

SUPREME COURT OF THE UNITED STATES

DELAWARE, *Plaintiff*,

v.

Nos. 220145 & 220146 (Consolidated)

ARKANSAS, *et al.*, *Defendants*.

DECLARATION OF JOHN DAVID TALIAFERRO

I, John David Taliaferro, hereby declare as follows under penalty of perjury pursuant to 28 U.S.C. § 1746.

1. I am an attorney with Loeb & Loeb LLP, counsel for the State of Delaware (“Delaware”), Plaintiff.

2. I have personal knowledge of the matters set forth herein, and respectfully submit this Declaration in support of Delaware’s Motion for Summary Judgment and submit the documents referenced below for the Court’s consideration.

3. Attached hereto as Exhibit A are excerpts from the sworn deposition testimony of Eva Yingst, which took place on May 23, 2018.

4. Attached hereto as Exhibit B is Yingst Exhibit 2, used in the deposition of Eva Yingst.

5. Attached hereto as Exhibit C is Yingst Exhibit 6, used in the deposition of Eva Yingst.

6. Attached hereto as Exhibit D is Yingst Exhibit 10, used in the deposition of Eva Yingst.

7. Attached hereto as Exhibit E is Yingst Exhibit 11, used in the deposition of Eva Yingst.

8. Attached hereto as Exhibit F is Yingst Exhibit 12, used in the deposition of Eva Yingst [filed under seal].

9. Attached hereto as Exhibit G is Yingst Exhibit 13, used in the deposition of Eva Yingst [filed under seal].

10. Attached hereto as Exhibit H is Yingst Exhibit 14, used in the deposition of Eva Yingst.

11. Attached hereto as Exhibit I is Yingst Exhibit 15, used in the deposition of Eva Yingst.

12. Attached hereto as Exhibit J is Yingst Exhibit 16, used in the deposition of Eva Yingst.

13. Attached hereto as Exhibit K is Yingst Exhibit 27, used in the deposition of Eva Yingst.

14. Attached hereto as Exhibit L is Yingst Exhibit 28, used in the deposition of Eva Yingst.

15. Attached hereto as Exhibit M is Yingst Exhibit 29, used in the deposition of Eva Yingst.

16. Attached hereto as Exhibit N is Yingst Exhibit 35, used in the deposition of Eva Yingst.

17. Attached hereto as Exhibit O are excerpts from the sworn deposition testimony of Kate Petrick, which took place on June 5, 2018.

18. Attached hereto as Exhibit P is Petrick Exhibit 41, used in the deposition of Kate Petrick [filed under seal].

19. Attached hereto as Exhibit Q is Petrick Exhibit 42, used in the deposition of Kate Petrick [filed under seal].

20. Attached hereto as Exhibit R is Petrick Exhibit 55, used in the deposition of Kate Petrick.

21. Attached hereto as Exhibit S is the expert report of Clayton P. Gillette, submitted in this matter.

22. Attached hereto as Exhibit T is the expert rebuttal report of Clayton P. Gillette, submitted in this matter.

23. Attached hereto as Exhibit U are excerpts from the sworn deposition testimony of Clayton P. Gillette, which took place on November 28, 2018.

24. Attached hereto as Exhibit V is Gillette Exhibit 136, used in the deposition of Clayton P. Gillette.

25. Attached hereto as Exhibit W is Gillette Exhibit 137, used in the deposition of Clayton P. Gillette.

26. Attached hereto as Exhibit X is Gillette Exhibit 138, used in the deposition of Clayton P. Gillette.

27. Attached hereto as Exhibit Y is Gillette Exhibit 139, used in the deposition of Clayton P. Gillette.

28. Attached hereto as Exhibit Z is the expert report of Ronald J. Mann, submitted in this matter.

29. Attached hereto as Exhibit AA are excerpts from the sworn deposition testimony of Ronald J. Mann, which took place on November 9, 2018.

30. Attached hereto as Exhibit BB is the expert report of Barkley Clark, submitted in this matter.

31. Attached hereto as Exhibit CC are excerpts from the sworn deposition testimony of Barkley Clark, which took place on October 16, 2018.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: February 1, 2019

/s/ John David Taliaferro
John David Taliaferro

Exhibit A

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SUPREME COURT OF THE UNITED STATES

- - -

DELAWARE, : NOS. 220145 &
: 220146
Plaintiff, : (Consolidated)
:
vs. :
:
ARKANSAS, et al., :
:
Defendants. :

- - -

Philadelphia, Pennsylvania
May 23, 2018

CONFIDENTIAL

Videotaped deposition of EVA
YINGST, taken pursuant to notice at the
law offices of Kleinbard, LLC, One
Liberty Place, 46th Floor, 1650 Market
Street, Philadelphia, Pennsylvania, on
the above date, beginning at 10:11 a.m.,
before Jared E. Bittner, RPR-CSR, Notary
Public.

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GOLKOW LITIGATION SERVICES
(877) 370-3377 / fax (917) 591-5672
deps@golkow.com

1 Q. Okay. And what case was
2 that?

3 A. It was a case that was going
4 to mediation related to the termination
5 of an official check client.

6 Q. Okay. And generally can you
7 describe for us what MoneyGram is?

8 A. As -- can you clarify that
9 question, please?

10 Q. What its -- what's its
11 business role? What's its function?

12 A. MoneyGram is a payment
13 providing company, a payment services
14 company. We have several different lines
15 of business including money orders,
16 official checks and also money transfer.

17 Q. Is it a bank?

18 A. It is not.

19 Q. Do you consider it a
20 financial institution?

21 MR. RATO: Object to the
22 form to the extent it calls for a
23 legal conclusion, but certainly
24 you can answer.

1 THE WITNESS: Not to the
2 best of my understanding.

3 BY MS. AHUMADA:

4 Q. Okay. What is your
5 understanding of what a financial
6 institution is?

7 MR. TALIAFERRO: Join the
8 objection.

9 BY MS. AHUMADA:

10 Q. You can answer.

11 A. An institution that is
12 chartered with a banking agency and
13 particular states or the government.
14 That's the best of my understanding.

15 Q. Okay. Are you familiar with
16 an entity titled Travelers Express
17 Company?

18 A. Yes.

19 Q. What is that?

20 A. Travelers Express was a
21 predecessor company of MoneyGram.

22 Q. Do you know what services it
23 offered?

24 A. Travelers Express offered

1 money order, official check and I think
2 through the acquisition of MoneyGram
3 offered money transfer as well.

4 Q. Okay. And when you say the
5 acquisition of MoneyGram, what do you
6 mean?

7 A. Travelers Express acquired a
8 money transfer company through
9 divestiture I believe, and that became
10 part of Travelers Express.

11 Q. Okay. And was the name then
12 changed to MoneyGram Payment Systems,
13 Inc. --

14 A. Yes.

15 Q. -- following that merger?
16 Okay. How large of a company is
17 MoneyGram? How many employees does it
18 have?

19 A. I'm not -- I don't know the
20 answer to that question.

21 Q. Okay. In terms of its
22 market share on money transfer which is
23 what you described as its function, how
24 large of a market share does it have?

1 A. I'm also not -- I don't know
2 the answer to that question.

3 Q. Okay. If I said it was the
4 second largest money transfer company, do
5 you know that to be true or not?

6 A. I believe that's probably
7 true.

8 Q. Okay. Who are MoneyGram's
9 customers?

10 A. So MoneyGram's customers are
11 both institutions such as banks and
12 credit unions. We also have consumers
13 who do business with us from the money
14 transfer perspective, so I think it
15 depends on the product.

16 Q. Okay. So for the
17 institutions and you said banks and
18 credit unions, what services does
19 MoneyGram offer those customers?

20 A. Official check processing as
21 well as money orders. We also offer
22 money transfer to those institutions.

23 Q. And what does money transfer
24 mean to you?

1 A. Person to person money
2 transfer globally, so a consumer walks in
3 with cash and sends it somewhere else in
4 the world or in the country.

5 Q. Okay. And what services
6 does MoneyGram provide to your -- to the
7 consumers?

8 A. Directly to the consumer?

9 Q. Right. So you named two
10 categories, banks and credit -- bank and
11 credit union and then you said consumers.

12 A. Our money transfer and money
13 order product are a consumer basing
14 product sold through our agent base.

15 Q. Okay. And we'll cover what
16 the agents are in a moment, so put a pin
17 on that one. I'm going to --

18 MR. RATO: Just before you
19 go to a document, I just want to
20 go back to when you asked the
21 question at the outset. I
22 registered the objection to the
23 financial institution question. I
24 also object to the form on the

1 particular kind of instrument that are
2 sold by our agents including some
3 financial institutions to a consumer for
4 use in making payments, and it's like a
5 draft or a check basically.

6 Q. And the next bullet is an
7 official check processing service. What
8 does that mean, official check processing
9 services?

10 A. One of our services is that
11 a financial institution, meaning a bank
12 or a credit union, can elect to use
13 MoneyGram to provide a realm of services
14 around their official check program
15 including providing inventory,
16 reconciliation, back office processing,
17 exception research handling, et cetera,
18 so it's an outsourcing of parts of their
19 official check program.

20 Q. When we went over the money
21 order, you had stated that you,
22 MoneyGram, has agents. Do those same
23 agents also offer official check
24 processing services?

1 A. Only financial institutions
2 can do official check -- can offer
3 official check processing services.

4 Q. Okay. So who are the agents
5 that are not financial institutions?

6 A. Retail agents, convenience
7 stores, Walmart, CVS, mom and pop stores,
8 a whole realm of nonfinancial institution
9 businesses that offer the sale of money
10 transfer and/or money order.

11 Q. If you could go to the next
12 page which is MG 392. On the top line
13 there it's -- the heading is outsourcing
14 payment services. And if you could
15 describe for us what is meant by,
16 "Financial institutions continue to seek
17 revenue generation and cost saving
18 opportunities through outsourcing."

19 A. That -- the primary premise
20 of why an institution would outsource to
21 MoneyGram is that they -- some of the
22 work that we do they no longer have to
23 do, so they gain efficiency. They can
24 use their resources more efficiently and

1 they also can both save money and perhaps
2 generate some additional revenue through
3 the way that our pricing structure is
4 with that program.

5 Q. Okay. And how long have you
6 offered that product?

7 MR. TALIAFERRO: Object to
8 the form.

9 MR. RATO: Object to the
10 form.

11 THE WITNESS: Do -- are you
12 referencing official checks?

13 BY MS. AHUMADA:

14 Q. Yes, the outsourcing
15 services.

16 A. Okay. Since around 1979.

17 Q. And since that time has
18 MoneyGram offered the same products as
19 part of its outsourcing?

20 MR. TALIAFERRO: Object to
21 the form of the question.

22 MS. AHUMADA: Do you
23 understand my question?

24 THE WITNESS: Could you

1 labeled that. Okay. Again, the top of
2 the page is a title, a header, that says
3 "Outsourcing Official Checks Value
4 Proposition." Do you see that?

5 A. Yes.

6 Q. Okay. On the second, there
7 is a chart here. On the second line item
8 it says "Systems Utilized and Processing
9 Services." Do you see that?

10 A. Yes.

11 Q. And it says, and if you go
12 across, it says, "All performed by MGI
13 and clearing banks integrated systems and
14 process." What does that mean?

15 A. It essentially means that
16 the -- once the check is issued by the
17 financial institution, we do -- we
18 maintain all of the back office systems
19 related to everything, related to
20 reconciliation, related to imaging and
21 retention of copies, related to the
22 clearing process with the clearing banks,
23 related to records retention and sources.
24 So we -- basically what that is

1 referencing is that we maintain all of
2 those systems. The institution does not
3 need to do that.

4 Q. And again this is for,
5 excuse me, your official check service;
6 is that right?

7 A. Yes.

8 Q. Okay. And so what is a
9 clearing bank?

10 A. A clearing bank is a bank
11 that MoneyGram has a relationship with
12 for the purpose of receiving those
13 clearing -- those checks as they clear.
14 So we have a relationship with the bank
15 and we receive those check clearing files
16 on a daily basis, and those are the items
17 that have been issued by our official
18 check clients, customers.

19 Q. Are who are MoneyGram's
20 clearing banks?

21 A. We have several different
22 relationships. We have a relationship
23 with, as of right now, Mellon Bank. We
24 have a relationship with Bank of

1 that okay if I use that terminology? Do
2 you understand what I mean?

3 A. Yes.

4 Q. Okay.

5 A. Yes.

6 Q. So they are the ones that
7 are having the direct relationship with
8 the clearing bank or is that MoneyGram
9 that has the relationship?

10 A. MoneyGram has the
11 relationship with the clearing bank.

12 Q. Okay. Are there any
13 communications between your financial
14 institution clients and the clearing
15 banks?

16 A. No.

17 MR. RATO: Objection to the
18 form.

19 MR. TALIAFERRO: Join.

20 THE WITNESS: No.

21 BY MS. AHUMADA:

22 Q. Okay. If you go to the
23 third item down it says "Multiple Payment
24 Types." First, what does a payment type

1 to switch and start reviewing some of
2 those. Just generally if you could
3 describe a money order, and I think you
4 may have done that, but just to retable
5 set for me I'd appreciate it.

6 A. A money order is a specific
7 document that has language on the back of
8 it. It's got purchaser payee document --
9 purchaser payee language on the back,
10 some service charge language. It is a --
11 issued by an agent of MoneyGram, so it
12 says agent for MoneyGram on the face of
13 it. It is payable through one of our
14 clearing banks. It is a document or an
15 item that a consumer purchases at one of
16 our agent locations and uses for specific
17 payment purposes, whatever their need is.

18 Q. Okay. So again it's a paper
19 instrument, right?

20 A. It is a paper instrument.

21 Q. Are there any nonelectronic
22 money orders?

23 A. No.

24 Q. Okay. You said that there

1 orders as a remittance instrument?

2 A. I'm not sure what that term
3 "remittance instrument" means.

4 Q. Okay. That's fine. Did
5 MoneyGram create this product?

6 A. I don't know.

7 Q. I think you covered this,
8 but just generally where would someone go
9 to purchase a money order?

10 A. They would typically go to a
11 MoneyGram agent location which could be a
12 retail store, it could be a convenience
13 store, it could be a financial
14 institution, any of our agents that sell
15 money orders.

16 Q. Okay. And how would
17 someone, a consumer, know that they could
18 purchase a MoneyGram money order through
19 your agents?

20 A. There are a number of ways.
21 There is often signage. There is often
22 signage at the agent locations that says
23 "MoneyGram" on it. There is also a
24 locater online that enables them to find

1 a location.

2 Q. Do you market these money
3 order products to any specific type of
4 consumer?

5 A. No.

6 Q. In terms of your agents, do
7 you do any specific marketing to cull
8 agents?

9 A. To?

10 Q. To choose your agents. And
11 I assume that's a customer relationship
12 for you as well and you used the term
13 "agent," right? Do you also consider
14 your agents a customer of MoneyGram?

15 A. There is a contractual
16 agent customer relationship, yes.

17 Q. And do you do any marketing
18 to specifically target new agents?

19 A. Our marketing is primarily
20 consumer facing for the money transfer
21 business.

22 Q. And when you say "consumer
23 facing," what do you mean?

24 A. Meaning that the marketing

1 that MoneyGram performs is related to the
2 messaging as directed to consumers who
3 might use our services, not necessarily
4 to prospective agents.

5 Q. What are the marketing
6 strategies you use to, excuse me, to
7 encourage individuals to use money
8 orders?

9 A. There is not a lot of direct
10 money order related marketing. There is
11 sometimes messaging on money transfer
12 related marketing that would have a money
13 order bullet on it, but there is not a
14 lot of money order marketing that I can
15 point to directly. It's not our primary
16 product. Money transfer is MoneyGram's
17 primary product, so it isn't -- there
18 isn't a marketing strategy around
19 promoting money orders specifically.

20 Q. Okay. In terms of using a
21 money order, what benefits does MoneyGram
22 tout for the use of a money order?

23 MR. RATO: Object to the
24 form.

1 MR. TALIAFERRO: Object to
2 the form of the question.

3 THE WITNESS: There are --
4 benefits are it's an easy vehicle
5 to obtain. They don't have to
6 have a bank account. They are
7 accepted pretty much universally.
8 There is a receipt provided so you
9 have some evidence of your
10 purchase. Those are some of the
11 key benefits to the consumer.

12 BY MS. AHUMADA:

13 Q. I'm sorry. Did you say it
14 was safe, it is a safe product?

15 A. I think at times the word
16 "safe" has been used in our money order.
17 It is a safe payment mechanism. I didn't
18 just say that.

19 Q. Okay.

20 A. But at times --

21 Q. I'm sorry. I --

22 A. At times that word has been
23 used.

24 Q. Okay. And you said it's a

1 product to use in lieu of a personal
2 checking account; is that right?

3 A. Yes.

4 Q. Okay. And why in
5 MoneyGram's estimation would a consumer
6 use a money order as opposed to a
7 personal checking account?

8 A. There is a segment of the
9 population that doesn't use or want to
10 use, some maybe cannot, some they don't
11 want to, but they don't have or don't
12 want to use a personal checking account
13 to make payments, so they have a
14 regular -- many have a regular habit of
15 using money orders to pay their bills
16 instead of checks.

17 Q. Okay. How would a customer
18 purchase a money order? Just go through
19 that process.

20 A. They would walk into an
21 agent location that sells money orders.
22 They would pay for that instrument with
23 cash. The agent would basically print
24 the money order, collect the cash plus

1 legal conclusion. You can answer.

2 THE WITNESS: There -- there
3 has been the term "as good as
4 cash" used. There is a perception
5 in the market that because you
6 paid for that instrument with cash
7 that it is similar to cash.

8 BY MS. AHUMADA:

9 Q. Okay. So going back to the
10 example of that \$10.00 money order, is
11 that \$10.00 then guaranteed in any way by
12 MoneyGram?

13 A. No.

14 Q. So that customer, again they
15 go to pay a bill as you said as a use.
16 What assurances are there that there is
17 \$10.00 to back it up?

18 MR. TALIAFERRO: Object to
19 the form of the question.

20 THE WITNESS: We know that
21 the agent has collected the money
22 and the agent has -- they owe us
23 that money. So we contractually
24 know that we have the money to

1 back up that payment as MoneyGram.
2 We would definitely upon clearing
3 of that item, we would pay that
4 item, and the payment would be a,
5 you know, an accepted good funds
6 payment, not good funds, but an
7 accepted payment on our side.

8 When I say there is no
9 guarantee, there are things that
10 can happen within the check
11 clearing system that might cause
12 that money order to be returned by
13 MoneyGram at the time that it
14 comes in for payment.

15 BY MS. AHUMADA:

16 Q. And what are some examples
17 of causing a return of a money order?

18 A. There are situations where
19 we're presented the same money order
20 multiple times, so they're fraud,
21 counterfeit. There could be alterations
22 to that money order, so if somebody
23 altered the amount we might return that
24 item. If for some reason we knew that

1 that money order was stolen and we had a
2 flag on it, we might return that item.
3 If the item -- I already said duplicate
4 payment. That's another. So if somebody
5 deposited a mobile deposit on that item
6 and then walked in to somewhere else and
7 deposited that, that would be a duplicate
8 and we would return one of those.

9 Q. And if you could just
10 describe that process, again going back
11 to the scenario of the \$10.00 money
12 order. So the customer pays the \$10.00
13 to your agent; is that right?

14 A. Yes.

15 Q. What does the agent in turn
16 do, if anything, with that \$10.00?

17 A. The agent deposits those
18 funds into their bank account and
19 MoneyGram withdraws that money via ACH
20 from their bank account as the remittance
21 for those payments that they've sold.

22 Q. And what is ACH?

23 A. I don't know exactly what
24 that term refers to. Automated clearing

1 orders are primarily sold using MoneyGram
2 equipment. So the physical printer that
3 prints the money order is something we
4 have provided to that agent location and
5 there is a point of sale that they are
6 using to process that transaction. And
7 those -- that -- that hardware process is
8 then sending MoneyGram information about
9 what happened with every one of those
10 items.

11 Q. Does the instrument have,
12 for example, like a routing number?

13 A. There is a serial number and
14 a routing number that is part of that
15 instrument and then we are also receiving
16 the amount of that instrument.

17 Q. Does MoneyGram track any
18 personal identifying information on the
19 customer that purchased that instrument?

20 A. We do not require any
21 information nor do we receive any
22 information. In a case where a
23 consumer -- where an agent is aware that
24 a consumer purchases more than \$3,000 in

1 money orders in one day, then there is an
2 information gathering requirement in the
3 form of a log, and the agent is required
4 to retain that information.

5 Q. And do you know how long the
6 agent is required to retain that
7 information?

8 A. I believe it's a five-year
9 retention period.

10 Q. Are -- does MoneyGram
11 require its agents to get, for example,
12 identification from the purchaser?

13 A. Only in situations where
14 they're purchasing more than \$3,000 in
15 one day.

16 Q. Actually that's a question I
17 had. Is there a limit on an individual
18 money order transaction amount?

19 A. There are several kinds of
20 limits, so there is a document limit.
21 Some of our agents are set at --
22 typically that's no more than \$1,000, and
23 there could be agents set at 500, 900,
24 1,000. Typically the document itself,

1 the individual money order, is not issued
2 for more than \$1,000. There is not a
3 limit to somebody coming in and buying
4 \$4,000 worth of money orders. They would
5 just receive multiple money orders
6 totaling that amount. And then there are
7 some agent limits that are set on our --
8 our systems to prevent an agent from
9 selling more than we want them to sell --

10 Q. Okay.

11 A. -- in a day.

12 Q. Can a customer cancel a
13 money order?

14 A. No.

15 Q. Can they return a money
16 order?

17 A. The customer can request a
18 refund for a money order that they
19 purchased by basically filling out some
20 information and a form and going through
21 a process where we're confirming that
22 that money order has not already been
23 cashed or paid. So there is a process
24 for them to receive their funds back.

1 Q. And in the top left right
2 next to that it says "Pay to the order
3 of." What's expected to be placed there?

4 A. That is where the purchaser
5 would write the payee of the money order.

6 Q. Okay. So that could be a
7 person, for example?

8 A. It could be.

9 Q. It could be a utility, for
10 example?

11 A. Yes.

12 Q. Is that right? Okay. So
13 that's the payee we talked about; is that
14 right?

15 A. Yes.

16 Q. If had you look underneath
17 that, it says purchaser, signer for
18 drawer, and then it looks like it's in
19 Spanish. Who is the purchaser?

20 A. That is the consumer who
21 purchased the money order.

22 Q. Okay. And then it says here
23 "Signer for drawer." Who is the drawer?

24 A. The drawer of the money

1 order is MoneyGram.

2 Q. Okay. What does it mean
3 it's signer for drawer?

4 MR. RATO: Object to the
5 form to the extent it calls for a
6 legal conclusion. You can answer.

7 THE WITNESS: I don't know
8 exactly what that term is
9 referencing. I know that is the
10 place where the purchaser is to
11 sign the money order.

12 BY MS. AHUMADA:

13 Q. Okay. So here it says, you
14 know, purchaser and then, "Signer for
15 drawer." Does that mean the purchaser is
16 taking on some sort of agency role with
17 the drawer which you said is MoneyGram?

18 MR. RATO: Object to the
19 form to the extent it calls for a
20 legal conclusion. You can answer.

21 MR. TALIAFERRO: Join.

22 THE WITNESS: To the best of
23 my knowledge, no agency
24 relationship. They are not taking

1 me that this is a document that's titled
2 "Money Order"?

3 A. Yes.

4 Q. And that the image that we
5 have here is different than the image we
6 previously reviewed; is that right?

7 A. Yes.

8 Q. Okay. Are you familiar with
9 this instrument that's being depicted
10 here?

11 A. Yes.

12 Q. Okay. What is it?

13 A. This is also a money order.
14 It is a money order that -- it is a
15 different type of inventory than the one
16 that we previously reviewed. This is a
17 money order that wouldn't only be printed
18 by one of our financial institution money
19 order agents, not by a retailer or
20 nonfinancial institution, but it is a
21 money order just like the other
22 instrument in a different form.

23 Q. Okay. And why would your
24 I'll call them financial institution

1 clients use this instrument or this
2 inventory using your term than the
3 different one that's being used by your
4 agents?

5 A. They may have a desire to
6 print these money orders from their
7 teller system on their own printers
8 instead of using MoneyGram printing
9 equipment. So we provide them with
10 additional options from an inventory
11 perspective to meet their printing
12 requirements or their printing needs.

13 Q. Okay. And like we did with
14 the others, let's just go through it. On
15 the top right-hand side it says "Money
16 order" and then underneath that there is
17 a number. Is that the serial number?

18 A. Yes.

19 Q. And then below it says "Void
20 over 1,000," and that's because of the
21 maximum limit we just talked about?

22 A. Yes.

23 Q. Okay. Can your financial
24 institutions choose to have a limit

1 higher dollar amounts. It's just a
2 platform specific requirement. It's not
3 based on any particular difference
4 between the two products. It's just how
5 we manage the products.

6 Q. Okay. So here you said this
7 is a retail money order program, what we
8 have in front of you, but you also stated
9 that this is a sample of something we use
10 by a financial institution, and I'm not
11 sure I understand what that means.

12 A. When I reference the retail
13 money order program, I am referencing
14 the -- MoneyGram's money order product
15 program systems processes which could
16 include retailers or financial
17 institutions that are issuing those money
18 orders through that system, that are
19 being managed through that system. An
20 agent check money order is the same
21 product, but it's on our official check
22 platform.

23 Q. Okay.

24 A. All right.

1 are doing with us.

2 Q. Okay. So as of 2008. This
3 is what you've tallied as the number of
4 official checks that this institution has
5 issued; is that right?

6 A. On average per month, yes.

7 Q. Okay. And then at the
8 bottom there it says "7.1 million in
9 balances." Whose balances is that?

10 A. Those -- so when an
11 institution issues a check and that
12 check -- the time between when that check
13 is issued and when it comes in to clear
14 to the clearing bank, we have those funds
15 during that time and we -- we track on an
16 institution level what their outstanding
17 items are, so those balances represent
18 the outstanding checks at any given time
19 for their official check program.

20 Q. Balances that are held by
21 MoneyGram?

22 A. Yes.

23 Q. Okay. For this specific
24 institution?

1 A. They are paid for -- can you
2 clarify that question, please?

3 Q. So if I went in and bought,
4 for example, we looked at the form, you
5 said agent and we've done these agent
6 check money orders is under your official
7 check platform; is that correct?

