198	$ 12,078	$ (6,001)

At September 30, 2004, the investment portfolio had the following aged unrealized losses:

	Less than 12 months		12 months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of states and political sub- divisions	$ 9,640	$ (99)	$ 8,830	$ (89)	$ 18,470	$ (188)
Mortgage-backed and other asset- backed securities	945,632	(7,241)	153,508	(5,589)	1,099,140	(12,830)
U.S. government agencies	122,972	(706)	—	—	122,972	(706)
Corporate debt securities	53,401	(647)	7,437	(263)	60,838	(910)
Preferred and common stock	4,010	(454)	7,500	(2,500)	11,510	(2,954)
Total	$1,135,655	$ (9,147)	$177,275	$ (8,441)	$1,312,930	$(17,588)

At December 31, 2003, the investment portfolio had the following aged unrealized losses:

	Less than 12 months		12 months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Obligations of states and political sub- divisions	$ 18,670	$ (271)	$ —	$ —	$ 18,670	$ (271)
Mortgage-backed and other asset- backed securities	1,383,395	(14,554)	163,036	(6,372)	1,546,431	(20,926)
U.S. government agencies	81,747	(405)	—	—	81,747	(405)
Corporate debt securities	38,319	(721)	—	—	38,319	(721)
Preferred and common stock	—	—	8,350	(1,650)	8,350	(1,650)
Total	$1,522,131	$(15,951)	$171,386	$ (8,022)	$1,693,517	$(23,973)

We have determined that the unrealized losses reflected above represent temporary impairments. Twenty-seven securities and nineteen securities had unrealized losses for more than 12 months as of September 30, 2004 and December 31, 2003, respectively. We believe that the unrealized losses generally are caused by liquidity discounts and increases in the risk premiums required by market participants rather than a fundamental weakness in the credit quality of the issuer or underlying assets.

5. Derivative Financial Instruments

Derivative contracts are financial instruments such as forwards, futures, swaps or option contracts and derive their value from underlying assets, reference rates, indices or a combination of these factors. A derivative contract generally represents future commitments to purchase or sell financial instruments at specified terms on a specified date or to exchange currency or interest payment streams based on the contract or notional amount. Derivative contracts exclude certain cash instruments, such as mortgage-backed securities, interest only and principal-only obligations and indexed debt instruments that derive their values or contractually required cash flows from the price of some other security or index.

Cash flow hedges are hedges that use derivatives to offset the variability of expected future cash flows. Variability can arise in floating rate assets, floating rate liabilities or from certain types of forecasted transactions, as well as from changes in interest rates or currency exchange rates. We have entered into foreign currency forward derivatives to hedge forecasted foreign currency money transfer transactions. We designate these currency forwards as cash flow hedges. We have also entered into swap agreements to mitigate the effects of interest rate fluctuations on commissions paid to financial institution customers of our Payment Services segment. The agreements involve varying degrees of credit and market risk in addition to amounts recognized in the financial statements. We designate these swaps as cash flow hedges.

The swap agreements are contracts to pay fixed and receive floating payments periodically over the lives of the agreements without the exchange of the underlying notional amounts. The notional amounts of such agreements are used to measure amounts to be paid or received and do not represent the amount of the exposure to credit loss.

The amounts to be paid or received under the swap agreements are accrued in accordance with the terms of the agreements and market interest rates. The counterparties are major financial institutions, which are expected to perform fully under the terms of the agreements. We monitor the credit ratings of the counterparties; the likelihood of default is considered remote.

The notional amount of the swap agreements totaled $3.5 billion and $3.1 billion at September 30, 2004 and December 31, 2003, respectively, with an average fixed pay rate of 4.79%, and 5.0% and an average variable receive rate 1.7% and 0.9% at September 30, 2004 and December 31, 2003, respectively. The variable rate portion of the swaps is generally based on Treasury bill, federal funds, or 6 month LIBOR. As the swap payments are settled, the net difference between the fixed amount we pay and the variable amount we receive is reflected in our Consolidated Statements of Income through "Investment commissions expense". We estimate that approximately $40.4 million (net of tax), of the unrealized loss reflected in Stockholders' Equity as of September 30, 2004, will be reflected in our income statement through "Investment commissions expense" within the next 12 months as the swap payments are settled. The agreements expire as follows:

	Notional Amount
2004	$ 100,000
2005	975,000
2006	620,000
2007	1,200,000
2008 and after	602,000
	$3,497,000

The amount recognized in earnings due to ineffectiveness of the cash flow hedges is not material.

Fair value hedges are hedges that mitigate the risk of change in the fair values of assets, liabilities and certain types of firm commitments. We use fair value hedges to manage the impact of changes in fluctuating interest rates on certain available-for-sale securities. Interest rate swaps are used to modify exposure to interest rate risk by converting fixed rate assets to a floating rate. All amounts have been included in earnings consistent with the hedged transaction in the Consolidated Statements of Income under the caption "Investment revenue." Realized gains of $2.1 million were recognized on fair value hedges discontinued during 2003. One fair value hedge was terminated during 2004, resulting in no gain or loss.

We use derivatives to hedge exposures for economic reasons, including circumstances in which the hedging relationship does not qualify for hedge accounting. We are exposed to foreign currency exchange risk and utilize forward contracts to hedge assets and liabilities denominated in foreign currencies. While these contracts economically hedge foreign currency risk, they are not designated as hedges for accounting purposes under SFAS No. 133. Accordingly, the contracts are recorded on the Consolidated Balance Sheets at fair value, with the change in fair value reflected in earnings. The effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

6. Sale of Receivables

We have an agreement to sell undivided percentage ownership interests in certain receivables primarily from our money order agents. These receivables are sold to two commercial paper conduit trusts and represent a small percentage of the total assets in each trust. Our rights and obligations are limited to the receivables transferred, and the transactions are accounted for as sales. The assets and liabilities associated with the trusts, including the sold receivables, are not recorded or consolidated in our financial statements. The agreement expires in June 2006. The receivables are sold to accelerate the cash flow for investments. The aggregate amount of receivables sold at any time cannot exceed $450 million. The balance of sold receivables as of September 30, 2004, and December 31, 2003 was $362 million and $329 million respectively. The expense of selling the agent receivables is included in the Consolidated Statements of Income under the caption "Investment commissions expense." The agreement includes a 5% holdback provision of the purchase price of the receivables. The average receivables sold approximated $400 million and $428 million during the three months ended September 30, 2004, and 2003, respectively, and $408 million and $434 million during the nine months ended September 30, 2004 and 2003, respectively. The expense of selling the agent receivables was $2,525 and $2,277 for the three months ended September 30, 2004 and 2003, respectively, and $6,852 and $7,369 for the nine months ended September 30, 2004, and 2003, respectively.

7. Property and Equipment

Property and equipment consist of the following:

	September 30 2004	December 31 2003
Office furniture, equipment and leasehold improvements	$ 16,866	$ 21,831
Agent equipment	112,688	111,001
Computer hardware and software	81,369	76,664
	210,923	209,496
Accumulated depreciation	(120,650)	(114,289)
	$ 90,273	$ 95,207

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Depreciation of office furniture, equipment, and leasehold improvements	$ 2,716	$ 2,483	$ 8,160	$ 6,990
Depreciation on agent equipment	2,216	2,264	6,504	6,770
Amortization expense of capitalized software	1,984	1,619	5,850	4,805
Total depreciation expense	$ 6,916	$ 6,366	$ 20,514	$ 18,565

Included in computer hardware and software are capitalized software development costs. At September 30, 2004 and December 31, 2003, the net capitalized costs were $32,842 and $35,926 respectively.

During the third quarter 2004, we determined an impairment of $3.1 million of software costs related primarily to a joint development project with Concord EFS utilizing ATMs to facilitate money transfers. The impairment was related to our Global Funds Transfer segment and is included on the Consolidated Statements of Income in “Transaction and operations support.”

8. Intangibles and Goodwill

	September 30, 2004		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Customer lists	$28,688	$ (18,128)	$10,560
Patents	13,200	(10,854)	2,346
Trademarks	480	(158)	322
	42,368	(29,140)	13,228
Unamortized intangible assets:			
Pension intangible assets	3,127	—	3,127
Total intangible assets	$45,495	$ (29,140)	$16,355

During the third quarter of 2004, we evaluated the recoverability of certain purchased customer list intangibles due to the expected departure of a particular customer. To determine recoverability, we estimated future cash flows over the remaining useful life and calculated the fair value. An impairment loss of $2.1 million was recognized for the amount in which the carrying amount exceeded the fair value amount. This loss is included on the Consolidated Statements of Income in “Transaction and Operations support” in our Payment Systems segment.

	December 31, 2003		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:			
Customer lists	$29,607	$ (17,062)	$12,545
Patents	13,200	(10,385)	2,815
Trademarks	480	(149)	331
	43,287	(27,596)	15,691
Unamortized intangible assets:			
Pension intangible assets	3,127	—	3,127
Total intangible assets	$46,414	$ (27,596)	$18,818

Intangible asset amortization for the three months ended September 30, 2004 and 2003 was $522 and $475, respectively. Intangible asset amortization expense for the nine months ended September 30, 2004 and 2003 was $1,544 and $1,425 respectively.

Estimated remaining amortization expense for years ending December 31 is:

2004	$ 554
2005	2,214
2006	1,959
2007	1,959
2008	1,646

There were no additions to goodwill and no goodwill impairment losses during the first nine months of 2004. The changes in the carrying amount of goodwill for the year ended December 31, 2003 are as follows:

January 1, 2003	$297,704
Acquisition of minority interest in MoneyGram International Limited	97,822
December 31, 2003	$395,526

9. Debt

In connection with the spin-off, we entered into bank credit facilities providing availability of up to $350 million, in the form of a $250 million 4 year revolving credit facility, and a $100 million term loan. On June 30, 2004 we borrowed $150 million (consisting of the $100 million term loan and $50 million under the revolving credit facility) that we paid to Viad. The interest rate on both the term loan and the credit facility is an indexed rate of LIBOR plus 60 basis points and reprices monthly. On September 30, 2004, the interest rate was 2.43% (exclusive of the effects of commitment fees and other costs). The interest rate is subject to adjustment in the event of a change in our debt rating. The term loan is due in two equal installments on the third and fourth anniversary of the loan. Any advances drawn on the revolving credit facility must be repaid by June 30, 2008. The loans are unsecured obligations of MoneyGram, and are guaranteed on an unsecured basis by MoneyGram's material domestic subsidiaries. The proceeds from any future advances may be used for general corporate expenses and to support letters of credit.

Borrowings under the facilities are subject to various covenants, including interest coverage ratio, leverage ratio and consolidated total indebtedness ratio. The interest coverage ratio of earnings before interest and taxes to interest expense must not be less than 3.5 to 1.0. The leverage ratio of total debt to total capitalization must be less than 0.5 to 1.0. The consolidated total indebtedness ratio of total debt to earnings before interest, taxes, depreciation and amortization must be less than 3.0 to 1.0. At September 30, 2004, we were in compliance with these covenants. There are other restrictions that are customary for facilities of this type including limits on dividends, indebtedness, stock repurchases, asset sales, merger, acquisitions and liens.

In connection with the spin-off, Viad repurchased substantially all of its outstanding medium-term notes and subordinated debentures in the amount of $52.6 million. The amounts not paid off were retained by New Viad. Viad also repaid all of its outstanding commercial paper in the amount of $188 million and retired its industrial revenue bonds of $9 million.

On December 31, 2003, debt included the historical debt of Viad excluding the portion directly allocable to New Viad as follows:

	Amount	Weighted Avg Interest Rate
Commercial Paper	$168,000	1.1%
Senior notes	35,000	6.3%
Other obligations	9,848	3.6%
Subordinated debt	18,503	5.0%
	231,351	
Portion allocated to Viad Corp	(30,000)	10.5%
	$201,351	

10. $4.75 Preferred Stock Subject to Mandatory Redemption

Preferred stock consists of Viad's preferred stock, which Viad redeemed in connection with the spin-off. At December 31, 2003, Viad had 442,352 authorized shares of $4.75 preferred stock which were subject to mandatory redemption provisions with a stated value of $100 per share, of which 328,352 shares issued. Of the total shares issued, 234,983 shares were outstanding at a net carrying value of $6.7 million, and 93,369 where held by Viad. On July 1, 2003, Viad adopted SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity,* and accordingly, the $4.75 preferred stock was classified as a liability under the caption "$4.75 Preferred stock subject to mandatory redemption" in the Consolidated Balance Sheets. In addition, dividends of $572,000 declared subsequent to the adoption of SFAS No. 150 have been included as interest expense in the Consolidated Statements of Income. In periods prior to July 1, 2003, dividends on the $4.75 preferred stock were reported as an adjustment to income to compute income available to common shareholders.

11. Income Taxes

Income tax expense related to continuing operations consists of:

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Current:				
Federal	$ 6,001	$1,254	$ 13,817	$ 13,159
State	3,609	669	4,764	2,732
Foreign	1,921	1,413	9,667	1,489
	11,531	3,336	28,248	17,380
Deferred	(2,586)	(194)	(10,883)	(12,160)
	$ 8,945	$3,142	$ 17,365	$ 5,220

A reconciliation of the expected federal income tax at statutory rates to the actual taxes provided on income from continuing operations is:

	Nine months ended September 30			
	2004	%	2003	%
Income tax at statutory federal income tax rate	$ 21,183	35.0%	$ 19,794	35.0%
Tax effect of:				
State income tax, net of federal income tax effect	2,829	4.7%	1,199	2.1%
Debt redemption costs	6,690	11.1%	—	0.0%
Other	(583)	-1.0%	492	0.9%
	30,119	49.8%	21,485	38.0%
Tax-exempt income	(12,754)	-21.1%	(16,265)	-28.8%
Income tax expense	$ 17,365	28.7%	$ 5,220	9.2%

Deferred income taxes reflect temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws at enacted tax rates expected to be in effect when such differences reverse. Temporary differences, which give rise to deferred tax assets (liabilities), are:

	September 30 2004	December 31 2003
Depreciation and amortization	$ (27,397)	$ (24,670)
State income taxes	(2,242)	(1,172)
Bad debt and other reserves	2,800	1,997
Postretirement benefits and other employee benefits	40,575	41,537
Prepaid expenses and other assets	(10,955)	(12,364)
Miscellaneous reserves and accruals	6,348	6,646
Unrealized gain on securities classified as available-for-sale	(63,309)	(67,605)
Unrealized loss on derivative financial investments	28,453	68,072
Basis difference in revalued investments	28,374	24,889
Alternative Minimum Tax credits	35,464	34,464
Other deferred assets	6,592	4,604
Other deferred liabilities	(6,600)	(5,765)
Net deferred tax assets	$ 38,103	$ 70,633

Components of net deferred taxes on the Consolidated Balance Sheets include:

	September 30 2004	December 31 2003
Deferred tax assets	$ 148,606	$ 182,209
Deferred tax liabilities	(110,503)	(111,576)
	$ 38,103	$ 70,633

We have not established a valuation reserve for the deferred tax assets since we believe it is more likely than not that the deferred tax assets will be realized. Net deferred taxes are included in the Consolidated Balance Sheets in “Other assets.”

Prior to the spin off, Income taxes were determined on a separate return basis as if MoneyGram had not been eligible to be included in the consolidated income tax return of Viad and its affiliates. As part of the Distribution, we entered into a Tax Sharing Agreement with Viad which provides for, among other things, the allocation between MoneyGram and New Viad of federal, state, local and foreign tax liabilities and tax liabilities resulting from the audit or other adjustment to previously filed tax returns.

The Tax Sharing Agreement provides that through the Distribution Date, the results of MoneyGram and its subsidiaries’ operations are included in Viad’s consolidated U.S. federal income tax returns. In general, the Tax Sharing Agreement provides that MoneyGram will be liable for all federal, state, local, and foreign tax liabilities, including such liabilities resulting from the audit of or other adjustment to previously filed tax returns, that are attributable to the business of MoneyGram for periods through the Distribution Date, and that Viad will be responsible for all other of these taxes.

12. Stockholders' Equity

MoneyGram's Certificate of Incorporation provides for the issuance of up to 250,000,000 shares of common stock with a par value of $.01 and 7,000,000 shares of preferred stock with a par value of $.01. On the Distribution Date, MoneyGram was recapitalized such that the number of shares of MoneyGram common stock outstanding was equal to the number of shares of Viad common stock outstanding at the close of business on the record date. At September 30, 2004, no preferred stock was issued and outstanding. Stockholders' equity at December 31, 2003 consisted of 200,000,000 common shares authorized, 99,739,925 shares issued with a $1.50 par value representing Viad's common stock.

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 or conversion rights 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 our financial condition, results of operations, cash requirements, prospects and such other factors as the Board of Directors may deem relevant.

On August 19, 2004, the Board of Directors declared the Company's initial, regular quarterly cash dividend of $.01 per share on the common stock. The dividend was paid on October 1, 2004 to stockholders of record at the close of business on September 16, 2004. The total amount of the dividend was $899 thousand.

The components of Accumulated other comprehensive income (loss) include:

	September 30 2004	December 31 2003
Unrealized gain on securities classified as available-for-sale	$ 105,514	$ 105,263
Unrealized loss on derivative financial instruments	(47,470)	(106,472)
Cumulative foreign currency translation adjustments	4,249	4,537
Minimum pension liability adjustment	(38,536)	(38,536)
	$ 23,757	$ (35,208)

13. Earnings Per Share

Basic earnings per share are calculated by dividing net income by the weighted average number of common shares outstanding during the period. Since our common stock was not issued until June 30, 2004, the weighted average number of common shares outstanding during each period presented equals Viad's historical weighted average number of common shares outstanding for applicable periods.

The following table presents the calculation of basic and diluted net income per share (in thousands, except per share amounts):

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Income from continuing operations	$24,515	$18,488	$43,159	$51,335
Preferred stock dividend	—	—	—	(572)
Income available to common stockholders	$24,515	$18,488	$43,159	$50,763
Average outstanding common shares	87,262	86,273	86,968	86,168
Additional dilutive shares related to stock-based compensation	326	447	432	356
Average outstanding and potentially dilutive common shares	87,588	86,720	87,400	86,524
Basic income per share from continuing operations	$ 0.28	$ 0.22	$ 0.50	$ 0.59
Diluted income per share from continuing operations	$ 0.28	$ 0.22	$ 0.50	$ 0.59
Dividends	$ 0.01	$ 0.09	$ 0.19	$ 0.27

Options to purchase 3,195,726 and 3,432,258 shares of common stock were outstanding at September 30, 2004 and December 31, 2003, respectively, but were not included in the computation of diluted earnings per share because the effect would be antidilutive.

14. Pensions and Other Benefits

Pension Benefits- Prior to the Distribution, MoneyGram was a participating employer in the Viad Companies Retirement Income Plan (the "Plan") of which the plan administrator was Viad. At the time of the Distribution, we assumed sponsorship of the Plan, which is a noncontributory defined benefit pension plan covering all employees who meet certain age and length-of-service requirements. Viad retained the pension liability for a portion of the employees in its Exhibitgroup/Giltspur subsidiary, and one sold business, which approximates 8% of consolidated Viad's benefit obligation at December 31, 2003. Effective December 31, 2003, benefits under the Plan ceased accruing with no change in benefits earned through this date, and a curtailment gain of $3.8 million was recorded in "Compensation and benefits" of the Consolidated Statement of Income. It is our policy to fund the minimum required contribution for the year. MoneyGram's benefit obligation related to pension plans at December 31, 2003 was $137.5 million. We have contributed $1.9 million to our funded pension plan during the first nine months of 2004, and presently anticipate contributing $315 thousand more during the remainder of 2004.

Supplemental Executive Retirement Plan -In connection with the spin-off, we assumed responsibility for all but a portion of the Viad Supplemental Executive Retirement Plan ("ViadSERP"), while Viad retained the benefit obligation related to two of its subsidiaries, which represents 13% of consolidated Viad's benefit obligation at December 31, 2003. Another supplemental executive retirement plan, the MoneyGram International, Inc. SERP ("MoneyGram SERP"), is a nonqualified defined benefit pension plan which provides postretirement income to eligible employees selected by the Board of Directors such that the SERP is eligible for exemption under Parts Two, Three, and Four of Title I of the Employee Retirement Income Security Act of 1974, as amended. Our benefit obligation related to the combined SERPs at December 31, 2003 was $48.3 million. We have paid $2.0 million of benefits during the first nine months of 2004, and presently anticipate paying an additional $684 thousand in the fourth quarter of 2004.

Net periodic pension cost for the defined benefit pension plan and combined SERPs includes the following components:

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Service cost	$ 465	$ 675	$ 1,394	$ 2,237
Interest cost	2,800	2,808	8,400	8,454
Expected return on plan assets	(2,176)	(2,428)	(6,528)	(7,199)
Amortization of prior service cost	192	129	576	387
Recognized net actuarial loss	960	433	2,885	1,448
Net periodic pension cost	$ 2,241	$ 1,617	$ 6,727	$ 5,327

Postretirement Benefits Other Than Pensions-We have unfunded defined benefit postretirement plans that provide medical and life insurance for eligible employees, retirees, and dependents. The related postretirement benefit liabilities are recognized over the period that services are provided by the employees. Upon the Distribution, we assumed the benefit obligation for current and former employees assigned to MoneyGram. Viad retained the benefit obligation for postretirement benefits other than pensions for all Viad and non-MoneyGram employees with the exception of one executive. Our benefit obligation at December 31, 2003 related to the postretirement benefits other than pensions was $10.7 million. We anticipate paying $81 thousand related to our other postretirement benefits during the fourth quarter of 2004.