8 A. Yes.

9 Q. So let's look at that
10 document. If I went to go get one of
11 those instruments from my bank, I'm
12 expected to, and let's say I want it for
13 \$1,500, I'm expected to have those monies
14 come from my checking account I think you
15 said or my account with the bank; is that
16 right?

17 A. Yes.

18 Q. Or I can pay in cash I
19 presume?

20 A. Yes. They are paid for
21 prior to them being issued, yes.

22 Q. Okay. And those funds
23 there, are they also being transmitted to
24 MoneyGram from the financial institution?

1 A. Yes.

2 Q. Okay. And how long does
3 MoneyGram hold on to that money?

4 A. Until the item either comes
5 in to clear or until that item is --
6 becomes unclaimed property.

7 Q. And for the same question
8 that I asked earlier but for this
9 product, where is MoneyGram holding that
10 money?

11 A. The -- all of those
12 outstanding funds are aggregated in that
13 same investment portfolio and it could be
14 in any part of that portfolio.

15 Q. Do you commingle for lack of
16 a better word the money that you're
17 holding for MoneyGram retail purchase
18 versus an agent check money order, for
19 example? Is it all kept within your
20 investment portfolio that you just
21 described?

22 MR. RATO: Object to the
23 form; outside the topics in the
24 notice. The witness can certainly

1 We hold that money until that item comes
2 in to be paid through our clearing bank.
3 If that -- somebody has that physical
4 item and they go and deposit or cash that
5 item, it then comes to us through that
6 clearing process and we pay for it. We
7 pay the clearing bank for it.

8 Q. Right. The clearing -- like
9 you had just described with the retail
10 money order side, that clearing bank's
11 process is to simply allow you to use the
12 routing number and their mechanism to be
13 able to -- for me, the person that
14 purchased that agent check money order,
15 to cash it; is that right?

16 A. Yes. You wouldn't be
17 cashing it at the clearing bank. You
18 would be cashing it at your bank or a
19 check casher or some other institution.

20 Q. So who does my bank turn to
21 when I put the deposit in to get the
22 funds?

23 A. That's through the Federal
24 Reserve, the clearing process that exists

1 Q. Right. So they would have
2 information on their customer and I think
3 you also said they have information, they
4 meaning the financial institution, on the
5 payee, so who the money is going to go
6 towards; is that right?

7 MR. RATO: Object to the
8 form. You can answer.

9 THE WITNESS: Generally,
10 yes.

11 BY MS. AHUMADA:

12 Q. And does MoneyGram receive
13 that money from the financial
14 institutions?

15 A. No, we do not.

16 Q. Why not?

17 A. I don't know the reason that
18 we don't. We never have. We do not ask
19 for that information or retain that
20 information.

21 Q. Could you get that
22 information if you sought it?

23 MR. RATO: Object to the
24 form.

1 MR. TALIAFERRO: Object to
2 form of the question; outside the
3 scope of the topics.

4 BY MS. AHUMADA:

5 Q. You can answer.

6 A. Not necessarily.

7 Q. And why not?

8 A. I suppose we could if we
9 rearchitected the whole product and
10 process to obtain that information.
11 Today there is not a mechanism for us to
12 receive nor retain that information.

13 Q. Okay. But you could create
14 that infrastructure, right?

15 MR. RATO: Object to the
16 form.

17 MR. TALIAFERRO: Join.

18 THE WITNESS: I suppose.

19 BY MS. AHUMADA:

20 Q. Okay. So let's look at the
21 document that I have marked as Yingst-5
22 again. If you go to the page that's MG
23 198. And the second to the bottom from
24 the bottom bullet point, it says

1 Q. Does MoneyGram continue,
2 does it now currently market its official
3 check platform to financial institutions?

4 A. Yes.

5 Q. So is MoneyGram, is its goal
6 to increase the financial institutions
7 that are using this product?

8 A. Yes.

9 Q. And how do you market that?

10 A. We, a lot of our marketing
11 is really hands -- it's more being
12 involved in the industry. It's not
13 marketing per se. So the team goes to
14 banking conferences and we get involved
15 in state banking organizations and we
16 have done a little bit of, you know,
17 marketing in the form of, for instance,
18 magazines, the credit union magazine ad,
19 but most, a lot of the marketing is more
20 just being involved in the industry and
21 creating awareness.

22 Q. Okay. Besides the credit
23 union, the other financial institutions
24 that you market to, do they fit a certain

1 MR. RATO: Object to the
2 form to the extent it calls for a
3 legal conclusion. You can answer.

4 THE WITNESS: A teller's
5 check is a type of official check
6 that is issued by the financial
7 institution. MoneyGram is the
8 issuer of the item. They are the
9 drawer of the item and it's
10 basically a payment order that
11 they have made either on their
12 behalf or on behalf of their
13 customer.

14 BY MS. AHUMADA:

15 Q. Go on the top there. It
16 says Elizabethton Federal Savings Bank.
17 Is that your customer?

18 A. Yes.

19 Q. Okay.

20 A. I don't know if they're
21 still our customer, but yes.

22 Q. At the time that this was
23 issued.

24 A. Okay.

1 Q. What does it mean that this
2 Elizabethton is the drawer?

3 A. That is their defined role
4 on the teller's check. They are the --
5 contracturally on the teller's check they
6 are the drawer of the item meaning they
7 are ordering payment. I believe that
8 from a nonlegal perspective, that's what
9 I understand that to mean.

10 Q. All right. If you look here
11 the value on here is \$5,000.

12 A. Yes.

13 Q. Do you see that? For these
14 teller's checks, are there monetary
15 limits on the amount?

16 A. No.

17 Q. And where does the \$5,000
18 come from? Not a very good question, but
19 this is a negotiable instrument, correct?

20 A. Yes.

21 Q. And it's for \$5,000, right?

22 A. Yes.

23 Q. So has someone paid \$5,000
24 for this negotiable instrument or, for

1 example, I'm going to give you, or is
2 this a checking account that's going to
3 come out of my personal checking account
4 at some point?

5 MR. RATO: Object to form.
6 You can answer it.

7 THE WITNESS: Official
8 checks, teller's checks could be
9 funded in a number of ways. I
10 think that's the question that
11 you're asking. The customer could
12 have needed this check to pay for
13 something, to buy a -- put a
14 deposit on a car or, you know,
15 money towards purchasing a home or
16 anything. So if the customer has
17 come in to the institution and
18 needed an official check or a
19 teller's check, a good funds
20 check, they would take that money
21 out of the customer's account and
22 put it into the bank's account and
23 then ultimately send it to
24 MoneyGram.

1 right? And then the agent transmits that
2 money to MoneyGram, right?

3 A. Yes.

4 Q. Okay. Does MoneyGram
5 guarantee the \$5,000, this instrument,
6 the \$5,000 that will be paid?

7 MR. RATO: Object to the
8 form.

9 THE WITNESS: A teller's
10 check is considered a good funds
11 check. We don't provide a
12 guarantee, although it's accepted
13 as a good funds check. The
14 institution is -- that's
15 generating it is paying us for it,
16 so of course we have the money,
17 but I -- the term guarantee
18 doesn't really come into play
19 anywhere.

20 BY MS. AHUMADA:

21 Q. Okay. All right. Now, you
22 used the term "good funds" representing
23 the \$5,000 from the teller's check and I
24 believe you used that same term when you

1 refer to a money order and the
2 denomination of that money order that
3 they are both good funds? What does that
4 mean?

5 MR. TALIAFERRO: Object.

6 Objection; mischaracterizes part
7 of her testimony.

8 BY MS. AHUMADA:

9 Q. You can answer.

10 A. A money order is not a good
11 funds item. I believe that's what we
12 said at that time. The -- when I use the
13 term "good funds" I am referring to under
14 uniform commercial code certain items are
15 considered next day availability items,
16 and so a teller's check is that type of
17 an item. A money order is not.

18 Q. Okay. And I apologize for
19 getting that wrong. Is the money, agent
20 check money order, is that what you
21 referred to as good funds? I know you
22 had used that phrase. I'm just trying
23 to --

24 MR. RATO: Object to form.

1 MR. TALIAFERRO: Object to
2 the form of the question.

3 THE WITNESS: That is not.
4 A money order of any kind is not a
5 good funds item. It's not a next
6 day availability item.

7 BY MS. AHUMADA:

8 Q. Okay. Now, why if I have a
9 checking account with my bank, let's say
10 this bank here, why would I get a
11 teller's check and not just simply write
12 a personal check?

13 MR. RATO: Object to form.
14 You can answer.

15 THE WITNESS: There are
16 scenarios where the payee or
17 whatever you're using that check
18 for doesn't want a personal check
19 because it may not be represented
20 by good funds. I can write bad
21 checks all day long, but if it is
22 a bank check then it is typically
23 accepted as a funded check. So
24 there are certain types of things

1 form.

2 MR. TALIAFERRO: Object to
3 the form.

4 MS. AHUMADA: It's a very
5 clumsy question and I take it out.
6 Strike that.

7 BY MS. AHUMADA:

8 Q. Is there similarities then
9 for this, you know, what you're calling
10 good funds under the regulations for a
11 teller's check and the purpose of a
12 consumer wanting that instrument, do you
13 see comparisons with why someone would
14 want to buy a money order?

15 MR. TALIAFERRO: Object to
16 the form of the question.

17 BY MS. AHUMADA:

18 Q. You can answer.

19 A. I think the decision to
20 purchase a money order by a consumer is
21 more based upon their banking habits or
22 lack of banking habits. They either
23 don't use banks or they don't want to use
24 banks. They're more comfortable with a

1 different -- they have different flow of
2 funds in their world and they make a
3 decision to use a money order based on
4 not necessarily having a bank account or
5 not wanting to have a bank account.

6 I think the use of a teller
7 check by a consumer is more a matter of,
8 A, dollar value in many cases, and B,
9 this is a bank consumer who has a need to
10 have a bank check for some purpose rather
11 than a money order which would not be a
12 next day good funds type of item.

13 Q. Does MoneyGram market its
14 money orders as a -- as an instrument
15 that will be accepted anywhere it's
16 presented?

17 A. Not necessarily because
18 that's not always the case.

19 Q. When is it not the case?

20 A. There are check cashers who,
21 for instance, may not cash MoneyGram
22 money orders or may not cash money orders
23 at all, so it's not a universally
24 acceptable item in my opinion.

1 Q. Are there banking
2 institutions or the same retail
3 institution that you just described,
4 these agents, that would refuse to also
5 honor a teller's check?

6 A. Not -- not to my knowledge
7 with the exception of the fact that a
8 check casher may not cash a \$5,000 check
9 because they don't have \$5,000 in their
10 cash drawer. They don't want to pay out
11 \$5,000, so they may have some desire not
12 to cash it based on the cash flow of that
13 transaction, but not necessarily based on
14 the fact that it's a bank check, a
15 teller's check.

16 Q. So in MoneyGram's position
17 their money orders don't have the same, I
18 can't even think of the right word, but
19 gravitas as a teller's check. Is that
20 sort of what you're saying?

21 A. I think an official bank
22 check has a different level of
23 acceptability than a money order does.

24 Q. Okay. And is that due to

1 check. The institution can call this
2 check any number of things. So the
3 expense check is what they are titling
4 this check, but it is an agent check as
5 described in our documentation.

6 Q. Okay. Let's just sort of
7 break that down a bit. Is agent check
8 the same thing that we had previously
9 been looking at, an agent check money
10 order?

11 A. They're -- to us they are
12 two distinctly different product
13 categories.

14 Q. And how are they different?

15 A. Well, so obviously one says
16 money order on it. One includes agent
17 check money order, includes all of the
18 relevant legal language on the receipt in
19 the back are related to purchaser's
20 agreement and the money orders, service
21 charges and things like that.

22 So one difference is that a
23 money order is included, includes -- an
24 agent check money order is inclusive of

1 all that language. I believe that the
2 drawer, the drawer and the issuer are the
3 same for those two instruments, but they
4 are not necessarily used the same way.

5 Q. Are there any other
6 differences?

7 A. There are some titling
8 restrictions. For instance, you can't
9 call an agent check money order a bank
10 check or an official check. You can't
11 call it an expense check. It has to be
12 called a money order. That's one of the
13 differences.

14 Q. An agent check money order
15 has to be called a money order?

16 A. Yes, yes.

17 Q. Previously when we talked
18 about the two different programs you had,
19 you called one as the money order program
20 and then you had one that was the
21 official check program, right? And under
22 that official check program I believe you
23 told me agent check money order falls
24 under that sphere.

1 MoneyGram is on those items. An agent
2 check would be used in a different, you
3 know, a different manner by the financial
4 institution. I think I answered your
5 question.

6 Q. Okay. So in terms of the
7 document that's in front of you that's
8 been marked Yingst Number 7, this even
9 though it says expense check, you,
10 MoneyGram, characterizes it as an agent
11 check?

12 A. Yes.

13 Q. Full stop, okay, agent
14 check. What are the differences between
15 an agent check and a teller's check?

16 A. So a teller check does not
17 say agent for MoneyGram on it or, because
18 a teller check is a MoneyGram instrument,
19 however the financial institution is the
20 drawer of that instrument, so they're the
21 one that's ordering payment on that
22 check, whereas an agent check is
23 completely a MoneyGram item and we are
24 the drawer and the issuer.

1 institution is paying some sort of
2 obligation and they would issue this
3 expense check to do so?

4 A. Based on the titling of it,
5 yes, that's what I would believe.

6 Q. Okay. So if a customer came
7 in to whatever agent is denoted here and
8 asks for an expense check, can they get
9 that?

10 A. No, no.

11 Q. What about an agent check,
12 can the customer go to its banking
13 institution with whom you have a contract
14 and ask for an agent check?

15 MR. TALIAFERRO: Object to
16 the form of the question.

17 THE WITNESS: They're not --
18 no, they're not coming in and
19 asking for an agent check. When a
20 customer comes in, they are asking
21 for a bank check. It's up to the
22 bank to determine what kind of
23 check, whether they're issuing a
24 cashier's check or whether they

1 hand them a teller's check and
2 whether they would -- typically
3 agent checks might be an item that
4 they're offering, but it's
5 definitely not a next day
6 availability item, so they aren't
7 often used to issue checks for
8 customers.

9 BY MS. AHUMADA:

10 Q. If this had been made out
11 for say \$10,000, does that financial
12 institution pay MoneyGram that \$10,000 to
13 get this written instrument?

14 MR. RATO: Object to the
15 form. You can answer.

16 THE WITNESS: They would --
17 yes, they would issue this check
18 today and they would include that
19 amount in the wire that they sent
20 us the next day.

21 BY MS. AHUMADA:

22 Q. Okay. And here on the
23 drawee, you said there is a bank that's
24 noted here. And is that the clearing

1 just agent check period, right?

2 A. Yes.

3 Q. Okay. So tell me the
4 differences between this personal money
5 order/agent check money order and the
6 money order that someone would purchase
7 through one of your retail agents?

8 A. The primary difference
9 between those is that an agent check,
10 it's -- it's not a legal distinction on
11 the item. So, one, this item would not
12 have -- I see not valid over 1,000 on
13 here, which is certainly a choice to put
14 that on there, but on the agent check
15 money order we don't have, necessarily
16 have that dollar amount restriction.

17 The other key difference is
18 that an agent check money order is
19 issued, physically issued through the
20 financial institution's platforms, their
21 hardware, their printers, their systems.
22 A retail money order or an international
23 money order if we use that term is always
24 issued through MoneyGram provided

1 hardware and point of sales.

2 So the -- one of the key
3 reasons why an institution would issue an
4 agent check money order versus an
5 international money order is because they
6 wish to do that. I think I said this
7 before. They wish to do that through
8 their own partner, their own process.

9 Q. This financial institution
10 in the case of what's in front of you,
11 they chose to call it a personal money
12 order and that's their choice?

13 A. It's their choice within
14 some parameters. There are some titles
15 that they can use and some titles that
16 they can't use and I believe there is a
17 matrix of those titles that's been
18 provided.

19 Q. Okay. And the denomination
20 amount being invalid for over \$1,000, who
21 decided that?

22 A. I'm not sure. They may have
23 requested that that be on there.
24 Sometimes they want that on there.

1 two sentences.

2 A. "For consumers who do not
3 have a checking account, check card or
4 credit card, money orders are an ideal
5 way for them to make consumer to consumer
6 and consumer to business payments. As a
7 long established paper payment instrument
8 they are widely accepted and generally
9 considered to be as good as cash.

10 Q. Okay. And do you agree with
11 that statement?

12 A. I agree that they are
13 generally considered to be as good as
14 cash and that this is an accurate
15 statement, yes.

16 Q. Okay.

17 MR. RATO: I'd also note for
18 the record that the phrase "as
19 good as cash" is in quotes in the
20 document.

21 THE WITNESS: Yes.

22 BY MS. AHUMADA:

23 Q. Ms. Yingst, do you know why
24 it's in quotes, "as good as cash"?

1 Q. There is a --

2 MR. RATO: It's not Page 1
3 of the document.

4 MR. TALIAFERRO: Sorry.

5 MR. RATO: It's got a Page
6 Number 2 at the bottom.

7 MR. TALIAFERRO: You're
8 correct.

9 THE WITNESS: Yes, I see.

10 BY MR. TALIAFERRO:

11 Q. Okay. Are you prepared to
12 testify on that deposition topic today?

13 A. Yes.

14 Q. You can put that to one
15 side.

16 Now, earlier today you
17 mentioned that there is a web resource
18 for someone who wants to buy a money
19 order to locate an agent. Do you recall
20 that testimony?

21 A. Yes.

22 Q. Okay. And so if a person
23 wants to buy a MoneyGram money order,
24 they can look on MoneyGram's web page and

1 find an agent nearby; is that correct?

2 A. Yes.

3 Q. Is there a similar resource
4 for a person who has a desire to buy a
5 MoneyGram official check?

6 A. No.

7 Q. If a person really wanted to
8 buy a MoneyGram official check, how would
9 they go about doing that?

10 A. They wouldn't typically want
11 to buy a MoneyGram official check. They
12 would want to get an official check from
13 their banking institution.

14 Q. So they would go to their
15 bank looking for some sort of official
16 check product; is that correct?

17 A. Yes.

18 Q. And if it turned out that
19 their bank used a MoneyGram product, they
20 would end up with a MoneyGram product; is
21 that correct?

22 A. Yes.

23 Q. Also you talked earlier
24 about the dollar limit of typically

1 talking about agent check money orders,
2 so I'm going to ask you to turn to Yingst
3 Exhibit 8. And this is an agent check
4 money order that we looked at earlier?

5 A. Yes.

6 Q. And I greatly apologize for
7 this, but are you able to read the terms
8 and conditions that are listed to the
9 right of that document?

10 A. Could you be more specific?

11 Q. Are you -- it's just -- it's
12 a procedural question. Are you capable
13 of reading that fine print on the copy
14 that's in front of you?

15 A. Yes.

16 Q. Okay. Now, when you were
17 talking with Mr. Disher, you noted that
18 an agent check money order has these
19 terms and conditions associated with
20 that; is that correct?

21 A. Yes.

22 Q. And do you understand
23 generally why -- let me rephrase the
24 question. Why does MoneyGram include

1 terms and conditions on its money orders?

2 A. I guess my understanding is
3 that as the issuer of this money order,
4 we want to include these specific things
5 related to the characteristics of the
6 money order including the fact that we
7 assessed a service charge and including
8 that the purchaser, you know, is, that
9 there is an agreement related to that and
10 anything else. I think these, in my
11 understanding, these items are on here
12 because we've determined that we want
13 these legal requirements to be part of
14 this document.

15 Q. And these legal requirements
16 that relate to an agent check money order
17 also relate to a retail money order,
18 correct?

19 A. Yes.

20 Q. And these terms and
21 conditions do not appear on a MoneyGram
22 official check cashier's check, do they?

23 A. No.

24 Q. And these terms and

1 conditions do not appear on a MoneyGram
2 official check teller's check, do they?

3 A. No.

4 Q. And these terms and
5 conditions do not appear on a MoneyGram
6 official check agent check, do they?

7 A. No.

8 MR. RATO: I'll just
9 instruct the witness to let
10 counsel, even if you know what the
11 question is going to be, let him
12 finish before you answer.

13 BY MR. TALIAFERRO:

14 Q. The first term and condition
15 listed on Yingst Exhibit 8 is titled
16 "Limited Recourse." Do you see that?

17 A. Yes.

18 Q. And it says, "This money
19 order will not be paid if it has been
20 forged, altered or stolen." And, I'm
21 sorry, I can't --

22 MR. RATO: "And recourse is
23 only against the endorser," I
24 believe.

1 Q. And we'll look at this in
2 just a minute, but the same thing is true
3 of a retail money order, correct?

4 A. Yes.

5 Q. Okay. And then the next
6 term and condition on the page is a
7 service charge term. Do you see that?

8 A. Yes.

9 Q. And that service charge, and
10 California has an exception, but the
11 service charge, I've seen different
12 numbers, but this one says 50 cents per
13 month. Do you see that?

14 A. Yes. I think so. There is
15 writing there.

16 Q. And does a retail money
17 order purchased at a neighborhood
18 convenience store have a service charge
19 term associated with it?

20 A. Yes.

21 Q. Does MoneyGram impose a
22 service charge on an official check
23 cashier's check?

24 A. No.

1 Q. Does MoneyGram impose a
2 service charge on an official check agent
3 check?

4 A. No.

5 Q. Does MoneyGram impose a
6 service charge on an official check
7 teller's check?

8 A. No.

9 Q. Do you understand from the
10 limited recourse language that someone to
11 whom this money order is presented has,
12 for lack of a better term, limited
13 options as to what their right to recover
14 the money would be?

15 MR. DISHER: Objection to
16 the form.

17 MR. RATO: Objection to the
18 extent it calls for a legal
19 conclusion. You can answer.

20 THE WITNESS: Yes.

21 MR. VOSS: Just to make a
22 note on the record, to the extent
23 of CR 11, Pennsylvania joins all
24 the objections of Texas.

1 money orders, and this was an equivalent
2 declaration regarding official checks.
3 Do you have that exhibit in front of you?

4 A. Yes.

5 Q. Now, is it generally the
6 case that MoneyGram official checks
7 display the logo of the selling financial
8 institution?

9 A. Yes.

10 Q. And is it generally the case
11 that MoneyGram money orders do not
12 display a logo of the selling
13 institution?

14 MR. RATO: Object to the
15 form. You can answer.

16 THE WITNESS: Retail money
17 orders do not and agent check
18 money orders typically do.

19 BY MR. TALIAFERRO:

20 Q. Now, in looking through the
21 four exhibits to the Whitlock
22 declaration, are there any terms and
23 conditions to which a customer becomes
24 subject when he or she purchases a

1 MoneyGram official check?

2 MR. DISHER: Objection to
3 form.

4 THE WITNESS: No.

5 MR. RATO: I'll join that
6 objection. You can answer.

7 THE WITNESS: No, not that
8 I'm aware of.

9 BY MR. TALIAFERRO:

10 Q. And just to clarify, because
11 there has been some, a lot of discussion
12 about that, a person who buys an agent
13 check money order would become subject to
14 terms and conditions, correct?

15 MR. DISHER: Objection to
16 form.

17 MR. RATO: Join. You can
18 answer.

19 THE WITNESS: Yes, yes.

20 BY MR. TALIAFERRO:

21 Q. If you could take a look,
22 keep Yingst Exhibit 26 in front of you
23 and then we'll put it side by side with
24 Yingst Exhibit 24 which is the Whitlock

1 purchased or any MoneyGram money order
2 agent."

3 Do you see that?

4 A. Yes.

5 (Yingst-27, MoneyGram Money
6 Order Claim Card, was marked for
7 identification.)

8 MR. RATO: Is this 26?

9 MR. TALIAFERRO: This is 27.
10 26 is the Whitlock declarations.

11 MR. RATO: Oh, okay.

12 BY MR. TALIAFERRO:

13 Q. Ms. Yingst, I've handed you
14 a document titled "Money Order Claim
15 Card" that I downloaded from the website
16 listed on the back of the official check.
17 Have you seen this document before?

18 A. Yes.

19 Q. Could you describe this
20 document to us?

21 A. This is a document that a
22 money order purchaser might use to obtain
23 either a replacement or a copy of a paid
24 money order. So if they need a refund

1 and/or they need a photocopy because the
2 item is paid, they would submit this form
3 to MoneyGram.

4 Q. Is there a fee associated
5 with submitting this form to MoneyGram?

6 A. Yes there is an \$18.00 fee.

7 Q. What does MoneyGram do when
8 they receive this form?

9 A. We would first -- the
10 process is such that they would look up
11 this money order in the system. If the
12 money order has not yet been paid, they
13 would process that refund to the
14 purchaser. If the item has been paid,
15 they would generate a copy of that paid
16 item and send it to the purchaser.

17 Q. In the lower right corner it
18 says, "Refund cannot be processed unless
19 signed by the purchaser."

20 Do you see that?

21 A. Yes.

22 Q. Is there any procedure for
23 someone other than the purchaser to file
24 a money order claim card?

1 A. Yes.

2 Q. Who can -- who else can file
3 a money order claim card?

4 A. There are other forms, I
5 believe, that a payee could file to
6 obtain -- there is a payee statement, so
7 there is a different claim process for
8 another party to that item to obtain the
9 money --

10 Q. Can a --

11 A. -- or a copy.

12 Q. I'm sorry.

13 A. Sorry.

14 Q. I violated one of the rules
15 that I discussed earlier. Are you
16 finished?

17 A. Yes.

18 Q. Can a money order agent
19 request a refund on a money order claim
20 card?

21 A. No.

22 Q. Is there another procedure
23 by which a money order agent can request
24 a refund of a money order?

1 is there a process by which a money order
2 agent can request a refund on a money
3 order?

4 A. We would strongly encourage
5 the agent to have the purchaser use the
6 claim card to minimize their risk. If
7 they decided to give the money to the
8 purchaser and request a refund from us, I
9 suppose they could do that, but that
10 would be a risky thing for them to do.

11 Q. Same series of questions
12 related to MoneyGram official checks.
13 Can a purchaser of a MoneyGram official
14 check engage or reach out to MoneyGram to
15 request a refund of that official check?

16 A. No.

17 Q. What would a purchaser of a
18 MoneyGram official check do if it wanted
19 a refund of an official check?

20 A. They would go back to the
21 bank that issued the check and discuss
22 that with them.

23 Q. And then would the bank be
24 responsible for interfacing with

1 MoneyGram regarding that refund?

2 A. Yes.

3 (Yingst-28, MoneyGram
4 International Inc 10-K Annual
5 Report Filed on 03/16/2011, was
6 marked for identification.)