Net periodic postretirement benefit cost includes the following components

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Service cost	$ 149	$ 125	$ 446	$ 374
Interest cost	160	149	481	447
Expected return on plan assets	—	—	—	—
Amortization of prior service cost	(72)	(72)	(216)	(216)
Recognized net actuarial loss	15	9	46	25
Net periodic postretirement benefit cost	$ 252	$ 211	$ 757	$ 630

In May 2004, the FASB issued FASB Staff Position ("FSP") FAS 106-2 on the accounting for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2004 (the "Act") which was enacted into law on December 8, 2003. The Act introduces a Medicare prescription drug benefit, as well as a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least substantially equivalent to the Medicare benefit. The Company made a one-time election, under the previously issued FSP FAS 106-1, to defer recognition of the effects of the Act until further authoritative guidance was issued. With FSP FAS 106-2, which superceded FSP FAS 106-1, specific guidance was provided in accounting for the subsidy, effective for the first reporting period beginning after June 15, 2004. The Company adopted FSP FAS 106-2 in the third quarter of 2004 using the prospective method, which means the reduction of the Accumulated Postretirement Benefit Obligation (APBO) of $1.4 million is recognized over future periods. This reduction in the APBO is due to a subsidy available on benefits provided to plan participants determined to be actuarially equivalent to the Act. The postretirement benefits expense for the second half of 2004 will be $90 thousand less due to the reductions in the APBO and the current period service cost.

Employee Savings Plan **-**We have an employee savings plan that qualifies under Section 401(k) of the Internal Revenue Code. Contributions to, and costs of, the 401(k) defined contribution plan totaled $1.4 million and $1.6 million in the first nine months of 2004, and 2003. At the time of the Distribution, MoneyGram's new savings plan assumed all liabilities under the Viad Employees Stock Ownership Plan (the "Viad ESOP'') for benefits of the current and former employees assigned to MoneyGram, and the related trust received a transfer of the corresponding account balances. MoneyGram does not have an Employee Stock Ownership Plan.

Employee Equity Trust-Viad sold treasury stock in 1992 to its employee equity trust to fund certain existing employee compensation and benefit plans. In connection with the spin-off, Viad transferred 1,632,964 shares of MoneyGram common stock to a MoneyGram International, Inc. employee equity trust (the "Trust") to be used by MoneyGram to fund employee compensation and benefit plans. The fair market value of the shares held by this Trust, representing unearned employee benefits is recorded as a deduction from common stock and other equity and is reduced as employee benefits are funded. For financial reporting purposes, the Trust is consolidated. As of September 30, 2004, 1,390,163 shares of MoneyGram common stock remained in the trust.

15. Stock-Based Compensation

We have adopted a stock compensation plan, the 2004 MoneyGram Omnibus Incentive Plan, to provide for the following types of awards to officers, directors, and certain key employees: (a) incentive and nonqualified stock options; (b) stock appreciation rights; (c) restricted stock; and (d) performance based awards. Additionally, non-employee directors will receive an initial grant of nonqualified options when they become directors. Non-employee directors receive an additional grant of nonqualified options each year of their term.

As of the Distribution Date, each Viad option that immediately prior to the Distribution Date was outstanding and not exercised was adjusted to consist of two options: (1) an option to purchase shares of Viad common stock and (2) an option to purchase shares of MoneyGram common stock. The exercise price of the Viad stock option was adjusted by multiplying the exercise price of the old stock option by a fraction, the numerator of which was the closing price of a share of Viad common stock on the first trading day after the Distribution Date (divided by four to reflect the post-spin Viad reverse stock split) and the denominator of which was that price plus the closing price for a share of MoneyGram common stock on the first trading day after the Distribution Date. The exercise price of each MoneyGram stock option equals the exercise price of each old stock option times a fraction, the numerator of which is the closing price of a share of MoneyGram common stock on the first trading day after the Distribution Date and the denominator of which is that price plus the closing price of a share of Viad common stock on the first trading day after the Distribution Date (divided by four to reflect the post-spin Viad reverse stock split). These MoneyGram options are considered to have been issued under the MoneyGram 2004 Omnibus Incentive Plan.

MoneyGram will take all tax deductions relating to the exercise of stock options and the vesting of restricted stock held by employees and former employees of MoneyGram, and Viad will take the deductions arising from options and restricted stock held by its employees and former employees.

Stock options granted in 2004 are exercisable one fifth after one year, and one fifth each subsequent year until fully vested after the fifth anniversary of the grant date, and have a term of 7 years. Stock options granted in 2003 are exercisable one third after one year, two thirds after two years and the balance after three years from the date of grant, and have a term of 10 years. Stock options granted in calendar years 2002 and prior are exercisable 50 percent after one year with the balance exercisable after two years from the date of grant. All stock options granted since 1998 contain certain forfeiture and non-compete provisions.

Restricted stock and performance-based restricted stock awards of 287,900 shares were granted during the first nine months of 2004 at a weighted average price (based on fair market value at the date of grant) of $17.30, and vest three years from the date of grant. On the Distribution Date, our Chairman of the Board was granted a restricted stock award under our 2004 Omnibus Incentive Plan of 50,000 shares of common stock, of which 25,000 shares vested immediately and 25,000 shares will vest on June 30, 2006. Restricted stock and performance-based restricted stock awards of 415,700 shares were granted in 2003 at a weighted average price (based on fair market value at the date of grant) of $15.62. The restricted stock awards vest three years from the date of grant. Performance-based restricted stock awards granted in 2003 vested one third after the first year and will vest two thirds after two years and the balance after three years from the date of grant because incentive performance targets established in the year of grant were achieved. Future vesting is subject generally to continued employment with MoneyGram or Viad. Full ownership of shares could vest on an accelerated basis if performance targets established are met at certain achievement levels. Holders of restricted stock and performance-based restricted stock have the right to receive dividends and vote the shares, but may not sell, assign, transfer, pledge or otherwise encumber the stock.

Information with respect to MoneyGram stock options for the periods ended is as follows:

	Total Shares	Weighted Average Exercise Price	Options Exercisable
Options outstanding at December 31, 2002	5,460,465	$ 17.36	3,711,237
Granted	937,150	15.66	
Exercised	(297,865)	10.54	
Canceled	(469,291)	18.74	
Options outstanding at December 31, 2003	5,630,459	17.31	4,322,053
Granted	724,700	17.30	
Exercised	(452,498)	16.15	
Canceled	(190,391)	13.58	
Options outstanding at September 30, 2004	5,712,270	17.97	4,458,987

The following table summarizes information concerning stock options outstanding and exercisable at September 30, 2004:

Range of Exercise Prices	Options Outstanding: Shares	Options Outstanding: Weighted Average Remaining Contractual Life	Options Outstanding: Weighted Average Exercise Price	Options Exercisable: Shares	Options Exercisable: Weighted Average Exercise Price
$ 9.30 to $15.61	1,491,912	5.7 years	$ 14.12	943,560	$ 13.26
$ 15.67 to $18.87	1,405,582	5.5 years	17.70	1,394,251	17.71
$ 19.00 to $19.32	1,618,722	6.4 years	19.24	927,622	19.18
$ 19.37 to $21.25	766,054	7.5 years	20.78	763,554	20.78
$ 22.46 to $22.47	430,000	4.6 years	22.46	430,000	22.46
$ 9.30 to $22.46	5,712,270	6.0 years	$ 17.97	4,458,987	$ 18.06

16. Commitments and Contingencies

We have various noncancelable operating leases for buildings and equipment. Minimum future rental payments for all noncancelable operating leases with an initial term of more than one year are:

2004	$ 5,423
2005	5,420
2006	5,173
2007	4,993
2008	5,055
Later	25,355

We are party to litigation matters and claims that are in the normal course of our operations. While the results of litigation and claims cannot be predicted with certainty, management believes that the final outcome of such matters will not have a material adverse effect on the Company's consolidated financial statements.

At September 30, 2004 , we have various reverse repurchase agreements and overdraft facilities totaling $2.2 billion to assist in the management of investments and the clearing of payment service obligations. Included in this amount are agreements with one of the clearing banks totaling $1.0 billion. We were in compliance with these covenants at September 30, 2004. At December 31, 2003, $2.0 million was outstanding under an overdraft facility.

We have agreements with certain other co-investors to provide funds related to investments in limited partnership interests. As of September 30, 2004, the total amount of unfunded commitments related to these agreements was $12.8 million.

17. SEGMENT INFORMATION

Our business is conducted through two reportable segments: Global Funds Transfer and Payment Systems. The Global Funds Transfer segment primarily provides money transfer services through a network of global retail agents and domestic money orders. In addition, Global Funds Transfer provides a full line of bill payment services. The Payment Systems segment primarily provides official check services for financial institutions in the United States, and processes controlled disbursements. In addition, Payment Systems sells money orders through financial institutions in the United States. No single customer in either segment accounted for more than 10% of total revenue during the first nine months of 2004.

The business segments are determined based upon factors such as the type of customers, the nature of products and services provided and the distribution channels used to provide those services. Segment pre-tax operating income and segment operating margin are used to evaluate performance and allocate resources. "Other unallocated expenses" includes corporate overhead and interest expense that is not allocated to the segments.

We manage our investment portfolio on a consolidated level and the specific investment securities are not identifiable to a particular segment. However, we allocate revenue to our segments based upon allocated average investable balances and an allocated yield. Average investable balances are allocated to our segments based on the average balances generated by that segment's sale of payment instruments. The investment yield is generally allocated based on the total average total investment yield. Gains and losses are allocated based upon the allocation of average investable balances. Our derivatives portfolio is also managed on a consolidated level and the derivative instruments are not specifically identifiable to a particular segment. The total costs associated with our swap portfolio are allocated to each segment based upon the percentage of that segment's average investable balances to the total average investable balances.

The following table reconciles segment operating income to the income from continuing operations before income taxes as reported in the financial statements.

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
Revenue:				
Global Funds Transfer	$ 137,688	$ 114,916	$ 386,821	$ 331,642
Payment Systems	78,465	73,132	220,473	215,754
	$ 216,153	$ 188,048	$ 607,294	$ 547,396
Operating income:				
Global Funds Transfer	$ 27,393	$ 24,453	$ 73,148	$ 70,312
Payment Systems	9,429	3,650	24,468	7,328
	36,822	28,103	97,616	77,640
Debt tender and redemption costs	—	—	20,661	
Interest expense	1,234	1,882	4,361	7,877
Other unallocated expenses	2,128	4,591	12,070	13,208
Income from continuing operations before income taxes	$ 33,460	$ 21,630	$ 60,524	$ 56,555
Depreciation and amortization:				
Global Funds Transfer	$ 6,342	$ 5,907	$ 18,840	$ 17,380
Payment Systems	1,097	934	3,218	2,610
	$ 7,439	$ 6,841	$ 22,058	$ 19,990
Capital expenditures:				
Global Funds Transfer	$ 7,389	$ 5,824	$ 20,105	$ 11,809
Payment Systems	1,708	1,642	2,060	1,663
	$ 9,097	$ 7,466	$ 22,165	$ 13,472

The following table reconciles segment assets to total assets reported in the financial statements.

	September 30 2004	December 31 2003
Assets:		
Global funds transfer	$2,433,042	$2,700,500
Payment systems	6,083,634	6,112,957
Corporate	1,160	408,697
Total assets	$8,517,836	$9,222,154

Geographic areas- Our foreign operations are located principally in Europe. We define foreign revenues 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:

	Three months ended September 30		Nine months ended September 30	
	2004	2003	2004	2003
United States	$ 175,556	$ 156,138	$ 496,011	$ 458,628
Foreign	40,597	31,910	111,283	88,768
	$ 216,153	$ 188,048	$ 607,294	$ 547,396

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

The following discussion should be read in conjunction with MoneyGram International, Inc.'s consolidated financial statements and related notes. Reference to "MoneyGram", the "Company", "we", "us" and "our" are to MoneyGram International Inc., and its subsidiaries and consolidated entities. 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 under "Forward-Looking Statements" and elsewhere in this Quarterly Report.

Overview

Our Separation from Viad Corp:

On July 24, 2003, Viad Corp ("Viad") announced a plan to separate its payment services segment, operated by Travelers Express Company, Inc. ("Travelers"), from its other businesses into a new company and to effect a tax-free distribution of its shares in that company to Viad's shareholders. On December 18, 2003, MoneyGram was incorporated in Delaware as a subsidiary of Viad for the purpose of effecting the proposed distribution. On June 30, 2004, Travelers was merged with a wholly owned subsidiary of MoneyGram and then Viad distributed 88,556,077 shares of MoneyGram common stock to Viad shareholders in a tax-free distribution. Shareholders of Viad received one share of MoneyGram common stock for every one share of Viad common stock owned.

The businesses of MoneyGram consist solely of the payment services business. The continuing business of Viad, which is referred herein to as "New Viad,'' consists of the businesses of the convention show services, exhibit design and construction, and travel and recreation services operations, including Viad's centralized corporate functions located in Phoenix, Arizona. Notwithstanding the legal form of the spin-off, due to the relative significance of MoneyGram to Viad, MoneyGram is considered the divesting entity and treated as the accounting successor to Viad for financial reporting purposes in accordance with the Emerging Issues Task Force ("EITF") Issue No. 02-11 *Accounting for Reverse Spinoffs*. The spin-off of New Viad has been accounted for pursuant to Accounting Principles Board ("APB") Opinion No. 29, *Accounting for Non-Monetary Transactions.* MoneyGram charged directly to equity as a dividend $426.6 million, which is the historical cost carrying amount of the net assets of New Viad.

As part of the separation from Viad, we entered into a variety of agreements with Viad to govern each of our responsibilities related to the distribution. These agreements include a Separation and Distribution Agreement, a Tax Sharing Agreement, an Employee Benefits Agreement, and an Interim Services Agreement.

In connection with the spin-off, we entered into bank credit facilities providing availability of up to $350 million, in the form of a $250 million revolving credit facility and $100 million term loan. On June 30, 2004 we borrowed $150 million under these facilities which was paid to Viad and used by Viad to repay $188 million of its commercial paper. Viad also retired a substantial majority of its outstanding subordinated debentures and medium term notes for an aggregate amount of $52.6 million (including a tender premium), retired industrial revenue bonds of $9.0 million, and redeemed outstanding preferred stock at an aggregate call price of approximately $24.0 million. The remaining $200 million of the MoneyGram credit facilities is available for general corporate purposes.

Our Business:

MoneyGram operates in two reportable business segments (previously reported as the payment services segment by Viad) as follows:

Global Funds Transfer - this segment provides global money transfer services, money orders and bill payment services to consumers through a network of agents. Fee revenues are driven by transaction volume and contract pricing. In addition, investment and related income is generated by investing funds received from the sale of money orders until the instruments are settled.

Payment Systems - this segment provides financial institutions with payment processing services, primarily official check outsourcing services, and money orders for sale to their customers, and processes controlled disbursements. Investment and related income is generated by investing funds received from the sale of payment instruments until such instruments are settled. In addition, revenue is derived from fees paid by its customers.

Basis of Presentation:

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The consolidated financial statements include the historical results of operations of Viad in discontinued operations in accordance with the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* There are certain amounts related to other investment income, debt and costs associated with Viad’s centralized corporate functions that are related to Viad but in accordance with GAAP, are not allowed to be reflected in discontinued operations. The consolidated financial statements may not necessarily be indicative of our results of operations, financial position and cash flows in the future or what our results of operations, financial position and cash flows would have been had we operated as a stand-alone company during the periods presented.

Highlights:

The following are financial highlights and other recent trends of the third quarter 2004:

- Strong performance of the Global Funds Transfer segment. Segment revenue grew nearly 20 percent in the third quarter 2004, driven by 27 percent revenue growth of global money transfer.

- Net investment margin of 1.22 percent, computed as shown in Table 4. As expected, this was less than second quarter 2004 net investment margin of 1.39 percent due to an increase in short-term interest rates mitigated by our hedging strategy.

- Net securities gains of $10.9 million pre-tax ($6.8 million after tax, which amounts to $0.08 per share). These net securities gains resulted primarily from the early pay off of a security held in the investment portfolio, impairments of certain securities, and realized losses from repositioning the portfolio.

- A charge of $3.1 million pre-tax ($1.9 million after tax, which amounts to $0.02 per share) for capitalized technology costs related primarily to a discontinued development project with Concorde EFS. The charge is included in “Transaction and operations support” expense.

- A charge of $2.1 million pre-tax ($1.3 million after tax, which amounts to $0.02 per share) for other intangible assets. The charge is included in “Transaction and operations support” expense.

- Our money order transaction volume has been relatively flat in 2004, despite a market trend of declining paper-based instruments. The trend in paper-based payment instruments is estimated to be an annual decline of 7 to 10 percent.

In 2002 and 2003, we faced market challenges and difficult economic conditions. While our businesses experienced increased transaction volume and higher investment balances, our operating income growth was slowed due to historically low interest rates and unprecedented mortgage refinancing activity. With higher average float balances from greater numbers of official checks issued for mortgage refinancings, and accelerated prepayments from mortgage-backed securities in our portfolio, funds were invested or reinvested at historically low interest rates. In 2004, the refinancing activity declined from 2003 causing average investable balances to decline. Furthermore, we recorded significant other-than-temporary impairment losses and adjustments on certain investments in 2003 and 2004.

In March 2004, we completed the sale of Game Financial Corporation for approximately $43 million in cash. Game Financial Corporation provides cash access services to casinos and gaming establishments throughout the United States. As a result of the sale, we recorded an after-tax gain of approximately $11 million in the first quarter of 2004. In addition, in June 2004, we recorded an after-tax gain of $1.1 million from the settlement of a lawsuit brought by Game Financial Corporation. These amounts are reflected in the Consolidated Statements of Income in “Income and gain from discontinued operations, net of tax.”

RESULTS OF OPERATIONS

Financial Summary

During the third quarter total revenue increased by $28.1 million or 15 percent and net revenue increased $21.1 million or 23 percent, primarily driven by transaction growth in the money transfer business as well as an increase in net securities gains. Total operating expenses excluding commissions increased by $9.2 million or 13 percent, primarily due to the technology and intangible asset charges of $5.2 million. Excluding these charges, total operating expenses increased by approximately $4 million or 6 percent primarily due to transaction and operations support costs.

Table 1 — Quarter Results of Operations

	Quarter Ended September 30		2004 vs	As a percentage of Revenue	
	2004	2003	2003	2004	2003
	(Dollars in thousands)				
REVENUE:					
Fee and other revenue	$ 128,000	$ 108,067	18%	59%	57%
Investment revenue	77,276	76,783	1%	36%	41%
Securities gains and losses, net	10,877	3,198	240%	5%	2%
Total revenue	216,153	188,048	15%	100%	100%
Fee commissions expense	47,593	37,864	26%	22%	20%
Investment commissions expense	56,712	59,408	(5%)	26%	32%
Total commissions expense	104,305	97,272	7%	48%	52%
Net revenue	111,848	90,776	23%	52%	48%
EXPENSES:					
Compensation and benefits	29,320	28,499	3%	14%	15%
Transaction and operations support	33,383	26,030	28%	15%	14%
Depreciation and amortization	7,439	6,841	9%	3%	4%
Occupancy, equipment and supplies	7,012	5,894	19%	3%	3%
Interest expense	1,234	1,882	(34%)	1%	1%
Total expenses	78,388	69,146	13%	36%	37%
Income from continuing operations before income taxes	33,460	21,630	55%	15%	12%
Income tax expense	8,945	3,142	185%	4%	2%
Income from continuing operations	$ 24,515	$ 18,488	33%	11%	10%

During the first nine months of 2004 total revenue increased by $59.9 million or 11 percent and net revenue increased $51.6 million or 20 percent, primarily driven by transaction growth in the money transfer business as well as an increase in net securities gains. Total operating expenses excluding commissions increased by $47.7 million or 23 percent, primarily due to the debt tender and redemption costs of $20.7 million related to the redemption of Viad’s preferred shares and tender of its subordinated debt and medium term notes in connection with the spin off, and the technology and intangible asset charges of $5.2 million. Excluding these charges, total operating expenses increased by approximately $21.8 million or 10.5 percent primarily due to transaction and operations support costs.