7 BY MR. TALIAFERRO:

8 Q. Ms. Yingst, the court
9 reporter -- I'm sorry. I'm used to the
10 other way. I have handed you a document
11 labeled Yingst Exhibit 28. And it is the
12 2010 MoneyGram International, Inc. 10-K
13 Annual Report. Do you have that exhibit
14 in front of you?

15 A. Yes.

16 Q. Could you turn to Page 3 of
17 the annual report? This does not have
18 Bates numbers because it was downloaded
19 directly from MoneyGram's web page. The
20 page numbers are a little hard to read,
21 but I want to ask you about the second
22 paragraph on the top of Page 23 that
23 starts, "We also derive."

24 MR. RATO: 3 or 23? You

1 prominent reason why they use money
2 orders, why consumers use money orders.

3 Q. And the last sentence in
4 that paragraph says, "Official checks are
5 used by consumers where a payer requires
6 a check drawn on a bank and by financial
7 institutions to pay their own
8 obligations."

9 Do you see that?

10 A. Yes.

11 Q. Is that your understanding
12 of how official checks are used?

13 A. Yes.

14 Q. Now, if you could turn just
15 two more pages over to Page 5. And I
16 promise we won't get into the Venezuelan
17 derivative of hedging or anything like
18 that. We'll keep it simple.

19 Under the paragraph labeled
20 "Money Orders," there is a statement
21 there that says, "Money orders generally
22 remain outstanding for fewer than 10
23 days."

24 Do you see that sentence or

1 that clause?

2 A. Yes.

3 Q. Do you have any
4 understanding of whether that number is
5 still the case?

6 A. That's -- I would say that's
7 still an accurate statement, yes.

8 Q. Okay. And then we'll jump
9 around a little bit to try to keep things
10 parallel, but if you look in the
11 paragraph titled "Official Check
12 Outsourcing Services," the second line
13 has a sentence that says "Official checks
14 generally remain outstanding for fewer
15 than 3.8 days."

16 Do you see that?

17 A. Yes.

18 Q. And is that consistent with
19 your understanding of the length of time
20 official checks remain outstanding?

21 A. Yes.

22 Q. And then we talked about
23 this earlier, but I just wanted to
24 confirm. Actually, strike that question.

1 You can put that away.

2 (Yingst-29, United States
3 Securities and Exchange Commission
4 Form 10-K, was marked for
5 identification.)

6 BY MR. TALIAFERRO:

7 Q. Ms. Yingst, I've handed you
8 another 10-K, and I believe that this one
9 is from the --

10 MR. RATO: 2017.

11 BY MR. TALIAFERRO:

12 Q. Sorry. So this is the 2017
13 Annual Report that was just filed a month
14 or so ago. Could you turn to Page 6 of
15 this document?

16 A. (Witness complies.)

17 Q. And I want to ask you about
18 starting with the paragraph labeled
19 "Marketing." Do you see that paragraph
20 in the middle of Page 6?

21 A. Yes.

22 Q. And is this marketing
23 describing the marketing for the
24 financial paper product segment?

1 A. Yes, it's under the
2 financial paper product segment.

3 Q. And the first sentence of
4 marketing says, "We employ a wide range
5 of marketing methods using marketing mix
6 to support our brand which includes
7 traditional, digital and social media,
8 point of sale materials, signage at our
9 agent locations and targeted marketing
10 campaigns."

11 Do you see that sentence?

12 A. Yes.

13 Q. Are there any point of sale
14 materials used at MoneyGram official
15 check locations?

16 A. No.

17 Q. So that statement about
18 point of sale materials applies only to
19 MoneyGram money orders, correct?

20 A. Yes.

21 Q. And the last sentence of the
22 marketing paragraph says, "Official
23 checks are financial institution branded
24 and therefore all marketing of this

1 segment is business to business"; is that
2 correct?

3 A. Yes.

4 Q. And is that consistent with
5 your understanding of how marketing is
6 done for official checks?

7 A. Yes.

8 Q. Under the paragraph entitled
9 "Competition," let me ask. I'll just ask
10 you to read that question -- read that
11 paragraph to yourself.

12 Who are MoneyGram's
13 competitors in the money order business?

14 A. Primarily Western Union and
15 the postal service. There are some
16 smaller money order companies regionally
17 as well.

18 Q. And the next paragraph
19 describes official check competitors.
20 Who are MoneyGram's official check
21 competitors?

22 A. There are no apples to
23 apples competitors. Primarily either an
24 institution processes these items

1 describe again what the PrimeLink
2 platform is?

3 MR. RATO: Objection to the
4 form. You can answer.

5 THE WITNESS: PrimeLink, so
6 PrimeLink has been used to talk
7 about the official check program
8 as a whole. So in marketing
9 materials to financial
10 institutions, we have called it
11 PrimeLink official checks. So it
12 is first -- also it is a term to
13 describe the product category as a
14 whole. PrimeLink Portal is also a
15 servicing website that the
16 financial institution clients can
17 use to get information about their
18 checks.

19 BY MR. TALIAFERRO:

20 Q. And you discussed earlier
21 with the earlier lawyers about the fact
22 that an agent check money order is
23 processed or treated as an official check
24 by MoneyGram, right? Do I have that

1 form. You can answer.

2 THE WITNESS: Yes.

3 BY MR. TALIAFERRO:

4 Q. Are you familiar with the
5 term, if I use this term, electronic
6 transfer push versus electronic transfer
7 pull?

8 A. No.

9 Q. Are you if I use the term --
10 let me do it this way. In general, how
11 does MoneyGram obtain the money from its
12 money order agents that those agents
13 receive from the sale of money orders?

14 MR. DISHER: Objection;
15 asked and answered.

16 THE WITNESS: For those
17 agents that are on the retail
18 money order side, as we previously
19 discussed, we are debiting their
20 bank account for the amounts owed
21 to MoneyGram.

22 BY MR. TALIAFERRO:

23 Q. So MoneyGram, in those
24 situations MoneyGram takes action to pull

1 the money out of their customer's
2 accounts; is that correct?

3 A. Yes.

4 Q. And in general for
5 MoneyGram -- excuse me. In general for
6 financial institutions that sell
7 MoneyGram official checks, how does
8 MoneyGram receive the payment related to
9 the purchase of those official checks?

10 MR. DISHER: Objection;
11 asked and answered.

12 THE WITNESS: The financial
13 institution initiates that payment
14 to MoneyGram most typically
15 through a wire transfer.

16 BY MR. TALIAFERRO:

17 Q. What is the Delta system?

18 A. A Delta is just one of our
19 point of sale options that is used in
20 conjunction with our money order printer
21 to print retail money orders.

22 Q. Can an official check be
23 processed through a Delta terminal?

24 A. No.

1 Q. And what's an AgentWorks POE
2 system?

3 A. Again, it's another point of
4 sale that would interface potentially
5 with the money order dispenser to print
6 the money orders.

7 Q. Can a MoneyGram official
8 check be obtained through an AgentWorks
9 POE system?

10 A. No.

11 Q. Are agent works and Delta
12 the two most common point of sale
13 terminals for lack of a better word for
14 MoneyGram money orders?

15 A. The most common are Delta,
16 DeltaWorks and DNET, which I don't even
17 know if that's in there, but they are the
18 most common, those three.

19 Q. Who usually pays for the
20 MoneyGram money order point of sale
21 terminal or system, whether it's Delta or
22 AgentWorks or D3?

23 A. MoneyGram. That's MoneyGram
24 owned and provided hardware, so we are

1 that language on those forms, but
2 it's not on every single money
3 order.

4 BY MR. TALIAFERRO:

5 Q. I think we're done with
6 those documents. Could you turn to the
7 PrimeLink Operating Guide? I've tried to
8 keep track, but I'm not sure. I believe
9 it's 13.

10 Do you know if there is an
11 equivalent operating instructions
12 prepared for MoneyGram money orders?

13 A. There is not that I'm aware
14 of.

15 Q. What sort of references does
16 a MoneyGram money order agent receive
17 when they become an agent?

18 A. They are provided with
19 training both on the point of sale that
20 they're using and also on anti money
21 laundering and other regulatory training,
22 and they are provided perhaps also with
23 user guides for the point of sale that
24 they are using.

1 Q. If you could turn to Bates
2 Page 433.

3 A. I'm not sure.

4 Q. I'm working off of a copy
5 that I brought myself.

6 MR. RATO: Oh, what's the
7 Bates number?

8 MR. TALIAFERRO: I'm sorry,
9 you're right. Let me see if I can
10 give you rather than introduce an
11 exhibit. So let's start working
12 off the page numbers, so I'm at
13 operating instructions, Page 5.

14 MR. RATO: Titled "Daily
15 Operating Procedures"?

16 MR. TALIAFERRO: Titled
17 "Daily Operating Procedures."

18 BY MR. TALIAFERRO:

19 Q. Does a money order agent,
20 I'm talking about MoneyGram money orders,
21 have the ability to check the status of
22 money orders that they sold at their
23 location?

24 A. Yes. There is a phone

1 number that anybody can call with the
2 serial number and the dollar amount of a
3 money order to determine the status.

4 Q. Can a money order agent view
5 the image of a cleared money order?

6 A. No.

7 Q. Can a money order agent
8 request an image of a cleared money order
9 be sent to them?

10 MR. DISHER: Object to form.

11 THE WITNESS: They can make
12 that request to their servicing
13 specialist if they have a specific
14 reason why they needed it I
15 suppose, yes.

16 BY MR. TALIAFERRO:

17 Q. We talked earlier about the
18 refund process. Does a money order agent
19 have the ability to place a stop payment
20 on a money order that is sold?

21 MR. DISHER: Object to the
22 form.

23 MR. RATO: Objection to
24 form. You can answer.

1 THE WITNESS: That is not a
2 normal process. We normally do
3 not allow stop payments on money
4 orders that have been sold. We do
5 have the ability to flag items in
6 specific circumstances such as
7 theft at the agent level or
8 consumer theft.

9 BY MR. TALIAFERRO:

10 Q: If you turn to Page 16 which
11 I think in your version has Bates number
12 2292 in the lower right-hand corner, and
13 you and Mr. Disher talked about some of
14 these reports. Do you recall discussing
15 that with Mr. Disher?

16 A. Yes.

17 Q. Does a MoneyGram money order
18 agent have the ability to see a positive
19 pay report?

20 A. No.

21 MR. DISHER: Objection to
22 form.

23 BY MR. TALIAFERRO:

24 Q. Does a MoneyGram money order

1 agent have the ability to see a stop
2 payment report?

3 MR. DISHER: Objection to
4 form.

5 THE WITNESS: No.

6 BY MR. TALIAFERRO:

7 Q. Does a MoneyGram money order
8 agent have the ability to see a customer
9 balance report?

10 MR. DISHER: Objection to
11 form.

12 THE WITNESS: No.

13 BY MR. TALIAFERRO:

14 Q. Does a money order,
15 MoneyGram money order agent have a
16 customer balance with MoneyGram?

17 MR. DISHER: Objection to
18 form.

19 MR. RATO: Objection to
20 form. You can answer.

21 THE WITNESS: There is a --
22 there would be a balance
23 associated with their outstanding
24 items, yes.

1 BY MR. TALIAFERRO:

2 Q. If you turn to Page 21 of
3 the operating instructions which in your
4 version has Bates number 2297 in the
5 lower right-hand corner. Oh, nope, now
6 we're on to different.

7 Okay. Does a MoneyGram
8 money order agent have the ability to
9 choose custom check stock?

10 MR. RATO: Object to the
11 form?

12 MR. DISHER: Object to the
13 form.

14 THE WITNESS: No. I would
15 qualify that only by saying that
16 there are different check stocks.
17 Some of our finance -- some of the
18 ones, the examples that have been
19 provided, a financial institution
20 might have one of several
21 different types of checks, but not
22 custom to the financial
23 institution or to any other agent,
24 so no.

1 BY MR. TALIAFERRO:

2 Q. I believe the acronym MICR
3 was mentioned earlier. Do you know what
4 that stands for?

5 A. Magnetic ink character
6 recognition.

7 Q. And are those the
8 computerized numbers at the bottom of a
9 check or money order?

10 A. Yes.

11 Q. Does a money order agent
12 have the option of printing the MICR line
13 itself?

14 MR. DISHER: Objection to
15 form.

16 THE WITNESS: No.

17 BY MR. TALIAFERRO:

18 Q. So when it gets money order
19 stock, blank money orders from MoneyGram,
20 the MICR number is already printed on the
21 money order; is that correct?

22 A. Yes. The exception to that
23 is the agent check money order.

24 Q. And the agent check money

1 that amongst our customers that
2 because cashier's checks are their
3 items, they carry those balances
4 on their balance sheet, and
5 because teller's checks are a
6 MoneyGram item, they do not
7 necessarily carry those
8 outstanding funds on that balance
9 sheet. However, I don't know in
10 practice. I could not say that
11 they consistently do that, they
12 meaning our clients.

13 BY MR. TALIAFERRO:

14 Q. And then I guess a similar
15 question is, do you know how your
16 customers generally treat MoneyGram
17 teller's checks on their balance sheets?

18 A. I don't know consistently
19 how they do that.

20 Q. Could you turn to Page MG130
21 in the same document? And we talked
22 about some of these details earlier and
23 this is a different bank, but similar
24 sort of information, how many items

1 issued per month, typical balance, et
2 cetera.

3 I want to ask you about the
4 bullet point that says "Earn 75 percent
5 of FF on your balances." What does the
6 acronym "FF" stand for?

7 A. Fed funds.

8 Q. And what is MoneyGram
9 telling its customer or what is it
10 offering to that particular customer with
11 that bullet point?

12 A. The offer here would be that
13 for their average balances each month,
14 when that monthly billing cycle as I
15 discussed previously happens, we would
16 pay them an earnings rate on their
17 outstandings that would be the equivalent
18 of 75 percent of the average fed funds
19 rate for that month.

20 Q. And there was some
21 discussion earlier about the investment
22 portfolio that MoneyGram uses to manage
23 its outstanding balances across all
24 financial paper products. Do you recall

1 that discussion?

2 A. Yes.

3 Q. And I assume that MoneyGram
4 earns some amount of interest or return
5 on -- by managing that balance; is that
6 correct?

7 A. Yes.

8 Q. And is it fair to say that
9 this is an offer to share some of those
10 earnings with its MoneyGram official
11 check customer in this instance?

12 MR. DISHER: Objection to
13 form.

14 MR. RATO: Object to the
15 form. You can answer.

16 THE WITNESS: Yes.

17 BY MR. TALIAFERRO:

18 Q. Does a small neighborhood
19 convenience store, let's say a one
20 location MoneyGram money order customer
21 earn any interest on the outstanding
22 balances from money orders that it's
23 sold?

24 A. No.

1 Q. Are there any MoneyGram
2 money order agents that earn an interest
3 rate on their outstanding balances?

4 A. There is one.

5 Q. And who is that?

6 A. Walmart.

7 MR. RATO: There is always
8 two sets of rules in the world.

9 BY MR. TALIAFERRO:

10 Q. So Walmart is the one out of
11 the six, what is the number, 60,000
12 agents or is that an individual location
13 number?

14 A. It's probably in the 40,000s
15 of locations, yes, on the money order
16 side.

17 Q. And of those 40,000
18 locations that sell MoneyGram money
19 orders, only one earns a interest rate on
20 its outstanding balance?

21 MR. RATO: Objection to the
22 form. The customers, not the
23 locations, right?

24 MR. TALIAFERRO: Correct, of

1 in 1998; is that right?

2 MR. DISHER: Object to the
3 form.

4 THE WITNESS: I am aware
5 that as the -- that products and
6 pieces of the program were added
7 as time went on. I don't know the
8 time frames around those.

9 (Yingst-35, 01/29/16
10 MoneyGram International, Inc. Form
11 8-K, was marked for
12 identification.)

13 BY MR. TALIAFERRO:

14 Q. Ms. Yingst, I've handed you
15 Yingst Exhibit 35 which is a material
16 agreement that MoneyGram International
17 filed with the FCC. And it is a Master
18 Trust Agreement between MoneyGram and
19 Walmart. Do you have that document in
20 front of you?

21 A. Yes.

22 Q. And for the sake of
23 completeness, I will note if you turn to
24 the exhibit list which is about third or

1 fourth from the end, I have omitted
2 Attachments B through M mainly because
3 the lengthiness of those was a
4 multi-hundred page list of every Walmart
5 location in the country which I didn't
6 think was relevant to these questions,
7 but this document when filed had all of
8 those attachments on it and it's publicly
9 available on the SEC's web page.

10 Have you seen this agreement
11 before, Ms. Yingst?

12 A. I have seen this before,
13 yes.

14 Q. And what is this agreement?

15 A. My understanding is this is
16 the master agreement between MoneyGram
17 and Walmart for their -- our services.

18 Q. And is it generally the case
19 that master trust agreements are used for
20 MoneyGram money order agents?

21 MR. DISHER: Objection to
22 form.

23 THE WITNESS: Yes.

24 BY MR. TALIAFERRO:

1 Q. And conversely, MoneyGram
2 official check financial institutions
3 typically enter the form of the agreement
4 that we've looked at earlier including
5 Yingst-15 and Yingst-20; is that correct?

6 A. Yes.

7 Q. Do you know why different
8 forms of agreement are used for official
9 check customers and MoneyGram's
10 customers? And let me withdraw that
11 question because I want to make sure we
12 use the -- there is no confusion about
13 that.

14 Do you know why there is a
15 difference between the type of contract
16 used for financial institutions that
17 offer MoneyGram official checks and
18 companies or agents that offer MoneyGram
19 money orders?

20 MR. DISHER: Objection to
21 form.

22 THE WITNESS: I think the
23 relationship -- I think a
24 financial institution who is using

1 our services is distinctly
2 different from an entity
3 perspective than a retail agent,
4 so I believe there are some -- a
5 need to call out additional
6 requirements in the Master Trust
7 Agreement that might not apply or
8 need to be called out with a
9 financial institution. Also, the
10 products are distinctly different.
11 The requirements, the processes as
12 explained to the financial
13 institution for the official check
14 agreement are very different from
15 our money transfer business.

16 BY MR. TALIAFERRO:

17 Q. Could you turn to Page 9 of
18 the Walmart Master Trust Agreement? And
19 there is a paragraph entitled "Supplies."

20 Do you have that in front of
21 you?

22 A. Yes.

23 Q. And in it transaction
24 terminals are described, software forms

1 Q. Was it generally the case in
2 1998?

3 A. Yes.

4 Q. Sorry. And as far as you
5 know, was it the case for periods prior
6 to 1998 that agents would use the
7 company's money order dispensers?

8 A. Yes.

9 Q. Could you turn to Page 75 of
10 this document? Actually let's start with
11 Page 74 so we get the full heading.
12 Section 6 says "Responsibilities ACE."
13 And then Subparagraph 6B says, "ACE
14 agrees to indemnify company against any
15 loss of blank money orders or money order
16 materials that may occur by crime or
17 mysterious disappearance" -- that's nice
18 archaic language -- "except as stated in
19 Section 7A."

20 Do you see that?

21 A. Yes.

22 Q. So this is a 1998 agreement
23 where the agent is assuming
24 responsibility for the theft or

1 mysterious disappearance of money orders;
2 is that correct?

3 A. Yes.

4 Q. As far as you know, has it
5 always been the case that money order
6 agents agree to indemnify TECI for the
7 loss of blank money orders through crime
8 or mysterious disappearances?

9 A. Yes.

10 Q. Could you turn to the top of
11 the next page?

12 A. (Witness complies.)

13 Q. Paragraph 6C, the first
14 sentence says, "ACE has no legal right to
15 stop payment of a money order." And
16 that's what we saw earlier -- sorry.
17 was -- is it your understanding that in
18 1998 it was generally the rule that a
19 money order agent did not have the legal
20 right to stop payment of a money order?

21 MR. DISHER: Objection to
22 form.

23 MR. RATO: Objection to
24 form. You can answer.

1 THE WITNESS: Yes.

2 BY MR. TALIAFERRO:

3 Q. As far as you know, has it
4 always been the practice of TECI not to
5 give its money order agents any legal
6 right to stop payment of a money order?

7 MR. DISHER: Objection to
8 form.

9 MR. RATO: Objection to
10 form. You can answer.

11 THE WITNESS: Yes.

12 BY MR. TALIAFERRO:

13 Q. Now, when we talked about
14 money order -- agent check money orders
15 sold by financial institutions, we
16 discussed the fact that there was no
17 limit set by MoneyGram on those
18 instruments. Do you recall that
19 discussion?

20 A. Yes.

21 Q. There is no dollar amount
22 limit, correct?

23 A. Yes. Yes.

24 Q. Would you agree that only a

1 diminished over --

2 A. Our current service charge
3 \$1.50 per month back to the -- after 12
4 months back to the issuance of the item.

5 Q. Okay. And is there an upper
6 limit on the amount of the service
7 charge?

8 A. Yes, there is. And I --
9 there is specific number of months, and I
10 don't recall what that number is, but
11 there is a number limit.

12 Q. Does MoneyGram inform its
13 financial institution customers of this
14 service charge on this particular
15 instrument?

16 MR. TALIAFERRO: Object to
17 the form of the question.

18 MR. RATO: Object to the
19 form.

20 THE WITNESS: The financial
21 institution client is issuing
22 these checks, so they see this
23 language --

24 BY MR. DISHER:

1 Q. Okay.

2 A. -- as the check is designed
3 and proofed and then as it's issued as
4 well.

5 Q. All right, understood. All
6 right. Now, let's look at the -- up
7 above the "Limited Recourse Section."

8 First, the language right
9 above that says, "If this instrument is
10 designated on its face as a money order,
11 the following applies."

12 Do you know why that's on
13 there?

14 A. Yes. There are some
15 official check customers who use the same
16 blank stock for agent check money orders
17 as they might use for teller's checks or
18 cashier's checks. So that qualifying
19 language is meaning that only -- this
20 language only applies if the item is
21 designated as a money order on the face.

22 Q. Okay. Could that
23 institution also use that same stock for
24 official check agent checks?

1 A. Yes.

2 Q. All right. Now, how would
3 that blank stock then become either an
4 agent check money order or an agent check
5 or a teller's check or a cashier's check?

6 A. If it's completely blank
7 stock then that's the only time this
8 would be on the back. Then they are
9 printing all of the detail on the face of
10 that item including the MICR line and the
11 drawer or drawee and other information.
12 So it becomes one or the other of those
13 types of checks by virtue of what they
14 print on it.

15 Q. Got it. All right. The
16 "Limited Recourse" section right below
17 that, it says, "This money order will not
18 be paid if it has been forged" --

19 MR. RATO: "Altered or
20 stolen."

21 BY MR. DISHER:

22 Q. -- "altered or stolen."

23 If an agent check is forged,
24 altered or stolen, MoneyGram wouldn't pay

1 MR. RATO: Okay. I actually
2 just have two questions.

3 - - -

4 EXAMINATION

5 - - -

6 BY MR. RATO:

7 Q. If you can pull out Exhibit
8 Yingst-10.

9 A. (Witness complies.)

10 Q. So that's the independent
11 bank official check. We looked at this
12 earlier. I will -- you were asked a
13 question about whether this was an agent
14 item -- an agent check or a teller's
15 check. I will represent to you that you
16 said it was an agent check. Obviously
17 the transcript will speak for itself.

18 I just wanted to ask, is
19 there anything on here that says "Agent
20 for MoneyGram" on the check?

21 A. There is not.

22 Q. Okay. And would this check
23 have been printed by the bank client?

24 A. This -- some aspects. It's

1 hard to tell.

2 Q. Right.

3 A. It's quite possible that --
4 that they are, that some of it is printed
5 by them, yes.

6 Q. Okay. Can you tell me why
7 you think it's an agent check and not --
8 you know, it doesn't make a difference to
9 me.

10 A. The only -- if I had looked
11 at this without seeing the 015 number at
12 the bottom.

13 Q. Where?

14 A. In the MICR line of the item
15 where it starts with 015, I believe that
16 is the agent check product number
17 designation.

18 Q. Okay.

19 A. And that's the reason that I
20 believe this is intended to be an agent
21 check.

22 Q. Okay, fair enough. And then
23 just on the fees, there was some
24 questions before about, you know, the

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on May 23, 2018, and that this is a true and correct copy of same.

Jared E. Bittner, RPR-CSR(NJ)

(The foregoing certification of this transcript does not apply to any reproduction of the same by any means, unless under the direct control and/or supervision of the certifying reporter.)

ACKNOWLEDGMENT OF DEPONENT

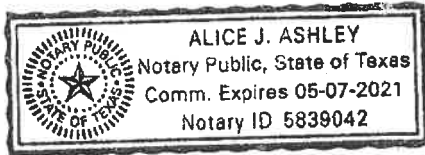
I, Eva Yingst, do hereby certify that I have read the Certified Copy of my May 23, 2018 deposition, and that the same is a correct transcription of the answers given by me to the questions therein propounded, except for the corrections and changes in form or substance noted in the attached errata sheet.

Dated: August 13, 2018


Eva Yingst

Subscribed and sworn to before me this
13 day of August, 2018


Notary Public

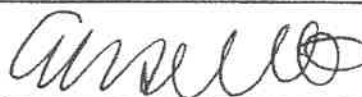


ERRATA SHEET

NAME OF CASE: Delaware v. Arkansas, et al.
Supreme Court of the United States

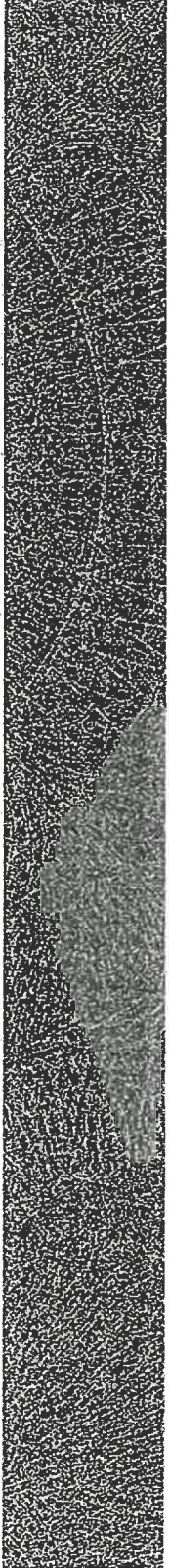
DEPOSITION: Eva Yingst, May 23, 2018

PAGE	LINE	FROM	TO	REASON
22	13	basing	facing	Transcription error
39	19	turn and turn	turn on and turn off	Transcription error
42	21	nonelectronic	electronic	Transcription error
46	15	contractural	contractual	Typographical error
51	23	contracturally	contractually	Typographical error
70	22	area bank	clearing bank	Transcription error
84	5	coached	couched	Transcription error
100	12	contractural	contractual	Typographical error
100	17	contracturally	contractually	Typographical error
137	5	contracturally	contractually	Typographical error
140	7-9	that money is coming out when this item is coming into variance before this item	that money is coming out when this item is issued	Clarification
155	13-15	the drawer on a teller's check is the drawer to the financial institution	the drawer on a teller's check is the financial institution	Transcription error
159	1	contractural	contractual	Typographical error
173	6	working file	reconciled	Transcription error
223	1	contractural	contractual	Typographical error
275	14	Contracturally	Contractually	Typographical error
281	21	application	obligation	Transcription error
298	4	contracturally	contractually	Typographical error
299	14	contracturally	contractually	Typographical error
348	15	No, it does not	No, I was not	Transcription error
370	17	FCC	SEC	Transcription error



Eva Yingst

Exhibit B



Business Review with Bank



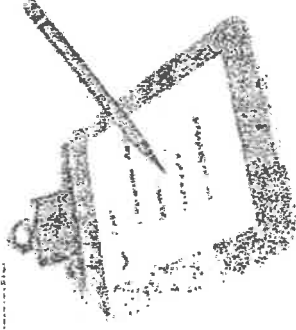
June 23, 2011
Eva Yingst
Eric Fosselman

MoneyGram International, Inc.