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Table 2 — Year-to-Date Results of Operations

	Nine Months Ended September 30 2004	2003	2004 vs 2003	As a percentage of Revenue 2004	2003
	(Dollars in thousands)				
REVENUE:					
Fee and other revenue	$ 363,706	$ 307,958	18%	60%	56%
Investment revenue	231,510	245,439	-6%	38%	45%
Securities gains and losses, net	12,078	(6,001)	301%	2%	-1%
Total revenue	607,294	547,396	11%	100%	100%
Fee commissions expense	132,021	104,798	26%	22%	19%
Investment commissions expense	160,164	179,136	(11%)	26%	33%
Total commissions expense	292,185	283,934	3%	48%	52%
Net revenue	315,109	263,462	20%	52%	48%
EXPENSES:					
Compensation and benefits	95,709	83,098	15%	16%	15%
Transaction and operations support	89,069	76,712	16%	15%	14%
Depreciation and amortization	22,058	19,990	10%	4%	4%
Occupancy, equipment and supplies	22,727	19,230	18%	4%	4%
Interest expense	4,361	7,877	(45%)	1%	1%
Debt tender and redemption costs	20,661	—	NM	3%	0%
Total expenses	254,585	206,907	23%	42%	38%
Income from continuing operations before income taxes	60,524	56,555	7%	10%	10%
Income tax expense	17,365	5,220	233%	3%	1%
Income from continuing operations	$ 43,159	$ 51,335	(16%)	7%	9%

NM — Not Meaningful

Revenue

Table 3 — Net Fee Revenue Analysis

	Quarter Ended September 30 2004	2003	2004 vs 2003	Nine months ended September 30 2004	2003	2004 vs 2003
			(Dollars in thousands)			
Fee and other revenue	$ 128,000	$ 108,067	$19,933	$ 363,706	$ 307,958	$55,748
Fee commissions expense	47,593	37,864	9,729	132,021	104,798	27,223
Net fee revenue	$ 80,407	$ 70,203	$10,204	$ 231,685	$ 203,160	$28,525
Commissions as a % of revenue	37.2%	35.0%		36.3%	34.0%	

Fee and other revenue includes fees on money transfer transactions, money orders and, to a lesser extent, official check transactions. It is a growing portion of our total revenue, increasing to 60 percent of total revenue for the third quarter of 2004 from 56 percent for the third quarter of 2003. Fee and other revenue in the third quarter 2004 and September year to date was up 18 percent compared to the prior year periods. These increases are primarily driven by transaction growth in our money transfer and urgent bill payment products, with volume increasing 35 percent and 34 percent during the three and nine-month periods ended September 30, 2004, compared to prior periods. Revenue growth rates are lower than money transfer transaction growth rates due to targeted pricing initiatives in the money transfer business as well as product mix (higher money transfer transaction growth with flat money order growth).

Fee commissions consist primarily of fees paid to our third-party agents for the money transfer service. Fee commissions expense was up 26 percent for both the three and nine-month periods ended September 30, 2004, compared to the prior year periods, primarily driven by higher transaction volume.

Net fee revenue increased $10.2 million or 15 percent in the third quarter of 2004 and $28.5 million or 14 percent in the first nine months in 2004, driven by the increase in money transfer and urgent bill payment transactions. Growth in net fee revenue was less than fee and other revenue growth primarily due to the targeted pricing initiatives as well as product mix.

Investment revenue remained relatively flat in the third quarter 2004 over 2003 as increased revenue due to higher yield was offset by a decline in revenue due to lower average investable balances. Investment revenue in the September 2004 year-to-date period declined 6 percent compared to the same period in 2003 primarily driven by lower average investable balances. The higher average investable balances in 2003 were driven by the unprecedented mortgage refinancing activity that occurred during late 2002 and into 2003 due to the dramatic decline in interest rates. Refinancing activities caused an increase in the sale of official checks and, therefore, an increase in our average investable balances. In 2004, the refinancing activity declined from 2003 causing average investable balances to decline. The refinancing activity in 2003 also caused a significant increase in the prepayments of mortgage-backed debt securities in our investment portfolio which we reinvested at lower interest rates.

Investment commissions expense consists of commissions paid to our financial institution customers based on short-term interest rate indices on the outstanding balances of official checks and money orders sold by that financial institution. Investment commissions expense in the third quarter of 2004 declined by 5 percent from the same period in 2003 as swap costs declined, offset slightly by higher commissions paid to financial institution customers as a result of higher short-term rates. Investment commissions expense in the first nine months of 2004 declined by 11 percent from the same period last year primarily due to lower average notional swap balances and lower average investable balances.

Net investment revenue increased 18 percent in the third quarter of 2004 compared to the prior year and the net interest margin was 1.22 percent, up 29 basis points over the prior year third quarter. Net investment revenue increased by 8 percent in the year-to-date period 2004 compared to 2003 and the net interest margin was 1.42 percent, up 17 basis points over the prior year. The net interest margins in 2003 were impacted by the unprecedented mortgage refinancing activity and the 2004 net interest margins benefited from declining swap costs.

Table 4 — Net Investment Revenue Analysis

	Quarter Ended September 30 2004	Quarter Ended September 30 2003	2004 vs 2003	Nine Months Ended September 30 2004	Nine Months Ended September 30 2003	2004 vs 2003
			(Dollars in thousands)			
Components of net investment revenue:						
Investment revenue	$ 77,276	$ 76,783	$ 493	$ 231,510	$ 245,439	$ (13,929)
Investment commissions expense (1)	56,712	59,408	(2,696)	160,164	179,136	(18,972)
Net investment revenue	$ 20,564	$ 17,375	$ 3,189	$ 71,346	$ 66,303	$ 5,043
Average balances:						
Cash equivalents and investments	$6,714,587	$7,390,634	($ 676,047)	$ 6,729,216	$ 7,090,293	($ 361,077)
Payment service obligations (2)	5,315,246	6,034,968	(719,722)	5,328,344	5,723,746	(395,402)
Average yields earned and rates paid (3):						
Investment yield	4.58%	4.12%	0.46%	4.60%	4.63%	-0.03%
Investment commission rate	4.24%	3.91%	0.33%	4.02%	4.18%	-0.16%
Net investment margin	1.22%	0.93%	0.29%	1.42%	1.25%	0.17%

(1) Investment commissions expense reported includes payments made to financial institution customers, costs associated with swaps and the sale of receivables program.

(2) Commissions are paid to financial institution customers based upon average outstanding balances generated by the sale of official checks only. The average balance in the table reflects only the payment service obligations for which commissions are paid and does not include the average balance of the sold receivables ($400 million and $428 million for the third quarter of 2004 and 2003, respectively, and $408 million and $434 million for the first nine months of 2004 and 2003, respectively) as these are not recorded on the consolidated balance sheets.

(3) Average yields/rates are calculated by dividing the applicable amount shown in the "Components of net investment revenue" section by the applicable amount shown in the "Average balances" section divided by the number of days in the period presented and multiplied by the number of days in the year. The "Net investment margin" is calculated by dividing "Net investment revenue" by the "Cash equivalents and investments" average balance divided by the number of days in the period presented and multiplied by the number of days in the year.

Securities gains and losses, net, increased in the third quarter as a result of the early pay off of a security held in the investment portfolio, offset by impairments of certain securities with other-than-temporary unrealized losses, and realized losses from repositioning of the portfolio. Impairments resulted primarily from an evaluation of airline sector collateral which experienced adverse changes in estimated future cash flows in the periods reported.

Table 5 — Summary of Gains, Losses and Impairments

	Quarter Ended September 30 2004	2003	2004 vs 2003	Nine Months Ended September 30 2004	2003	2004 vs 2003
			(Dollars in thousands)			
Gross realized gains	$ 21,590	$ 4,490	$17,100	$ 30,487	$ 12,390	$18,097
Gross realized losses	(3,949)	(1,292)	(2,657)	(5,035)	(1,854)	(3,181)
Other-than-temporary impairments	(6,764)	—	(6,764)	(13,374)	(16,537)	3,163
Securities gains and losses, net	$ 10,877	$ 3,198	$ 7,679	$ 12,078	$ (6,001)	$18,079

Expenses

Expenses include various MoneyGram operating expenses, other than commissions. As MoneyGram is the accounting successor to Viad, these expenses through June 30, 2004, also include corporate overhead that Viad did not allocate to its subsidiaries and, consequently, cannot be classified as discontinued operations. Included in expenses for the first six months of 2004 is approximately $10.0 million that will not be incurred by MoneyGram in the future. However, we are obligated under the Interim Services Agreement to pay approximately $1.6 million annually, beginning on July 1, 2004, for certain corporate services provided to MoneyGram by Viad. During the third quarter 2004, MoneyGram incurred approximately $2.0 million in public company and related expenses and expects to incur approximately $3.0 million of such expenses in the fourth quarter 2004.

Following is a discussion of the operating expenses for the third quarter and year-to-date periods as presented in Tables 1 and 2.

Compensation and benefits — Compensation and benefits includes salaries and benefits, management incentive programs, severance costs and other employee related costs. Compensation and benefits increased 3 percent and 15 percent in the three and nine month periods ended September 30, 2004, compared to 2003 primarily driven by incentive accruals. Because of the significant impact that declining interest rates had on the Company's performance in 2003, incentive accruals were substantially lower in 2003. In addition, the total number of employees increased in 2004 to drive money transfer growth and handle public company responsibilities.

Transaction and operations support **-** Transaction and operations support expenses include marketing costs, professional fees and other outside services costs, telecommunications and forms expense related to our products. Transaction and operations support costs were up 28 percent in the third quarter 2004 over 2003 and up 16 percent for the year to date period over 2003, primarily driven by an the impairment of capitalized technology costs of $3.1 million related to the discontinued development of a project with Concorde EFS and the impairment of intangible assets of $2.1 million. Excluding these charges, transaction and operations costs increased 8 percent and 9 percent in the third quarter and first nine months of 2004 over the same periods in 2003, primarily driven by transaction growth.

Depreciation and amortization — Depreciation and amortization includes depreciation on point of sale equipment, computer hardware and software (including capitalized software development costs), and office furniture, equipment and leasehold improvements. Depreciation and amortization expense in the third quarter and the first nine months of 2004 was up 9 percent and 10 percent over the same periods in 2003, primarily due to the amortization of capitalized software developed to enhance the money transfer platform. These investments helped drive the growth in the money transfer product.

Occupancy, equipment and supplies — Occupancy, equipment and supplies includes facilities rent and maintenance costs, software and equipment maintenance costs, freight and delivery costs, and supplies. Occupancy, equipment and supplies in the third quarter and year-to-date 2004 increased 25 percent and 21 percent over 2003 primarily due to increased cost of equipment and software and facilities rent.

Interest expense — Interest expense in the third quarter of 2004 was down 34 percent over 2003 and declined 45 percent for the first nine months of 2004 on lower average outstanding debt balances. Viad paid down debt in anticipation of the spin-off. Lower average interest rates on those balances also contributed to the decline in interest expense. Interest expense incurred in the third quarter 2004 relate to the $150 million MoneyGram borrowed on June 30, 2004, in connection with the spin-off. Interest expense is expected to be approximately $1.3 million in the fourth quarter of 2004 based on current interest rates.

Debt tender and redemption costs **-** Debt tender and redemption costs incurred during the second quarter of 2004 for $20.7 million relate to the redemption of Viad's preferred shares and tender of its subordinated debt and medium term notes in connection with the spin-off.

Income taxes **-** The effective tax rate was 27 percent and 29 percent in the third quarter and first nine months of 2004, respectively compared to 15 percent and 9 percent for the third quarter and first nine months of 2003. The corporate tax rate is lower than the statutory rate due primarily to income from tax-exempt bonds in our investment portfolio. The third quarter 2004 tax rate is higher than the third quarter 2003 due to net securities gains. The rate for the first nine months of 2004 is higher than the same period in 2003 mainly due to the costs related to the redemption of Viad's redeemable preferred shares which are not tax deductible. We expect the tax rate for the fourth quarter to be down slightly from third quarter. Our corporate tax rate reflects the income we generate from non-taxable securities. As tax exempt income becomes a smaller percentage of total income, our marginal tax rate will increase.

Segment Performance

We measure financial performance by our two business segments — Global Funds Transfer and Payment Systems. The business segments are determined based upon factors such as the type of customers, the nature of products and services provided and the distribution channels used to provide those services. Segment pre-tax operating income and segment operating margin are used to evaluate performance and allocate resources. "Other unallocated expenses" includes corporate overhead and interest expense that is not allocated to the segments.

We manage our investment portfolio on a consolidated level and the specific investment securities are not identifiable to a particular segment. However, we allocate revenue to our segments based upon allocated average investable balances and an allocated yield. Average investable balances are allocated to our segments based upon the average balances generated by that segment's sale of payment instruments. The investment yield is generally allocated based upon the total average investment yield. Gains and losses are allocated based upon the allocation of average investable balances. Our derivatives portfolio is also managed on a consolidated level and the derivative instruments are not specifically identifiable to a particular segment. The total costs associated with our derivatives portfolio are allocated to each segment based upon the percentage of that segment's average investable balances to the total average investable balances. The following table reconciles segment operating income to income from continuing operations before income taxes as reported in the financial statements:

Table 6 — Segment Information

	Quarter Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	(Dollars in thousands)			
Operating income:				
Global Funds Transfer	$ 27,393	$ 24,453	$ 73,148	$ 70,312
Payment Systems	9,429	3,650	24,468	7,328
	36,822	28,103	97,616	77,640
Debt tender and redemption costs	—	—	20,661	—
Interest expense	1,234	1,882	4,361	7,877
Other unallocated expenses	2,128	4,591	12,070	13,208
Income from continuing operations before income taxes	$ 33,460	$ 21,630	$ 60,524	$ 56,555

Other unallocated expenses in the third quarter 2004 primarily represent certain pension and benefit obligation expenses that were retained by MoneyGram related to the spin that are not allocated to the segments.

Global Funds Transfer Segment

Table 7 — Global Funds Transfer Segment

	Quarter Ended September 30 2004	2003	2004 vs 2003	Nine Months Ended September 30 2004	2003	2004 vs 2003
	(Dollars in thousands)					
Revenue	$ 137,689	$ 114,916	20%	$ 386,821	$ 331,642	17%
Operating income	27,393	24,453	12%	73,148	70,312	4%
Operating margin	19.9%	21.3%	(1.4)%	18.9%	21.2%	(2.3)%

Global Funds Transfer revenue increased 20 percent in the third quarter and 17 percent in the year-to-date period 2004, primarily driven by the growth in the money transfer and urgent bill payment services as total transaction volume grew 35 percent and 34 percent in the same periods. Domestic originated transactions (including urgent bill payment) grew 38 percent and 37 percent in the third quarter and first nine months of 2004, while international originated transactions grew 33 percent and 27 percent for the same periods. This growth is a result of our targeted pricing initiatives to provide a strong consumer value proposition supported by targeted marketing efforts. In addition, the money transfer agent base expanded 21 percent over the third quarter of 2003, primarily in the international markets.

Retail money order volume was flat in the third quarter and the first nine months of 2004, despite an industry trend of declining paper-based instruments. Investment revenue in Global Funds Transfer increased 15 percent and 1 percent in the third quarter and first nine months of 2004 compared to 2003, primarily due to higher interest rates earned on the portfolio during the third quarter 2004 and an increase in average investable balances. Revenue in the third quarter 2004 included $2.2 million in net securities gains.

Commissions expense consists of fees paid to our third-party agents for the money transfer service and costs associated with swaps and the sale of receivables program. Commissions expense in the third quarter and first nine months of 2004 was up 23 percent and 22 percent compared to the prior year periods, primarily driven by the growth in fee and other revenue, which in the third quarter and first nine months of 2004 was up 19 and 18 percent, respectively. Commissions expense as a percentage of revenue increased over the prior year primarily due to business mix as we continue to see growth in the money transfer business compared to money orders. We anticipate this trend to continue with the continued growth of the money transfer business.

Operating income in the third quarter and first nine months of 2004 includes $2.2 million in net securities gains and a $3.1 million charge for capitalized technology costs. For the third quarter, 2004 Global Funds Transfer operating margin was 19.9 percent and decreased from last year as a result of the product mix shift from retail money orders to money transfer and the effect of the charge for capitalized technology costs . For the first nine months of 2004, Global Funds Transfer operating margin was 18.9 percent and decreased from the same period in 2003 as a result of the product mix shift from retail money order to money transfer and the effect of the charge for capitalized technology costs.

Payment Systems Segment

Table 8 — Payment Systems Segment

	Quarter Ended September 30 2004	Quarter Ended September 30 2003	2004 vs 2003	Nine Months Ended September 30 2004	Nine Months Ended September 30 2003	2004 vs 2003
			(Dollars in thousands)			
Revenue	$ 78,464	$ 73,132	7%	$ 220,473	$ 215,754	2%
Operating income	9,429	3,650	158%	24,468	7,328	234%
Operating margin	12.0%	5.0%		11.1%	3.4%	
Taxable equivalent basis: (1)						
Revenue	$ 83,395	$ 79,747	5%	$ 235,843	$ 235,373	0%
Operating income	14,360	10,265	40%	39,838	26,947	48%
Operating margin	17.2%	12.9%		16.9%	11.4%	

(1) The taxable equivalent basis numbers are non-GAAP measures that are used by the Company's management to evaluate the effect of tax-exempt securities on the payment systems segment. The tax-exempt investments in the investment portfolio have lower pre-tax yields but produce higher income on an after-tax basis than comparable taxable investments. An adjustment is made to present revenue and operating income resulting from amounts invested in tax-exempt securities on a taxable equivalent basis. The adjustment is calculated using a 35 percent tax rate and is $4.9 million and $6.6 million for the third quarter 2004 and 2003, respectively, and $15.4 and $19.6 for the first nine months of 2004 and 2003, respectively. The presentation of taxable equivalent basis numbers is supplemental to results presented under GAAP and may not be comparable to similarly titled measures used by other companies. These non-GAAP measures should be used in addition to, but not a substitute for measures presented under GAAP.

Payment Systems revenue includes investment revenue, securities gains and losses, fees charged to our official check financial institution customers and fees earned on our rebate processing business. Revenue increased $5.3 million or 7 percent and $4.7 million or 2 percent during the third quarter and first nine months of 2004 compared to the same periods of 2003 primarily due to an increase in net securities gains. Securities gains and losses increased $6.0 million during the third quarter and $14.1 million during the first nine months of 2004 compared to 2003 as a result of the early pay off of a security held in the portfolio which resulted in a gain, offset by impairments of certain securities and realized losses from repositioning the portfolio. Investment revenue declined 3 percent and 7 percent during the third quarter and first nine months of 2004 compared to 2003 primarily due to lower investable balances due to the heavy refinancing activity during 2003, offset by higher interest rates.

Commissions expense includes payments made to financial institution customers based on official check average investable balances and short-term interest rate indices, as well as costs associated with swaps and the sale of receivables program. Commissions expense declined 5 percent and 11 percent in the third quarter and first nine months of 2004, compared to the same periods in 2003, primarily due to increased short-term interest rates and lower swap costs.

Payment Systems operating income in the third quarter and first nine months of 2004 includes $8.7 million of net securities gains and a charge of $2.1 million related to intangible assets. The operating margin for the third quarter and first nine months of 2004 increased to 12 percent and 11.1 percent respectively, primarily due to higher net securities gains.

Liquidity and Capital Resources

One of our primary financial goals is to maintain an adequate level of liquidity to manage the fluctuations in the balances of payment service assets and obligations resulting from varying levels of sales of official checks, money orders and other payment instruments, the timing of the collections of receivables, and the timing of the presentment of such instruments for payment. In addition, we strive to maintain adequate levels of liquidity for capital expenditures and other normal operating cash needs.

At September 30, 2004, we had cash and cash equivalents of $789 million, net receivables of $845 million and investments of $6.3 billion, all substantially restricted for payment service obligations. We rely on the funds from ongoing sales of payment instruments and portfolio cash flows to settle payment service obligations as they are presented. Due to the continuous nature of the sales and settlement of our payment instruments, we are able to invest in securities with a longer term than the average life of our payment instruments.

We are regulated by various state agencies, which generally require us to maintain liquid assets and investments with an investment rating of A or higher, in an amount generally equal to the payment service obligation for regulated payment instruments (teller checks, agent checks, money orders and money transfers). We are not regulated by state agencies for our payment service obligations resulting from outstanding cashier's checks; however, we restrict the funds related to these payment instruments due to contractual arrangements and/or Company policy. Accordingly, assets restricted for regulatory or contractual reasons, and by Company policy are not available to satisfy working capital or other financing requirements.

We have unrestricted cash and cash equivalents, receivables, and investments to the extent those assets exceed all payment service obligations as summarized in Table 9.

Table 9 — Unrestricted Assets

	September 30 2004	December 31 2003
	(Dollars in thousands)	
Cash and cash equivalents	$ 788,687	$1,025,026
Receivables, net	844,956	755,734
Investments	6,279,016	6,013,757
	7,912,659	7,794,517
Amounts restricted to cover payment service obligations	7,532,691	7,421,481
Unrestricted assets	$ 379,968	$ 373,036

Cash Flows

Net cash provided by operating activities was $12.4 million for the third quarter of 2004. To understand the cash flow activity of our business, the cash used in or provided by operating activities relating to the payment service assets and obligations should be reviewed in conjunction with the related cash provided by or used in investing activities related to our investment portfolio. During the third quarter of 2004, the net change in cash and cash equivalents (substantially restricted), receivables, net (substantially restricted) and payment service obligations combined with the proceeds from and purchases of investments classified as available-for-sale was a net increase of $144.4 million. Before the changes in cash and cash equivalents (substantially restricted), receivables, net (substantially restricted) and payment service obligations cash used in operating activities was $36.9 million for the third quarter of 2004.

Net cash provided by investing activities was $159.0 million for the third quarter 2004. These amounts primarily consist of investing the cash flow from the sale of our payment instruments included in the operating cash flows as discussed above. We also had capital expenditures for property and equipment of $9.1 million primarily related to agent point-of-sale equipment and information systems.

Net cash used in financing activities during the third quarter of 2004 was $171.5 million. During the quarter we repaid the proceeds of a reverse repurchase agreement for $173 million that was outstanding at the beginning of the quarter. We utilize reverse repurchase agreements for short-term cash flow needs to manage our portfolio and the funding of our payment service obligations.