Agenda

- About
- MoneyGram Today
- Outsourcing Payment Services
- Partnership with



MoneyGram. 

About

- \$9Billion in Assets
- 124 Bank locations
- [Redacted]’s financial services affiliates consist of
 - ▶ [Redacted]
 - ▶ [Redacted]
 - ▶ [Redacted]
 - ▶ [Redacted]
 - ▶ [Redacted]
 - [Redacted]
- Core Processor FIS Bankway System



MoneyGram Today

- Second largest money transfer business in the world
- Nearly 235,000 agent locations in more than 190 countries and territories worldwide
- Leading issuer of money orders in the U.S.
- Serving financial institutions for over 60 years
- Product lines include:
 - Global Funds Transfer: Person-to-Person payments
 - Bill Payment Services
 - Money Orders
 - Official Check Processing Services

Outsourcing Payment Services

Financial Institutions continue to seek revenue generation and cost-saving opportunities through outsourcing:

- Resources are stretched; “do more with less”
 - Increased focus on compliance and security
 - Rapidly evolving technology
 - Limited resources to focus on customer (member)
- Increased competition for customers (members)
 - Alternative players such as processors and retailers continue to pursue the more than 40 million* under-banked Americans
 - “Banks and credit unions of all sizes are well positioned to serve underbanked...consumers”*

5 *Source: BAI Banking Strategies, February and March 2011.

Partnership with MoneyGram

- Official Check customer since October, 2007
 - Average balances \$ 19,249,528
 - Average monthly volume 11,389
- Type of checks issued
 - Agent Checks
 - Teller Checks

MoneyGram. 

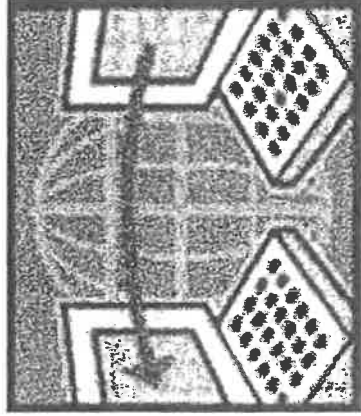
Outsourcing Official Checks Value Proposition

	MoneyGram
Overall Program Management	MoneyGram handles all aspects of program design, set-up and ongoing management
Systems Utilized and Processing Services	All performed by MGI and clearing banks; integrated systems and processes
Multiple Payment Types	Flexible payment options MoneyGram supports Teller, Agent, Cashiers, Money Orders
Online real-time availability of information	Intraday database updates and image loads; Real time information
Reconciliation	MoneyGram performs complete reconciliation and research/adjustments handling daily
Inventory Management	MoneyGram manages all stock design, revisions, inventory management and new locations
Flexibility of Reporting	MoneyGram offers online, real time reporting along with item images and custom search/download capabilities
Customer Service	MoneyGram provides full service to FI branch locations



Integration & Automation

- MoneyGram's Official Check & Money Order program easily integrates with all core processing systems
- MoneyGram supports changes in core processors
- MoneyGram will support any Teller platform or check automation initiatives



MoneyGram. 

MoneyGram Program Features

Inventory and Program Management

- Cost of check stock and check stock design
- Cost of ordering and shipping check stock to individual branches
- Inventory storage and replenishment management, including location level thresholds
- Additional locations (new branches, acquisitions) set-up

Processing and Reconciliation

- All supporting systems: Imaging/Microfilming/Archive/Reconciliation
- Data Processing, returns processing, collections processing, large dollar notifications
- Federal Reserve and clearing bank fees
- Positive Pay reporting & stop payment handling
- Investigation and resolution of differences (misread corrections, encoding errors, duplicates)
- Reconciliation of issuance, funding and clearings
- Cash letter reconciliation
- Day 2+ research: Bank adjustments, collections, correspondence research & resolution

MoneyGram. 

MoneyGram Program Features

Customer Service and Reporting

- Providing and maintaining real-time online system including item status, paid item images, stops and reporting
- Ad-Hoc search and reporting capabilities online
- Producing and Distributing Official Check reports (daily, weekly, monthly)
- Providing IVR & live operators in support of FI locations (copy requests, stops, voids and refunds)

Compliance

- Annual SAS70 (Official Check and General Computer Controls)
- SOX

Escheatment

- Provide pre-escheatment process reporting
- Researching escheatable items
(All types except cashier's checks)
- Filing the escheatment report
- Reimbursements from the state on presented items after escheatment



Fraud Detection / Loss Prevention

- Fraud loss prevention is a key reason why our customers choose to outsource
- Daily reconciliation results in timely returns of counterfeit and altered items, creating loss avoidance for our customers
- Since 2005, MoneyGram has prevented over \$900 million in fraud losses for our customers



Money Order Program

- Outsourcing converts expense item to revenue generation
- Fee income on every transaction
- Industry leading secure dispenser technology
- Full consumer support, including copy requests, lost/stolen items and research
- Automatic inventory control and replenishment
- Support for new location adds and changes
- Abandon property reporting and remittance

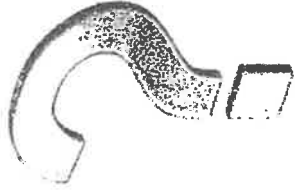
Payment Processing Services

MoneyGram's Payment Services drive customer acquisition, retention and revenue:

- **Bill Payment: ExpressPayment**
 - Expedited bill payment, prepaid card loads and mobile phone top-ups at your branch locations
 - Thousands of billers available for payment including top mortgage, auto, credit card and utility companies
 - Expedited posting - most billers are available for same-day posting.
- **P2P MoneyTransfer**
 - Person-to-person payments within the US and to over 190 countries from your branches
 - Offering MoneyTransfer will attract and retain new customers to your FI

Next Steps

- Schedule next business review meeting
- Follow up on additional opportunities
- Other meeting follow-up/questions





Thank you!

Sandra (SAM) Tilghman
Account Executive
MoneyGram International
Office: 352-357-6340
Cell: 352-409-0913

Email: stilghman@moneygram.com



Exhibit C

10 9 8 7 6 5 4 3 2 1

EXHIBIT
Vinget - 6
5/27/14
PENGAD 800-651-6288

EF **ELIZABETHTON FEDERAL** SAVINGS BANK
 112-114 NORTH SYCAMORE STREET
 ELIZABETHTON, TENNESSEE 37843

382223
 5789
 1516

05/13/2010

DOLLARS \$ 45,000.00

TELLER'S CHECK
 DRAWER ELIZABETHTON FEDERAL SAVINGS BANK

TO THE ORDER OF

26

PAY FIVE THOUSAND AND 00/100

ISSUED BY: MONEYGRAM PAYMENT SYSTEMS, INC.
 P.O. BOX 400 NEW YORK, NY 10108
 GRANTEE: EVERETT, IA

⑆ 382223 ⑆ ⑆ 0 * 100 704 210 1600 105 2160 21 ⑆

For Deposit Only By
 Elizabethton Federal Sav Bank
 Elizabethton, TN 37843
 ⑆ 2842-7128-0 ⑆

155812841717 - 8823 - 851418 - 254271280

[Redacted Signature]

Teller's Check

CONFIDENTIAL MG0002395

MG0002394

Exhibit D

THIS DOCUMENT HAS AN ANTI-FRAUD WATERMARK PRINTED ON THE BACK. THE FRONT OF THE DOCUMENT HAS A MICRO-PRINT SECURITY LINE. ASSURED OF THESE FEATURES WILL INDICATE A COPY

0754

OFFICIAL CHECK

VOID AFTER 90 DAYS



Independent Bank
(Member FDIC)

No. 1587035

REMITTER

DATE AUGUST 04, 2010

6302
011

PAY **FIVE THOUSAND DOLLARS AND ZERO CENTS**

\$ **5,000.00**

TO THE ORDER OF

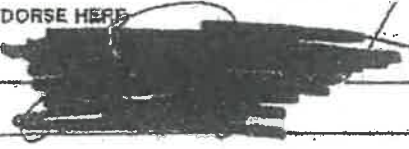
Lerry Long
AUTHORIZED SIGNATURE

DRAWEE: MONEYGRAM PAYMENT SYSTEMS, INC.
P.O. BOX 8726, MINNEAPOLIS, MN 55480
DRAWEE: WACROVA BANK N.A., BUREAU, GA

⑆ 1587035⑆ ⑆ 061103056⑆ 0150010371004⑆

ENDORSE HERE

X



DO NOT WRITE, STAMP OR SIGN BELOW THIS LINE
RESERVED FOR FINANCIAL INSTITUTION USE

INDEPENDENT BANK 70724026524
511 COVERED VILLAGE PLACE
DEPTING MI 48008 0602 20100914 1 0 40



FEDERAL RESERVE BOARD OF GOVERNORS REG CC

CONFIDENTIAL MG0002396

MG0002396

Exhibit E



MoneyGram Paper Products Overview

Official Checks and Money Orders



Paper Product Options

	Cashier's Checks	Tellers Checks	Agent Check MO	Financial Institution MO
Issuer/Drawer	FI/FI	MoneyGram/FI	MoneyGram/ MoneyGram	MoneyGram/ MoneyGram
Escheatment	FI	MoneyGram	MoneyGram	MoneyGram
Reg CC/Next Day Funds Availability	Yes	Yes	No No max amount	No Max issue amount \$1000
Check Titles Allowed (sample list)	Cashier's Check, Official Check, Official Bank Check, Treasurer's Check	Official Check, Official Bank Check, Teller's Check, Treasurer's Check	Personal Money Order, Agent Check Money Order, Int'l Money Order	International Money Order-Standard, FI does not chose



Money Order Options: FIMO or ACMO

Feature	Financial Institution MO	Agent Check MG
Customer Service	MGI fully supports Purchaser and Payee through Claim Card, 800#	FI Branded item, FI Maintains Full Control of Customer/Member Experience (PrimeLink)
Escheatment	MoneyGram performs	MoneyGram performs
Check Stock/Types	MGI Provided and Branded	FI Branded, "Agent for MoneyGram"
Dispenser / Printer Solution Option	FI may use Own Printer or MGI provides Secure Dispenser/Printer	FI Provides Print Solution
Issuance/Reporting	Automatic w/Dispenser, TExPort or Transmission	TExPort or Transmission
Dollar Limit	\$1,000 Max Amount	No Maximum

Exhibit F

Filed Under Seal

Exhibit G

Filed Under Seal

Exhibit H

Travelers Express Company, Inc.

original

FINANCIAL INSTITUTION AGREEMENT

1. **Parties.** The parties to this Agreement are Travelers Express Company, Inc. ("TECI") and the Financial Institution that signs below ("Financial Institution"). Financial Institution shall cause its subsidiaries and affiliates to abide by this Agreement as if they were parties to this Agreement.

2. **Scope of this Agreement.** This is an Agreement for (check as many boxes as apply):

- Agent Checks
- Agent Check Money Orders
- Cashier's Checks
- Teller's Checks
- Money Orders

REDACTED

Comm date = 6-10-03

3. **Definitions**

- **Agent Checks:** Checks drawn by TECI on its bank. Financial Institution is not a party to Agent Checks even though its name may appear on the Agent Checks. At Financial Institution's option, these may be used as money orders, but they are Agent Checks for the purposes of this Agreement.
- **Average Available Daily Balance:** The sum of the Outstanding Balances held by Company on each day during a given month, divided by the actual number of days in the month.
- **Business Day:** A day when TECI is open for business. TECI follows the calendar of the Federal Reserve Banks.
- **Cashier's Checks:** Checks drawn by Financial Institution on itself.
- **Change in Control:** Change in ownership or control shall be deemed to occur upon the occurrence of any of the following: (1) a merger, consolidation or the sale of all or substantially all the assets of Financial Institution; (2) a transfer of ownership or control or irrevocable power to vote, of a majority of voting securities of Financial Institution for the election of directors; or (3) a transfer of any kind of ownership interest in Financial Institution which carries with it the power to control, directly or indirectly, the management or policies of Financial Institution.
- **Checks:** Agent Checks, Cashier's Checks and Teller's Checks.
- **Commencement Date:** The date when the first Check or Money Order is issued hereunder.
- **Effective Date:** The date on which both parties have signed this Agreement.
- **Exception Checks:** Presented Checks which Financial Institution has not reported to TECI or which are reported for amounts different from the amounts for which they are presented
- **Federal Funds Rate:** The effective federal funds rate as stated in Federal Reserve Statistical Release H.15 from time to time.



- **First Day Settlement amount:** As defined in section 12.1 below.
- **Money Orders:** Drafts drawn by TECI on itself payable through a bank.
- **Outstanding Balance:** On any given day, the total of (i) the First Day Settlement Amount held by Company, and (ii) the amount of money remitted by Financial Institution to Company pursuant to Section 5.3, less (x) the face amount of Presented Checks which have been paid by Company and (y) the face amount of any Checks not presented for payment and remitted to a governmental authority pursuant to applicable unclaimed property laws.
- **Payment Rate:** The rate at which fees payable by Company to Financial Institution are calculated as provided in Exhibit A, "Fee Schedule."
- **Presented Checks and Money Orders:** Checks and Money Orders issued, used or sold by, or appearing to have been issued, used or sold by Financial Institution, which are presented for payment at a TECI-designated clearing point.
- **Prime Rate:** The base rate on corporate loans as posted by Bloomberg Financial Markets.
- **Treasury Bill Rate or "T Bill Rate":** The effective treasury bill rate as stated in the Federal Reserve Statistical Release 11.15 from time to time.
- **TECI Items:** Agent Checks, Teller's Checks and Money Orders. (Teller's Checks are called TECI items even though Financial Institution also is a drawer)
- **Teller's Checks:** Checks drawn by Financial Institution and TECI on TECI's bank. Financial Institution is designated the "drawer" and TECI is designated the "issuer" on Teller's Checks.

4. Authorization. TECI authorizes Financial Institution to use and sell the TECI Items indicated in section 2. Financial Institution authorizes TECI, and TECI agrees, to perform processing and other services as provided in this Agreement.

5. Exclusivity. This is an exclusive agreement. Financial Institution will not contract with any other vendor for similar services for Financial Institution, its affiliates, or its subsidiaries, or perform the services itself, while this Agreement is in effect. Financial Institution warrants that it is not breaching any other contract by entering into this Agreement. If Financial Institution adds or acquires additional institutions or affiliate locations it will use its best efforts to convert the acquired institutions to services under this Agreement within 90 days after completion of the acquisition, except that if prevented from doing so by another agreement, Financial Institution will terminate the other agreement as soon as termination would not be a breach of the agreement and will have TECI perform services under this Agreement at those institutions or affiliate locations. No Change in Control shall change Financial Institution's obligations under this Agreement.

6. Inventory. TECI provides Financial Institution with one standard form of check stock inventory for each product (as indicated in section 2) at no charge. Financial Institution is responsible for examining Check and Money Order stock when received and notifying TECI of any errors. Financial Institution is responsible for keeping unissued inventory safe from theft or loss.

7. Completion of Checks. Financial Institution agrees to complete Checks, with care so that they are not easy to alter.

8. Reporting.

8.1 Issuance. If Financial Institution reports electronically, it will report to TECI by 11 AM Central Time each Business Day as to the Checks issued, used or sold since the previous report by individual Check and by daily totals. If Financial Institution remits on paper, it will report each Business Day by overnight mail. Financial Institution will report Money Orders used or sold as set forth in the attached Report and Remittance Schedule.

8.2 TECI's Reports. TECI will report to Financial Institution as provided in the TECI policies and procedures. Reports by TECI to Financial Institution are presumed correct unless Financial Institution gives TECI written notice of an error within forty-five (45) days.

10. Processing. TECI will on each Business Day intercept Presented Checks and Money Orders from banking channels and process them as provided in this Agreement.

11. Exception Checks. TECI will report to Financial Institution promptly on the first Business Day after the day of presentation the face amount and serial number of each Exception Check. Financial Institution is responsible to notify TECI as specified in the TECI policies and procedures of any item on the report that was not issued, used or sold by Financial Institution or which was issued in an amount different from the amount for which it is presented. (If Financial Institution reports by mail, no Exception Checks presented for less than twenty-five thousand dollars (\$25,000.00) will appear on the report, but Financial Institution is responsible for such checks notwithstanding any other provision of this Agreement.)

12. Remittance

12.1 Checks. Financial Institution will remit the face amount of Checks issued, used, or sold by wire transfer so that TECI has collected funds by 11 AM Central Time on the next Business Day such face amounts are deemed held in trust until remitted. TECI may apply remittances first to pay TECI Items. If Financial Institution is unable to determine the actual remittance amount, TECI will estimate the amount, and Financial Institution will remit the estimated amount subject to adjustment. On the first day that Financial Institution issues a Check, Financial Institution will remit to TECI by wire transfer a First Day Settlement Amount equal to one day's average issuance of Checks, as estimated by TECI. TECI shall retain the First Day Settlement Amount and will adjust it annually, within 30 days after the last day of each calendar year, if the First Day Settlement Amount is less than the Average Daily Balance attributable to Financial Institution for the previous calendar year.

12.2 Money Orders. Financial Institution will remit the total face amounts of all Money Orders used or sold by it as set forth in the attached Report and Remittance Schedule.

13. Payment of Checks and Money Orders. Subject to section 16 below, and provided Financial Institution has not breached this Agreement by failing to report or remit for Items issued, used or sold, TECI will pay Presented Checks and Money Orders. If Financial Institution has not reported and remitted as agreed, TECI may return the Presented Checks and Money Orders unpaid or, at its option, may pay them without waiving any rights.

14. Record Retention. TECI will retain copies of all Checks and Money Orders, fronts and backs, for the time required by law.

15. Unclaimed Property. TECI is responsible for unclaimed property related to TECI Items. Financial Institution is responsible for unclaimed property related to Cashier's Checks.

16. Return of Checks; Replacement Checks

16.1 Return of Checks. Financial Institution may at its own risk request that TECI return a Check unpaid. TECI agrees to honor such requests from Financial Institution unless TECI determines in good faith that it is legally obligated to pay the Check.

16.2 Replacement Checks. Financial Institution may at its own risk issue a replacement for a lost, stolen, destroyed or unused Check or Money Order. Financial Institution is liable to TECI for both the original and the replacement if both are presented for payment and TECI determines in good faith that it is legally obligated to pay both. (If Financial Institution is located in Michigan, it is required by law to refund the full face amount of any unredeemed Agent Check or Money Order purchased at Financial Institution's location within 30 days of the date it was sold. If Financial Institution is located in Maryland, it is required by law to issue or refuse to issue a duplicate Agent Check or Money Order to the buyer within 30 days after it receives a written request and, if required by Financial Institution, an affidavit and bond.)

17. Stolen or Missing Checks and Money Orders

17.1 Notice. Financial Institution agrees to report to TECI by telephone the correct serial number of any Check or Money Order stolen or missing, and all other information relating to the event, promptly upon discovery. Financial Institution will promptly confirm the telephone notice in writing.

17.2 Liability. TECI will not hold Financial Institution responsible for Checks or Money Orders reported stolen or missing in blank provided Financial Institution gives the notice required no later than 7:00 PM Central Time on the banking day before the Checks or Money Orders are presented for payment.

18. Altered Checks and Money Orders. Financial Institution is not responsible to TECI for the fraudulently altered amount of a Check or Money Order unless Financial Institution or its employee or agent was negligent or participated in the alteration. Financial Institution has a duty to notify TECI not to pay Exception Checks as provided in section 11 above.

19. Counterfeits. Financial Institution is not responsible to TECI for counterfeit items resembling Checks or Money Orders unless Financial Institution or its employee or agent was negligent or participated in the counterfeiting. Financial Institution has a duty to notify TECI not to pay Exception Checks as provided in section 11 above.

20. Confidentiality. The parties agree to keep information confidential as provided in the Confidentiality Agreement attachment to this Agreement.

21. Fees. The parties agree to pay fees as provided in the Fee Schedule attachment.

22. Interest. Interest at the Prime Rate plus three percent (3%) accrues on any amount due to one Party from the other Party and not paid as agreed. Part of a day is counted as one day.

23. Limitation of Liability

23.1 Events Not Within a Party's Control. Neither Party is liable for a failure to perform arising out of an event or condition beyond the reasonable control of a Party except as provided in this section 23.1. Such events shall include, but not be limited to, data communications failure or interruption, acts of God, labor disputes, interruption of service by ACH or other payment networks, and nonperformance by the other Party. Loss or nonperformance caused by a breakdown or malfunction of computer hardware or software under the control of a Party is not excused. Each Party agrees to take commercially reasonable steps to prevent business interruptions. Each Party is liable to pay interest as provided in section 22 above on any amounts not paid when due because of an event not within the payor's control.

Travelers Express Company, Inc. 2002 Confidential

23.2 Damages. Neither Party is liable for any punitive or exemplary damages. TECI is not liable for any lost profits, lost savings, or special or consequential damages arising from or caused by any error or negligence, even if TECI is advised of the possibility of such damages.

24. Mutual Indemnity

24.1 Indemnity by Financial Institution. Financial Institution agrees to indemnify TECI and hold it harmless from all claims, liabilities, actions, and demands asserted by any persons (including any business entity, governmental authority, or clearing house) and from all losses, damages, and expenses arising from or in any way related to this Agreement (including any act or omission, whether honest, dishonest, negligent or otherwise, by Financial Institution or its employees, whether within or outside the scope of employment) including any request to return a Check or Money Order or refuse payment, except to the extent losses are caused by any intentional misconduct (by act or omission) or any negligent act or omission of TECI, its employees, agents, directors, or officers.

24.2 Indemnity by TECI. TECI agrees to indemnify Financial Institution and hold it harmless from all claims, liabilities, actions, and demands asserted by any persons (including any business entity, governmental authority, or clearing house) and from all losses, damages, and expenses arising from or in any way related to this Agreement (including any act or omission, whether honest, dishonest, negligent or otherwise, by TECI or its employees, whether within or outside the scope of employment) except to the extent losses are caused by any intentional misconduct (by act or omission) or any negligent act or omission of Financial Institution, its employees, agents, directors, or officers.

24.3 Interest, Costs and Fees. Any indemnity payable by either party will include reasonable interest, collection costs, and attorneys' fees (but not the compensation of an attorney who is a salaried employee of a party) incurred by the other party whether or not legal action is started.

25. Dispute Resolution. If a dispute arises out of or relates to this Agreement, and if the parties have not settled the dispute after 30 days of negotiation, the parties agree to try in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Rules (or by such other mediation process agreeable to the parties). If mediation fails to settle the dispute, the parties shall submit the dispute to binding arbitration administered by the AAA under its Commercial Arbitration Rules (or such other arbitration process agreeable to the parties). Judgment on any award rendered by arbitration may be entered in any court having jurisdiction thereof. Any mediation or arbitration would be conducted in Minneapolis, Minnesota.

26. Compliance with Law. Each Party agrees to comply with all applicable laws and regulations, including laws and regulations relating to money laundering and privacy, including the Gramm-Leach-Bliley Act of 1999.

27. Term. This Agreement is effective on the Effective Date. The initial term is five (5) years and begins on the Commencement Date. Thereafter, the Agreement is automatically renewed for successive one (1) year terms until terminated as provided below.

28. Termination.

28.1 Termination Not for Cause. A Party may terminate this Agreement as of the end of any term by giving the other Party three (3) months written notice of termination prior to the term expiration date.

28.2 Termination for Cause. A Party may terminate this Agreement for cause if it gives the other Party notice that the other party has materially breached this Agreement and failed to cure such breach within thirty (30) days of the written notice. Notwithstanding the above, TECI may terminate this Agreement immediately for cause by giving notice if Financial Institution has failed to remit as agreed for TECI Items; notice may be given by e-mail or FAX.

28.3 Early Termination Fee. If Financial Institution breaches section 5 above or terminates this Agreement other than as provided in this section 28, TECI may, in addition to its other remedies, collect from Financial Institution TECI's damages for loss of business during the remainder of the term.

29. Rights and Obligations After Termination. Upon any termination, Financial Institution will immediately remit to TECI by wire transfer all amounts due TECI. Financial Institution will reimburse TECI for any unused inventory and shipping costs, as invoiced by TECI. TECI will return the First Day Settlement Amount upon written request after termination of the Agreement and after Financial Institution has paid all amounts due TECI. Provided that this Agreement has not been terminated due to Financial Institution's breach hereof, TECI will continue to pay fees as set forth on the Fee Schedule so long as it retains balances attributable to Financial Institution's First Day Settlement Amount and remittances.

30. Assignment. Either Party may assign this Agreement provided the assignee is willing and able to perform the Agreement and agrees to be bound by it. TECI may assign its rights to receive funds under this Agreement. This Agreement shall be binding on the Parties and their successors and assigns.

31. General Provisions. This Agreement is the entire agreement between the parties relating to Checks and Money Orders. Except as otherwise provided in this Agreement, this Agreement may be amended only in writing signed by both parties. Section headings are for convenience only and are not part of this Agreement.

32. No Waiver; Remedies. The failure of either Party to exercise its rights is not a waiver. All remedies are cumulative.

33. Governing Law. Minnesota law governs this Agreement. The parties consent to jurisdiction and venue in the United States District Court for the District of Minnesota.

34. Notices. Except as specified in this Agreement, notices of default, termination, or fee changes must be in writing and personally delivered or sent by registered or certified mail, return receipt requested, or delivered by overnight courier or transmitted by facsimile. Notices related to daily business may be by telephone, FAX or e-mail as provided in the policies and procedures Financial Institution receives from TECI.

35. Notices are effective when received.

Written notices to TECI must be addressed as follows:

Travelers Express Company, Inc.
1550 Utica Avenue South
Minneapolis, MN 55416
Attention: Vice President, General Manager—Payment Systems

Notices to TECI related to daily business must be directed to:

Customer Service
Telephone: (800) 323-6873
FAX: (612) 569-2935

Written notices to Financial Institution must be addressed as follows:

REDACTED

Notices to Financial Institution related to daily business must be directed to:

Contact

Telephone

FAX:

REDACTED

36. Attachments. The following attachments are part of the agreement:

- Confidentiality Agreement
- Fee Schedule

Financial Institution:

TECI:

REDACTED

Travelers Express Company, Inc.,
Minnesota Corporation

By: Barbara Blou

Name: BARBARA BLOW

Title: V.P. OPERATIONS

Date: 2-21-03

Title: V.P. Financial Services

Date: February 12, 2003

Exhibit I



FINANCIAL INSTITUTION AGREEMENT FOR OFFICIAL CHECKS

Legal
MGI 1173 (09/11)

FOR MONEYGRAM INTERNAL USE ONLY

FI Name: _____

Edison #: _____ R&T #: _____

1. Parties to Agreement. This Financial Institution Agreement for Official Checks and any related attachment, exhibit, addendum, schedule, agreement or amendment ("Agreement") is by and between MoneyGram Payment Systems, Inc. ("MoneyGram") and the Financial Institution or Credit Union ("Financial Institution") that signs this Agreement and its Affiliates (defined below).

2. Scope of Agreement. This Agreement includes any or all of the following products ("Products") (check the boxes that apply):

Agent Checks Agent Check Money Orders Cashier's Checks Teller's Checks

3. Definitions.

Affiliates: any business controlling, controlled by or under common control with Financial Institution or MoneyGram

Agent Checks: Checks drawn by MoneyGram on its bank. Financial Institution is not a party to Agent Checks even though its name may appear on the Agent Checks.

Agent Check Money Orders: Agent Checks that are used as money orders by Financial Institution

Average Available Daily Balance: The sum of the Outstanding Balances held by MoneyGram on each day during a given month, divided by the actual number of days in the month.

Business Day: A day when the Federal Reserve Bank is open for business.

Cashier's Checks: Checks drawn by Financial Institution on itself.

Change in Control: The occurrence of any of the following: (a) a reorganization, merger, consolidation, or sale or transfer of all or substantially all of Financial Institution's assets; (b) a transfer of ownership or control of, or irrevocable power to vote a majority of the voting securities that are entitled to vote for the election of directors of Financial Institution; or (c) a transfer of any kind of ownership interest in Financial Institution which carries with it the power to control, directly or indirectly, the management or policies of Financial Institution

Checks: Agent Checks, Agent Check Money Orders, Cashier's Checks and Teller's Checks.

Commencement Date: The date when the first Check is issued under this Agreement

Effective Date: The first date on which both parties have signed this Agreement.

Federal Funds Rate: The effective federal funds rate as stated in Federal Reserve Statistical Release H.15, as amended from time to time.

First Day Settlement Amount: As defined in section 10

MoneyGram Items: Agent Checks, Agent Check Money Orders and Teller's Checks.

Operating Guidelines: MoneyGram's Official Check Operating Instructions and other policies and procedures relating to the Products, as in effect and as modified from time to time.

Outstanding Balance: On any given day, the sum/result of (a) the First Day Settlement Amount held by MoneyGram, plus (b) the amount of all money remitted by Financial Institution to MoneyGram pursuant to section 8 less (x) the face amount of

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all Presented Checks which have been paid by MoneyGram less (y) the face amount of all Checks that have not been presented for payment and have become unclaimed property under applicable unclaimed property laws.

Payment Rate: The rate at which fees payable by MoneyGram to Financial Institution are calculated as provided in the Fee Schedule(s) attached to this Agreement.

Presented Checks: Checks issued, used or sold by, or appearing to have been issued, used or sold by Financial Institution, which are presented for payment at a MoneyGram-designated clearing point.

Prime Rate: The base rate on corporate loans as posted by Bloomberg Financial Markets.

Teller's Checks: Checks drawn by Financial Institution and MoneyGram on MoneyGram's bank. Financial Institution is designated the "drawer" and MoneyGram is designated the "issuer" of Teller's Checks.

Term: The period from the Effective Date through the date this Agreement is terminated as provided in section 2B.

4. **Authorization.** MoneyGram authorizes Financial Institution to use and sell the Products that are MoneyGram items as provided in this Agreement. Financial Institution authorizes MoneyGram to perform the Check processing and other services relating to the Products as provided in this Agreement.
5. **Appointment.** To the extent applicable and as required by applicable laws and regulations, MoneyGram hereby appoints Financial Institution as its limited agent and authorized delegate for the sole purpose of using and selling the Products as set forth in this Agreement; and Financial Institution hereby accepts such appointment. Financial Institution acknowledges and understands that, by using and selling the Products as set forth in this Agreement, it is subject to the supervision, examination and regulation of applicable federal and state regulatory agencies, including those with oversight for money transmission and money services businesses.
6. **Check Stock.** MoneyGram will provide Financial Institution with one standard form of Check stock for each of the Products at no charge pursuant to the Operating Guidelines. Financial Institution may request additional forms of Check stock for an additional charge. Financial Institution is responsible for ordering or otherwise obtaining Check stock from MoneyGram as needed. Financial Institution will examine Check stock when received and will notify MoneyGram of any errors in accordance with the Operating Guidelines. Financial Institution will safeguard the unissued Check stock with the highest degree of care and will take such precautions as a prudent Financial Institution would take to safeguard its own cash. In the event that Financial Institution requests and implements a Check stock modification that renders the remaining Check stock unusable, Financial Institution will reimburse MoneyGram for the cost of all unused Check stock and associated shipping costs, as invoiced by MoneyGram.
7. **Issuance of Checks.**
 - (A) **Face Amounts.** The funds constituting the face amounts of all Checks issued, used or sold will be held in trust for MoneyGram until remitted by Financial Institution to MoneyGram.
 - (B) **Standard of Care.** Financial Institution will use not less than ordinary care, as defined in applicable law, in the completion and issuance of all Checks.
8. **Reporting.**
 - (A) **Checks.** Financial Institution will report all Checks issued, used or sold since the previous report to MoneyGram each Business Day not later than 11:00 a.m. Central Time. Financial Institution will report all Checks by individual Check serial number, issue date and face amount, by daily totals of the face amounts of Checks issued, used or sold, and as otherwise required in accordance with the Operating Guidelines.
 - (B) **Stolen, Missing or Altered Checks, Counterfeit Items.** Financial Institution will report to MoneyGram by telephone the serial number of any Check that is stolen, missing the dollar amount, or fraudulently altered, and any counterfeit item, and all other information relating to such stolen, missing or altered Check or counterfeit item promptly upon discovery, pursuant to the Operating Guidelines.
 - (C) **Other Reports.** Financial Institution will provide other reports to MoneyGram as provided in the Operating Guidelines.
9. **Remittance.**
 - (A) **Checks.** Financial Institution will remit the face amounts of all Checks issued, used or sold since the previous remittance to MoneyGram each Business Day by wire transfer so that MoneyGram has received collected funds not later than 11:00 a.m. Central Time.

- (B) *Estimated Remittance Amount.* If Financial Institution is unable to determine an amount required to be remitted under subsection 9(A) for any reason, Financial Institution will notify MoneyGram prior to the date and time the remittance is due under subsection 9(A). MoneyGram will estimate and notify Financial Institution of the amount of the remittance, and Financial Institution will remit immediately the estimated remittance amount, subject to subsequent adjustment.
- (C) *Late Fee.* If a remittance is received after the time or date due under subsection 9(A), Financial Institution will pay a late fee equal to the amount of the remittance that is late, multiplied by the Prime Rate plus three percent (3%), divided by 365, for each partial or full day that the remittance is late.
- (D) *Application.* MoneyGram, in its sole discretion, may apply any remittance received to pay MoneyGram Items first.

10. **First Day Settlement Amount.**

- (A) *First Day Settlement Amount.* MoneyGram may require that Financial Institution remit to MoneyGram by wire transfer, by 11 a.m. Central Time on the Commencement Date, an amount of up to one hundred percent (100%) of the aggregate face amounts of one (1) day's average issuance of Checks by Financial Institution, as estimated by MoneyGram ("First Day Settlement Amount").
 - (B) *Adjustment of First Day Settlement Amount.* MoneyGram may adjust the First Day Settlement Amount by email or any other form of notice to Financial Institution at any time, but not more than once per Business Day as follows: (i) if the First Day Settlement Amount is less than one hundred percent (100%) of the average daily aggregate face amounts of Checks issued by Financial Institution for the previous sixty-day period, MoneyGram may adjust the First Day Settlement Amount to equal one hundred percent (100%) of the average daily aggregate face amounts for such previous sixty-day period; or (ii) if the aggregate face amount of Checks issued by Financial Institution for a single day is greater than two hundred percent (200%) of the First Day Settlement Amount, MoneyGram may adjust the First Day Settlement Amount each Business Day thereafter to be equal to the peak aggregate face amount of Checks issued by Financial Institution for a single day.
 - (C) *Remittance of Adjusted First Day Settlement Amount.* Financial Institution will remit any amounts required by adjustments to the First Day Settlement Amount by 11:00 a.m. Central Time on the first Business Day following MoneyGram's notice to Financial Institution of the adjusted First Day Settlement Amount.
 - (D) *Voluntary Return of First Day Settlement Amount.* MoneyGram, in its sole discretion, may return all or any portion of the First Day Settlement Amount to Financial Institution at any time. Notwithstanding any voluntary return of all or any portion of the First Day Settlement Amount, MoneyGram will retain the right to require, by written notice to Financial Institution, that Financial Institution remit to MoneyGram an amount to adjust or replace the First Day Settlement Amount at any time.
11. **Processing of Presented Checks.** MoneyGram will intercept Presented Checks from banking channels and process them each Business Day as provided in this Agreement and the Operating Guidelines. MoneyGram need not examine Presented Checks.
12. **Payment of Presented Checks.** Subject to section 15 and notwithstanding returns due to (i) clearing bank changes, and/or (ii) Financial Institution's failure to comply with the requirements of the self print program as specified in the Operating Guidelines, and provided that Financial Institution has not breached the Agreement by failing to timely report or remit for Checks issued, used or sold, MoneyGram will pay Presented Checks. If Financial Institution has not reported and timely remitted for Checks issued, used or sold as required under this Agreement, MoneyGram may return such Checks unpaid or, at its option, may pay them when presented without waiving any rights against Financial Institution or any other person or entity.
13. **Return of Checks, Replacement Checks, Exception Checks.**
- (A) *Return of Checks.* Financial Institution, at its own risk, may request that MoneyGram return a Check unpaid. MoneyGram will honor such requests from Financial Institution unless MoneyGram determines in good faith that it is legally obligated to pay the Check.
 - (B) *Replacement Checks.* Financial Institution, at its own risk, may issue a replacement Check for a lost, stolen, destroyed or unused Check. Financial Institution is liable to MoneyGram for the face amounts of both the original Check and the replacement Check if both Checks are presented for payment and MoneyGram determines in good faith that it is legally obligated to pay both Checks.
 - (C) *Exception Checks.* On the first Business Day after the day of presentment, MoneyGram will report to Financial Institution the face amount and serial number of each Exception Check. Except as necessary in making such report, MoneyGram need not examine Presented checks. Financial Institution will notify MoneyGram of any Exception Check as specified in the Operating Guidelines.

14. **Stolen or Missing Checks.** Financial Institution will not be liable to MoneyGram for the face amount of any Check reported stolen, or missing the dollar amount, if Financial Institution makes a report, required under section 6, no later than 7:00 p.m. Central Time on the Business Day before the Check is presented for payment.
15. **Altered Checks.** Financial Institution will not be liable to MoneyGram for the fraudulently altered amount of a Check unless Financial Institution or its employee(s) failed to comply with subsection 7(B) or participated in the alteration, or failed to report the altered item in accordance with section 8.
16. **Counterfeits.** Financial Institution will not be liable to MoneyGram for counterfeit items resembling Checks unless Financial Institution or its employee(s) failed to comply with subsections 7(B) and 8(B), was negligent or participated in the counterfeiting.
17. **MoneyGram Reports.** MoneyGram will report to Financial Institution as provided in the Operating Guidelines. Reports by MoneyGram to Financial Institution are presumed correct unless Financial Institution provides written notice of an error to MoneyGram within sixty (60) days after receipt of the report.
18. **Record Retention.** MoneyGram will retain copies of both sides of all Presented Checks on tape, disk or backup media and for the time period required by law.
19. **Unclaimed Property.** MoneyGram is responsible for unclaimed property related to MoneyGram Items. Financial Institution is responsible for unclaimed property related to Cashier's Checks.
20. **Fees.** During the Term of this Agreement and post-termination, as applicable, the parties will pay the fees specified in the Fee Schedule(s) attached to this Agreement. MoneyGram may amend the Fee Schedule(s) in its sole discretion if the Commencement Date does not occur within ninety (90) days after the Effective Date, and as provided in the Fee Schedule(s). If Financial Institution adds additional Product(s) beyond those which are covered by this Agreement as of the Effective Date, MoneyGram may require an additional or amended Fee Schedule(s) with respect to the additional Product(s).
21. **Confidential Information.**

(A) **Additional Definitions.** As used in this section 21.

- (i) "Confidential Information" means each party's business or technical information, whether oral, audio, visual, written or other form, including information regarding any party involved in the Products, the terms and conditions of this Agreement, any training materials, and any other information that by its nature is considered proprietary and confidential. Confidential Information does not include information that
 - (a) is already known to the other party when received;
 - (b) is or hereafter becomes generally obtainable by a party other than by breach of this Agreement;
 - (c) is developed by or on behalf of a party independent of the Confidential Information provided hereunder; or
 - (d) is required by law, regulation or court order to be disclosed by such party, provided that, in the case of this clause, such information remains confidential except to the extent required, and prior notice of such disclosure has been given to the party which furnished such information, when legally permissible, and that reasonable efforts to cooperate with a lawful effort to contest the disclosure are made.

MoneyGram and Financial Institution specifically understand and agree that Customer Information, Nonpublic Personal Information and Consumer Information is Confidential Information of MoneyGram.

- (ii) "Consumer Information" has the meaning given in Appendix B to 12 C.F.R. Part 570
- (iii) "Customer Information" has the meaning given in Appendix B to 12 C.F.R. Part 570
- (iv) "Nonpublic Personal Information" means any information a consumer or customer provides to MoneyGram to obtain a product or service from MoneyGram, resulting from any transaction involving a product or service from MoneyGram or otherwise obtained from a consumer, including any and all information that could identify an individual (including an individual's name, address, telephone number, e-mail address, social security number, account number, or security key) and any other information subject to the Gramm-Leach-Bliley Act.
- (v) **General Prohibition.** Each party will keep in confidence the Confidential Information of the other party, using the same degree of care it uses to protect its own confidential or proprietary information, but in any event no less than reasonable care. Each party will not use such Confidential Information for any purpose except as contemplated by this Agreement without the other party's prior written consent, and will not disclose any Confidential Information received by it to any third party.

- (C) **Security.** Each party warrants that it has developed, implemented, and will maintain effective information security policies and procedures (the respective "Policies") consistent with the requirements of the Gramm-Leach-Bliley Act and the Fair and Accurate Credit Transactions Act (FACTA). Each party warrants that:
- (i) Its Policies include administrative, technical and physical safeguards designed to:
 - (a) insure the security and confidentiality of Confidential Information provided to it by the other party or the other party's customers;
 - (b) protect against anticipated threats or hazards to the security or integrity of such Confidential Information;
 - (c) protect against unauthorized access or use of such Confidential Information; and
 - (d) ensure the proper disposal of Confidential Information;
 - (ii) all personnel handling such Confidential Information have been appropriately trained in the implementation of the Policies;
 - (iii) it regularly audits and reviews its Policies to ensure their continued effectiveness, and to determine whether adjustments are necessary in light of the circumstances, including changes in technology, customer information systems or threats or hazards to Confidential Information; and
 - (iv) it has adopted a written response program for addressing any unauthorized disclosure of or access to Confidential Information.
- (D) **Unauthorized Disclosure or Access.** In the event of any unauthorized disclosure of or access to any of a party's Confidential Information (the "Confidential Information Party") while in the possession or control of the other party (the "Disclosing Party"), the Disclosing Party will promptly notify the Confidential Information Party of such unauthorized disclosure or access and take appropriate action to prevent further unauthorized disclosure or access. The Disclosing Party will cooperate with the Confidential Information Party regarding such unauthorized disclosure or access and pay all costs and expenses related to providing notices and information regarding such unauthorized disclosure or access to appropriate law enforcement agencies, government regulatory authorities and persons or entities whose information is disclosed or accessed. The Disclosing Party will promptly provide any notices required by federal, state or local law, regulation or ordinance. In addition to any other indemnity obligations under this Agreement, the Disclosing Party agrees to indemnify the Confidential Information Party from and against all liability, costs, expenses and direct damages incurred by the Confidential Information Party in any way related to the unauthorized disclosure of or access to Confidential Information while in the Disclosing Party's possession or control, including all costs and expenses related to the Confidential Information Party providing written notice to the Confidential Information Party's customers regarding the unauthorized access, and providing access to credit monitoring services, credit protection services, credit fraud alerts, or similar services to which the Confidential Information Party, in its sole discretion, deems appropriate to protect such affected customers.
- (E) **Injunctive Relief.** Each party understands that any breach of this section 21 may cause irreparable harm to the other party. Each party agrees that, in the event of a breach or threatened breach, the other party may immediately seek injunctive relief in addition to its other remedies, notwithstanding any provision in this Agreement relating to cure periods or dispute resolution. Accordingly, each of the parties agrees that the other party is entitled to an injunction or injunctions to prevent breaches of the provisions of this section 21 and to enforce specifically this section 21 in any action instituted in any court of the United States or any state having jurisdiction over the parties and the matter, subject to subsection 31 (C), in addition to any other remedy to which it may be entitled at law or in equity.
- (F) **Survival.** The obligations under this section 21 will survive any termination of this Agreement.
22. **Proprietary Materials.** MoneyGram may use Financial Institution's name, logo, trademark, servicemark and/or location information in any MoneyGram marketing or advertising materials, press releases or lists of financial institutions utilizing and/or providing MoneyGram services.
23. **Exclusivity.** During the Term of this Agreement, Financial Institution will not directly or indirectly contract with any other vendor for similar services for itself or its Affiliates, or perform the services itself. If, during the Term of this Agreement, Financial Institution adds or acquires additional institutions, Affiliates or locations, Financial Institution will convert the added or acquired institutions, Affiliates or locations to services under this Agreement within ninety (90) days after completion of the addition or acquisition, subject to MoneyGram's approval in MoneyGram's sole discretion. If Financial Institution is prohibited from converting the added or acquired institutions, Affiliates or locations to services under this Agreement by an agreement that existed prior to the date of the addition or acquisition, Financial Institution will terminate that pre-existing agreement as soon as termination would not constitute a breach of that pre-existing agreement and will have MoneyGram then provide services under this Agreement at those added or acquired institutions, Affiliates or locations. Financial Institution warrants that

by entering into this Agreement it is not in breach of any other agreement to which Financial Institution is a party or by which Financial Institution is bound.

24. Limitation of Liability.

- (A) *Events Not Within a Party's Control.* Neither party will be liable to the other party for delays in the execution or completion of its obligations under this Agreement if such delay is caused by the occurrence of any contingency beyond its control, or beyond the control of its suppliers, including wars, insurrections, riots, or other acts of civil disobedience, acts of the public enemy, failure or delay in transportation, act of any government or agency or subdivision of any government or agency, judicial action, strikes or other labor disputes, accidents, fire, explosion, flood or storm, or other acts of God, shortage of labor, fuel, materials and machinery, technical failure, or other unforeseeable causes beyond its control; provided that written notice of such delay is presented within thirty (30) days of such delay, and that performance renews/recommences following the cessation of the cause of the delay.
- (B) *Damages.* Neither party will be liable to the other party for any punitive or exemplary damages. MoneyGram will not be liable to Financial Institution for any lost profits, lost savings, or special or consequential damages arising from or caused by any error or negligence, even if MoneyGram is advised of the possibility of such damages.

25. Mutual Indemnity.

- (A) *Indemnity by Financial Institution.* Financial Institution will reimburse, indemnify and hold harmless MoneyGram against all losses, claims, demands, actions, suits, expenses and damages asserted by any person (including any business entity, government authority, or clearing house) that is not a party to this Agreement that result, in whole or part, from (i) Financial Institution's breach of this Agreement, or (ii) Financial Institution's acts or omissions affecting under or relating to this Agreement, including any request by Financial Institution that MoneyGram return or refuse payment of a Check, except to the extent such losses are caused by any intentional misconduct or any gross negligence of MoneyGram or its employee(s).
- (B) *Indemnity by MoneyGram.* MoneyGram will reimburse, indemnify and hold harmless Financial Institution against all losses, claims, demands, actions, suits, expenses and damages asserted by any person (including any business entity, government authority, or clearing house) that is not a party to this Agreement that result, in whole or part, from MoneyGram's breach of this Agreement, except to the extent that such losses are caused by any intentional misconduct or any gross negligence of Financial Institution or its employee(s).
- (C) *Interest, Costs and Fees.* Any indemnity payable by either party under this Agreement will include reasonable interest, collection costs, and attorneys' fees (but not the compensation of an attorney who is a salaried employee of the indemnified party) incurred by the indemnified party whether or not legal action is commenced.
- (D) *Survival.* The parties' indemnification obligations set forth in this Agreement will survive any termination of this Agreement.
26. *Dispute Resolution.* Except as otherwise provided in subsection 21(E), if a dispute arises out of or relates to this Agreement, and if the parties have not settled the dispute after thirty (30) days of negotiation, the parties will attempt in good faith to settle the dispute by mediation administered by the American Arbitration Association (the "AAA") under its Commercial Mediation Rules (or by such other mediation process as is agreeable to the parties). If mediation fails to settle the dispute, the parties will submit the dispute to binding arbitration administered by the AAA under its Commercial Arbitration Rules (or such other arbitration process as is agreeable to the parties). Judgment on any award rendered by arbitration may be entered in any court having jurisdiction thereof. Any mediation or arbitration will be conducted in Minneapolis, Minnesota.

27. Compliance with Law; Cooperation, Anti-Corruption.

- (A) *Compliance with Law.* Each party agrees to comply with all applicable laws and regulations. If applicable laws and regulations require MoneyGram to obtain or maintain licenses or approvals from regulatory bodies, Financial Institution will cooperate with MoneyGram including providing any reasonably necessary information to MoneyGram as needed for MoneyGram to obtain such licenses or approvals.
- (B) *Cooperation.* Financial Institution will cooperate with MoneyGram in providing information requested by regulatory bodies, and information requested by MoneyGram for its internal investigations.
- (C) *Anti-Corruption.* Financial Institution
- (i) has not and will not make any payment, or transfer anything of value, directly or indirectly (a) to any government official or employee (including employees of a government corporation or public international organization), or to any political party, party official or candidate for public office (the foregoing collectively, "Government Official"); or (b) to any other person or entity if such payments or transfers would violate the laws of the country in which made or the laws of the United States;

- (ii) has reviewed and agrees to abide by MoneyGram's Anti-Corruption Policy,
 - (iii) has adopted an anti-corruption policy which, at a minimum, prohibits the direct or indirect offer, authorization, or payment of money or anything of value to improperly influence a Government Official;
 - (iv) agrees that if subsequent developments cause the representations and warranties made herein to no longer be accurate or complete, Financial Institution will immediately so advise MoneyGram; and
 - (v) agrees that this Agreement is subject to immediate termination in the event that Financial Institution breaches the representations and warranties contained herein.
28. **Term.** This Agreement is effective on the Effective Date. The initial term of this Agreement is three (3) years beginning on the Commencement Date ("Initial Term"). Thereafter, this Agreement will automatically renew for successive one (1) year terms (each a "Renewal Term") until terminated as provided in section 29.
29. **Termination.**
- (A) **Termination Not for Cause.** Either party may terminate this Agreement for any reason as of the end of the Initial Term or any Renewal Term by giving the other party written notice of termination not less than three (3) months prior to the expiration date of the Initial Term or applicable Renewal Term.
 - (B) **Immediate Termination for Cause.** If Financial Institution fails to report or remit as required under this Agreement, or upon the effective date of a Change in Control as provided in subsection 31(M), MoneyGram may terminate this Agreement immediately for cause by giving Financial Institution written notice, which notice may be given by e-mail or facsimile.
 - (C) **Termination for Cause.** If either party materially defaults under this Agreement, the non-defaulting party may give written notice of such default to the defaulting party and, if the defaulting party does not cure the default within thirty (30) days after the written notice of default, the non-defaulting party may terminate this Agreement for cause by written notice to the defaulting party.
 - (D) **Early Termination Fee.** If Financial Institution defaults on its obligations under section 23, terminates this Agreement other than as provided in this section 29, or terminates this Agreement as provided in any Fee Schedule(s), MoneyGram may, in addition to its other remedies, collect from Financial Institution an early termination fee in an amount determined as follows: Average Available Daily Balance x 2% + 12 x the number of months remaining in the Initial Term or Renewal Term.
30. **Rights and Obligations After Termination.**
- (A) **Amounts Due.** Upon any termination of this Agreement, Financial Institution will immediately remit to MoneyGram by wire transfer all amounts due MoneyGram under this Agreement.
 - (B) **Unused Check Stock.** Upon any termination of this Agreement, Financial Institution will immediately cease issuing, using or selling any Checks. Financial Institution will reimburse MoneyGram for the cost of all unused Check stock and associated shipping costs, as invoiced by MoneyGram.
 - (C) **Post-Termination Processing.** Subsequent to any termination of this Agreement and subject to section 19, MoneyGram will retain the balance of the funds remitted to MoneyGram and held for payment of Checks issued, used or sold by Financial Institution prior to termination, and will continue to honor and make payment of those Checks as they are presented. If Financial Institution places a stop payment on any given outstanding Check, Financial Institution shall pay a stop payment fee equal to \$5.00 per Check. If Financial Institution requests a refund or return on any given outstanding Check, MoneyGram will return the face amount of such Check, less a \$10.00 fee which will be deducted from the funds returned. Financial Institution will, as it seems necessary in its sole discretion, contact any of its affected customers who purchased such Checks.
 - (D) **Post-Termination Fees.** Subsequent to any termination of this Agreement and subject to subsection 29(D), neither MoneyGram nor Financial Institution will pay any of the fees set forth on the Fee Schedule(s), except that Financial Institution will continue to pay its Monthly Fee as set forth on the Fee Schedule until such time as there are no Checks that remain outstanding and that do not constitute unclaimed property under applicable unclaimed property laws.
 - (E) **First Day Settlement Amount.** Subsequent to any termination of this Agreement, MoneyGram will return the First Day Settlement Amount upon written request of Financial Institution only after Financial Institution has paid all amounts due MoneyGram, other than amounts due under subsection 30(D). Prior to returning the First Day Settlement Amount, MoneyGram, in its sole discretion, may offset any amounts due it, other than amounts due under subsection 30(D), against the First Day Settlement Amount.