Other Funding Sources

In connection with the spin-off, MoneyGram entered into bank credit facilities providing availability of up to $350 million, in the form of a $250 million four-year revolving credit facility and a $100 million term loan. On June 30, 2004, the Company borrowed $150 million (consisting of the $100 million term loan and $50 million under the revolving credit facility) and paid the proceeds to Viad. The remaining amount of the credit facilities is available for general corporate purposes and to support letters of credit. The interest rate on both the term loan and the credit facility is LIBOR plus 60 basis points, subject to adjustment in the event of a change in our debt rating. The term loan is due in two equal installments on the third and fourth anniversary of the loan. The revolving credit facility expires on June 30, 2008. The loans are guaranteed on an unsecured basis by MoneyGram's material domestic subsidiaries. Borrowings under the bank credit facilities are subject to various covenants including interest coverage ratio, leverage ratio and consolidated total indebtedness ratio. The interest coverage ratio of earnings before interest and taxes to interest expense must not be less than 3.5 to 1.0. The leverage ratio of total debt to total capitalization must be less than 0.5 to 1.0. The consolidated total indebtedness ratio of total debt to earnings before interest, taxes, depreciation and amortization must be less than 3.0 to 1.0. At September 30, 2004, we were in compliance with these covenants. There are other restrictions that are customary for facilities of this type including limits on dividends, indebtedness, stock repurchases, asset sales, mergers, acquisitions and liens.

At September 30, 2004, we had reverse repurchase agreements and various overdraft facilities totaling $2.2 billion available to assist in the management of our investments and the clearing of payment service obligations. There were no amounts outstanding under the reverse repurchase agreements or overdraft facilities at September 30, 2004. At December 31, 2003, $2.0 million was outstanding under an overdraft facility.

Other Funding Requirements

Table 10 — Contractual Obligations

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(Dollars in thousands)				
Debt	$150,000	$ —	$50,000	$100,000	$ —
Operating leases	49,256	5,363	10,381	9,890	23,622
Derivative financial instruments	76,111	64,709	19,749	(7,692)	(655)
Other obligations (1)	15,108	13,382	1,726	—	—
Total contractual cash obligations	$290,475	$83,454	$81,856	$102,198	$22,967

(1) Other obligations include capital lease obligations of $647 thousand and funding commitments of $12.8 million related to private equity obligations.

MoneyGram has certain funded, noncontributory pension plans that cover certain employees. Funding policies provide that payments to defined benefit pension trusts shall be equal to the minimum funding required by applicable regulations. During the remaining three months of 2004, MoneyGram expects to contribute $315 thousand to the funded pension plans. MoneyGram also has certain unfunded pension plans that require benefit payments over extended periods of time and we expect to pay benefits of $684 thousand during the remaining three months of 2004. See “Critical Accounting Policies — Pension obligations”.

We have agreements with clearing banks that provide processing and clearing functions for money orders and official checks. One clearing bank contract has covenants that include maintenance of total cash and cash equivalents, receivables and investments substantially restricted for payment services obligations at least equal to total outstanding payment service obligations; maintenance of a minimum ratio of total assets held at that bank to instruments clearing through that bank of 103 percent and certain of the financial covenants contained in the bank credit facilities.

Working in cooperation with certain financial institutions, we have established separate consolidated entities (special purpose entities) and processes that provide these financial institutions with additional assurance of our ability to clear their official checks. These processes include maintenance of specified ratios of segregated investments to outstanding payment instruments, typically 1 to 1. In some cases, alternative credit support has been purchased that provides backstop funding as additional security for payment of instruments. However, we remain liable to satisfy the obligations, both contractually and/or by operation of the Uniform Commercial Code, as issuer and drawer of the official checks. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under “Payment service obligations.” Under limited circumstances, clients have the right to either demand liquidation of the segregated assets or replace us as the administrator of the special-purpose entity. 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 clients. While an orderly liquidation of assets would be required, any of these actions by a client could nonetheless diminish the value of the total investment portfolio, decrease earnings, and result in loss of the client or other customers or prospects. We offer the special purpose entity to certain financial institution clients as a benefit unique in the payment services industry.

The Company has investment grade ratings of BBB/Baa2 and a stable outlook from the major credit rating agencies. Our ability to maintain an investment grade rating is important because it affects the cost of borrowing and certain financial institution customers require that we maintain an investment grade rating. Any ratings downgrade could increase our cost of borrowing or require certain actions to be performed to rectify such a situation. A downgrade could also have an effect on our ability to attract new customers and retain existing customers.

Although no assurance can be given, we expect operating cash flows and short-term borrowings to be sufficient to finance our ongoing business, maintain adequate capital levels, and meet debt and clearing agreement covenants and investment grade rating requirements. Should financing requirements exceed such sources of funds, we believe we have adequate external financing sources available, including unused commitments under our credit facilities, to cover any shortfall.

Viad sold treasury stock in 1992 to its employee equity trust to fund certain existing employee compensation and benefit plans. In connection with the spin-off, Viad transferred 1,632,964 shares of MoneyGram commonstock to the MoneyGram International, Inc. employee equity trust (the “Trust”) to be used by MoneyGram to fund employee compensation and benefit plans. At September 30, 2004, the Trust had $1,390,163 shares of MoneyGram common stock. The fair market value of the shares held by this Trust, representing unearned employee benefits, is recorded as a deduction from common stock and other equity and is reduced as employee benefits are funded. For financial reporting purposes, the Trust is consolidated.

Capital Adequacy

On June 30, 2004, MoneyGram charged directly to equity as a dividend, the historical cost carrying amount of the net assets of Viad in the amount of $426.6 million.

On August 19, 2004, the Board of Directors of MoneyGram International, Inc. declared the Company's initial, regular quarterly cash dividend of $.01 per share on the common stock. The dividend was paid on October 1, 2004 to stockholders of record at the close of business on September 16, 2004. The total amount of the dividend was $899 thousand. Any future determination to pay dividends on MoneyGram common stock will be at the discretion of our Board of Directors and will depend on our financial condition, results of operations, cash requirements, prospects and such other factors as our Board of Directors may deem relevant.

Stockholders' equity can be affected adversely by changing interest rates, as after tax changes in the fair value of securities classified as available for sale and in the fair value of derivative financial instruments are included as components of stockholder's equity under the caption "Accumulated changes in other comprehensive income." The fair value of derivative financial instruments generally increases when the market value of fixed rate long-term investments declines and vice versa. However, an increase or decrease in stockholder's equity related to changes in the fair value of securities classified as available for sale may not be offset, in whole or in part, by the decrease or increase in stockholder's equity related to changes in the fair value of derivative financial instruments.

Off-Balance Sheet Arrangements

We have an agreement to sell, on a periodic basis, undivided percentage ownership interests in certain receivables, primarily from our money order agents, in an amount not to exceed $450 million. These receivables are sold to commercial paper conduits (trusts) sponsored by a financial institution and represent a small percentage of the total assets in these conduits. Our rights and obligations are limited to the receivables transferred, and are accounted for as sales transactions under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. The assets and liabilities associated with these conduits, including our sold receivables, are not recorded or included in our financial statements. The agreement expires in June 2006. The business purpose of this arrangement is to accelerate cash flow for investment. The receivables are sold at a discount based upon short-term interest rates. Executive management regularly reviews performance under the terms of the agreement.

Any transactions and strategies, including any potential off-balance sheet arrangements, that materially affect investment results and cash flows generally must be approved by MoneyGram's Board of Directors. Once any such transactions or strategies are implemented, MoneyGram's Asset and Liability Committee ("ALCO"), which is comprised of senior officers of MoneyGram and which reports to MoneyGram's chief executive officer. MoneyGram's ALCO committee is also responsible for reviewing any such proposed transactions and making recommendations to MoneyGram's Chief Executive Officer.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities in the consolidated financial statements. Critical accounting policies are those policies that management believes are most important to the portrayal of a company's financial position and results of operations, and that require management to make estimates that are difficult, subjective or complex. Based on this criteria, management has identified the following critical accounting policies and estimates, and the methodology and disclosures related to those estimates:

Fair Value of Investment Securities — Our investment securities are classified as available-for-sale, including securities being held for indefinite periods of time, and those securities that may be sold to assist in the clearing of payment service obligations or in the management of securities. These securities are carried at market value (or fair value), with the net after-tax unrealized gain or loss reported as a separate component of stockholders' equity. Fair value is generally based on quoted market prices. However, certain investment securities are not readily marketable. As a result, the carrying value of these investments is based on cash flow projections which require a significant degree of management judgment as to default and recovery rates of the underlying investments. Accordingly, the estimates determined may not be indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. In general, as interest rates increase, the fair value of the available-for-sale portfolio and stockholders' equity decreases and as interest rates fall, the fair value of the available-for-sale portfolio increases as well as stockholders' equity.

Other Than Temporary Impairments — Securities with gross unrealized losses at the consolidated balance sheet date are subjected to the Company's process for identifying other-than-temporary impairments in accordance with SFAS No. 115, *Accounting For Certain Investments in Debt and Equity Securities*, and EITF Issue No. 99-20. The Company writes down to fair value securities that it deems to be other-then-temporarily impaired in the period the securities are deemed to be impaired. Under SFAS No. 115, the assessment of whether such impairment has occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. Management 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 in assessing the prospects for recovery. The Company evaluates investments rated A and below for impairment under EITF Issue No. 99-20. When an adverse change in expected cash flows occurs and if the fair value of a security is less that its carrying value, the investment is written down to fair value. The evaluation for other than temporary impairments is a quantitative and qualitative process, which is subject to risks and uncertainties in the determination of whether declines in the fair value of investments are other than temporary. The risks and uncertainties include changes in general economic conditions, the issuer's financial condition or near term recovery prospects and the effects of changes in interest rates. In addition, for securitized financial assets with contractual cash flows (e.g. asset-backed securities), projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral.

We recorded $13.4 million and $16.5 million of other-than-temporary impairment losses in the first nine months of 2004 and 2003, respectively, primarily related to other asset-backed securities, collateralized mortgage obligations and structured notes held in our investment portfolio. Adverse changes in estimated cash flows in the future could result in impairment losses to the extent that the recorded value of such investments exceeds fair value.

Derivative financial instruments - Derivative financial instruments are used as part of MoneyGram's risk management strategy to manage exposure to fluctuations in interest and foreign currency rates. MoneyGram does not enter into derivatives for speculative purposes. Derivatives are accounted for in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and its related amendments and interpretations. The derivatives are recorded as either assets or liabilities on the balance sheet at fair value, with the change in fair value recognized in earnings or in other comprehensive income depending on the use of the derivative and whether it qualifies for hedge accounting. A derivative that does not qualify, or is not designated, as a hedge will be reflected at fair value, with changes in value recognized through earnings. The estimated fair value of derivative financial instruments has been determined using available market information and certain valuation methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined may not be indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. While MoneyGram intends to continue to meet the conditions to qualify for hedge accounting treatment under SFAS No. 133, if hedges did not qualify as highly effective or if forecasted transactions did not occur, the changes in the fair value of the derivatives used as hedges would be reflected in earnings. MoneyGram does not believe it is exposed to more than a nominal amount of credit risk in its hedging activities as the counterparties are generally well-established, well-capitalized financial institutions.

Goodwill — SFAS No. 142, *Goodwill and Other Intangible Assets*, requires annual impairment testing of goodwill based on the estimated fair value of MoneyGram's reporting units. The fair value of MoneyGram's reporting units is estimated based on discounted expected future cash flows using a weighted average cost of capital rate. Additionally, an assumed terminal value is used to project future cash flows beyond base years. The estimates and assumptions regarding expected cash flows, terminal values and the discount rate require considerable judgment and are based on historical experience, financial forecasts, and industry trends and conditions. During the third quarter of 2004, MoneyGram recorded a charge of $2.1 million related to certain intangible assets.

Pension obligations - MoneyGram has trusteed, noncontributory pension plans that cover certain employees of MoneyGram and Viad, and former employees of Viad and of sold operations of Viad. Through December 31, 2000, the principal retirement plan was structured using a traditional defined benefit formula based primarily on final average pay and years of service. Benefits earned under this formula ceased accruing at December 31, 2000, with no change to retirement benefits earned through that date. Effective January 1, 2001, benefits began accruing under a cash accumulation account formula based upon a percentage of pay plus interest. Effective January 1, 2004, benefits under the cash accumulation formula ceased accruing new benefits for service periods subsequent to December 31, 2003 with no change in benefits earned through that date. Funding policies provide that payments to defined benefit pension trusts shall be at least equal to the minimum funding required by applicable regulations. Certain defined pension benefits, primarily those in excess of benefit levels permitted under qualified pension plans, are unfunded. In determining the projected benefit obligation at December 31, 2003, MoneyGram assumed a discount rate of 6.25 percent and an expected return on plan assets of 8.75 percent, both of which were determined with the assistance of an external actuary. The weighted average assumptions used to determine the net periodic benefit cost for year ended December 31, 2003, was a discount rate of 6.75 percent, an expected return on plan assets of 8.75 percent and a rate compensation increase of 4.50 percent. MoneyGram's pension expense was $6.9 million for 2003, not including the $3.8 million curtailment gain resulting from the freezing of the defined benefit pension plan. MoneyGram's pension expense for the first nine months of 2004 was $7.1 million.

MoneyGram's discount rate used in determining future pension obligations is measured on November 30 and is based on rates determined by actuarial analysis and management review.

In developing the expected rate of return, MoneyGram employs a total return investment approach whereby a mix of equities 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. MoneyGram's current asset allocation consists of approximately 55 percent in large capitalization and international equities, approximately 35 percent in fixed income securities such as long-term treasury bonds, intermediate government bonds and global bonds, approximately seven percent in a real estate limited partnership interest and three percent in other securities. The investment portfolio contains a diversified blend of equity and fixed income securities. Furthermore, equity securities are diversified across U.S. and non-U.S. stocks. Other assets such as real estate and cash are used judiciously to enhance long-term returns while improving portfolio diversification. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

Additionally, 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.

MoneyGram's pension assets are primarily invested in marketable securities that have readily determinable current market values. MoneyGram's investments are rebalanced regularly to stay within the investment guidelines. MoneyGram will continue to evaluate its pension assumptions, including its rate of return, and will adjust these factors as necessary.

Future actual pension income or expense will depend on future investment performance, changes in future rates and various other factors related to the populations participating in MoneyGram's pension plans.

Stock-based compensation — As permitted by SFAS No. 123, *Accounting for Stock-Based Compensation* and SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, MoneyGram uses the intrinsic value method prescribed by APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for its stock-based compensation plans. Accordingly, MoneyGram does not use the fair value method to value stock options in accordance with SFAS No. 123. See notes to consolidated financial statements for the pro forma impact of stock-based awards using the fair value method of accounting.

Recent Accounting Developments

Recent accounting developments are set forth in Note 2 to the consolidated financial statements.

Forward Looking Statements

The statements contained in this document regarding the business of MoneyGram International, Inc. that are not historical facts are forward-looking statements and are made under the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances due to a number of factors, including, but not limited to:

- fluctuations in interest rates that may materially adversely affect revenue derived from investment of funds received from the sale of payment instruments;
- material changes in the market value of securities we hold;
- material changes in our need for and the availability of liquid assets;
- successful management of the credit and fraud risks of retail agents, and the credit risk related to our investment portfolio;
- continued growth rates approximating recent levels for consumer money transfer transactions and other payment product markets;
- renewal of material retail agent and financial institution customer contracts, or loss of business from significant agents or customers;
- technological and competitive changes in the payment services industry;
- changes in laws, regulations or other industry practices and standards which may require significant systems redevelopment, reduce the market for or value of the company's products or services or render products or services less profitable or obsolete;
- continued political stability in countries in which MoneyGram has material agent relationships;
- material lawsuits or investigations;
- catastrophic events that could materially adversely impact operating facilities, communication systems and technology of MoneyGram, its clearing banks or major customers, or that may have a material adverse impact on current economic conditions or levels of consumer spending;
- material breach of security of any of our systems; and
- other factors more fully discussed in MoneyGram's filings with the Securities and Exchange Commission.

Actual results may differ materially from historical and anticipated results. These forward-looking statements speak only as of the date on which such statements are made, and we undertake no obligation to update such statements to reflect events or circumstances arising after such date.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

MoneyGram's market risk exposure relates to fluctuations in interest rates and to a lesser degree, relate to fluctuations in foreign exchange rates. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates and is concentrated in our investment portfolio. In addition, we pay commissions to our financial institution customers and have costs associated with our sale of receivables program which are based on short-term variable interest rates. Certain derivative instruments are used as part of our risk management strategy. Derivatives are not used for speculative purposes. We also have exposure to changing rates related to pension and postretirement plan assumptions including the expected return on plan assets, the discount rate and the health care cost trend rate.

We are also exposed to foreign exchange risk as we have certain receivables and payables denominated in foreign currencies. We primarily utilize forward contracts to hedge our exposure to fluctuations in foreign exchange rates. Forward contracts relating to money transfer transactions generally have maturities less than thirty days and forward contracts related to the receivables and payables are generally less than twelve months. The forward contracts are recorded on the Consolidated Balance Sheets, and the effect of changes in foreign exchange rates on the foreign-denominated receivables and payables, net of the effect of the related forward contracts, is not significant.

We are also exposed to short-term interest risk on our bank credit facilities. We currently do not use derivative financial instruments to hedge cash flows for these obligations.

Fair Value Sensitivity to Interest Rate Changes. Stockholders' equity can be affected adversely by changing interest rates, as after-tax changes in the fair value of securities classified as available-for-sale and in the fair value of derivative financial instruments are included as a component of stockholders' equity. The fair value of derivative financial instruments generally increases when the market value of fixed rate, long-term debt investments decline and vice versa. However, an increase or decrease in stockholders' equity related to changes in the fair value of securities classified as available-for-sale, may not be offset, in whole or in part, by the decrease or increase in stockholders' equity related to changes in the fair value of derivative financial instruments. A ten percent proportionate increase in interest rates would result in an estimated decrease in the fair value of securities classified as available-for-sale of approximately $67.3 million (reflected as an after-tax decrease in accumulated other comprehensive income (loss) of approximately $42.0 million) and an estimated increase in the fair value of derivative financial instruments of approximately $8.9 million (reflected as an after-tax increase in accumulated other comprehensive income (loss) of approximately $5.6 million) at September 30, 2004. A ten percent proportionate decrease in interest rates would result in an estimated increase in the fair value of securities classified as available-for-sale of approximately $62.0 million (reflected as an after-tax increase in accumulated other comprehensive income (loss) of approximately $638.8 million) and an estimated decrease in the fair value of derivative financial instruments of approximately $8.9 million (reflected as an after-tax decrease in accumulated other comprehensive income (loss) of approximately $5.6 million) at September 30, 2004. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth and are not necessarily indicative of actual current period factors.

Earnings Sensitivity to Interest Rate Changes. Based on a hypothetical ten percent proportionate increase in interest rates from the average level of interest rates during the last twelve months, and taking into consideration expected investment positions, commissions paid to selling agents, growth in new business, effects of the swap agreements and expected borrowing level of variable-rate debt, the increase in pre-tax income would be approximately $4.2 million. A hypothetical ten percent proportionate decrease in interest rates, based on the same set of assumptions, would result in a decrease in pre-tax income of approximately $3.8 million. These amounts are estimated based on a certain set of assumptions about interest rates and portfolio balance growth and do not represent expected results.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of September 30, 2004, the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2004. During the quarter ended September 30, 2004, there were no changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. Other Information

Item 6. Exhibits

Exhibit Number	Description
*+10.1	Deferred Compensation Plan for Directors of Viad Corp, as amended August 19, 2004
*+10.2	Viad Corp Deferred Compensation Plan, as amended August 19, 2004
*+10.3	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Restricted Stock Agreement
*+10.4	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Performance-Based Restricted Stock Agreement
*+10.5	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Incentive Stock Option Agreement
*+10.6	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Non-Qualified Stock Option Agreement
*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

* Filed herewith.

\+ Denotes management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.

SIGNATURES

Pursuant to the requirements 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)
November 12, 2004	By: /s/ Jean C. Benson Jean C. Benson Vice President — Controller (Chief Accounting Officer and Authorized Officer)

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*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

* Filed herewith.

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Exhibit 10.1

DEFERRED COMPENSATION PLAN
FOR DIRECTORS OF
VIAD CORP

AS AMENDED AUGUST 19, 2004

1. ESTABLISHMENT AND CONTINUATION OF PLAN.

There was heretofore established, in recognition of the valuable services provided to Greyhound Dial Corporation by the individuals who serve as members of its Board of Directors, an unfunded plan of voluntary deferred compensation known as the "Directors Deferred Compensation Plan" (Plan). The Dial Corp, a Delaware corporation and successor by operation of law to Greyhound Dial Corporation, intends to distribute to its stockholders (the Spin-Off) one share of common stock, $0.01 par value, of The Dial Corporation, its wholly-owned subsidiary (Consumer Products) which will own and operate its consumer products business (Consumer Products Common Stock). Following the Spin-Off, The Dial Corp will change its name to "Viad Corp". All references herein to the "Corporation" mean The Dial Corp, prior to the Spin-Off, and Viad Corp, following the Spin-Off. All Directors of the Corporation, except Directors receiving a regular salary as an employee of the Corporation or one of its subsidiaries, are eligible to participate in this Plan. All Directors who become directors of Consumer Products and cease to be directors of the Corporation in connection with the Spin-Off will no longer be eligible to participate in this Plan, and all obligations accrued prior to the date of the Spin-Off under this Plan with respect to such individuals will be assumed by Consumer Products. A Director may elect to defer under this Plan any retainer or meeting attendance fee otherwise payable to him or her (Compensation) by the Corporation or by domestic subsidiaries of this Corporation (subsidiaries).

2. EFFECTIVE DATE.

This Plan became effective on January 1, 1981.