31. General Provisions.

- (A) *Instructions.* Financial Institution will follow all of MoneyGram's reasonable instructions relating to this Agreement. MoneyGram may change the instructions from time to time.
- (B) *Governing Law.* This Agreement and the rights, duties, and obligations arising under this Agreement, will be interpreted and construed in accordance with the laws of the State of Minnesota, without regard for its conflicts of laws principals.
- (C) *Venue/Submission to Jurisdiction.* The venue for any action under this Agreement will be in the State of Minnesota, whether or not such venue is or subsequently becomes inconvenient, and the parties consent to the jurisdiction of the courts of the State of Minnesota, County of Rice, and the U.S. District Court, District of Minnesota.
- (D) *Notice of Certain Events.* Financial Institution will immediately give notice to MoneyGram upon (i) the appointment of a receiver, trustee, or similar officer for Financial Institution or any property of Financial Institution; (ii) the initiation of any action attempting to revoke or suspend any of Financial Institution's licenses by any regulatory body having authority over Financial Institution; and (iii) any criminal proceeding being initiated against Financial Institution or any officer of Financial Institution.
- (E) *Waiver of Jury Trial.* MONEYGRAM AND FINANCIAL INSTITUTION IRREVOCABLY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING THIS AGREEMENT.
- (F) *Severability and Waiver.* In the event any provision of this Agreement is rendered invalid or unenforceable by a court of competent jurisdiction, the remaining terms and conditions will remain valid and enforceable to the extent possible. If any provision of this Agreement is held by such court to be overbroad as written, such provision will be deemed amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law, and will be enforced as amended. Waiver of any term or condition of this Agreement by either party either expressly or by implication will not constitute a modification of the Agreement and will not prevent that party from again enforcing such term or condition in the future with respect to subsequent events. No failure on the part of either party to exercise any right of termination under this Agreement will be construed to prejudice any subsequent right of termination.
- (G) *No Third Party Beneficiary.* This Agreement will not confer any rights, benefits or remedies upon any person other than the parties to this Agreement.
- (H) *Entire Agreement.* This Agreement embodies the entire agreement and understanding among the parties relative to the subject matter of this Agreement and supersedes all prior agreements and understandings relating to such subject matter.
- (I) *Amendment.* No amendment of this Agreement will be effective unless it is in writing and is signed by a duly authorized representative of each party.
- (J) *Remedies.* All rights and remedies set forth in this Agreement are cumulative and non-exclusive and, subject to section 28, each party further retains all other statutory and common law remedies provided by law.
- (K) *Binding Effect.* This Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, assigns and personal representatives.
- (L) *Assignment.* Financial Institution may not assign this Agreement or any of its rights hereunder to any person, including a successor in interest, by operation of law or otherwise, without the prior written consent of MoneyGram. In no event will Financial Institution be relieved of its obligations or liability under this Agreement unless and until MoneyGram specifically releases Financial Institution from such obligations or liability in writing. MoneyGram may assign any of its rights or obligations under this Agreement without the consent of Financial Institution.
- (M) *Change in Control.* Financial Institution will notify MoneyGram in advance of the effective date of any Change in Control of Financial Institution and MoneyGram may, at its option, terminate this Agreement effective upon the date of such Change in Control. If, following the effective date of a Change in Control, Financial Institution's successor issues, uses or sells any Checks without this Agreement having been assigned to such successor in compliance with subsection 31(L), such successor will be liable to MoneyGram for all amounts that would be due under this Agreement by Financial Institution as a result of such issuing, using or selling of Checks.
- (N) *Time of the Essence.* Time is of the essence with respect to the performance of every provision of this Agreement.
- (O) *Survival.* The representations, warranties, covenants, indemnities and other agreements of the parties stated or implied by their terms to survive in this Agreement and the parties' obligations hereunder shall survive the execution and delivery and the termination or expiration of this Agreement.

32. *Notices.* Except as otherwise specified in this Agreement, notices of default, termination, or fee changes must be in writing and personally delivered or sent by U.S. mail, or delivered by overnight courier or transmitted by facsimile. Notices related to

daily business may be by telephone, facsimile or e-mail as provided in the Operating Guidelines. Notices are effective when first received or refused.

Written legal notices to MoneyGram must be addressed:

MoneyGram Payment Systems, Inc.
1550 Ulica Avenue South, Suite 100
Minneapolis, MN 55416
Attention: Gen'l. Mgt, Financial Paper Products

With a copy to: MoneyGram Payment Systems, Inc.
8701 Parkway Circle
Brooklyn Park, MN 55430
Attention: Official Check Operations

Notices to MoneyGram related to daily business must be directed to:

Customer Service
Telephone: (800) 323-8879
Facsimile: (612) 568-2935
E-mail: satupendsupportrequest@moneygram.com

Written legal notices to Financial Institution must be addressed:

Name: [Redacted]
Address: [Redacted]

With a copy to: Name: [Redacted]
Address: [Redacted]

Attention: [Redacted]
Email Address: [Redacted]

Attention: [Redacted]
Email Address: [Redacted]

Notices to Financial Institution related to daily business must be directed to:

Contact person: [Redacted]
Address: [Redacted]
Telephone: [Redacted]
Facsimile: [Redacted]
E-mail: [Redacted]

33. Attachments. The following attachments are part of this agreement:

- Fee Schedule(s)
- ACH & Pre-Authorized Draft Authorization Agreement

Financial Institution:
By: [Redacted]
Name: [Redacted]
Title: [Redacted]
Date: [Redacted]

MoneyGram:
MoneyGram Payment Systems, Inc
By: *Mark Krueger*
Name: *Mark Krueger*
Title: *VP Operations*
Date: *3/6/12*

**FEE SCHEDULE TO
FINANCIAL INSTITUTION AGREEMENT FOR OFFICIAL CHECKS**

Name of Financial Institution: [REDACTED]

This Fee Schedule is for (check the boxes that apply):

Agent Checks Agent Check Money Orders Cashier's Checks Teller's Checks

Financial institution will pay MoneyGram the following fees:

Per Check Fee	\$ [REDACTED]
Monthly Fee	\$ [REDACTED]
Per Stop Payment Request or Order	\$ [REDACTED]
Set-Up Fee	\$
Other:	\$

MoneyGram will pay Financial Institution the following fees monthly

Payment Rate	X	Days in Month	x 365 X	Average Available Daily Balance Attributable to Financial Institution

The Payment Rate is: [REDACTED] % of the Federal Funds Rate less 0 basis points

First Day Settlement Amount is: \$ [REDACTED]

MoneyGram may change these fees prospectively after thirty (30) days' written notice to Financial Institution. Financial institution may terminate this Agreement within thirty (30) days after receipt of MoneyGram's notice if it does not accept the fee change. In such case, Financial Institution will pay the early termination fee as set forth in subsection 29(D) of this Agreement. The early termination fee will be based on the fees that are in effect prior to the fee change. The "Net Payable Amount" is the difference between the fees due to MoneyGram from Financial Institution and any fees due to Financial Institution from MoneyGram. MoneyGram shall initiate either an ACH debit or credit of the Net Payable Amount, as applicable, within fifteen (15) Business Days following the end of each calendar month.

Exhibit J



Official Check & Money Order Types

	Cashier's Check	Teller's (Official) Check	Agent Check	Financial Institution Money Order
Issuer	Financial Institution	MoneyGram	MoneyGram	MoneyGram
Drawer	Financial Institution	Financial Institution	MoneyGram	MoneyGram
Drawee	Financial Institution	MoneyGram clearing bank	MoneyGram clearing bank	MoneyGram
Reg. CC/Next Day Fund Availability	Yes	Yes	No	No
Reserve Requirement	Yes	Yes	No	No
Escheat	Financial Institution	MoneyGram	MoneyGram	MoneyGram
Document Type	Check	Check	Check	Draft
Dollar Amount	Unlimited	Unlimited	Unlimited	Limited

C:\My Documents\OC and FIMO types.doc

MG-000694





Official Check & Money Order Types

	Cashier's Checks	Teller's Checks	Agent Checks	Financial Institution Money Orders
Issuer	Financial Institution	MoneyGram	MoneyGram	MoneyGram
Drawer	Financial Institution	Financial Institution	MoneyGram	MoneyGram
Drawee	Financial Institution	MoneyGram (clearing bank)	MoneyGram (clearing bank)	MoneyGram
Reg. CC/Next-Day Funds Availability	Yes	Yes	No	No
Reg. D/Reserve Requirement	Yes	Yes	No	No
Escheat	Financial Institution	MoneyGram	MoneyGram	MoneyGram
Document Type	Check	Check	Check	Draft
Dollar Amount	Unlimited	Unlimited	Unlimited	Limited

Updated 6/1/2011

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MG 004615



Official Check & Money Order Types

	Cashier's Checks	Teller's Checks	Agent Checks	Financial Institution Money Orders
Issuer	Financial Institution	MoneyGram	MoneyGram	MoneyGram
Drawer	Financial Institution	Financial Institution	MoneyGram	MoneyGram
Drawee	Financial Institution	MoneyGram (clearing bank)	MoneyGram (clearing bank)	MoneyGram
Reg. CC/Next-Day Funds Availability	Yes	Yes	No	No
Reg. D/Reserve Requirement	Yes	Yes	No	No
Escheat	Financial Institution	MoneyGram	MoneyGram	MoneyGram
Document Type	Check	Check	Check	Draft
Dollar Amount	Unlimited	Unlimited	Unlimited	Limited

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MG 004616

Exhibit K

EXHIBIT

FXND 000-631-6989

5/23/16 Jm



CustomerService
1-800-542-3590

Money Order Claim Card

This request is to be completed by purchaser only.

COMPLETION AND SUBMISSION OF THIS FORM DOES NOT GUARANTEE A REFUND WILL BE ISSUED

Please mail request to:
MoneyGram Payment Systems, Inc.
PO Box 610
Minneapolis, MN 55480-0610

Instructions:

- Complete Money Order Claim Card. Your signature must be present at the bottom of the form. Retain the top half for your records.
 - Mail the following to MoneyGram International at the address listed in the upper right corner.
 - The bottom half of completed Money Order Claim Card.
 - A copy of your detachable money order receipt (retain the original receipt/stub for your records).
 - \$18 for processing fees (Check or money order payable to MoneyGram International. Please do not send cash).
- Please Note:**
- Purchaser must complete one Money Order Claim Card for each request.

- \$18 processing fee must be included for each request. If not included, will be deducted from refund amount. (A photocopy will not be sent without the \$18 fee.)
- Processing fees are non-refundable and are subject to change.
- There is no guarantee that a refund will be issued. However, a refund may be issued if the money order has not been cashed, the Money Order Claim Card is properly completed and signed by Purchaser, the receipt is attached and the processing fee submitted.
- A photocopy of the money order will be provided if the money order was cashed and a copy of same is provided to MoneyGram. If you notice alterations to the money order, immediately contact customer service.
- Claims are processed within 15 days of receipt. Please allow an additional 5 days for mailing.
- Incomplete or illegible Money Order Claim Cards will delay processing.**

Money Order Serial Number: _____ Today's Date: _____

KEEP TOP PORTION FOR YOUR RECORDS. MAIL BOTTOM PORTION TO MONEYGRAM INTERNATIONAL AT ADDRESS LISTED ABOVE.

Attach copy of money order receipt/stub here.

Failure to include a copy of the receipt may delay processing.

**** This is not a guaranteed stop payment. ****

Please print clearly name and address of purchaser:

Name: _____ Suite/Apt: _____
 Address: _____ Zip: _____
 City: _____ State: _____
 Home phone: _____ Mobile phone: _____

Money Order Serial Number/Letters	Dollar Amount	Purchase Date
_____	_____ \$	____/____/____
Money Order was: <input type="checkbox"/> Blank <input type="checkbox"/> Made payable to: _____		
Name and address of location where money order was purchased: Business Name: _____ Address: _____ City: _____ State: _____ Zip: _____		
After standard processing time, would you like your request sent overnight for an additional \$22 fee? <input type="checkbox"/> Yes <input type="checkbox"/> No		
I understand and agree to the following: (1) Only MoneyGram can make the decision whether to pay a money order or not pay it, (2) I am still liable for the original money order and will repay MoneyGram, its clearing banks and trustees and all costs incurred if this money order must be paid for any reason and (3) if I find the original money order, I will return it to MoneyGram and use only the replacement money order provided. REFUND CANNOT BE PROCESSED UNLESS SIGNED BY THE PURCHASER.		
Sign: X _____		Date: ____/____/____
Print Name: _____		Date: ____/____/____

Exhibit L

MONEYGRAM INTERNATIONAL INC (MGI)

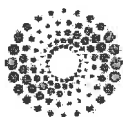


10-K

Annual report pursuant to section 13 and 15(d)

Filed on 03/16/2011

Filed Period 12/31/2010



THOMSON REUTERS

Westlaw.BUSINESS

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

Form 10-K

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2010.
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .

Commission File Number: 1-31950

MONEYGRAM INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
2828 N. Harwood St., 15th Floor
Dallas, Texas
(Address of principal executive offices)

16-1690064
(I.R.S. Employer
Identification No.)
75201
(Zip Code)

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

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

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

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

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

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

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

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

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

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

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

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

The market value of common stock held by non-affiliates of the registrant, computed by reference to the last sales price as reported on the New York Stock Exchange as of June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, was \$203.9 million.

83,620,522 shares of common stock were outstanding as of March 7, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this report is incorporated by reference from the registrant's proxy statement for the 2011 Annual Meeting.

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PART I

Item 1. BUSINESS

Overview

MoneyGram International, Inc. (together with our subsidiaries, "MoneyGram," the "Company," "we," "us" and "our") is a leading global payment services company. Our major products include global money transfers, bill payment solutions and money orders. We help people and businesses by providing affordable, reliable and convenient payment services.

The MoneyGram® brand is recognized throughout the world. We offer more choices and more control for people separated from friends and family by distance or those with limited bank relationships to meet their financial needs. Our payment services are available at approximately 227,000 agent locations in approximately 190 countries and territories. Our services enable consumers throughout the world to transfer money and pay bills, helping them meet the financial demands of their daily lives. Our payment services also help businesses operate more efficiently and cost-effectively.

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

History and Development

We conduct our business primarily through our wholly owned subsidiary MoneyGram Payment Systems, Inc. ("MPSI"). Through its predecessor, Travelers Express Company, Inc. ("Travelers Express"), MPSI has been in operation for 70 years. Travelers Express acquired MPSI in 1998, adding the MoneyGram brand to our Company and adding international money transfer services to our payment service offerings. In 2005, we consolidated the operations of Travelers Express with MPSI to eliminate costs of operating the two businesses under separate corporate entities. This completed the transition of our business from the Travelers Express brand to the MoneyGram brand, and we retired the Travelers Express brand.

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

As part of the 2008 Recapitalization, our wholly owned subsidiary, MoneyGram Payment Systems Worldwide, Inc. ("Worldwide"), issued Goldman Sachs \$500.0 million of senior secured second lien notes with a 10-year maturity (the "Notes"). We also entered into a senior secured amended and restated credit agreement with JPMorgan Chase Bank, N.A. ("JPMorgan") as agent for a group of lenders, bringing the total facility to \$600.0 million. The amended facility included \$350.0 million in two term loan tranches and a \$250.0 million revolving credit facility. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — 2008 Recapitalization" for further information regarding the 2008 Recapitalization.

In 2008, we completed the acquisition of MoneyCard World Express, S.A. ("MoneyCard") and Cambios Sol, S.A., two money transfer super-agents located in Spain. Thereafter, we merged Cambios Sol, S.A. into MoneyCard and now maintain MoneyCard as our subsidiary. In 2009, we acquired the French assets of R. Raphaels & Sons PLC. We also sold FSMC, Inc. and continued the exit of our ACH Commerce business in 2009. In 2010, we acquired our agent in the Netherlands, Blue Dolphin Financial Services N.V.

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Recent Developments

On March 7, 2011, we entered into a Recapitalization Agreement (the "Recapitalization Agreement") with THL, as the holder of all of the B Stock, and Goldman Sachs, as the holder of all of the B-1 Stock. Pursuant to the Recapitalization Agreement, (i) THL will convert all of the shares of B Stock into shares of our common stock in accordance with the Certificate of Designations, Preferences and Rights of Series B Participating Convertible Preferred Stock of MoneyGram International, Inc., (ii) Goldman Sachs will convert all of the shares of B-1 Stock into shares of Series D Participating Convertible Preferred Stock of the Company (the "D Stock") in accordance with the Certificate of Designations, Preferences and Rights of Series B-1 Participating Convertible Preferred Stock of MoneyGram International, Inc., and (iii) THL will receive approximately 28.2 million additional shares of our common stock and \$140.8 million in cash, and Goldman Sachs will receive approximately 15,504 additional shares of D Stock (equivalent to approximately 15.5 million shares of our common stock) and \$77.5 million in cash (such transactions, collectively, the "2011 Recapitalization").

The 2011 Recapitalization has been approved unanimously by our board of directors following the recommendation of a special committee of the board of directors comprised of independent and disinterested members of our board of directors, and is subject to various conditions contained in the Recapitalization Agreement, including the approval of the 2011 Recapitalization or any other matter that requires approval under the Recapitalization Agreement (collectively the "Stockholder Approval Matters") by the affirmative vote of a majority of the outstanding shares of our common stock and B Stock (on an as-converted basis), voting as a single class, and the affirmative vote of a majority of the outstanding shares of our common stock (not including the B Stock or any other stock of the Company held by any Investor), in each case voting on the Stockholder Approval Matters and the Company's receipt of sufficient financing to consummate the 2011 Recapitalization.

Concurrently with entering into the Recapitalization Agreement, Worldwide and the Company entered into a consent agreement (the "Consent Agreement") with certain affiliates of Goldman Sachs (the "GS Note Holders") who are holders of the Notes. Pursuant to the Consent Agreement, the parties thereto have agreed to enter into a supplemental indenture to the indenture governing the Notes that will, among other things, amend the indenture in order to permit the 2011 Recapitalization. In addition, the Company is currently working with certain of its relationship banks to put in place a new senior secured credit facility comprised of a revolver and a term loan, which would refinance the Company's existing senior secured credit facility and provide the funding for the 2011 Recapitalization.

The foregoing description of the Recapitalization Agreement and the Consent Agreement is not a complete description of all of the parties' rights and obligations under the Merger Agreement and the Consent Agreement and is qualified in its entirety by reference to the Recapitalization Agreement and the Consent Agreement, which are filed as Exhibit 2.1 and Exhibit 10.1, respectively, to our Current Report on Form 8-K as filed with the SEC on March 9, 2011.

Our Business

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

We provide money transfer services through our worldwide network of agents and through Company-owned retail locations in the United States and Western Europe. We also offer our money transfer services on the Internet via our MoneyGram Online service in the United States and through agent websites in Italy, Saudi Arabia and Japan. In Italy, Abu Dhabi and the Philippines, we also offer our money transfer services via mobile phone. We also offer our services through kiosks, ATM's, receive cards and direct-to-bank account products in various markets around the world.

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

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

During 2010, 2009 and 2008, our 10 largest agents accounted for 50 percent, 48 percent and 44 percent, respectively, of our total company fee and investment revenue and 54 percent, 53 percent and 53 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. Walmart Stores, Inc. is our only agent that accounts for more than 10 percent of our total company fee and investment revenue. In 2010, 2009 and 2008, Walmart accounted for 30 percent, 29 percent and 26 percent, respectively, of our total company fee and investment revenue, and 32 percent, 32 percent and 31 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. Our contract with Walmart in the United States, which runs through January 2013, provides for Walmart's sale of our money order and money transfer services and real-time, urgent bill payment services at its retail locations on an exclusive basis.

Our Segments

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

	2010	2009	2008
Global Funds Transfer			
Money transfer	79.4%	76.7%	68.8%
Bill payment	10.8%	11.6%	11.1%
Financial Paper Products			
Money order	5.9%	6.4%	6.8%
Official check	3.5%	4.1%	12.0%
Other	0.4%	1.2%	1.3%
Total revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

Global Funds Transfer Segment

The Global Funds Transfer segment is our primary segment, providing money transfer and bill payment services to consumers, who are often unbanked or underbanked. Unbanked consumers are those consumers who do not have a traditional relationship with a financial institution. Underbanked consumers are consumers who, while they may have a savings account with a financial institution, do not have a checking account. Other consumers who use our services are convenience users and emergency users who may have a checking account with a financial institution but prefer to use our services on the basis of convenience or to make emergency payments. We primarily offer services to consumers through third-party agents, including retail chains, independent retailers and financial institutions.

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In 2010, our Global Funds Transfer segment had total fee and investment revenue of \$1,053.3 million. We continue to focus on the growth of our Global Funds Transfer segment outside of the United States. During 2010, 2009 and 2008, operations outside of the United States generated 28 percent, 27 percent and 25 percent, respectively, of our total company fee and investment revenue, and 31 percent of our Global Funds Transfer segment fee and investment revenue in all three years. The Global Funds Transfer segment is managed as two geographical regions, the Americas and EMEAAP, to coordinate sales, agent management and marketing activities. The Americas region includes the United States, Canada, Mexico, the Caribbean and Latin America. The EMEAAP region includes Europe, the Middle East, Africa and the Asia Pacific region. In 2010, we added approximately 37,000 net locations, bringing our global agent network to approximately 227,000.

As of December 31, 2010, we had approximately 69,400 agent locations in the Americas, representing a 5 percent increase from December 31, 2009. Our locations in the Americas included approximately 40,000 locations in North America and 29,400 locations in Latin America, including approximately 13,500 locations in Mexico. In Ecuador, we added 1,200 Banco De Guayaquil locations, and we added 700 Canada Post locations to our network, making our money transfer services available to over 6,300 locations coast to coast across Canada. We also added 600 locations in Mexico by increasing our network with Uniteller Financial Services.

As of December 31, 2010, we had approximately 157,600 agent locations in the EMEAAP region, representing a 27 percent increase from December 31, 2009. Our locations in the EMEAAP region included approximately 40,900 locations in Western Europe, 38,700 locations in Eastern Europe, 36,200 locations in the Indian subcontinent, 25,700 locations in the Asian Pacific, 12,300 locations in Africa and 3,800 locations in the Middle East. In the EMEAAP region, we added 33,600 agent locations in several markets, which represented a 27 percent increase in EMEAAP agent locations since December 31, 2009. We operate in over 11,000 locations in the Russian Federation primarily through our relationship with State Savings Bank of the Russian Federation ("Sberbank") with 8,500 agent locations. In India, agent locations grew to 30,000 by adding UAE Exchange and Financial Services Limited and Thomas Cook India-Mumbai during 2010. The Bank of China now offers our services in 3,000 locations. We also expanded our agent locations in Morocco, Moldova, Indonesia, Nigeria, Philippines, Switzerland and Kazakhstan.

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

Money Transfers — We derive our money transfer revenues primarily from consumer transaction fees and the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. We have corridor pricing capabilities that enable us to establish different consumer fees and foreign exchange rates for our money transfer services by location, for a broader segment such as defined ZIP code regions or for a widespread direct marketing area.

As of December 31, 2010, we offer money transfers to consumers in a choice of local currency or United States dollars and/or euros in 138 countries, which we refer to as multi-currency. Our multi-currency technology allows us to execute our money transfers directly between and among several different currencies. Where implemented, these capabilities allow consumers to know the amount that will be received in the local currency of the receiving country, or in U.S. dollars or euros in certain countries.

Bill Payment Services — We derive our bill payment revenues primarily from transaction fees charged to consumers for each bill payment transaction completed. Through our bill payment services, consumers can make urgent payments or pay routine bills through our network to certain billers. We maintain relationships with billers in key industries (also referred to as "verticals"). These industries include the credit card, mortgage, auto finance, telecommunications, corrections, satellite, property management, prepaid card and collections industries.

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Our bill payment services also enable consumers to load and reload prepaid debit cards. Consumers with any Visa ReadyLink[®]-enabled prepaid card or any NetSpend[®] prepaid debit card can add funds to their cards at any of our U.S. agent locations. We also offer our MoneyGram AccountNow[®] Prepaid Visa card, which participates in the Visa ReadyLink, Interlink[®] and Plus[®] networks. The card can be used everywhere Visa is accepted and can be reloaded at any of our U.S. agent locations. Our bill payment services also allow customers to make low-cost, in-person payments of non-urgent utility bills for credit to a biller, typically within two to three days.

Financial Paper Products Segment

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

In 2010, our Financial Paper Products segment generated revenues of \$109.5 million. Since early 2008, our investment portfolio has consisted of lower risk, highly liquid, short-term securities that produce a lower rate of return, which has resulted in lower revenues and profit margins in our Financial Paper Products segment.

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

In 2010, we issued approximately 174.2 million money orders through our network of 57,308 agent and financial institution locations in the United States and Puerto Rico. In 2009, we issued approximately 204.7 million money orders through our network of 61,092 agent and financial institution locations in the United States and Puerto Rico.

Official Check Outsourcing Services — As with money orders, we generate revenue from our official check outsourcing services from per item and other fees and from the investment of funds underlying outstanding official checks, which generally remain outstanding for fewer than 3.8 days. In 2009, we restructured our official check business model by reducing the commissions we pay our financial institution customers and increasing per item and other fees. As of December 31, 2010, we provide official check outsourcing services at approximately 12,000 branch locations of more than 1,400 financial institutions. We issued 30.3 million and 35.9 million official checks in 2010 and 2009, respectively.