3. ELECTION TO PARTICIPATE IN THE PLAN.

A. (i) A Director of this Corporation may elect to defer the receipt of all or a specified part of the Compensation otherwise payable to him or her during a calendar year by the Corporation or its subsidiaries. Any person who shall become a Director during any calendar year, and who was not a Director of the Corporation or its subsidiaries on the preceding December 31, may elect before the Director's term begins to defer such Compensation. Such election shall also specify whether the account shall be treated as a cash account under Section 4A or a stock unit account under Section 4B; provided that an election to defer Compensation into a stock unit account must be specifically approved by the Board of Directors of the Corporation. If the account is to be a cash account, the Compensation, if it is a meeting attendance fee, shall be payable on the date of each applicable meeting, and, if it is a retainer, shall be payable on the last trading day of each applicable quarter. If the account is to be a stock unit account, the Compensation shall be converted into stock units by dividing the closing price of the Corporation's Common Stock (as reported for the New York Stock Exchange-Composite Transactions) on the day such Compensation is payable into such Compensation, which, in the case of a meeting attendance fee or a retainer, is the last trading day of each applicable quarter.

(ii) In connection with the Spin-Off, the Dial Director's Retirement Plan (the "Retirement Plan") will be terminated. As of the Distribution Date, the Corporation will credit, to an existing or newly-established, stock unit account for each Director eligible to participate in this Plan who is a participant under the Retirement Plan (and who does not elect to continue to receive cash payments under the Retirement Plan) a number of stock units equal to (A) the present value of such Director's vested accrued benefits under the Retirement Plan divided by (B) the closing price of the Corporation's Common Stock (as reported for the New York Stock Exchange-Composite Transactions) as of the first trading day following the Distribution Date. Such stock unit account shall thereafter be maintained in accordance with this Plan.

B. Any election under this Plan, unless otherwise provided therein, shall be made by delivering a signed request to the Secretary of the Corporation on or before December 31 with respect to the following calendar year, or, for a new Director, on or before his or her term begins. An election shall continue from year to year, unless specifically limited, until terminated by a signed request in the same manner in which an election is made. However, any such termination shall not become effective until the end of the calendar year in which notice of termination is given.

C. Each Director may, by notice delivered to the Secretary of the Corporation, convert: (i) the aggregate balance in his or her deferred compensation account (either before or after payments from the account may have commenced) from an account in the form of stock units to an account in the form of cash in an amount equal to such stock units balance multiplied by the closing price of the Common Stock of the Corporation (as reported for the New York Stock Exchange-Composite Transactions) on the last trading day of the quarter in which such notice is given, said account to accrue interest as set forth in Section 4 below, or (ii) convert the aggregate balance in his or her deferred compensation account (either before or after installment payments from the account may have commenced) from an account in the form of cash to an account in the form of stock units in an amount equal to cash balance divided by the closing price of the Common Stock of the Corporation (as reported for the New York Stock Exchange-Composite Transactions) on the last trading day of the quarter in which such notice is given, said account to accrue dividend equivalents as set forth in Section 4 below; provided however, that no such notice of conversion ("Conversion Notice") (a) may be given within six months following the date of an election by such Director, with respect to any plan of the Corporation, that effected a Discretionary Transaction (as defined in Rule 16b-3(f) under the Securities Exchange Act of 1934) that was an acquisition (if the Conversion Notice is pursuant to clause (i)) or a disposition (if the Conversion Notice is pursuant to clause (ii)) or (b) may be given after an individual ceases to be a Director.

D. Each Director may, by notice delivered to the Secretary of the Corporation, convert the aggregate balance in his or her deferred compensation account (either before or after payments from the account may have commenced) from an account in the form of stock units of the Corporation's Common Stock to an account in the form of stock units of MoneyGram International, Inc. ("MGI") Common Stock. Such conversion of stock units shall be made according to the conversion policy, as specified by MGI, in effect at the time of election. Any amendment to the conversion policy will take effect upon written notice to the Director. Notice of such election must be made during a period in which the Director is allowed to trade in the stock of the Corporation and MGI.

4. ACCRUAL OF INTEREST OR DIVIDEND EQUIVALENTS.

A. If a Director has elected to defer Compensation in the form of cash, then interest on the unpaid balance of such Director's deferred compensation account, consisting of both accumulated Compensation and interest, if any, will be credited on the last day of each quarter based upon the yield on Merrill Lynch Taxable Bond Index-Long Term Medium Quality (A3) Industrial Bonds in effect at the beginning of such quarter, said interest to commence with the date such compensation was otherwise payable. After payment of deferred Compensation commences, interest shall accrue on the unpaid balance thereof in the same manner until all such deferred Compensation has been paid.

B. If a Director has elected to defer Compensation in the form of stock units, then, in the event of a dividend paid in cash, stock of the Corporation (other than Common Stock) or property, additional credits (dividend equivalents) shall be made to the Director's stock unit account consisting of a number of stock units equal to the amount of such dividend per share (or the fair market value, on the date of payment, of dividends paid in stock or property), multiplied by the aggregate number of stock units credited to such Director's deferred compensation account on the record date for the payment of such dividend, divided by the last closing price of the Corporation's Common Stock (as reported for the New York State Exchange-Composite transactions) prior to the date such dividend is payable to stockholders. Furthermore, additional credits (dividend equivalents) shall be made to the Director's stock unit account consisting of a number of stock units equal to the amount of such dividend per share (or the fair market value, on the date of payment, of dividends paid in stock or property), multiplied by the incremental number of stock units credited to such Director's deferred compensation account, on the last business day prior to the date such dividend is payable to stockholders, attributable to meeting attendance fee(s), divided by the last closing price of the Corporation's Common Stock (as reported for the New York State Exchange-Composite transactions) prior to the date such dividend is payable to stockholders. After payment of deferred Compensation commences, dividend equivalents shall accrue on the unpaid balance thereof in the same manner until all such deferred Compensation has been paid.

C. In the event of a dividend of Common Stock declared and paid by the Corporation, an additional credit shall be made to the Director's stock unit account of a number of stock units equal to the number of shares of the Corporation's Common Stock which the Director would have received as a stock dividend had he or she been the owner on the record date for the payment of such stock dividend of the number of shares of Common Stock equal to the number of units in such stock unit account on such date. After payment of deferred Compensation commences, additional credits for stock dividends shall accrue on the unpaid balance thereof in the same manner until all such deferred Compensation has been paid.

D. (i) Notwithstanding and in lieu of the foregoing, in the case of the dividend distribution by the Corporation of the Consumer Products Common Stock in the Spin-Off, a new stock unit and cash account (the Special Account) will be established for each Director (in addition to any existing stock unit account) which will be credited with a number of units representing Consumer Products Common Stock equal to the number of stock units in such Director's account immediately prior to the Spin-Off. From and after the Spin-Off, the Corporation will credit the Special Account with amount(s) denominated in cash, representing all dividends paid by Consumer Products on the Consumer Products Common Stock, whether paid in cash, Consumer Products Common Stock, other stock or property, in an amount equal to the amount of such dividend per share of Consumer Products Common Stock (or the fair market value on the date of payment of dividends paid in stock or property) multiplied by the aggregate number of stock units credited to such Director's Special Account on the record date for payment of such dividend. The amount credited as cash shall thereafter accrue interest in accordance with Section 4A. A Director may convert the stock unit portion of the Special Account into an account in the form of cash by using the notice procedures in Section 3C without regard to the six months restriction set forth in the proviso thereto (it being understood that the closing price of the Consumer Products Common Stock, instead of Corporation Common Stock, will be used for such conversion). Section 3C may not, however, be used to convert a cash account into additional units of Consumer Products Common Stock in the Special Account.

(ii) Notwithstanding and in lieu of the foregoing, the value of The Dial Corporation stock units held in a Director's Special Account, if applicable, will be converted to a cash account in connection with and at the time of the acquisition of The Dial Corporation by Henkel KGaA. A Director may convert the stock unit portion of the Special Account into an account in the form of cash by using the notice procedures in Section 3C without regard to the six months restriction set forth in the proviso thereto. If notice is given, the units would be valued based on the closing price of common stock of The Dial Corporation on the last trading day of the month in which such notice is given.

5. ACCOUNTING.

No fund or escrow deposit shall be established by any deferred Compensation payable pursuant to this Plan, and the obligation to pay deferred Compensation hereunder shall be a general unsecured obligation of the Corporation, payable out of its general account, and deferred Compensation shall accrue to the general account of the Corporation. However, the Controller of the Corporation shall maintain an account and properly credit Compensation to each such account, and keep a record of all sums which each participating Director has elected to have paid as deferred Compensation and of interest or dividend equivalents accrued thereon. Within sixty (60) days after the close of each calendar year the Controller shall furnish each Director who has participated in the Plan a statement of all sums and stock units, including interest and dividend equivalents, which have accrued to the account of such Director as of the end of such calendar year.

6. PAYMENT FROM DIRECTORS' ACCOUNTS.

A. After a Director ceases to be a director of the Corporation, the aggregate amount of deferred compensation credited to a Director's account, either in the form of cash or stock units, together with interest or dividend equivalents accrued thereon, shall be paid in a lump sum or, if the Director elects, in substantially equal quarterly, semi-annual, or annual installments over a period of years, not greater than ten (10), specified by the Director. Such election must be made by written notice delivered to the Secretary of the Corporation prior to December 31 of the year preceding the year in which, and at least six months prior to the date on which, the Director ceases to be a director. The first installment (or the lump sum payment) shall be made promptly following the date on which the Director ceases to be a Director of the Corporation, and any subsequent installments shall be paid promptly at the beginning of each succeeding specified period until the entire amount credited to the Director's account shall have been paid. To the extent installment payments are elected, and the Director's account consists of cash as well as stock units, a pro rata portion of the cash, and the cash equivalent of a pro rata portion of the stock units, shall be paid with each installment. If the participating Director dies before receiving the balance of his or her deferred compensation account, then payment shall be made in a lump sum to any beneficiary or beneficiaries which may be designated, as provided in paragraph B of this Section 6, or in the absence of such designation, or, in the event that the beneficiary designated by such Director shall have predeceased such Director, to such Director's estate.

B. Each Director who elects to participate in this Plan may file with the Secretary of the Corporation a notice in writing designating one or more beneficiaries to whom payment shall be made in the event of such Director's death prior to receiving payment of any or all of the deferred Compensation hereunder.

C. If the Director has elected to defer Compensation in the form of cash, the Corporation shall distribute a sum in cash to such Director, pursuant to his or her election provided for in paragraph A of this Section 6. If the Director has elected to defer Compensation in the form of stock units, the Corporation shall distribute to such Director, pursuant to his or her election provided for in paragraph A of this Section 6, the cash equivalent of the portion of the stock units being distributed in such installment which will be calculated by multiplying (i) the average of the month-end closing prices of the Corporation's Common Stock (or Consumer Products Common Stock, in the case of stock units in the Special Account) for the last 12 months preceding the date of each distribution, as reported for the New York Stock Exchange-Composite Transactions, by (ii) the number of stock units being distributed in such installment.

7. CHANGE OF CONTROL OR CHANGE IN CAPITALIZATION.

A. If a tender offer or exchange offer for shares of Common Stock of the Corporation (other than such an offer by the Corporation) is commenced, or if the stockholders of the Corporation shall approve an agreement providing either for a transaction in which the Corporation will cease to be an independent publicly owned corporation or for a sale or other disposition of all or substantially all the assets of the Corporation (Change of Control), a lump sum cash payment shall be made to each Director participating in the Plan of the aggregate current balance of his or her deferred compensation account accrued to the Director's deferred compensation account on the date of the Change of Control, notwithstanding any other provision herein. If the Director has elected to defer Compensation in the form of stock units, the Corporation shall distribute to such Director the sum in cash equal to the closing price of the Corporation's Common Stock on the day preceding the date of the Change of Control (as reported for the New York Stock Exchange-Composite Transactions) multiplied by the number of stock units in such account. Any notice by a Director to change or terminate his or her election to defer Compensation or before the date of the Change of Control shall be effective as of the date of the Change of Control, notwithstanding any other provision herein.

B. Any recapitalization, reclassification, split up, sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation (or the stock subject to the Special Account) or any other relevant change in the capitalization of the Corporation (or, in the case of the Special Account, Consumer Products) shall be appropriately adjusted for by the Board of Directors of this Corporation, and any such adjustments shall be final, conclusive and binding.

8. NONALIENATION OF BENEFITS.

No right or benefit under this Plan shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance or charge, and any attempt to alienate, sell, assign, pledge, encumber or charge the same shall be void. To the extent permitted by law, no right or benefit hereunder shall in any manner be attachable for or otherwise available to satisfy the debts, contracts, liabilities or torts of the person entitled to such right or benefit.

9. APPLICABLE LAW.

The Plan will be construed and enforced according to the laws of the State of Delaware; provided that the obligations of the Corporation shall be subject to any applicable law relating to the property interests of the survivors of a deceased person and to any limitations on the power of the person to dispose of his or her interest in the deferred Compensation.

10. AMENDMENT OR TERMINATION OF PLAN.

The Board of Directors of the Corporation may amend or terminate this Plan at any time, provided, however, any amendment or termination of this Plan shall not affect the rights of participating Directors or beneficiaries to payments, in accordance with Section 6 or 7, of amounts accrued to the credit of such Directors or beneficiaries at the time of such amendment or termination.

11. EFFECT OF SPIN-OFF.

Notwithstanding any other provision of the Plan, if at any time after August 20, 2003, the Corporation effects a spin-off or other distribution to its shareholders (a “Future Spin-off”) of any of its subsidiaries (such subsidiary, “Spinco”), the Future Spin-off shall not be considered to result in any Director’s ceasing to be a director of the Corporation if that Director is a non-employee director of Spinco immediately following the Future Spin-off. Furthermore, with respect to each such Director who is a non-employee director of Spinco immediately following the Future Spin-off, a participant shall not be considered, for purposes of the Plan, to have ceased to be a Director unless he or she is neither a Director of Spinco nor a Director of the Corporation; provided, that any such Director who does not continue as a Director of the Corporation shall not be eligible to continue to defer compensation under the Plan (although he or she may be permitted to do so under a successor or similar plan of Spinco).

Exhibit 10.2

VIAD CORP
DEFERRED COMPENSATION PLAN
AMENDED AND RESTATED AS OF AUGUST 19, 2004

1. PURPOSE OF THE PLAN.

The purpose of the Deferred Compensation Plan (the Plan) is to provide a select group of management or highly compensated employees of Viad Corp (the Corporation) and its subsidiaries with an opportunity to defer the receipt of incentive compensation awarded to them under the Management Incentive Plan, the Performance Unit Incentive Plan and certain other incentive plans of Viad Corp and its subsidiaries (the Incentive Plans) and thereby enhance the long-range benefits and purposes of the incentive awards. Each plan year shall extend from January 1 through December 31 of each calendar year.

2. ADMINISTRATION OF THE PLAN.

The Plan shall be administered by the Compensation Advisory Committee (the Committee). Subject to the express provisions of the Plan, and the Incentive Plans, the Committee shall have the authority to adopt, amend and rescind such rules and regulations, and to make such determinations and interpretations relating to the Plan, which it deems necessary or advisable for the administration of the Plan, but it shall not have the power to amend, suspend or terminate the Plan. All such rules, regulations, determinations and interpretations shall be conclusive and binding on all parties.

3. PARTICIPATION IN THE PLAN.

(a) Participation in the Plan shall be restricted to a select group of management or highly compensated employees of the Corporation or one of its subsidiaries who are participants in certain Incentive Plans, including the Management Incentive Plan, Viad Corp Performance Unit Incentive Plan, and any other bonus or bonuses or similar or successor plans, who have been selected in writing by the Chief Executive Officer of the Corporation to participate in the Plan, and whose timely written requests to defer the receipt of all or a portion of any incentive compensation which may be awarded to them, are honored in whole or in part by the Committee. Any individual whose request for deferral is not accepted or honored by the Committee, whether for failure of timely submission or for any other reason, shall not become a participant in the Plan, and the Committee’s determination in this regard shall be conclusive and binding.

(b) Participants may defer incentive compensation into a cash account and, if designated by the Committee, into a stock unit account.

(c) If a participant in the Plan shall 1) sever, voluntarily or involuntarily, his employment with the Corporation or one of its subsidiaries other than as a result of disability or retirement, 2) engage in any activity in competition with the Corporation or any of its subsidiaries during or following such employment, or 3) remain in the employ of a corporation which for any reason ceases to be a subsidiary of the Corporation, the Committee may at any time thereafter direct, in its sole and exclusive discretion, that his participation in the Plan shall terminate, and that he be paid in a lump sum the aggregate amount credited to his deferred incentive cash account as of the date such participation is terminated and that he be paid shares of the Corporation's Common Stock equal to the aggregate number of stock units credited to his deferred stock unit account as of the date such participation is terminated (with any fractional unit being settled by cash payment). The Committee is authorized to establish and implement a policy and procedures for administration of this paragraph, including, but not limited to, a policy regarding small account balance cash-outs.

(d) The Corporation and each participating subsidiary shall be solely liable for payment of any benefits and, except as may be otherwise determined by the Committee, for maintenance of deferred incentive accounts pursuant to paragraph 7, with respect to its own employees who participate in the Plan. In the event a participant leaves the employ of the Corporation or a participating subsidiary ("former employer") and is subsequently employed by another employer, the Corporation or another subsidiary of the Corporation ("new employer"), the former employer may agree to transfer and the new employer may agree to assume the benefit liability reflected in such participant's deferred incentive account, without the consent of such participant and subject to the approval of the Committee, in its sole discretion. In the event of such a transfer and assumption of liability, the former employer shall have no further liability for any benefit under the Plan to its former employee or otherwise with respect to such transferred account.

(e) Notwithstanding any other provision of the Plan, if the Corporation effects a spin-off or other distribution to its shareholders (a "Spin-off") of any of its subsidiaries (such subsidiary, "Spinco"), the Spin-off shall not be considered to result in the termination of employment of any participants who are employed with either the Corporation and its remaining subsidiaries or with Spinco and its subsidiaries immediately following the spinoff. Furthermore, with respect to participants who are employed with Spinco and its subsidiaries immediately following the Spin-off, all references in the Plan to termination of employment shall be deemed to include employment with Spinco and its subsidiaries; provided, that such participants shall not be eligible to continue to defer compensation under the Plan (although they may be permitted to do so under a successor or similar plan of Spinco).

4. REQUESTS FOR DEFERRAL.

All requests for deferral of incentive awards must be made in writing prior to November 15 of the year in which the bonus is being earned and shall be in such form and shall contain such terms and conditions as the Committee may determine. Each such request shall specify the dollar amount or the percentage to be deferred of incentive award which would otherwise be received in the following calendar year, but the deferral amount must be in an amount equal to or greater than the lesser of $10,000 or 25% of the incentive award. Each such request shall also specify 1) the date (no later than the employee's actual retirement date) when payment of the aggregate amount credited to the deferred incentive account is to commence, 2) whether such payment is then to be made in a lump sum or in quarterly or annual installments, 3) if payment is to be made in installments, the period of time (not in excess of ten years) over which the installments are to be paid, and 4) if the participant is permitted to defer incentive compensation into a stock unit account, the portion of the deferred incentive compensation which shall be treated as a cash account under paragraph 7(b) and the portion which shall be treated as a stock unit account under paragraph 7(c). If the participant has requested that a portion of the deferred incentive compensation be placed in a stock unit account, such request shall also include acknowledgment that such stock unit account will be settled in Common Stock of the Corporation, and that such stock unit account cannot be converted to a cash account in the future. The Committee shall, under no circumstances, accept any request for deferral of less than $1,000 of an incentive award or any request which is not in writing or which is not timely submitted.

5. DEFERRAL AND PAYMENT OF INCENTIVE AWARDS.

The Committee shall, prior to December 15 of the year in which the bonus is being earned, notify each individual who has submitted a request for deferral of an incentive award whether or not such request has been accepted and honored. If the request has been honored in whole or in part, the Committee shall advise the participant of the dollar amount or percentage of his incentive compensation which the Committee has determined to be deferred. The Committee shall further advise the participant of its determination as to the date when payment of the aggregate amount credited to the participant's deferred incentive account is to commence, whether payment of the amount so credited as of that date will then be made in a lump sum or in quarterly or annual installments, if payment is to be made in installments, the period of time over which the installments will be paid, and if the participant is permitted to defer incentive compensation into a stock unit account, whether the deferred incentive account shall be treated as a cash account or a stock unit account or split between cash and stock units. Upon subsequently being advised of the existence of special circumstances which are beyond the participant's control and which impose an unforeseen severe financial hardship on the participant or his beneficiary, the Committee may, in its sole and exclusive discretion, modify the deferral arrangement established for that participant to the extent necessary to remedy such financial hardship.

If the participant has elected to defer incentive compensation in the form of cash, the Corporation shall distribute a sum in cash to such participant, pursuant to his or her election provided for in paragraph 4. If the participant has elected to defer incentive compensation in the form of stock units, the Corporation shall distribute to such participant, pursuant to his or her election provided for in paragraph 4, shares of Common Stock of the Corporation equal to the number of stock units being settled in such installment (with any fractional unit being settled by cash payment).

6. CONVERSION OF ACCOUNT BALANCE.

(a) Each participant who is permitted to defer incentive compensation into a stock unit account may, not more than once a year or such other period as is determined by the Committee, by written notice delivered to the Committee, convert the aggregate balance or any portion thereof in his or her deferred compensation cash account (either before or after installment payments from the account may have commenced) from an account in the form of cash to an account in the form of stock units in an amount equal to the cash balance or specified portion thereof divided by the closing price of the Common Stock of the Corporation (as reported for the New York Stock Exchange-Composite Transactions) on the last trading day of the quarter in which such notice is given, said account to then accrue dividend equivalents as set forth in paragraph 7(c) below; provided however, that no such notice of conversion ("Conversion Notice") (a) may be given within six months following the date of an election by such participant, if an Executive Officer of the Corporation, with respect to any plan of the Corporation, that effected a Discretionary Transaction (as defined in Rule 16b-3(f) under the Securities Exchange Act of 1934) that was a disposition or (b) may be given after an individual ceases to be an employee of the Corporation. The stock unit account will be settled in Common Stock of the Corporation and such stock unit account cannot be converted to a cash account in the future.

(b) Each participant may, by notice delivered to the Secretary of the Corporation, convert the aggregate balance in his or her deferred compensation account (either before or after payments from the account may have commenced) from an account in the form of stock units of the Corporation's Common Stock to an account in the form of stock units of MoneyGram International, Inc. ("MGI") Common Stock. Such conversion of stock units shall be made according to the conversion policy, as specified by MGI, in effect at the time of election. Any amendment to the conversion policy will take effect upon written notice to the participant. Notice of such election must be made during a period in which the participant is allowed to trade in the stock of the Corporation and MGI.

7. DEFERRED INCENTIVE ACCOUNT.

(a) A deferred incentive account shall be maintained by his employer for each participant in the Plan, and there shall be credited to each participant's account, on the date incentive compensation is paid, the incentive award, or portion thereof, which would have been paid to such participant on said date if the receipt thereof had not been deferred. If the account is to be a stock unit account, the incentive compensation award shall be converted into stock units by dividing the closing price of the Corporation=s Common Stock (as reported for the New York Stock Exchange Composite Transactions) on the day such incentive award is payable into such incentive award.

(b) If the participant has elected to defer incentive compensation in the form of cash, there shall be credited on the last day of the quarter to each participant's account, an interest credit on his deferred incentive award at the interest rates determined by the Committee to be payable during each calendar year, or portion thereof, prior to the termination of such participant's deferral period or, if the amount then credited to his deferred incentive account is to be paid in installments, prior to the termination of such installment period. Interest will be paid on a prorated basis for amounts withdrawn from the account during the quarter, with the remaining balance accruing interest for the duration of the quarter. The interest credit for the following quarter shall be a rate equal to the yield as of March 31, June 30, September 30, and December 31 on Merrill Lynch Taxable Bond Index — Long Term Medium Quality (A3) Industrial Bonds, unless and until otherwise determined.

(c) If a participant has elected to defer incentive compensation in the form of stock units, then, in the event of a dividend paid in cash, stock of the Corporation (other than Common Stock) or property, additional credits (dividend equivalents) shall be made to the participant's stock unit account consisting of a number of stock units equal to the amount of such dividend per share (or the fair market value, on the date of payment, of dividends paid in stock or property), multiplied by the aggregate number of stock units credited to such participant's deferred compensation account on the record date for the payment of such dividend, divided by the last closing price of the Corporation's Common Stock (as reported for the New York State Exchange-Composite transactions) prior to the date such dividend is payable to stockholders. After payment of deferred compensation commences, dividend equivalents shall accrue on the unpaid balance thereof in the same manner until all such deferred compensation has been paid.

(d) In the event of a dividend of Common Stock declared and paid by the Corporation, an additional credit shall be made to the participant's stock unit account of a number of stock units equal to the number of shares of the Corporation's Common Stock which the participant would have received as a stock dividend had he or she been the owner on the record date for the payment of such stock dividend of the number of shares of Common Stock equal to the number of units in such stock unit account on such date. After payment of deferred compensation commences, additional credits for stock dividends shall accrue on the unpaid balance thereof in the same manner until all such deferred compensation has been paid.

(e) The Plan shall at all times be unfunded. The Corporation shall not be required to segregate physically any amounts of money or otherwise provide funding or security for any amounts credited to the deferred incentive accounts of participants in the Plan.

8. CHANGE OF CONTROL OR CHANGE IN CAPITALIZATION.

(a) If a tender offer or exchange offer for shares of Common Stock of the Corporation (other than such an offer by the Corporation) is commenced, or if the stockholders of the Corporation shall approve an agreement providing either for a transaction in which the Corporation will cease to be an independent publicly owned corporation or for a sale or other disposition of all or substantially all the assets of the Corporation (Change of Control), a lump sum cash payment shall be made to each participant participating in the Plan of the aggregate current balance of his or her deferred compensation cash account accrued on the date of the Change of Control, notwithstanding any other provision herein. If the participant has elected to defer compensation in the form of stock units, the Corporation shall distribute to such participant shares of Common Stock of the Corporation equal to the number of stock units in such participant's stock unit account on the day preceding the date of the Change of Control (with any fractional unit being settled by cash payment). Any notice by a participant to change or terminate his or her election to defer Compensation on or before the date of the Change of Control shall be effective as of the date of the Change of Control, notwithstanding any other provision herein.

(b) Any recapitalization, reclassification, split-up, spin-off, sale of assets, combination or merger not otherwise provided for herein which affects the outstanding shares of Common Stock of the Corporation or any other relevant change in the capitalization of the Corporation shall be appropriately adjusted for by the Board of Directors of this Corporation, and any such adjustments shall be final, conclusive and binding.

9. DESIGNATION OF BENEFICIARY.

Each participant in the Plan shall deliver to the Committee a written instrument, in the form provided by the Committee, designating one or more beneficiaries to whom payment of the amount credited to his deferred incentive account shall be made in the event of his death. Unless the Committee shall otherwise determine, such payments shall be made in such amounts and at such times as they would otherwise have been paid to the participant if he had survived.

10. NONASSIGNABILITY OF PARTICIPATION RIGHTS.

No right, interest or benefit under the Plan shall be assignable or transferable under any circumstances other than to a participant's designated beneficiary in the event of his death, nor shall any such right, interest or benefit be subject to or liable for any debt, obligation, liability or default of any participant. The payments, benefits or rights arising by reason of this Plan shall not in any way be subject to a participant's debts, contracts or engagements, and shall not be subject to attachment, garnishment, levy, execution or other legal or equitable process.

11. RIGHTS OF PARTICIPANTS.

A participant in the Plan shall have only those rights, interests or benefits as are expressly provided in the Plan and in the Incentive Plans. The Plan shall be deemed to be ancillary to the Incentive Plans and the rights of participants in the Plan shall be limited as provided in the Incentive Plans.

12. CLAIMS FOR BENEFITS.

Claims for benefits under the Plan shall be filed with the Committee. Written notice of the disposition of a claim shall be furnished the claimant within 60 days after the application therefor is filed. In the event the claim is denied, the reasons for the denial shall be specifically set forth. Pertinent provisions of this Plan shall be cited. In addition, the written notice shall describe any additional material or information necessary for the claimant to perfect the claim (along with an explanation of why such material or information is needed), and the written notice will fully describe the claim review procedures of paragraph 13 below.

13. CLAIM REVIEW.

Any claimant who has been denied a benefit shall be entitled, upon request to the Committee, to receive a written notice of such action, together with a full and clear statement of the reasons for the action. The claimant may also review this Plan if he chooses. If the claimant wishes further consideration of his position, he may request a hearing. The request, together with a written statement of the claimant's position, shall be filed with a Committee member no later than 60 days after receipt of the written notification provided for above. The Committee shall schedule an opportunity for a full and fair hearing of the issue within the next 60 days. The decision following the hearing shall be made within 60 days and shall be communicated in writing to the claimant. If the claimant requests, the hearing may be waived, in which case the Committee's decision shall be made within 60 days from the date on which the hearing is waived and shall be communicated in writing to the claimant.

14. AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN.

The Board of Directors of the Corporation (the Board) may from time to time amend, suspend or terminate the Plan, in whole or in part, and if the Plan is suspended or terminated, the Board may reinstate any or all provisions of the Plan, except that no amendment, suspension or termination of the Plan shall, without the consent of a participant, adversely affect such participant's right to receive payment of the entire amount credited to his deferred incentive account on the date of such Board action. In the event the Plan is suspended or terminated, the Board may, in its discretion, direct the Committee to pay to each participant the amount credited to his account either in a lump sum or in accordance with the Committee's prior determination regarding the method of payment.

15. EFFECTIVE DATE.

The Plan shall become effective on the date of its approval by the Human Resources Committee of the Viad Corp Board of Directors or on such other date as the Human Resources Committee may direct, but the Plan shall become operative with respect to a select group of management or highly compensated employees of each subsidiary only upon the adoption of the Plan by that subsidiary's Board of Directors.

Exhibit 10.3

MONEYGRAM INTERNATIONAL, INC.
2004 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK AGREEMENT
As Amended _________

Shares of Restricted Stock are hereby awarded by MoneyGram International, Inc. (Corporation), a _________ corporation, effective _________, to _________ (Employee) in accordance with the following terms and conditions:

1. **Share Award.** The Corporation hereby awards the Employee _________ Shares (Shares) of Common Stock, par value $0.01 per share (Common Stock) of the Corporation pursuant to the MoneyGram International, Inc. 2004 Omnibus Incentive Plan (Plan), and upon the terms and conditions, and subject to the restrictions therein and hereinafter set forth.

2. **Restrictions on Transfer and Restriction Period.** During the period commencing on the effective date hereof (Commencement Date) and terminating 3 years thereafter (Restriction Period), the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered by the Employee, except as hereinafter provided. The Restriction Period shall lapse and full ownership of Shares will vest at the end of the Restriction Period, subject to forfeiture pursuant to paragraph 3.

The Board of Directors (Board) shall have the authority, in its discretion, to accelerate the time at which any or all of the restrictions shall lapse with respect to any Shares, prior to the expiration of the Restriction Period with respect thereto, or to remove any or all of such restrictions, whenever the Board may determine that such action is appropriate by reason of change in applicable tax or other law, or other change in circumstances.

3. **Forfeiture and Repayment Provisions.**

(a) **Termination of Employment.** Except as provided in this paragraph 3 and in paragraph 8 below or as otherwise may be determined by the Board, if the Employee ceases to be an Employee of the Corporation or any of its Affiliates (as defined in the Plan) for any reason, all Shares which at the time of such termination of employment are subject to the restrictions imposed by paragraph 2 above shall upon such termination of employment be forfeited and returned to the Corporation. Except as otherwise specifically determined by the Human Resources Committee in its absolute discretion on a case by case basis, if the Employee is terminated by the Corporation or any of its Affiliates for any reason (other than for Cause, as defined in the Plan, or for failure to meet performance expectations, as determined by the Chief Executive Officer of the Corporation), or if the Employee ceases to be an employee of the Corporation or any of its Affiliates by reason of death or total or partial disability, full ownership of the Shares will occur to the extent not previously earned, upon lapse of the Restriction Period as set forth in paragraph 2. If the Employee ceases to be an employee of the Corporation or any of its Affiliates by reason of normal or early retirement, full ownership of the Shares will occur upon lapse of the Restriction Period as set forth in paragraph 2 and dividends will be paid through such period, in each case on a pro-rata basis, calculated based on the percentage of time such Employee was employed by the Corporation or any of its Affiliates from the Commencement Date through the date the Employee ceases to be an employee of the Corporation or any of its Affiliates.

(b) **Non-Compete.** Unless a Change of Control (as defined in the Plan) shall have occurred after the date hereof:

(i) In order to better protect the goodwill of the Corporation and its Affiliates and to prevent the disclosure of the Corporation's or its Affiliates' trade secrets and confidential information and thereby help insure the long-term success of the business, Employee, without prior written consent of the Corporation, will not engage in any activity or provide any services, whether as a director, manager, supervisor, employee, adviser, agent, consultant, owner of more than five (5) percent of any enterprise or otherwise, for a period of two (2) years following the date of Employee's termination of employment with the Corporation or any of its Affiliates, in connection with the manufacture, development, advertising, promotion, design, or sale of any service or product which is the same as or similar to or competitive with any services or products of the Corporation or its Affiliates (including both existing services or products as well as services or products known to the Employee, as a consequence of Employee's employment with the Corporation or one of its Affiliates, to be in development):

(1) with respect to which Employee's work has been directly concerned at any time during the two (2) years preceding termination of employment with the Corporation or one of its Affiliates, or

(2) with respect to which during that period of time Employee, as a consequence of Employee's job performance and duties, acquired knowledge of trade secrets or other confidential information of the Corporation or its Affiliates.

(ii) For purposes of the provisions of paragraph 3(b), it shall be conclusively presumed that Employee has knowledge of information he or she was directly exposed to through actual receipt or review of memos or documents containing such information, or through actual attendance at meetings at which such information was discussed or disclosed.

(iii) All Shares subject to the restrictions imposed by paragraph 2 above shall be forfeited and returned to the Corporation, if Employee engages in any conduct agreed to be avoided pursuant to the provisions of paragraph 3(b) at any time within two (2) years following the date of Employee's termination of employment with the Corporation or any of its Affiliates.

(iv) If, at any time within two (2) years following the date of Employee's termination of employment with the Corporation or any of its Affiliates, Employee engages in any conduct agreed to be avoided pursuant to the provisions of paragraph 3(b), then all consideration (without regard to tax effects) received directly or indirectly by Employee from the sale or other disposition of all Shares which vest during the two (2) year period prior to Employee's termination from employment shall be paid by Employee to the Corporation, or such Shares shall be returned to the Corporation. Employee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Employee to the extent of the amounts Employee owes the Corporation hereunder.

(c) **Misconduct.** Unless a Change of Control shall have occurred after the date hereof:

(i) All consideration (without regard to tax effects) received directly or indirectly by Employee from the sale or other disposition of the Shares shall be paid by Employee to the Corporation or such Shares shall be returned to the Corporation, if the Corporation reasonably determines that during Employee's employment with the Corporation or any of its Affiliates:

(1) Employee knowingly participated in misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc. or any of its Affiliates or misconduct which represents a material violation of any code of ethics of the Corporation applicable to Employee or of the _________ compliance program or similar program of the Corporation; or

(2) Employee was aware of and failed to report, as required by any code of ethics of the Corporation applicable to Employee or by the _________ compliance program or similar program of the Corporation, misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc. or any of its Affiliates or misconduct which represents a material knowing violation of any code of ethics of the Corporation applicable to Employee or of the _________ compliance program or similar program of the Corporation.

(ii) Employee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Employee to the extent of the amounts Employee owes the Corporation under this paragraph 3(c).

(d) Acts Contrary to Corporation. Unless a Change of Control shall have occurred after the date hereof, if the Corporation reasonably determines that at any time within two (2) years after the lapse of the Restriction Period Employee has acted significantly contrary to the best interests of the Corporation, including, but not limited to, any direct or indirect intentional disparagement of the Corporation, then all consideration (without regard to tax effects) received directly or indirectly by Employee from the sale or other disposition of all Shares which vest during the two (2) year period prior to the Corporation's determination shall be paid by Employee to the Corporation, or such Shares shall be returned to the Corporation. Employee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Employee to the extent of the amounts Employee owes the Corporation under this paragraph 3(d).

(e) The Corporation's reasonable determination required under Sections 3(c)(i) and 3(d) shall be made by the Human Resources Committee of the Corporation's Board of Directors, in the case of executive officers of the Corporation, and by the Chief Executive Officer and Corporate Compliance Officer of the Corporation, in the case of all other officers and employees.

4. **Certificates for the Shares.** The Corporation shall issue a certificate in respect of the Shares in the name of the Employee, the number of Shares of which shall equal the amount of the award specified herein, and shall hold such certificate on deposit for the account of the Employee until the expiration of the restrictions set forth in paragraph 2 above with respect to the Shares represented thereby. The certificate shall bear the following legend:

> The transferability of this certificate and the Shares of stock represented hereby are subject to the terms and conditions (including forfeiture) contained in the MoneyGram International, Inc. 2004 Omnibus Incentive Plan and an Agreement entered into between the registered owner and MoneyGram International, Inc.. Copies of such Plan and Agreement are on file with the Vice President-General Counsel of MoneyGram International, Inc., 1550 Utica Avenue South, Minneapolis, MN 55416.

The Employee further agrees that simultaneously with his or her acceptance of this Agreement, he or she shall execute a stock power covering such award endorsed in blank and that he or she shall promptly deliver such stock power to the Corporation.

5. **Employee's Rights.** Except as otherwise provided herein, the Employee, as owner of the Shares, shall have all rights of a shareholder, including, but not limited to, the right to receive all dividends paid on the Shares and the right to vote the Shares.

6. **Expiration of Restriction Period.** Upon the lapse or expiration of the Restriction Period with respect to any Shares, the Corporation shall redeliver to the Employee the certificate in respect of such Shares (reduced appropriately in number in the event of early or normal retirement) and the related stock power held by the Corporation pursuant to paragraph 4 above. The Shares as to which the Restriction Period shall have lapsed or expired and which are represented by such certificate shall be free of the restrictions referred to in paragraph 2 above and such certificate shall not bear thereafter the legend provided for in paragraph 4 above.

To the extent permissible under applicable tax, securities, and other laws, the Corporation may, in its sole discretion, permit Employee to satisfy a tax withholding requirement by directing the Corporation to apply Shares to which Employee is entitled as a result of termination of the Restricted Period with respect to any Shares of Restricted Stock, in such manner as the Corporation shall choose in its discretion to satisfy such requirement.

7. **Adjustments for Changes in Capitalization of Corporation.** In the event of a change in the Common Stock through stock dividends, stock splits, recapitalization or other changes in the corporate structure of the Corporation during the Restriction Period, the number of Shares of Common Stock subject to restrictions as set forth herein shall be appropriately adjusted and the determination of the Board of Directors of the Corporation as to any such adjustments shall be final, conclusive and binding upon the Employee. Any Shares of Common Stock or other securities received, as a result of the foregoing, by the Employee with respect to Shares subject to the restrictions contained in paragraph 2 above also shall be subject to such restrictions and the certificate(s) or other instruments representing or evidencing such Shares or securities shall be legended and deposited with the Corporation, along with an executed stock power, in the manner provided in paragraph 4 above.

8. **Effect of Change in Control.** In the event of a Change in Control (as defined in the Plan), the restrictions applicable to any Shares awarded hereby shall lapse, and such Shares shall be free of all restrictions and become fully vested and transferable to the full extent of the original grant.

9. **Plan and Plan Interpretations as Controlling.** The Shares hereby awarded and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. The Plan provides that the Corporation's Board of Directors may from time to time make changes therein, interpret it and establish regulations for the administration thereof. The Employee, by acceptance of this Agreement, agrees to be bound by said Plan and such Board actions.

Shares may not be issued hereunder, or redelivered, whenever such issuance or redelivery would be contrary to law or the regulations of any governmental authority having jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Restricted Stock Agreement to be duly executed.

Dated: ____________

MONEYGRAM INTERNATIONAL, INC.

By: ______________________________

PHILIP MILNE
President and
Chief Executive Officer

ATTEST:

____

Vice President - General Counsel
or Assistant Secretary

This Restricted Stock Agreement shall be effective only upon execution by Employee and delivery to and receipt by the Corporation.

ACCEPTED:

____

Employee

Exhibit 10.4

MONEYGRAM INTERNATIONAL, INC.
2004 OMNIBUS INCENTIVE PLAN
PERFORMANCE-BASED RESTRICTED STOCK AGREEMENT

As Amended _________

Shares of Performance-Based Restricted Stock are hereby awarded by MoneyGram International, Inc. (Corporation), a _________ corporation, effective ___ _____, 2005, to _________ (Employee) in accordance with the following restrictions, terms and conditions:

1. **Share Award.** The Corporation hereby awards the Employee _________ Shares (Shares) of Common Stock, par value $0.01 per share (Common Stock) of the Corporation pursuant to the MoneyGram International, Inc. 2004 Omnibus Incentive Plan (Plan), and upon the terms and conditions, and subject to the restrictions therein and hereinafter set forth.

2. **Restrictions on Transfer and Restriction Period.** During the period commencing on the date hereof (Commencement Date) and terminating as set forth below (Restriction Period), the Shares may not be sold, assigned, transferred, pledged, or otherwise encumbered by the Employee, except as hereinafter provided. The Restriction Period shall lapse as follows:

a) One third of Earned Shares, effective as of January 1 of the first year following the year of grant, subject to final determination of achievement of Management Incentive Plan (MIP) performance targets;

b) One third of Earned Shares on January 1 of the second year following the year of grant; and

c) The remaining one third of Earned Shares on January 1 of the third year following the year of grant.

Shares will be earned, subject to forfeiture pursuant to paragraph 3, based upon the level of achievement of MIP performance targets in the year of grant (Earned Shares). No Shares will be earned if overall corporate achievement of MIP performance targets is below 90% of target, and 25% of Shares will be earned if overall corporate achievement of MIP performance targets is at 90% of target, with Shares above that level earned ratably at the same percentage as MIP awards, up to but not exceeding 100% of target achievement.

Full ownership of Earned Shares will enure to the benefit of the Employee at the expiration of the Restriction Period with respect thereto, subject to forfeiture pursuant to paragraph 3. The Board of Directors (Board) shall have the authority, in its discretion, to accelerate the time at which any or all of the restrictions shall lapse with respect to any Earned Shares, prior to the expiration of the Restriction Period with respect thereto, or to remove any or all of such restrictions, whenever the Board may determine that such action is appropriate by reason of change in applicable tax or other law, or any other change in circumstances.

3. **Forfeiture and Repayment Provisions.**

(a) **Termination of Employment.** Except as provided in this paragraph 3(a) and in paragraph 8 below, if the Employee ceases to be an Employee of the Corporation or any of its Affiliates (as defined in the Plan) for any reason, all Shares or Earned Shares which at the time of such termination of employment are subject to the restrictions imposed by paragraph 2 above shall upon such termination of employment be forfeited and returned to the Corporation.