Product and Infrastructure Development and Enhancements

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

In 2009, we began reaching new customers through alternate money transfer delivery channels. We now offer our money transfer services on the Internet via our MoneyGram Online service in the United States and through agent websites in Italy, Saudi Arabia and Japan. In Italy, Abu Dhabi and the Philippines, we also offer our money transfer services via mobile phone and continue to enhance our money transfer services to consumers through the addition of kiosks, ATM's, receive cards and direct-to-bank account products in various markets. In January 2010, we launched the MoneyGram iPhone[™] application, Mobile Companion, allowing consumers to search for agent locations, including the agent's address, phone numbers and hours of operation. Mobile Companion also includes the convenience of a fee estimator that allows consumers to determine the fee for a transaction in advance. In 2010, we also introduced the convenience of cash-to-card services through key agents in the Philippines, which allows their customers to collect remittances on a card, which can then be used to pay for purchases at participating stores.

We have made enhancements to our MoneyGram Online service and will continue to make further enhancements to provide a better consumer experience and efficiency in completing a transaction for our online customers, as well as more cost-effective transaction processing. We also enhanced our MoneyGram rewards program, and now offer members the ability to receive a text message on their mobile phones informing them that the funds they transferred have been picked up by their receiver.

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We continue to invest in our infrastructure to provide a better overall consumer and agent experience, reduce our costs and create efficiencies. We have made important infrastructure enhancements to our settlement and commission processing, data management, financial systems and regulatory and compliance reporting. We continue our efforts to enhance our agent on-boarding process, improving our speed to market for new agents.

Sales and Marketing

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

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

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

Competition

While we are the second largest money transfer company in the world, the market for our money transfer and bill payment services remains very competitive. The market consists of a small number of large competitors and a large number of small, niche competitors. Our competitors include other large money transfer and electronic bill payment providers, banks and niche person-to-person money transfer service providers that serve select regions. Our largest competitor in the money transfer market is Western Union, which also competes with our bill payment services and money order businesses. As new technologies for money transfer and bill payment services emerge that allow consumers to send and receive money and to pay bills in a variety of ways, we face increasing competition. These emerging technologies include online payment services, card-based services such as ATM cards and stored-value cards, bank-to-bank money transfers and mobile telephone payment services.

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

Regulation

Compliance with laws and regulations is a highly complex and integral part of our day-to-day operations. Our operations are subject to a wide range of laws and regulations of the United States and other countries, including international, federal and state anti-money laundering laws and regulations; financial services regulations; currency control regulations; anti-bribery laws; regulations of the U.S. Treasury Department's office of Foreign Assets Control ("OFAC"); money transfer and payment instrument licensing laws; escheatment laws, privacy, data protection and information security laws; and consumer disclosure and consumer protection laws. Failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide our products and services, as well as the potential imposition of civil fines and possibly criminal penalties. See "Risk Factors" for additional discussion regarding potential impacts of failure to comply. We continually monitor and enhance our global compliance programs to comply with the most recent legal and regulatory changes. During 2010, we continued to increase our compliance personnel headcount and make investments in our compliance-related technology and infrastructure.

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

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

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

We offer our money transfer services through third-party agents with whom we contract and do not directly control. As a money services business, we and our agents are required to establish anti-money laundering compliance programs that include: (i) internal policies and controls; (ii) designation of a compliance officer; (iii) ongoing employee training and (iv) an independent review function. We have developed an anti-money laundering training manual available in multiple languages and a program to assist with the education of our agents on the various rules and regulations. We also offer in-person and online training as part of our agent compliance training program and engage in various agent oversight activities.

Money Transfer and Payment Instrument Licensing — The majority of states in the United States, the District of Columbia, Puerto Rico and the United States Virgin Islands and Guam require us to be licensed to conduct business within their jurisdictions. In November 2009, our primary overseas operating subsidiary, MoneyGram International Ltd, became a licensed payment institution under the European Union Payment Services Directive. Licensing requirements generally include minimum net worth, provision of surety bonds, compliance with operational procedures, agent oversight and the maintenance of reserves or "permissible investments" in an amount equivalent to outstanding payment obligations, as defined by our various regulators. The types of securities that are considered "permissible investments" vary across jurisdictions, but generally include cash and cash equivalents, U.S. government securities and other highly rated debt instruments. Most states and our other regulators require us to file reports on a quarterly or more frequent basis to verify our compliance with their requirements. Many states and other regulators also subject us to periodic examinations and require us and our agents to comply with anti-money laundering and other laws and regulations.

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

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

Banking Regulations — We have been informed by Goldman Sachs that the Company was deemed a controlled subsidiary of a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), as a result of Goldman Sachs' status as a bank holding company and its equity interest in the Company. Affiliates of Goldman Sachs beneficially own all of the Company's B-1 Stock, and may convert such B-1 Stock into non-voting Series D Preferred Stock (the "D Stock"). Although the D Stock is not convertible into common stock of the Company while beneficially owned by Goldman Sachs, the D Stock may be sold or transferred to a third party who may then convert the D Stock into common stock. Goldman Sachs also holds an interest in our senior secured second lien notes issued in connection with the 2008 Recapitalization. As a result of these investments, Goldman Sachs has informed us that the Company may be considered a controlled non-bank subsidiary of Goldman Sachs for U.S. bank regulatory purposes. Companies that are deemed to be subsidiaries of a bank holding company are subject to the BHC Act, and are thus subject to reporting requirements and examination and supervision by the Federal Reserve Board.

Bank holding companies may engage in the business of banking, or activities that are so closely related to banking, or managing or controlling banks, as to be a proper incident thereto. Bank holding companies that are well-capitalized, well-managed and meet certain other conditions, may become "financial holding companies." The Federal Reserve Board has approved Goldman Sachs as a financial holding company, and Goldman Sachs may engage in additional activities that are financial in nature or incidental or complementary to financial activities as long as it meets these qualifications, and do not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Federal Reserve Board, together with the U.S. Treasury Department, may periodically announce additional permissible activities for financial holding companies.

We believe our current businesses are permissible activities for subsidiaries of financial holding companies. We do not expect the limitations on the nonbank activities of financial holding companies to limit our current business activities. It is possible, however, that these restrictions might limit our ability to enter other businesses in which we may wish to engage in the future. In addition, the new Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the regulations required to be enacted to implement such act, and other laws or regulations that may be adopted in the future, could adversely affect us and the scope of our activities, whether or not we are a subsidiary of a financial holding company. These new laws and regulations could also affect the ways our counterparties are generally required to do business with their customers, which may affect us, including potentially increased transaction and compliance costs.

We continue to discuss alternatives with Goldman Sachs and our respective advisers in an effort to address being deemed a holding company subsidiary under the BHC Act. We believe that the ultimate result will depend upon a number of factors, including the Federal Reserve's consideration of the requirements for us to be deemed no longer "controlled" by Goldman Sachs for purposes of the BHC Act, market conditions, Goldman Sachs' investment considerations, and the potential regulatory effects of the BHC Act and the Dodd-Frank Act. These considerations may change from time to time, and we can provide no assurance as to the timing or terms of any potential resolution of these "control" issues under the BHC Act.

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Recent Federal Legislation in the United States — The Dodd-Frank Act was signed into law on July 21, 2010. While the Dodd-Frank Act will likely impose additional regulatory requirements upon us, it is difficult to gauge the impact on our business because many provisions of the Dodd-Frank Act require the adoption of rules and further studies. The Dodd-Frank Act creates a new Bureau of Consumer Financial Protection (the "Bureau"), which issues and enforces consumer protection initiatives governing financial products and services, including money transfer services, in the United States. We will be required to provide enhanced disclosures to our money transfer customers, which may require us to modify our systems. In addition, we may be held liable for the failure of our agents to comply with the Dodd-Frank Act. The enhanced disclosure requirements and the extent of vicarious liability will be determined by rules to be issued by the Bureau when it becomes operational on or about July 21, 2011.

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

Clearing and Cash Management Bank Relationships

Our business involves the movement of money. On average, we move over \$1.0 billion daily to settle our payment instruments and make related settlements with our agents and financial institutions. We generally receive a similar amount on a daily basis from our agents and financial institutions in connection with our payment service obligations. We move money through a network of clearing and cash management banks, and our relationships with these clearing banks and cash management banks are a critical component of our ability to move funds on a global and timely basis.

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

We maintain contractual relationships with a variety of domestic and international cash management banks for automated clearing house ("ACH") and wire transfer services for the movement of consumer funds and agent settlements. There are a limited number of international cash management banks with a network large enough to manage cash settlements for our entire agent base. In addition, some large international banks have opted not to bank money service businesses. As a result, we also utilize regional or country-based banking partners in addition to large cash management banks.

Intellectual Property

The MoneyGram brand is important to our business. We have registered our MoneyGram trademark in the United States and a majority of the other countries where we do business. We maintain a portfolio of other trademarks that are also important to our business, including our ExpressPayment, globe with arrows logo, MoneyGram Rewards, The Power is in Your Hands[®], The Power to Change the Way You Send Money[®], FormFree and AgentConnect marks. In addition, we maintain a portfolio of MoneyGram branded domain names.

We rely on a combination of patent, trademark and copyright laws, and trade secret protection and confidentiality or license agreements to protect our proprietary rights in products, services, know-how and information. We believe the intellectual property rights in processing equipment, computer systems, software and business processes held by us and our subsidiaries provide us with a competitive advantage. We believe we take appropriate measures to protect our intellectual property to the extent such intellectual property can be protected.

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

Employees

As of December 31, 2010, we had approximately 1,570 full-time employees in the United States and 722 full-time employees outside of the United States. In addition, we engage contractors to support various aspects of our business. None of our employees in the United States are represented by a labor union. We consider our employee relations to be good.

Executive Officers of the Registrant

Timothy C. Everett assumed the role of Executive Vice President, General Counsel and Corporate Secretary in January 2010, following the retirement of Teresa H. Johnson in September 2009. Mubashar Hameed, Chief Information Officer, and Jeffrey R. Woods, Executive Vice President and Chief Financial Officer, departed in January 2010. In April 2010, Nigel Lee became Executive Vice President of EMEAAP, following the departure of John Hempsey that same month. Also in April 2010, J. Lucas Wimer became Executive Vice President, Operations and Technology. James E. Shields joined us as Executive Vice President and Chief Financial Officer in July 2010. In February 2011, Juan Agualimpia became Executive Vice President and Chief Marketing Officer and Rebecca L. Lobsinger became Vice President, Controller and Chief Accounting Officer. Following is information regarding our executive officers:

Pamela H. Patsley, age 54, has served as Chairman and Chief Executive Officer since September 2009. Ms. Patsley was appointed Executive Chairman in January 2009. Ms. Patsley also serves on the boards of directors of Texas Instruments, Inc. and Dr Pepper Snapple Group, Inc. Ms. Patsley previously served as Senior Executive Vice President of First Data Corporation, a global payment processing company, from March 2000 to October 2007, and President of First Data International from May 2002 to October 2007. From 1991 to 2000, Ms. Patsley served as President and Chief Executive Officer of Paymentech, Inc., prior to its acquisition by First Data Corporation. Ms. Patsley also served as Chief Financial Officer of First USA, Inc.

Juan Agualimpia, age 48, has served as Executive Vice President, Chief Marketing Officer since February 2011. Mr. Agualimpia previously served as Senior Vice President and Chief Marketing Officer from March 2010 to February 2011. From March 2009 to March 2010, Mr. Agualimpia engaged in marketing project consulting. Mr. Agualimpia has 20 years of leadership experience in marketing, brand management, customer relationship management and product development, including as Vice President and General Manager for the Art & Coloring Global Business Unit of Newell Rubbermaid from 2005 to March 2009.

Timothy C. Everett, age 48, has served as Executive Vice President, General Counsel and Corporate Secretary since January 2010. Mr. Everett previously served as Vice President and Secretary of Kimberly-Clark Corporation, a multi-national consumer product company, from 2003 to 2009. Prior to that, Mr. Everett served in various roles of increasing responsibility at Kimberly-Clark from 1993 to 2003. From 1990 to 1993, Mr. Everett was an associate with the global law firm, Akin, Gump, Strauss, Hauer & Feld, LLP. From 1984 to 1987, Mr. Everett was an auditor with the accounting firm Ernst & Young, LLP.

Nigel Lee, age 45, has served as Executive Vice President of EMEAAP since April 2010. Prior to joining MoneyGram, Mr. Lee was president of First Data Asia Pacific, a role he held since 2005. Previously, Mr. Lee served as regional vice president, financial services for EDS in Hong Kong. He has also held a variety of senior executive positions including CIO and Head of Strategy for Australian Home Loans, which is Australia's largest non-bank retail lender. Mr. Lee began his career as a management consultant with Accenture, formerly Andersen Consulting.

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Rebecca L. Lobsinger, age 36, has served as Vice President, Controller and Chief Accounting Officer since February 2011. From September 2005 until February 2011, Ms. Lobsinger served as Assistant Controller and from December 2004 through September 2005, Ms. Lobsinger served as the manager of financial standards and reporting for the Company. Through November 2004, Ms. Lobsinger was an auditor with the accounting firm PricewaterhouseCoopers LLP.

Daniel J. O'Malley, age 46, has served as Executive Vice President of the Americas since December 2009. From April 2007 to December 2009, Mr. O'Malley served as Senior Vice President, Global Payment Systems/President Americas. Mr. O'Malley previously served as Vice President, Global Payment Systems/Americas from April 2003 to April 2007, Vice President, Customer Service from June 1999 to April 2003, Director, Operations from 1996 to 1999, Regulatory Project Manager from 1995 to 1996, Manager of the Southeast Processing Center from 1989 to 1995 and Coordinator of the Southeast Processing Center from 1988 to 1989. Prior to joining the Company, Mr. O'Malley held various operations positions at NCNB National Bank and Southeast Bank N.A. from 1983 to 1988.

Steven Piano, age 45, has served as Executive Vice President, Human Resources since August 2009. From January 2008 to August 2009, Mr. Piano served as Global Lead Human Resource Partner with National Grid, a multi-national utility company. From 1996 to January 2008, Mr. Piano held a variety of human resources positions with First Data Corporation, a global electronic payment processing company, serving most recently as Senior Vice President — First Data International. From 1987 to 1996, Mr. Piano held human resources positions with Citibank, Dun & Bradstreet — Nielsen Media Research and Lehman Brothers.

James E. Shields, age 49, has served as Executive Vice President and Chief Financial Officer since July 2010. From 2009 until July 2010, Mr. Shields engaged in independent financial consulting. During 2008, Mr. Shields served as senior vice president finance and treasurer for Royal Caribbean Cruise Lines. From 2005 to 2008, he served as vice president and treasurer of Celanese Corporation, a \$6 billion chemical company with worldwide operations. Prior to that, Mr. Shields was vice president and chief financial officer for consumer markets at Qwest Communications International Inc.

J. Lucas Wimer, age 45, has served as Executive Vice President, Operations and Technology since April 2010. From January 2008 to April 2010, Mr. Wimer was a principal at THL Partners, where he was responsible for business transformation programs across the THL portfolio. From September 2003 to December 2007, he led infrastructure development for Capital One. From 1996 to 2003, Mr. Wimer provided management consulting, global project and practice leadership in performance measurement, cost reduction, merger integration and restructuring to the financial services industry for IBM Business Consulting Services, formerly PricewaterhouseCoopers.

Available Information

We make our reports on Forms 10-K, 10-Q and 8-K, Section 16 reports on Forms 3, 4 and 5, and all amendments to those reports, available electronically free of charge in the Investor Relations section of our website (www.moneygram.com) as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (the "SEC"). Our principal executive offices are located at 2828 N. Harwood Street, Dallas, Texas 75201, and our telephone number is (214) 999-7552.

Item 1A. RISK FACTORS

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

RISK FACTORS

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

We have substantial debt service and preferred stock obligations. Our indebtedness could adversely affect our ability to operate our business and could have an adverse impact on our stockholders, including:

- our ability to obtain additional financing in the future may be impaired;
- a significant portion of our cash flows from operations must be dedicated to the payment of interest and principal on our debt, which reduces the funds available to us for our operations, acquisitions, product development or other corporate initiatives;
- our debt agreements contain financial and restrictive covenants that could significantly impact our ability to operate our business and any failure to comply with them may result in an event of default, which could have a material adverse effect on us;
- our level of indebtedness increases our vulnerability to changing economic, regulatory and industry conditions;
- our debt service obligations could limit our flexibility in planning for, or reacting to, changes in our business and the industry;
- our debt service obligations could place us at a competitive disadvantage to our competitors who have less leverage relative to their overall capital structures;
- our ability to pay cash dividends to the holders of our common stock is significantly restricted;
- payment of cash dividends to the holders of the preferred stock in the future could reduce the funds available to us for our operations, acquisitions, product development or other corporate initiatives; and
- we may be required to pay significant fees to obtain the necessary consents from holders of our debt to amend or reduce our debt and/or preferred stock.

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

Our proposed 2011 Recapitalization is subject to a number of conditions beyond our control. Failure to complete the 2011 Recapitalization could adversely affect our stock price and our future business and financial results.

Our proposed 2011 Recapitalization is subject to a number of conditions beyond our control that may prevent, delay or otherwise materially adversely affect the completion of the 2011 Recapitalization, including the approval of the Stockholder Approval Matters by the affirmative vote of a majority of the outstanding shares of our common stock and B Stock (on an as-converted basis), voting as a single class, and the affirmative vote of a majority of the outstanding shares of our common stock (not including the B Stock or any other stock of the Company held by any Investor), in each case voting on the Stockholder Approval Matters, and the Company's receipt of sufficient financing to consummate the 2011 Recapitalization. We cannot predict whether and when these conditions will be satisfied. We will also incur significant transaction costs whether or not the 2011 Recapitalization is completed. Any failure to complete the 2011 Recapitalization could have a material adverse effect on our stock price and our future business and financial results.

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Our Series B Stock significantly dilutes the interests of the common stockholders and grants other important rights to the Investors.

The Series B Stock issued to the Investors is convertible into shares of common stock or common equivalent stock at the price of \$2.50 per common share (subject to anti-dilution rights), giving the Investors an initial equity interest in us of approximately 79 percent (assuming conversion). Dividends payable on the Series B Stock have been accrued since inception. If we continue to accrue dividends in lieu of paying in cash, the ownership interest of the Investors will substantially increase and continue to dilute the interests of the common stockholders. With the accrual of dividends, the Investors had an equity interest of 84 percent (assuming conversion) as of December 31, 2010.

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

In view of their significant ownership stake in the Company, THL, as a holder of the B Stock, has appointed four members to our Board of Directors. Goldman Sachs, as a holder of the B-1 Stock, has the right to appoint a director to our Board of Directors. Goldman Sachs has not exercised this right, but has appointed two observers who attend meetings of our Board of Directors. The size of our Board has been set at nine directors, four of which are independent. Our Certificate of Incorporation provides that, as long as the Investors have a right to designate directors to our Board, Goldman Sachs shall have the right to designate one director who shall have one vote and THL shall have the right to designate two to four directors who shall each have equal votes and who shall have such number of votes equal to the number of directors as is proportionate to the Investors' common stock ownership, calculated on a fully converted basis assuming the conversion of all shares of Series B Stock into common stock, minus the one vote of the director designated by Goldman Sachs. Therefore, each director designated by THL will have multiple votes and each other director will have one vote.

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

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

- We may be unable to access funds in our investment portfolio on a timely basis to settle our payment instruments, pay money transfers and make related settlements to agents. Any resulting need to access other sources of liquidity or short-term borrowing would increase our costs. Any delay or inability to settle our payment instruments, pay money transfers or make related settlements with our agents could adversely impact our business, financial condition and results of operations.
- Clearing and cash management banks upon which we rely to conduct our official check, money order and money transfer businesses could fail or experience sustained deterioration in liquidity. This could lead to our inability to clear our payment service instruments and move funds on a global and timely basis as required to settle our obligations and collect partner receivables.

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- Our revolving credit facility with a consortium of banks is one source of funding for corporate transactions and liquidity needs. If any of the banks participating in our credit facility were unable or unwilling to fulfill its lending commitment to us, our short-term liquidity and ability to engage in corporate transactions such as acquisitions could be adversely affected.
- We may be unable to borrow from financial institutions or institutional investors on favorable terms, which could adversely impact our ability to pursue our growth strategy and fund key strategic initiatives, such as product development and acquisitions.

If financial liquidity deteriorates, there can be no assurance we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

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

Our money transfer business relies in part on the overall strength of global economic conditions as well as international migration patterns. Consumer money transfer transactions and migration patterns are affected by, among other things, employment opportunities and overall economic conditions. Our customers tend to have employment in industries such as construction, manufacturing and retail that tend to be cyclical and more significantly impacted by weak economic conditions than other industries. This may result in reduced job opportunities for our customers in the United States or other countries that are important to our business, which could adversely affect our results of operations. In addition, increases in employment opportunities may lag other elements of any economic recovery.

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

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

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

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

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

Revenue from our money transfer and urgent bill payment services is derived from transactions conducted through our retail agent and biller networks. Many of our high volume agents are in the check cashing industry. There are risks associated with the check cashing industry that could cause this agent base to decline. We may not be able to retain all of our current retail agents or billers for other reasons, as the competition for retail agents and billers is intense. If agents or billers decide to leave our agent network, or if we are unable to add new agents or billers to our network, our revenue would decline.

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Larger agents and billers in our Global Funds Transfer segment are increasingly demanding financial concessions and more information technology customization. The development, equipment and capital necessary to meet these demands could require substantial expenditures and there can be no assurance that we will have the available capital after paying dividends to the investors and servicing our debt, or that we will be allowed to make such expenditures under the terms of our debt agreements. If we are unable to meet these demands, we could lose customers and our business, financial condition and results of operations would be adversely affected.

A substantial portion of our transaction volume is generated by a limited number of key agents. During 2010 and 2009, our 10 largest agents accounted for 51 percent and 48 percent, respectively, of our total company fee and investment revenue and 55 percent and 53 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. In 2010 and 2009, our largest agent, Walmart, accounted for 30 percent and 29 percent, respectively, of our total company fee and investment revenue and 33 percent and 32 percent, respectively, of the fee and investment revenue of our Global Funds Transfer segment. The term of our agreement with Walmart runs through January 2013. If any of our key agents do not renew their contracts with us, or if such agents reduce the number of their locations, or cease doing business, we might not be able to replace the volume of business conducted through these agents, and our business, financial condition and results of operations would be adversely affected.

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

We have been, and in the future may be, subject to allegations and complaints that individuals or entities have used our money transfer services for fraud-induced money transfers which may result in fines, settlements and litigation expenses. We also are the subject from time to time of litigation related to our business. The outcome of such allegations, complaints, claims and litigation cannot always be predicted, although we vigorously defend against them.

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

We have been served with subpoenas to produce documents and testify before the Grand Jury in the Middle District of Pennsylvania with regard to our U.S. and Canadian agents, as well as certain transactions involving such agents, fraud complaint data, and our consumer anti-fraud program. In addition, we have received civil investigative demands from a working group of nine state attorney generals who have initiated an investigation into whether the Company has taken adequate steps to prevent consumer fraud. The Company continues to cooperate fully with these investigations, but is unable to predict the outcome or the possible loss, or range of loss, if any, associated with the resolution of these matters.

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

The vast majority of our Global Funds Transfer segment is conducted through independent agents that provide our products and services to consumers at their business locations. Our agents receive the proceeds from the sale of our payment instruments and money transfers and we must then collect these funds from the agents. If an agent becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit money order or money transfer proceeds to us, we must nonetheless pay the money order or complete the money transfer on behalf of the consumer. Moreover, we have made, and may make in the future, secured or unsecured loans to retail agents under limited circumstances or allow agents to retain our funds for a period of time before remitting them to us. As of December 31, 2010, we had credit exposure to our agents of approximately \$594.0 million in the aggregate spread across over 15,000 agents, of which three owed us in excess of \$15.0 million.

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Our official checks outsourcing business is conducted through financial institutions. Our official check financial institution customers issue official checks and money orders and remit to us the face amounts of those instruments the day after they are issued. MoneyGram is liable for payment on all of those instruments except cashier's checks. As of December 31, 2010, we had credit exposure to our official check financial institution customers of approximately \$375.7 million in the aggregate spread across 1,400 financial institutions, of which one owed us in excess of \$15.0 million.

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

In the event of an agent bankruptcy, we would generally be in the position of creditor, possibly with limited security or financial guarantees of performance, and we would therefore be at risk of a reduced recovery. We are not insured against credit losses, except in circumstances of agent theft or fraud. Significant credit losses could have a material adverse effect on our business, financial condition and results of operations.

We face fraud risks that could adversely affect our business, financial condition and results of operations.

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

The industry has come under increasing scrutiny from federal, state and local regulators in connection with the potential for consumer fraud. Negative economic conditions may result in increased agent or consumer fraud. If consumer fraud levels involving our services were to rise, it could lead to regulatory intervention and reputational and financial damage. This, in turn, could lead to government enforcement actions and investigations, reduce the use and acceptance of our services or increase our compliance costs and thereby have a material adverse impact on our business, financial condition and results of operations.

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

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

We rely on a primary international banking relationship for international cash management, ACH and wire transfer services. Should we not be successful in maintaining a sufficient relationship with one of the limited number of large international banks that provide these services, we would be required to establish a global network of banks to provide us with these services. This could alter the pattern of settlement with our agents and result in our agent receivables and agent payables being outstanding for longer periods than the current remittance schedule, potentially adversely impacting our cash flow. Maintaining a global network of banks, if necessary, may also increase our overall costs for banking services.

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

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

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

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

If we do not have sufficient capital, we may not be able to pursue our growth strategy and fund key strategic initiatives, such as product development and acquisitions. Further, we may not be able to meet new capital requirements introduced or required by our regulators. Given the leveraged nature of the Company and the significant restrictive covenants in our debt agreements, there can be no assurance that we will have access to sufficient capital. Failure to have such access could materially impact our business, financial condition and results of operations.

Failure to attract and retain key employees could have a material adverse effect on our business, financial condition and results of operations.

Our success depends to a large extent upon our ability to attract and retain key employees. The loss of services of one or more members of our executive management team could harm our business and future development. A failure to attract and retain key personnel could also have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

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

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

The markets in which we compete are highly competitive, and we face a variety of competitors across our businesses, in particular our largest competitor, The Western Union Company. In addition, new competitors or alliances among established companies may emerge. Further, some of our competitors have larger and more established customer bases and substantially greater financial, marketing and other resources than we have. With respect to our money transfer, urgent bill payment and money order businesses, our primary competition comes from our largest competitor. We cannot anticipate every effect that actions taken by our competitors will have on our business, or the money transfer and bill payment industry in general.