Except as otherwise specifically determined by the Human Resources Committee in its absolute discretion on a case by case basis, if the Employee is terminated by the Corporation or any of its Affiliates for any reason, (other than for Cause, as defined in the Plan, or for failure to meet performance expectations, as determined by the Chief Executive Officer of the Corporation), or if the Employee ceases to be an employee of the Corporation or any of its Affiliates by reason of death or total or partial disability, full ownership of the Earned Shares will occur, upon lapse of the applicable Restriction Periods as set forth in paragraph 2.

If the Employee ceases to be an employee of the Corporation or any of its Affiliates by reason of normal or early retirement, full ownership of the Earned Shares will occur upon lapse of the applicable Restriction Periods as set forth in paragraph 2 and dividends will be paid through such period, in each case on a pro rata basis, calculated based on the percentage of time Employee was employed during the year in which the award was granted.

(b) **Non-Compete.** Unless a Change of Control (as defined in the Plan) shall have occurred after the date hereof:

(i) In order to better protect the goodwill of the Corporation and its Affiliates and to prevent the disclosure of the Corporation's or its Affiliates' trade secrets and confidential information and thereby help insure the long-term success of the business, Employee, without prior written consent of the Corporation, will not engage in any activity or provide any services, whether as a director, manager, supervisor, employee, adviser, agent, consultant, owner of more than five (5) percent of any enterprise or otherwise, for a period of two (2) years following the date of Employee's termination of employment with the Corporation or any of its Affiliates, in connection with the manufacture, development, advertising, promotion, design, or sale of any service or product which is the same as or similar to or competitive with any services or products of the Corporation or its Affiliates (including both existing services or products as well as services or products known to the Employee, as a consequence of Employee's employment with the Corporation or one of its Affiliates, to be in development):

(1) with respect to which Employee's work has been directly concerned at any time during the two (2) years preceding termination of employment with the Corporation or one of its Affiliates, or

(2) with respect to which during that period of time Employee, as a consequence of Employee's job performance and duties, acquired knowledge of trade secrets or other confidential information of the Corporation or its Affiliates.

(ii) For purposes of the provisions of paragraph 3(b), it shall be conclusively presumed that Employee has knowledge of information he or she was directly exposed to through actual receipt or review of memos or documents containing such information, or through actual attendance at meetings at which such information was discussed or disclosed.

(iii) All Shares subject to the restrictions imposed by paragraph 2 above shall be forfeited and returned to the Corporation, if Employee engages in any conduct agreed to be avoided pursuant to the provisions of paragraph 3(b) at any time within two (2) years following the date of Employee's termination of employment with the Corporation or any of its Affiliates.

(iv) If, at any time within two (2) years following the date of Employee's termination of employment with the Corporation or any of its Affiliates, Employee engages in any conduct agreed to be avoided pursuant to the provisions of paragraph 3(b), then all consideration (without regard to tax effects) received directly or indirectly by Employee from the sale or other disposition of all Earned Shares earned within two (2) years prior to termination of employment shall be paid by Employee to the Corporation, or such Earned Shares shall be returned to the Corporation. Employee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Employee to the extent of the amounts Employee owes the Corporation hereunder.

(c) **Misconduct.** Unless a Change of Control shall have occurred after the date hereof:

(i) All consideration (without regard to tax effects) received directly or indirectly by Employee from the sale or other disposition of the Earned Shares shall be paid by Employee to the Corporation, or such Earned Shares shall be returned to the Corporation, if the Corporation reasonably determines that during Employee's employment with the Corporation or any of its Affiliates:

(1) Employee knowingly participated in misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc. or any of its Affiliates or misconduct which represents a material violation of any code of ethics of the Corporation applicable to Employee or of the _________ compliance program or similar program of the Corporation; or

(2) Employee was aware of and failed to report, as required by any code of ethics of the Corporation applicable to Employee or by the _________ compliance program or similar program of the Corporation, misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc .or any of its Affiliates or misconduct which represents a material knowing violation of any code of ethics of the Corporation applicable to Employee or of the _________ compliance program or similar program of the Corporation.

(ii) Employee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Employee to the extent of the amounts Employee owes the Corporation hereunder.

(d) Acts Contrary to Corporation. Unless a Change of Control shall have occurred after the date hereof, if the Corporation reasonably determines that at any time within two (2) years after the lapse of the last Restriction Period Employee has acted significantly contrary to the best interests of the Corporation, including, but not limited to, any direct or indirect intentional disparagement of the Corporation, then all consideration (without regard to tax effects) received directly or indirectly by Employee from the sale or other disposition of all Earned Shares earned during the two (2) year period prior to the Corporation's determination shall be paid by Employee to the Corporation, or such Earned Shares shall be returned to the Corporation. Employee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Employee to the extent of the amounts Employee owes the Corporation hereunder.

(e) The Corporation's reasonable determination required under Sections 3(c)(i) and 3(d) shall be made by the Human Resources Committee of the Corporation's Board of Directors, in the case of executive officers of the Corporation, and by the Chief Executive Officer and Corporate Compliance Officer of the Corporation, in the case of all other officers and employees.

4. **Certificates for the Shares.** The Corporation shall issue a certificate in respect of the aggregate number of Shares in the name of the Employee, which shall equal the amount of the award specified herein. The Corporation shall hold all certificates on deposit for the account of the Employee until expiration of the first restriction period set forth in paragraph 2 above, as applicable, with respect to the Shares granted, at which time new certificates shall be issued which shall be commensurate with the installment periods set forth in paragraph 2 above. Each certificate for restricted Shares shall bear the following legend:

> The transferability of this certificate and the
> Shares of stock represented hereby are subject
> to the terms and conditions (including forfeiture)
> contained in the MoneyGram International, Inc. 2004 Omnibus Incentive
> Plan and an Agreement entered into between the registered
> owner and MoneyGram International, Inc. Copies of such Plan and Agreement
> are on file with the Vice President-General Counsel of MoneyGram International, Inc., 1550 Utica Avenue South, Minneapolis, MN 55416

The Employee further agrees that simultaneously with his or her acceptance of this Agreement, he or she shall from time to time execute a stock power covering such award endorsed in blank and that he or she shall promptly deliver such stock power to the Corporation.

5. **Employee's Rights.** Except as otherwise provided herein, the Employee, as owner of the Shares, shall have all rights of a shareholder, including, but not limited to, the right to receive all dividends paid on the Shares and the right to vote the Shares.

6. **Expiration of Restriction Period.** Upon the lapse or expiration of the Restriction Period with respect to any Earned Shares, the Corporation shall deliver or redeliver to the Employee the certificate in respect of such Shares and the related stock power held by the Corporation pursuant to paragraph 4 above. The Earned Shares as to which the Restriction Period shall have lapsed or expired and which are represented by such certificate shall be free of the restrictions referred to in paragraph 2 above and such certificate shall not bear thereafter the legend provided for in paragraph 4 above.

To the extent permissible under applicable tax, securities, and other laws, the Corporation may, in its sole discretion, permit Employee to satisfy a tax withholding requirement by directing the Corporation to apply Shares to which Employee is entitled as a result of termination of the Restricted Period with respect to any Shares of Restricted Stock, in such manner as the Corporation shall choose in its discretion to satisfy such requirement.

7. **Adjustments for Changes in Capitalization of Corporation.** In the event of a change in the Common Stock through stock dividends, stock splits, recapitalization or other changes in the corporate structure of the Corporation during the Restriction Period, the number of Shares of Common Stock subject to restrictions as set forth herein shall be appropriately adjusted and the determination of the Board of Directors of the Corporation as to any such adjustments shall be final, conclusive and binding upon the Employee. Any Shares of Common Stock or other securities received, as a result of the foregoing, by the

Employee with respect to Shares subject to the restrictions contained in paragraph 2 above also shall be subject to such restrictions and the certificate(s) or other instruments representing or evidencing such Shares or securities shall be legended and deposited with the Corporation, along with an executed stock power, in the manner provided in paragraph 4 above.

8. **Effect of Change in Control.** In the event of a Change in Control (as defined in the Plan), the restrictions applicable to any Shares awarded hereby shall lapse, and such Shares shall be free of all restrictions and become fully vested and transferable to the full extent of the original grant.

9. **Plan and Plan Interpretations as Controlling.** The Shares hereby awarded and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. The Plan provides that the Corporation's Board of Directors may from time to time make changes therein, interpret it and establish regulations for the administration thereof. The Employee, by acceptance of this Agreement, agrees to be bound by said Plan and such Board actions.

Shares may not be issued hereunder, or redelivered, whenever such issuance or redelivery would be contrary to law or the regulations of any governmental authority having jurisdiction.

IN WITNESS WHEREOF, the parties have caused this Performance-Based Restricted Stock Agreement to be duly executed.

Dated: __________

MONEYGRAM INTERNATIONAL, INC.

By: ______________________________

PHILIP MILNE
President and
Chief Executive Officer

ATTEST:

____

General Counsel or Assistant Secretary

This Performance-Based Restricted Stock Agreement shall be effective only upon execution by Employee and delivery to and receipt by the Corporation.

ACCEPTED:

____

Employee

Exhibit 10.5

MONEYGRAM INTERNATIONAL, INC.
2004 OMNIBUS INCENTIVE PLAN
INCENTIVE STOCK OPTION AGREEMENT

As Amended _________

(ISO)

MoneyGram International, Inc. (Corporation), a _________ corporation, grants to _________ (Grantee) the option (Option) to purchase from the Corporation, pursuant to the MoneyGram International, Inc. 2004 Omnibus Incentive Plan (Plan), at the price of $_________ per share (Option Price) _________ Shares of its Common Stock, par value $.01 (Common Stock) through the exercise of this Option in accordance with the terms and conditions hereinafter set forth.

1. **Option Period and Termination of Employment of Grantee.** The period during which this Option may be exercised (Option Period) is the period beginning on the date hereof and ending seven (7) years from such date, subject to Section 2 below, and during this period this Option may be exercised only by the Grantee personally and while an employee of the Corporation or a subsidiary or division thereof (Affiliate), except that:

(a) If the Grantee ceases to be an employee of the Corporation or any Affiliate of the Corporation for any reason, excluding death, disability, retirement and termination of employment for Cause (as defined in the Plan), the option rights hereunder (as they exist on the day the Grantee ceases to be such an employee) may be exercised only within a period of three (3) months thereafter, subject to the notice requirements and forfeiture provisions set forth below, or prior to the expiration of the Option Period, whichever shall occur sooner. If the employment of the Grantee is terminated for Cause, all the option rights hereunder shall expire immediately upon the giving to the Grantee of notice of such termination.

(b) If the Grantee ceases to be an employee of the Corporation or any Affiliate of the Corporation due to disability or death, or dies within the three month or five year periods referred to in Sections (a) and (c) of this Section 1, the option rights hereunder (as they exist immediately prior to the Grantee's death) may be exercised by the Grantee or by the Grantee's personal representative only during a period of twelve (12) months thereafter in the case of death and only during a period of three (3) years thereafter in the case of disability, provided, if the Grantee dies within such three-year period, any unexercised option held by the Grantee will, notwithstanding the expiration of such three-year period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of twelve (12) months from the date of such death, subject in each case to the notice requirements set forth below, or prior in each case to the expiration of the Option Period, whichever shall occur sooner.

(c) If the Grantee ceases to be an employee of the Corporation or any Affiliate of the Corporation by reason of retirement, the option rights hereunder (as they exist on the day the Grantee ceases to be such an employee) may be exercised only within a period of five (5) years thereafter, subject to Section 1(d) and Section 2(c) below and further subject to the notice requirements and non-compete and forfeiture provisions set forth below, or prior to the expiration of the Option Period, whichever shall occur sooner, and in every case subject to Section 5(h) of the Plan.

(d) If this Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code, it will thereafter be treated as a Nonqualified Stock Option.

2. **Method of Exercise of this Option.** This Option may be exercised in the manner hereinafter prescribed, in whole or in part, at any time or from time to time, during the Option Period as follows.

(a) 20% of the Shares hereby optioned at any time after one year from the date hereof,

(b) 20% of the Shares hereby optioned at any time two years from the date hereof,

(c) 20% of the Shares hereby optioned at any time three years from the date hereof,

(d) 20% of the Shares hereby optioned at any time four years from the date hereof, and

(e) the balance of the Shares hereby optioned at any time after five years from the date hereof, provided that 100 Shares, or the total number of Shares remaining unpurchased hereunder, if less than 100 Shares, is the minimum number which may be purchased hereunder at any one time. This Option shall not be exercisable prior to the expiration of one year from the date of grant, except as otherwise specified in the Plan. All purchases hereunder must be completed within the time periods prescribed herein for the exercise thereof.

(f) Notwithstanding Sections (a), (b), (c), (d) and (e) of this Section 2 if the Grantee ceases to be an employee of the Corporation by reason of death, disability or retirement, this Option (to the extent valid and outstanding as of the date such Grantee ceases to be an employee) if not then exercisable shall become fully exercisable to the full extent of the original grant; *provided, however,* that if such date such Grantee ceases to be an employee is within six months of the date of grant of a particular Stock Option held by a Grantee who is an officer or director of the Corporation and is subject to Section 16(b) of the Exchange Act this Option shall not become fully exercisable until six months and one day after such date of grant.

On or before the expiration of the Option Period specified herein, written notice of the exercise of this Option with respect to all or a part of the Common Stock hereby optioned may be mailed or delivered to the Corporation by the Grantee in substantially the form attached hereto or in such other form as the Corporation may require, properly completed and among other things stating the number of Shares of Common Stock with respect to which the Option is being exercised, and specifying the method of payment for such Common Stock. The notice must be mailed or delivered prior to the expiration of this Option.

Before any stock certificates shall be issued, the entire purchase price of the Common Stock purchased shall be paid to the Corporation. Certificates, registered in the name of the purchaser for the Common Stock purchased, will be issued to the purchaser as soon as practicable thereafter. Failure to pay the purchase price for any Common Stock within the time specified in said notice shall result in forfeiture of the Grantee's right to purchase the Common Stock at a later date and the number of Shares of Common Stock which may thereafter be purchased hereunder shall be reduced accordingly.

The purchase price may be paid either entirely in cash or in whole or in part with unrestricted Common Stock already owned by the Grantee. If the Grantee elects to pay the purchase price entirely in cash, he will be notified of the purchase price by the Corporation. If the Grantee elects to pay the purchase price either substantially all with Common Stock or partly with Common Stock and the balance in cash, he will be notified by the Corporation of the fair market value of the Common Stock on the exercise date and the amount of Common Stock or cash payable. Within five business days after the exercise date, the Grantee shall deliver to the Corporation either cash or Common Stock certificates, in negotiable form, at least equal in value to the purchase price, or that portion thereof to be paid for with Common Stock, together with cash sufficient to pay the full purchase price. Only full Shares of Common Stock shall be utilized for payment purposes.

3. **Forfeiture and Repayment Provisions.**

(a) **Certification.** The right to exercise this Option shall be conditional upon certification by the Grantee at time of exercise that the Grantee has read and understands the forfeiture and repayment provisions set forth in this Section 3, that the Grantee has not engaged in any misconduct or acts contrary to the Corporation as described below, and that Grantee has no intent to leave employment with the Corporation or any of its Affiliates for the purpose of engaging in any activity or providing any services which are contrary to the spirit and intent of Section 3(b).

(b) **Non-Compete.** Unless a Change of Control (as defined in the Plan) shall have occurred after the date hereof:

(i) In order to better protect the goodwill of the Corporation and its Affiliates and to prevent the disclosure of the Corporation's or its Affiliates' trade secrets and confidential information and thereby help insure the long-term success of the business, the Grantee, without prior written consent of the Corporation, will not engage in any activity or provide any services, whether as a director, manager, supervisor, employee, adviser, agent, consultant, owner of more than five (5) percent of any enterprise or otherwise, for a period of two (2) years following the date of the Grantee's termination of employment with the Corporation or any of its Affiliates, in connection with the manufacture, development, advertising, promotion, design, or sale of any service or product which is the same as or similar to or competitive with any services or products of the Corporation or its Affiliates (including both existing services or products as well as services or products known to the Grantee, as a consequence of the Grantee's employment with the Corporation or one of its Affiliates, to be in development):

(1) with respect to which the Grantee's work has been directly concerned at any time during the two (2) years preceding termination of employment with the Corporation or one of its Affiliates, or

(2) with respect to which during that period of time the Grantee, as a consequence of the Grantee's job performance and duties, acquired knowledge of trade secrets or other confidential information of the Corporation or its Affiliates.

(ii) For purposes of the provisions of Section 3(b), it shall be conclusively presumed that the Grantee has knowledge of information he or she was directly exposed to through actual receipt or review of memos or documents containing such information, or through actual attendance at meetings at which such information was discussed or disclosed.

(iii) The Corporation is authorized to suspend or terminate this Option and any other outstanding stock option or stock appreciation right held by the Grantee prior to or after termination of employment if the Grantee engages in any conduct agreed to be avoided pursuant to the provisions of Section 3(b) at any time within the two (2) years following the date of the Grantee's termination of employment with the Corporation or any of its Affiliates.

(iv) If, at any time within two (2) years after the date of the Grantee's termination of employment with the Corporation or any of its Affiliates, Grantee engages in any conduct agreed to be avoided pursuant to the provisions of Section 3(b), then any gain (without regard to tax effects) realized by Grantee from the exercise of this Option, in whole or in part, shall be paid by Grantee to the Corporation. Grantee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Grantee to the extent of the amounts Grantee owes the Corporation hereunder.

(c) **Misconduct.** Unless a Change of Control shall have occurred after the date hereof:

(i) The Corporation is authorized to suspend or terminate this Option and any other outstanding stock option or stock appreciation right held by the Grantee prior to or after termination of employment if the Corporation reasonably determines that during the Grantee's employment with the Corporation or any of its Affiliates:

(1) Grantee knowingly participated in misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc. or any of its Affiliates or misconduct which represents a material violation of any code of ethics of the Corporation applicable to the Grantee or of the __________compliance program or similar program of the Corporation; or

(2) Grantee was aware of and failed to report, as required by any code of ethics of the Corporation applicable to the Grantee or by the ______ ____compliance program or similar program of the Corporation, misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc. or any of its Affiliates or misconduct which represents a material knowing violation of any code of ethics of the Corporation applicable to the Grantee or of the Always Honest compliance program or similar program of the Corporation.

(ii) If, at any time after the Grantee exercises this Option in whole or in part, the Corporation reasonably determines that the provisions of Section 3(c) apply to the Grantee, then any gain (without regard to tax effects) realized by the Grantee from such exercise shall be paid by Grantee to the Corporation. The Grantee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to the Grantee to the extent of the amounts the Grantee owes the Corporation under this paragraph 3.

(d) Acts Contrary to Corporation. Unless a Change of Control shall have occurred after the date hereof:

(i) The Corporation is authorized to suspend or terminate this Option and any other outstanding stock option or stock appreciation right held by the Grantee prior to or after termination of employment if the Corporation reasonably determines that Grantee has acted significantly contrary to the best interests of the Corporation, including, but not limited to, any direct or indirect intentional disparagement of the Corporation.

(ii) If, at any time within two (2) years after the Grantee exercises this Option in whole or in part, the Corporation reasonably determines that Grantee has acted significantly contrary to the best interests of the Corporation, including, but not limited to, any direct or indirect intentional disparagement of the Corporation, then any gain (without regard to tax effects) realized by the Grantee from such exercise shall be paid by Grantee to the Corporation. The Grantee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to the Grantee to the extent of the amounts the Grantee owes the Corporation under this Section 3.

(e) The Corporation's reasonable determination required under Sections 3(c)(i) and (ii) and 3(d)(i) and (ii) shall be made by the Human Resources Committee of the Corporation's Board of Directors, in the case of executive officers of the Corporation, and by the Chief Executive Officer and Corporate Compliance Officer of the Corporation, in the case of all other officers and employees.

4. **Non-Transferability of this Option.** This Option may not be assigned, encumbered or transferred, in whole or in part, except by the Grantee's will or in accordance with the applicable laws of descent and distribution or as otherwise provided under the Plan.

5. **Limit on Grant.** The aggregate fair market value (determined as of the time the Option is granted) of Common Stock for which any Grantee may be granted one or more Incentive Stock Options first exercisable in this year or in any calendar year thereafter shall not exceed $100,000.

6. **Adjustments for Changes in Capitalization of Corporation.** The Common Stock covered by this Option is, at the option of the Corporation, either authorized but unissued or reacquired Common Stock. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, extraordinary distribution with respect to the Common Stock or other change in corporate structure affecting the Common Stock, during the Option Period, the number of Shares of Common Stock which may thereafter be purchased pursuant to this Option and the purchase price per share, shall be appropriately adjusted, or other appropriate substitutions shall be made, and the determination of the Board of Directors of the Corporation, or the Human Resources Committee of the Board of Directors (Committee), as the case may be, as to any such adjustments shall be final, conclusive and binding upon the Grantee.

7. **Notice of Sale.** The Grantee or any person to whom the Option or the Shares shall have been transferred by will or by the laws of descent and distribution or as otherwise provided under the Plan promptly shall give notice to the Corporation in the event of the sale or other disposition of Shares within two (2) years from the date of grant of such Option or within one year after the transfer of the Shares to Grantee. Such notice shall specify the number of Shares sold or otherwise disposed of, the date of disposition and the total proceeds received, and be directed to the Tax Department, MoneyGram International, Inc., 1550 Utica Avenue, Suite 100, Minneapolis, MN 55416.

8. **Effect of Change in Control.** (a) In the event of a Change in Control (as defined in the Plan), this Option (to the extent outstanding as of the date such Change in Control is determined to have occurred) if not then exercisable and vested shall become fully exercisable and vested to the full extent of the original grant.

(b) Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), the Grantee shall have the right, whether or not this Option is fully exercisable and in lieu of the payment of the exercise price for the Shares of Common Stock being purchased under the Option and by giving notice to the Corporation, to elect (within the Exercise Period) to surrender all or part of the Option to the Corporation and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price (as defined in the Plan) per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Option (the "Spread") multiplied by the number of Shares of Common Stock granted under the Option as to which the right granted hereunder shall have been exercised; provided, however, that if the Change in Control is within six months of the date of grant of a particular Option held by a Grantee who is an officer or director of the Corporation and is subject to Section 16(b) of the Securities Exchange Act of 1934 no such election shall be made by such Grantee with respect to such Option prior to six months from the date of grant. Notwithstanding any other provision hereof, if the end of such 60-day period from and after a Change in Control is within six months of the date of grant of an Option held by a Grantee who is an officer or director of the Corporation and is subject to Section 16(b), such Option shall be canceled in exchange for a cash payment to the Grantee, effected on the day which is six months and one day after the date of grant of such Option, equal to the Spread multiplied by the number of Shares of Common Stock granted under the Option.

9. **Plan and Plan Interpretations as Controlling.** This Option and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. The Plan provides that the Board may amend the Plan, and that the Committee may interpret it and establish regulations for the administration thereof; provided that no such amendment or regulation shall impair the rights of any Grantee under an Option without the Grantee's consent, except an amendment for purposes of compliance with the federal securities laws. The Grantee, by acceptance of this Option, agrees to be bound by said Plan and such Board and Committee actions.

10. **Termination of the Plan; No Right to Future Grants.** By entering into this Option Agreement, the Grantee acknowledges: (a) that the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) that each grant of an Option is a one-time benefit which does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options; (c) that all determinations with respect to any such future grants, including, but not limited to, the times when the Option shall be granted, the number of Shares subject to each Option, the Option price, and the time or times when each Option shall be exercisable, will be at the sole discretion of the Corporation; (d) that the Grantee's participation in the Plan shall not create a right to further employment with the Grantee's employer and shall not interfere with the ability of the Grantee's employer to terminate the Grantee's employment relationship at any time with or without cause; (e) that the Grantee's participation in the Plan is voluntary; (f) that the value of the

Options is an extraordinary item of compensation which is outside the scope of the Grantee's employment contract, if any; (g) that the Option is not part of normal and expected compensation for purposes of calculating any severance, resignation, bonuses, pension or retirement benefits or similar payments; (h) that the right to purchase Common Stock ceases upon termination of employment for any reason except as may otherwise be explicitly provided in the Plan or this Option Agreement; (i) that the future value of the Shares is unknown and cannot be predicted with certainty; (j) that if the underlying Shares do not increase in value, the Option will have no value; and (k) the foregoing terms and conditions apply in full with respect to any prior Option grants to Grantee.

11. **Governing Law.** This agreement is governed by and is to be construed and enforced in accordance with the laws of Minnesota.

This Option may not be exercised whenever such exercise or the issuance of any of the optioned would be contrary to law or the regulations of any governmental authority having jurisdiction.

IN WITNESS WHEREOF, MONEYGRAM INTERNATIONAL, INC. has caused this Option to be duly executed in its name.

Dated:

____

MONEYGRAM INTERNATIONAL, INC.

____

By: PHILIP MILNE
President and
Chief Executive Officer

ATTEST:

____

Secretary or Assistant Secretary

This Incentive Stock Option Agreement shall be effective only upon execution by the Grantee and delivery to and receipt by the Corporation.

ACCEPTED AND AGREED:

____

Grantee

United States Version

Exhibit 10.6

MONEYGRAM INTERNATIONAL, INC.
2004 OMNIBUS INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT

As Amended _________

(NQ)

MoneyGram International, Inc. (Corporation), a _________ corporation, grants to _________(Grantee) the option (Option) to purchase from the Corporation, pursuant to the MoneyGram International, Inc. 2004 Omnibus Incentive Plan (Plan), at the price of $_________ per share (Option Price) _________ Shares of its Common Stock, par value $0.01 each (Common Stock) through the exercise of this Option in accordance with the terms and conditions hereinafter set forth.

1. **Option Period and Termination of Employment of Grantee.** The period during which this Option may be exercised (Option Period) is the period beginning on the date hereof and ending seven (7) years from such date, subject to Section 2 below, and during this period this Option may be exercised only by the Grantee personally and while a director or an employee of the Corporation or a subsidiary or division thereof (Affiliate), except that:

(a) If the Grantee ceases to be a director or an employee of the Corporation or any Affiliate of the Corporation for any reason, excluding death, disability, retirement and termination of employment for Cause (as defined in the Plan), the option rights hereunder (as they exist on the day the Grantee ceases to be a director or employee) may be exercised only within a period of three (3) months thereafter, subject to the notice requirements and forfeiture provisions set forth below, or prior to the expiration of the Option Period, whichever shall occur sooner. If Grantee is an employee and is terminated for Cause, all the option rights hereunder shall expire immediately upon the giving to such Grantee of notice of such termination.

(b) If the Grantee ceases to be a director or an employee of the Corporation or any Affiliate of the Corporation due to death, or dies within the three month or three year periods referred to in Sections (a) or (c) of this Section 1, the option rights hereunder (as they exist immediately prior to the Grantee's death) may be exercised by the Grantee's personal representative only during a period of twelve (12) months thereafter in the case of death and only during a period of three (3) years thereafter in the case of disability, provided, if the Grantee dies within such three-year period, any unexercised option held by the Grantee will, notwithstanding the expiration of such three-year period, continue to be exercisable to the extent to which it was exercisable at the time of death for a period of twelve (12) months from the date of such death, subject in each case to the notice requirements set forth below, or prior in each case to the expiration of the Option Period, whichever shall occur sooner.

(c) If the Grantee ceases to be a director or an employee of the Corporation or any Affiliate of the Corporation by reason of disability, the option rights hereunder (as they exist on the day the Grantee ceases to be such director or employee) may be exercised only within a period of three (3) years thereafter, subject to Section 2(c) below and further subject to the notice requirements set forth below, or prior to the expiration of the Option Period, whichever shall occur sooner.

(d) If the Grantee ceases to be a director or an employee of the Corporation or any Affiliate of the Corporation by reason of retirement, the option rights hereunder (as they exist on the day the Grantee ceases to be such director or employee) may be exercised only within a period of five (5) years thereafter, subject to Section 2(c) below and further subject to the notice requirements and non-compete and forfeiture provisions set forth below, or prior to the expiration of the Option Period, whichever shall occur sooner.

2. **Method of Exercise of this Option.** This Option may be exercised in the manner hereinafter prescribed, in whole or in part, at any time or from time to time, during the Option Period as follows.

(a) 20% of the Shares hereby optioned at any time after one year from the date hereof,

(b) 20% of the Shares hereby optioned at any time two years from the date hereof,

(c) 20% of the Shares hereby optioned at any time three years from the date hereof,

(d) 20% of the Shares hereby optioned at any time four years from the date hereof, and

(e) the balance of the Shares hereby optioned at any time after five years from the date hereof, provided that 100 Shares, or the total number of Shares remaining unpurchased hereunder, if less than 100 Shares, is the minimum number which may be purchased hereunder at any one time. This Option shall not be exercisable prior to the expiration of one year from the date of grant, except as otherwise specified in the Plan. All purchases hereunder must be completed within the time periods prescribed herein for the exercise thereof.

(f) Notwithstanding Sections (a), (b), (c), (d) and (e) of this Section 2 if the Grantee ceases to be a director or an employee of the Corporation by reason of death, disability or retirement, this Option (to the extent valid and outstanding as of the date such Grantee ceases to be a director or an employee) if not then exercisable shall become fully exercisable to the full extent of the original grant; *provided, however,* that if such date such Grantee ceases to be a director or an employee is within six months of the date of grant of a particular Stock Option held by a Grantee who is an officer or director of the Corporation and is subject to Section 16(b) of the Exchange Act this Option shall not become fully exercisable until six months and one day after such date of grant.

On or before the expiration of the Option Period specified herein, written notice of the exercise of this Option with respect to all or a part of the Common Stock hereby optioned may be mailed or delivered to the Corporation by the Grantee in substantially the form attached hereto or in such other form as the Corporation may require, properly completed and among other things stating the number of Shares of Common Stock with respect to which the Option is being exercised, and specifying the method of payment for such Common Stock. The notice must be mailed or delivered prior to the expiration of this Option.

Before any stock certificates shall be issued, the entire purchase price of the Common Stock purchased shall be paid to the Corporation. Certificates, registered in the name of the purchaser for the Common Stock purchased, will be issued to the purchaser as soon as practicable thereafter. Failure to pay the purchase price for any Common Stock within the time specified in said notice shall result in forfeiture of the Grantee’s right to purchase the Common Stock at a later date and the number of Shares of Common Stock which may thereafter be purchased hereunder shall be reduced accordingly.

The purchase price may be paid either entirely in cash or in whole or in part with unrestricted Common Stock already owned by the Grantee. If the Grantee elects to pay the purchase price entirely in cash, he will be notified of the purchase price by the Corporation. If the Grantee elects to pay the purchase price either substantially all with Common Stock or partly with Common Stock and the balance in cash, he will be notified by the Corporation of the fair market value of the Common Stock on the exercise date and the amount of Common Stock or cash payable. Within five business days after the exercise date, the Grantee shall deliver to the Corporation either cash or Common Stock certificates, in negotiable form, at least equal in value to the purchase price, or that portion thereof to be paid for with Common Stock, together with cash sufficient to pay the full purchase price. Only full Shares of Common Stock shall be utilized for payment purposes.

To the extent permissible under applicable tax, securities, and other laws, the Corporation may, in its sole discretion, permit Grantee to satisfy a tax withholding requirement by surrendering Shares, including Shares to which Grantee is entitled as a result of the exercise of this Option, in such manner as the Corporation shall choose in its discretion to satisfy such requirement.

3. **Forfeiture and Repayment Provisions.** Unless a Change of Control (as defined in the Plan) shall have occurred after the date hereof:

(a) **Certification.** The right to exercise this Option shall be conditional upon certification by the Grantee at time of exercise that the Grantee has read and understands the forfeiture and repayment provisions set forth in this Section 3, that the Grantee has not engaged in any misconduct or acts contrary to the Corporation as described below, and that Grantee has no intent to leave employment with the Corporation or any of its Affiliates for the purpose of engaging in any activity or providing any services which are contrary to the spirit and intent of Section 3(b).

(b) **Non-Compete.** Unless a Change of Control (as defined in the Plan) shall have occurred after the date hereof:

(i) In order to better protect the goodwill of the Corporation and its Affiliates and to prevent the disclosure of the Corporation’s or its Affiliates’ trade secrets and confidential information and thereby help insure the long-term success of the business, the Grantee, without prior written consent of the Corporation, will not engage in any activity or provide any services, whether as a director, manager, supervisor, employee, adviser, agent, consultant, owner of more than five (5) percent of any enterprise or otherwise, for a period of two (2) years following the date of the Grantee’s termination of employment with the Corporation or any of its Affiliates, in connection with the manufacture, development, advertising, promotion, design, or sale of any service or product which is the same as or similar to or competitive with any services or products of the Corporation or its Affiliates (including both existing services or products as well as services or products known to the Grantee, as a consequence of the Grantee’s employment with the Corporation or one of its Affiliates, to be in development):

(1) with respect to which the Grantee’s work has been directly concerned at any time during the two (2) years preceding termination of employment with the Corporation or one of its Affiliates, or

(2) with respect to which during that period of time the Grantee, as a consequence of the Grantee’s job performance and duties, acquired knowledge of trade secrets or other confidential information of the Corporation or its Affiliates.

(ii) For purposes of the provisions of Section 3(b), it shall be conclusively presumed that the Grantee has knowledge of information he or she was directly exposed to through actual receipt or review of memos or documents containing such information, or through actual attendance at meetings at which such information was discussed or disclosed.

(iii) The Corporation is authorized to suspend or terminate this Option and any other outstanding stock option or stock appreciation right held by the Grantee prior to or after termination of employment if the Grantee engages in any conduct agreed to be avoided pursuant to the provisions of Section 3(b) at any time within the two (2) years following the date of the Grantee’s termination of employment with the Corporation or any of its Affiliates.

(iv) If, at any time within two (2) years after the date of the Grantee’s termination of employment with the Corporation or any of its Affiliates, Grantee engages in any conduct agreed to be avoided pursuant to the provisions of Section 3(b), then any gain (without regard to tax effects) realized by Grantee from the exercise of this Option, in whole or in part, shall be paid by Grantee to the Corporation. Grantee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to Grantee to the extent of the amounts Grantee owes the Corporation hereunder.

(c) **Misconduct.** Unless a Change of Control shall have occurred after the date hereof:

(i) The Corporation is authorized to suspend or terminate this Option and any other outstanding stock option or stock appreciation right held by the Grantee prior to or after termination of employment if the Corporation reasonably determines that during the Grantee's employment with the Corporation or any of its Affiliates:

(1) Grantee knowingly participated in misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc. or any of its Affiliates or misconduct which represents a material violation of any code of ethics of the Corporation applicable to the Grantee or of the _________ compliance program or similar program of the Corporation; or

(2) Grantee was aware of and failed to report, as required by any code of ethics of the Corporation applicable to the Grantee or by the _________ compliance program or similar program of the Corporation, misconduct that causes a misstatement of the financial statements of MoneyGram International, Inc. or any of its Affiliates or misconduct which represents a material knowing violation of any code of ethics of the Corporation applicable to the Grantee or of the _________ compliance program or similar program of the Corporation.

(ii) If, at any time after the Grantee exercises this Option in whole or in part, the Corporation reasonably determines that the provisions of Section 3(c) applies to the Grantee, then any gain (without regard to tax effects) realized by the Grantee from such exercise shall be paid by Grantee to the Corporation. The Grantee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to the Grantee to the extent of the amounts the Grantee owes the Corporation under this Section 3.

(d) **Acts Contrary to Corporation.** Unless a Change of Control shall have occurred after the date hereof:

(i) The Corporation is authorized to suspend or terminate this Option and any other outstanding stock option or stock appreciation right held by the Grantee prior to or after termination of employment if the Corporation reasonably determines that Grantee has acted significantly contrary to the best interests of the Corporation, including, but not limited to, any direct or indirect intentional disparagement of the Corporation.

(ii) If, at any time within two (2) years after the Grantee exercises this Option in whole or in part, the Corporation reasonably determines that Grantee has acted significantly contrary to the best interests of the Corporation, including, but not limited to, any direct or indirect intentional disparagement of the Corporation, then any gain (without regard to tax effects) realized by the Grantee from such exercise shall be paid by Grantee to the Corporation. The Grantee consents to the deduction from any amounts the Corporation or any of its Affiliates owes to the Grantee to the extent of the amounts the Grantee owes the Corporation under this Section 3.

(e) The Corporation's reasonable determination required under Sections 3(c)(i) and (ii) and 3(d)(i) and (ii) shall be made by the Human Resources Committee of the Corporation's Board of Directors, in the case of executive officers of the Corporation, and by the Chief Executive Officer and Corporate Compliance Officer of the Corporation, in the case of all other officers and employees.

4. **Non-Transferability of this Option.** This Option may not be assigned, encumbered or transferred, in whole or in part, except by the Grantee's will or in accordance with the applicable laws of descent and distribution or as otherwise provided or permitted under the Plan, except that a Grantee holding a Non-Qualified Stock Option may designate as the transferee of any such Option any member of such Grantee's "Immediate Family"(as defined in Rule 16a, as promulgated by the Commission under the Exchange Act) or to a trust whose beneficiaries are members of such Grantee's Immediate Family, without payment of consideration, to have the power to exercise such Option, and be subject to all the conditions of such Option prior to such designation, such power to exercise to become effective only in the event that such optionee shall die prior to exercising such Option.

5. **Adjustments for Changes in Capitalization of Corporation.** The Common Stock covered by this Option is, at the option of the Corporation, either authorized but unissued or reacquired Common Stock. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, extraordinary distribution with respect to the Common Stock or other change in corporate structure affecting the Common Stock during the Option Period, the number of Shares of Common Stock which may thereafter be purchased pursuant to this Option and the purchase price per share, shall be appropriately adjusted, or other appropriate substitutions shall be made, and the determination of the Board of Directors of the Corporation, or the Human Resources Committee of the Board of Directors, as the case may be, as to any such adjustments shall be final, conclusive and binding upon the Grantee.

6. **Effect of Change in Control.** (a) In the event of a Change in Control (as defined in the Plan), this Option (to the extent outstanding as of the date such Change in Control is determined to have occurred) if not then exercisable and vested shall become fully exercisable and vested to the full extent of the original grant.

(b) Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the “Exercise Period”), the Grantee shall have the right, whether or not this Option is fully exercisable and in lieu of the payment of the exercise price for the Shares of Common Stock being purchased under the Option and by giving notice to the Corporation, to elect (within the Exercise Period) to surrender all or part of the Option to the Corporation and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price (as defined in the Plan) per share of Common Stock on the date of such election shall exceed the exercise price per share of Common Stock under the Option (the “Spread”) multiplied by the number of Shares of Common Stock granted under the Option as to which the right granted hereunder shall have been exercised; provided, however, that if the Change in Control is within six months of the date of grant of a particular Option held by a Grantee who is an officer or director of the Corporation and is subject to Section 16(b) of the Securities Exchange Act of 1934 no such election shall be made by such Grantee with respect to such Option prior to six months from the date of grant. Notwithstanding any other provision hereof, if the end of such 60-day period from and after a Change in Control is within six months of the date of grant of an Option held by a Grantee who is an officer or director of the Corporation and is subject to Section 16(b), such Option shall be canceled in exchange for a cash payment to the Grantee, effected on the day which is six months and one day after the date of grant of such Option, equal to the Spread multiplied by the number of Shares of Common Stock granted under the Option.

7. **Plan and Plan Interpretations as Controlling.** This Option and the terms and conditions herein set forth are subject in all respects to the terms and conditions of the Plan, which are controlling. The Plan provides that the Board may amend the Plan, and that the Committee may interpret it and establish regulations for the administration thereof; provided that no such amendment or regulation shall impair the rights of any Grantee under an Option without the Grantee’s consent, except an amendment for purposes of compliance with the federal securities laws. The Grantee, by acceptance of this Option, agrees to be bound by said Plan and such Board and Committee actions.

8. **Termination of the Plan; No Right to Future Grants.** By entering into this Option Agreement, the Grantee acknowledges: (a) that the Plan is discretionary in nature and may be suspended or terminated by the Corporation at any time; (b) that each grant of an Option is a one-time benefit which does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options; (c) that all determinations with respect to any such future grants, including, but not limited to, the times when the Option shall be granted, the number of Shares subject to each Option, the Option price, and the time or times when each Option shall be exercisable, will be at the sole discretion of the Corporation; (d) that the Grantee’s participation in the Plan shall not create a right to further employment with the Grantee’s employer and shall not interfere with the ability of the Grantee’s employer to terminate the Grantee’s employment relationship at any time with or without cause; (e) that the Grantee’s participation in the Plan is voluntary; (f) that the value of the Options is an extraordinary item of compensation which is outside the scope of the Grantee’s employment contract, if any; (g) that the Option is not part of normal and expected compensation for purposes of calculating any severance, resignation, bonuses, pension or

retirement benefits or similar payments; (h) that the right to purchase Common Stock ceases upon termination of employment for any reason except as may otherwise be explicitly provided in the Plan or this Option Agreement; (i) that the future value of the Shares is unknown and cannot be predicted with certainty; (j) that if the underlying Shares do not increase in value, the Option will have no value; and (k) the foregoing terms and conditions apply in full with respect to any prior Option grants to Grantee.

9. **Governing Law.** This agreement is governed by and is to be construed and enforced in accordance with the laws of Minnesota.

This Option may not be exercised whenever such exercise or the issuance of any of the optioned Shares would be contrary to law or the regulations of any governmental authority having jurisdiction.

IN WITNESS WHEREOF, MONEYGRAM INTERNATIONAL, INC. has caused this Option to be duly executed in its name.

Dated:

MONEYGRAM INTERNATIONAL, INC.

By: PHILIP MILNE
President and
Chief Executive Officer

ATTEST:

Secretary or Assistant Secretary

This Non-Qualified Stock Agreement shall be effective only upon execution by the Grantee and delivery to and receipt by the Corporation.

ACCEPTED AND AGREED:

Grantee

Exhibit 31.1

CERTIFICATION

OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Philip W. Milne, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MoneyGram International, Inc.;

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(s) 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)) 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) 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

(c) 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(s) 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: November 12, 2004

/s/ Philip W. Milne
Signature
Name: Philip W. Milne
Title: President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION
OF
CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Parrin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MoneyGram International, Inc.;

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(s) 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)) 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) 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

(c) 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(s) 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: November 12, 2004

/s/ David J. Parrin
Signature
Name: David J. Parrin
Title: Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION
OF
CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MoneyGram International, Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Philip W. Milne, President 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; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Philip W. Milne

Philip W. Milne
President and Chief Executive Officer
November 12, 2004

Exhibit 32.2

CERTIFICATION
OF
CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MoneyGram International, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David J. Parrin, 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; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David J. Parrin

David J. Parrin
Vice President and Chief Financial Officer
November 12, 2004