Money transfer, money order and bill payment services within our Global Funds Transfer segment compete in a concentrated industry, with a small number of large competitors and a large number of small, niche competitors. We also compete with banks and niche person-to-person money transfer service providers. The electronic bill payment services within our Global Funds Transfer segment compete in a highly fragmented consumer-to-business payment industry. Competitors in the electronic payments area include financial institutions, third parties that host financial institution and bill payment services, third parties that offer payment services directly to consumers and billers offering their own bill payment services.

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Our official check business competes primarily with financial institutions that have developed internal processing capabilities or services similar to ours and do not outsource official check services. Financial institutions could also offer competing official check outsourcing services to our existing and prospective official check customers.

There can be no assurance that growth in consumer money transfer transactions, bill payment transactions and other payment products will continue. In addition, consolidation among payment services companies has occurred and could continue. If we are unable to continue to grow our existing products, while also growing newly developed and acquired products, we will be unable to compete effectively in the changing marketplace, and our business, financial condition and results of operations would be adversely affected.

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

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

In connection with the regulatory requirements to which we are subject, there has been increased public attention regarding prevention of money laundering, terrorist financing and the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to strengthen anti-money laundering, data protection, information security and consumer privacy. While we believe that we are compliant with our regulatory responsibilities, the legal, political and business environments in these particular areas are evolving, inconsistent across various jurisdictions, and often unclear, which increases our operating compliance costs and our legal risks. Subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased program costs, liability and reputational damage.

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

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

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

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

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

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

We conduct money transfer transactions through agents in some regions that are politically volatile or, in a limited number of cases, are subject to certain OFAC restrictions. While we have instituted policies and procedures to protect against violations of law, it is possible that our money transfer service or other products could be used by wrong-doers in contravention of U.S. law or regulations. This could result in increased compliance costs, regulatory inquiries, suspension or revocation of required licenses or registrations, seizure or forfeiture of assets and the imposition of civil and criminal fees and penalties. In addition to monetary fines or penalties that we could incur, we could be subject to reputational harm that could have a material adverse effect on our business, financial condition and results of operations.

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

We obtain, transmit and store confidential customer information in connection with certain of our services. Any significant security breaches in our computer networks, databases or facilities could harm our business and reputation, cause inquiries and fines or penalties from regulatory or governmental authorities and cause a loss of customers. We rely on a variety of technologies to provide security for our systems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures we use to protect our systems. We may be required to expend significant capital and other resources to protect against these security breaches or to alleviate problems caused by these breaches. Third-party contractors also may experience security breaches involving the storage and transmission of our data. If users gain improper access to our or our contractor's systems or databases, they may be able to steal, publish, delete or modify confidential customer information. A security breach could expose us to monetary liability, lead to reputational harm and make our customers less confident in our services.

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

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

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

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

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

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

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

We may, from time to time, acquire or start up businesses both inside and outside of the United States. The acquisition and integration of businesses involve a number of risks. We may not be able to successfully integrate businesses that we acquire or open, including their facilities, personnel, financial systems, distribution, operations and general operating procedures. If we fail to successfully integrate acquisitions, we could experience increased costs and other operating inefficiencies, which could have an adverse effect on our results of operations. The diversion of capital and management's attention from our core business that results from acquiring or opening new businesses could adversely affect our business, financial condition and results of operations.

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

We provide money transfer services between and among approximately 190 countries and territories and continue to expand in various international markets. Our ability to grow in international markets and our future results could be harmed by a number of factors, including:

- changes in political and economic conditions and potential instability in certain regions, including in particular the recent civil unrest, terrorism and political turmoil in North Africa, the Middle East and other regions;
- restrictions on money transfers to, from and between certain countries;
- money control and repatriation issues;
- changes in regulatory requirements or in foreign policy, including the adoption of domestic or foreign laws, regulations and interpretations detrimental to our business;
- possible increased costs and additional regulatory burdens imposed on our business;
- burdens of complying with a wide variety of laws and regulations;
- possible fraud or theft losses, and lack of compliance by international representatives in foreign legal jurisdictions where collection and legal enforcement may be difficult or costly;
- reduced protection for our intellectual property rights;
- unfavorable tax rules or trade barriers;
- inability to secure, train or monitor international agents; and
- failure to successfully manage our exposure to foreign currency exchange rates, in particular with respect to the euro.

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

We file tax returns and take positions with respect to federal, state, local and international taxation, including positions that relate to our 2007 and 2008 net security losses, and our tax returns and tax positions are subject to review and audit by taxing authorities. An unfavorable outcome of a tax review or audit could result in higher tax expense, which could adversely affect our results of operations and cash flows. We establish reserves for material, known tax exposures. While we believe our reserves are adequate to cover material, known tax exposures, there can be no assurance that an actual taxation event would not exceed our reserves.

As a deemed subsidiary of a holding company regulated under the BHC Act, we are subject to supervision, regulation and regular examination by the Federal Reserve.

The Federal Reserve supervises and regulates all bank holding companies and financial holding companies, along with their subsidiaries. The new Dodd-Frank Act requires regular examinations of subsidiaries of bank and financial holding companies and their subsidiaries in the same manner as if they were depository institutions. As a subsidiary of a holding company regulated under the BHC Act, we are required to provide information and reports for use by the Federal Reserve under the BHC Act. The Dodd-Frank Act also increases the regulation and supervision of large bank and financial holding companies, such as Goldman Sachs, and their subsidiaries, which may adversely affect us as a deemed subsidiary of Goldman Sachs.

Changes in laws and regulations could adversely affect us.

The Dodd-Frank Act, as well as the regulations required by that Act, and other laws or regulations that may be adopted in the future, could adversely affect us and the scope of our activities, and could adversely affect our operations, results of operations and financial condition, whether or not we are a subsidiary of a bank holding company or a financial holding company.

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The recent Dodd-Frank Act increases the regulation of financial services companies generally, including non-bank financial companies supervised by the Federal Reserve.

The Dodd-Frank Act increases the regulation and oversight of the financial services industry. The Dodd-Frank Act addresses, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, thrift charters, changes among the bank regulatory agencies, and the ability to conduct business with holding company affiliates. Many of the provisions of the Dodd-Frank Act require studies and regulations. The Dodd-Frank Act requires enforcement by various governmental agencies, including the new Bureau. The new legislation and implementing regulations may increase our costs of compliance, and may require changes in the way we conduct business. We cannot predict the effects of this broad legislation or the regulations to be adopted pursuant to the Dodd-Frank Act.

We will be subject to various provisions of the Consumer Financial Protection Act of 2010 adopted as part of the Dodd-Frank Act, which will result in a new regulator with new and expanded compliance requirements, which is likely to increase our costs.

The Dodd-Frank Act establishes the Bureau, which will affect our business, even if we are not deemed a subsidiary of a bank or financial holding company. Money transmitters such as the Company will be required to provide additional consumer information and disclosures. The Bureau is charged with studying and drafting standards to address existing prices and fees at locations where our services are offered and adopt error resolution standards. The Bureau and the regulations it will adopt are likely to necessitate operational changes and additional costs, but we cannot predict its effects upon us or our business at this time.

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

We are required to certify and report on our compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing the effectiveness of our internal control over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. In order to achieve effective internal controls we may need to enhance our accounting systems or processes, which could increase our cost of doing business. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business.

We have significant overhang of salable convertible preferred stock relative to the public float of our common stock.

The trading market for our common stock was first established in June 2004. The float in that market now consists of approximately 83,400,000 shares out of a total of 83,620,522 shares issued and outstanding as of December 31, 2010. The Series B Stock issued to the Investors is convertible into shares of common stock or common equivalent stock at the price of \$2.50 per common share, subject to anti-dilution rights. Pursuant to the Registration Rights Agreement entered into between the Company and the Investors at the closing of the 2008 Recapitalization, on December 14, 2010, we filed a registration statement on Form S-3 with the SEC that permits the offer and sale by the Investors of all of the Series B Stock that they hold, as well as any common stock or D Stock into which the B-1 Stock may be converted. The registration statement also permits the Company to offer and sell up to \$500 million of its common stock, preferred stock, debt securities or any combination of these, from time to time, subject to market conditions and the Company's capital needs. Sales of a substantial number of shares of our common stock, or the perception that significant sales could occur (particularly if sales are concentrated in time or amount), may depress the trading price of our common stock.

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

Our charter documents contain provisions that may discourage third parties from seeking to acquire the Company. These provisions and specific provisions of Delaware law relating to business combinations with interested stockholders may have the effect of delaying, deterring or preventing a merger or change in control of the Company. Some of these provisions may discourage a future acquisition of the Company even if stockholders would receive an attractive value for their shares or if a significant number of our stockholders believed such a proposed transaction to be in their best interests. As a result, stockholders who desire to participate in such a transaction may not have the opportunity to do so.

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

Our common stock is currently listed on the NYSE. The NYSE requires us to maintain an average closing price of our common stock of \$1.00 per share or higher over 30 consecutive trading days as well as to maintain average market capitalization and stockholders' equity of at least \$75 million.

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

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Item 1B. UNRESOLVED SEC COMMENTS

None.

Item 2. PROPERTIES

Location	Use	Segment(s) Using Space	Square Feet	Lease Expiration
Dallas, TX	Corporate Headquarters	Both	34,921	6/30/2021
Minneapolis, MN	Global Operations Center	Both	153,592	12/31/2015
Brooklyn Center, MN	Global Operations Center	Both	75,000	4/30/2015
Lakewood, CO	Call Center	Global Funds Transfer	114,240	3/31/2015

Information concerning our material properties, all of which are leased, including location, use, approximate area in square feet and lease terms, is set forth above. Per lease terms, we will be adding 12,000 square feet to our corporate headquarters in Dallas in 2012. Not included in the above table is approximately 14,600 square feet in Minneapolis, Minnesota that has been sublet. We also have a number of other smaller office locations in Arkansas, California, Florida, New York, France, Germany, Italy, Spain and the United Kingdom, as well as small sales and marketing offices in Australia, China, Greece, India, Italy, the Netherlands, Nigeria, Russia, South Africa, Spain, Ukraine, United Arab Emirates, and Switzerland. We believe that our properties are sufficient to meet our current and projected needs.

Item 3. LEGAL PROCEEDINGS

Legal Proceedings — The Company is involved in various claims, litigation and government inquiries that arise from time to time in the ordinary course of the Company's business. All of these matters are subject to uncertainties and outcomes that are not predictable with certainty. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigation alleged. Management does not believe that after final disposition any of these matters is likely to have a material adverse impact on the Company's financial condition, results of operations and cash flows.

Federal Securities Class Actions — As previously disclosed, on March 9, 2010, the Company and certain of its present and former officers and directors entered into a Settlement Agreement, subject to final approval of the court, to settle a consolidated class action case originally filed on October 3, 2008 in the United States District Court for the District of Minnesota captioned *In re MoneyGram International, Inc. Securities Litigation*. The settlement provides for a cash payment of \$80.0 million, all but \$20.0 million of which would be paid by the Company's insurance carriers. At a hearing on June 18, 2010, the Court issued a final order and judgment approving the settlement. The settlement became effective on July 26, 2010, when the time to appeal the Court's final order and judgment expired without any appeal having been filed. The Company paid \$20.0 million into an escrow account in March 2010 and the insurance carrier paid \$60.0 million in April 2010, resulting in full settlement of the Company's liability in this matter.

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Minnesota Stockholder Derivative Claims — Certain of the Company's present and former officers and directors were defendants in a consolidated stockholder derivative action in the United States District Court for the District of Minnesota captioned *In re MoneyGram International, Inc. Derivative Litigation*. The Consolidated Complaint in this action, which was filed on November 18, 2009 and arose out of the same matters at issue in the securities class action, alleged claims on behalf of the Company for, among other things, breach of fiduciary duties, unjust enrichment, abuse of control, and gross mismanagement. On February 24, 2010, the parties entered into a non-binding Memorandum of Understanding pursuant to which they agreed, subject to final approval of the parties and the court, to settle this action. On March 31, 2010, the parties entered into a Stipulation of Settlement agreeing to settle the case on terms largely consistent with the Memorandum of Understanding. On April 1, 2010, the Court issued an Order that preliminarily approved the settlement, providing for notice to stockholders and scheduled a hearing on the settlement for June 18, 2010. The Stipulation of Settlement provides for changes to the Company's business, corporate governance and internal controls, some of which have already been implemented in whole or in part. The Company also agreed to pay attorney fees and expenses to the plaintiff's counsel in the amount of \$1.3 million, with \$1.0 million to be paid by the Company's insurance carriers. On June 21, 2010, the Court denied an objection to the settlement filed by a MoneyGram shareholder, Russell L. Berney, and issued a final order and judgment approving the settlement. On July 20, 2010, Mr. Berney filed a notice of appeal of the final order and judgment in the United States Court of Appeals for the Eighth Circuit. On October 5, 2010, the Company entered into a Settlement Agreement to settle the claims brought individually by Mr. Berney in this proceeding and the California Action discussed below.

ERISA Class Action — On April 22, 2008, Delilah Morrison, on behalf of herself and all other MoneyGram 401(k) Plan participants, brought an action in the United States District Court for the District of Minnesota. The complaint alleged claims under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including claims that the defendants breached fiduciary duties by failing to manage the plan's investment in Company stock, and by continuing to offer Company stock as an investment option when the stock was no longer a prudent investment. The complaint also alleged that defendants failed to provide complete and accurate information regarding Company stock sufficient to advise plan participants of the risks involved with investing in Company stock and breached fiduciary duties by failing to avoid conflicts of interests and to properly monitor the performance of plan fiduciaries and fiduciary appointees. Finally, the complaint alleged that to the extent that the Company is not a fiduciary, it was liable for knowingly participating in the fiduciary breaches as alleged. On August 7, 2008, plaintiff amended the complaint to add an additional plaintiff, name additional defendants and additional allegations. For relief, the complaint sought damages based on what the most profitable alternatives to Company stock would have yielded, unspecified equitable relief, costs and attorneys' fees. On March 25, 2009, the Court granted in part and denied in part defendants' motion to dismiss. On April 30, 2010, plaintiffs filed a motion for class certification, which defendants opposed in a brief filed May 28, 2010. On June 8, 2010, defendants filed a motion for partial summary judgment. Both motions were scheduled for hearing before the Court on October 22, 2010. On October 13, 2010, the Company entered into a Settlement Agreement which provides for a cash payment of \$4.5 million, all but approximately \$0.7 million of which was paid by the Company's insurance carrier. The Court issued a final judgment and order approving the Settlement Agreement in October 2010.

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California Action — On January 22, 2008, Russell L. Berney filed a complaint in Los Angeles Superior Court against the Company and its officers and directors, Thomas H. Lee Partners, L.P., and PropertyBridge, Inc. and two of its officers, alleging false and negligent misrepresentation, violations of California securities laws and unfair business practices with regard to disclosure of the Company's investments. The complaint also alleged derivative claims against the Company's Board of Directors relating to the Board's oversight of disclosure of the Company's investments and with regard to the Company's negotiations with Thomas H. Lee Partners, L.P. and Euronet Worldwide, Inc. The complaint sought monetary damages, disgorgement, restitution or rescission of stock purchases, rescission of agreements with third parties, constructive trust and declaratory and injunctive relief, as well as attorneys' fees and costs. In July 2008, an amended complaint was filed asserting an additional claim for declaratory relief. In September 2009, an amended complaint was filed alleging additional facts and naming additional defendants. The Company's previously disclosed settlement in the Minnesota Stockholder Derivative Litigation and the Minnesota District Court's April 1, 2010 Order preliminarily approving the settlement in the Minnesota Stockholder Derivative Litigation contain provisions enjoining MoneyGram stockholders from commencing or continuing to prosecute any litigation involving the claims to be settled in that case. On April 5, 2010, the California court stayed proceedings in this action pending the settlement hearing in the Minnesota Stockholder Derivative Litigation. The final order and judgment issued in connection with the Minnesota Stockholder Derivative Litigation on June 21, 2010 enjoined Mr. Berney from prosecuting the derivative claims alleged in the California Action that were settled in the Minnesota Stockholder Action. On October 5, 2010, the Company entered into a Settlement Agreement to settle the claims brought individually by Mr. Berney against the Company and the defendants. The Court issued a final judgment and order approving the Settlement Agreement in October 2010.

Patent Action — On September 25, 2009, the United States District Court for the Western District of Texas, Austin returned a jury verdict in a patent suit brought against the Company by Western Union on May 11, 2007, styled *Western Union v. MoneyGram Payment Systems, Inc.*, alleging patent infringement and seeking damages and an injunction. The District Court awarded \$16.5 million to Western Union. MoneyGram appealed the verdict, and on December 7, 2010 the Court of Appeals for the Federal Circuit ruled in favor of MoneyGram, reversing the District Court's ruling on the grounds of obviousness of the three underlying patents that were the subject of the appeal. The District Court proceeding also involved a fourth patent, as to which no appeal was sought. The liability on that particular patent is expected to be approximately \$150,000 subject to a review by the District Court. Western Union filed a petition for a re-hearing before the same panel of appellate judges or the entire appellate court "en banc", which petition was denied by the Appellate Court on February 11, 2011.

Other Matters — MoneyGram has been served with subpoenas to produce documents and testify before the Grand Jury in the Middle District of Pennsylvania. The subpoenas seek information related to MoneyGram's U.S. and Canadian agents, as well as certain transactions involving such agents, fraud complaint data, and MoneyGram's consumer anti-fraud program during the period from 2004 to 2009. In addition, FinCEN has requested information concerning MoneyGram's reporting of fraudulent transactions during this period. MoneyGram has provided the information requested pursuant to the subpoenas and continues to provide documents relating to its agents and the investigation. In November 2010, MoneyGram met with the Assistant U.S. Attorney for the Middle District of Pennsylvania ("AUSA") and representatives of FinCEN to discuss the investigation. MoneyGram is in the process of providing additional information and scheduling a follow up meeting with the AUSA and FinCEN. No claims have been made against MoneyGram at this time.

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

Due to the early stages of these other matters, we are unable to predict the outcome or the possible loss, or range of loss, if any, associated with these matters.

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Item 4. [RESERVED]

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange under the symbol MGI. No dividends on our common stock were declared by our Board of Directors in 2010 or 2009. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Mezzanine Equity and Stockholders' Deficit" and Note 12 — *Stockholders' Deficit* of the Notes to Consolidated Financial Statements. As of March 7, 2011, there were 13,339 stockholders of record of our common stock.

The high and low sales prices for our common stock for fiscal 2010 and 2009 were as follows:

Fiscal Quarter	2010		2009	
	High	Low	High	Low
First	\$ 3.91	\$ 2.53	\$ 1.55	\$ 1.00
Second	\$ 4.01	\$ 2.34	\$ 1.78	\$ 1.08
Third	\$ 2.90	\$ 1.99	\$ 3.29	\$ 1.83
Fourth	\$ 2.94	\$ 2.25	\$ 3.25	\$ 2.19

The Board of Directors has authorized the repurchase of a total of 12,000,000 shares, as announced publicly in our press releases issued on November 18, 2004, August 18, 2005 and May 9, 2007. The repurchase authorization is effective until such time as the Company has repurchased 12,000,000 common shares. Shares of MoneyGram common stock tendered to the Company in connection with the exercise of stock options or vesting of restricted stock are not considered repurchased shares under the terms of the repurchase authorization. As of December 31, 2010, we have repurchased 6,795,000 shares of our common stock under this authorization and have remaining authorization to repurchase up to 5,205,000 shares. The Company has not repurchased any shares since July 2007. The Company may consider repurchasing shares from time-to-time, subject to limitations in our debt agreements.

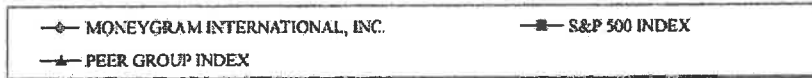
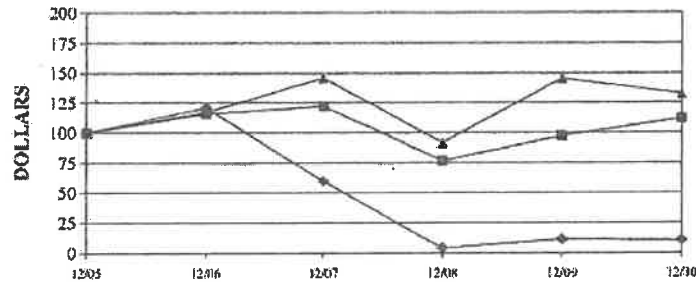
The terms of our debt agreements place significant limitations on the amount of restricted payments we may make, including dividends on our common stock. With certain exceptions, we may only make restricted payments in an aggregate amount not to exceed \$25.0 million, subject to an incremental build-up based on our consolidated net income in future periods. As a result, our ability to declare or pay dividends or distributions to the stockholders of the Company's common stock is materially limited at this time. No dividends were paid on our common stock in 2010 and 2009.

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STOCKHOLDER RETURN PERFORMANCE

The following graph compares the cumulative total return from December 31, 2005 to December 31, 2010 for our common stock, our peer group index of payment services companies and the S&P 500 Index. The peer group index of payment services companies consists of: Euronet Worldwide Inc., Fidelity National Information Services, Inc., Fiserv, Inc., Global Payments Inc., MasterCard, Inc., Online Resources Corporation, Total System Services, Inc., Visa, Inc. and The Western Union Company (the "Peer Group Index"). We changed our peer group in 2009 to delete CSG Systems International, Inc., DST Systems, Inc. and Jack Henry & Associates, Inc. and to add MasterCard, Inc. and Visa, Inc. We believe the new peer group represents a more relevant group of companies in the global remittance market in which we participate. The graph assumes the investment of \$100 in each of our common stock, our Peer Group Index and the S&P 500 Index on December 31, 2005, and the reinvestment of all dividends as and when distributed.

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



* \$100 Invested on 12/31/05 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	12/2005	12/2006	12/2007	12/2008	12/2009	12/2010
MONEYGRAM INTERNATIONAL, INC	100	120.90	59.81	3.97	11.21	10.55
S&P 500 INDEX	100	115.80	122.16	76.96	97.33	111.99
PEER GROUP INDEX	100	117.05	145.76	91.74	145.21	132.64

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Item 6. SELECTED FINANCIAL DATA

The following table presents our selected consolidated financial data for the periods indicated. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and Notes thereto. For the basis of presentation of the information set forth below, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Basis of Presentation."

YEAR ENDED DECEMBER 31, (Dollars and shares in thousands, except per share data)	2010	2009	2008	2007	2006
Operating Results					
Revenue					
Global Funds Transfer segment	\$ 1,053,281	\$ 1,025,449	\$ 1,015,929	\$ 861,403	\$ 672,366
Financial Paper Products segment	109,515	122,783	238,193	470,127	472,239
Other	3,857	13,479	16,459	18,463	18,671
Total revenue	1,166,653	1,161,711	1,270,581	1,349,993	1,163,276
Total operating expenses	1,008,255	1,086,313	1,151,760	1,139,749	974,858
Operating income	158,398	75,398	118,821	210,244	188,418
Total other expense, net ⁽¹⁾	100,018	97,720	456,012	1,203,512	11,646
Income (loss) from continuing operations before income taxes ⁽²⁾	58,380	(22,322)	(337,191)	(993,268)	176,772
Income tax expense (benefit)	14,579	(20,416)	(75,806)	78,481	52,719
Income (loss) from continuing operations	\$ 43,801	\$ (1,906)	\$ (261,385)	\$ (1,071,749)	\$ 124,053
(Loss) earnings per common share:					
Basic	\$ (1.10)	\$ (1.48)	\$ (4.19)	\$ (12.94)	\$ 1.47
Diluted	\$ (1.10)	\$ (1.48)	\$ (4.19)	\$ (12.94)	\$ 1.45
Weighted-average shares outstanding:					
Basic	83,186	82,499	82,456	82,818	84,294
Diluted	83,186	82,499	82,456	82,818	85,818
Financial Position					
Excess (shortfall) of assets over payment service obligations ⁽³⁾	\$ 230,229	\$ 313,335	\$ 391,031	\$ (551,812)	\$ 358,924
Substantially restricted assets ⁽³⁾	4,414,965	5,156,789	5,829,030	7,210,658	8,568,713
Total assets	5,115,736	5,929,663	6,642,296	7,935,011	9,276,137
Payment service obligations	4,184,736	4,843,454	5,437,999	7,762,470	8,209,789
Long-term debt	639,946	796,791	978,881	345,000	150,000
Mezzanine equity ⁽⁴⁾	999,353	864,328	742,212	—	—
Stockholders' (deficit) equity	(942,482)	(883,013)	(781,736)	(488,517)	669,063
Other Selected Data					
Capital expenditures	\$ 43,025	\$ 38,258	\$ 40,357	\$ 71,142	\$ 81,033
Depreciation and amortization	\$ 48,074	\$ 57,091	\$ 56,672	\$ 51,979	\$ 38,978
Cash dividends declared per share	\$ —	\$ —	\$ —	\$ 0.20	\$ 0.17
Average investable balances ⁽⁵⁾	\$ 3,684,317	\$ 4,246,507	\$ 4,866,339	\$ 6,346,442	\$ 6,333,115
Net investment margin ⁽⁶⁾	0.56%	0.75%	1.23%	2.28%	2.31%
Approximate number of countries and territories served	190	190	190	180	170
Number of money order locations ⁽⁷⁾	46,000	49,000	59,000	59,000	55,000
Number of money transfer locations ⁽⁷⁾	227,000	190,000	176,000	143,000	110,000

(1) Total other expense, net for 2008 includes net securities losses of \$340.7 million from the realignment of the investment portfolio in the first quarter of 2008, other-than-temporary impairments and declines in the value of our trading investments. Total other expense, net for 2007 includes net losses of \$1.2 billion related to other-than-temporary impairments in the Company's investment portfolio.

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- (2) Income from continuing operations before income taxes for 2010 includes a \$16.4 million gain related to the reversal of a patent lawsuit; \$1.8 million of legal accruals related primarily to shareholder litigation; \$1.8 million of asset impairments and \$5.9 million of expense related to our global transformation initiative. Loss from continuing operations before income taxes for 2009 includes \$54.8 million of legal reserves relating to securities litigation, stockholder derivative claims, a patent lawsuit and a settlement with the FTC; \$18.3 million of goodwill and asset impairments and a \$14.3 million net curtailment gain on our benefit plans. Loss from continuing operations before income taxes for 2008 includes a \$29.7 million net loss on the termination of swaps, a \$26.5 million gain from put options on our trading investments, a \$16.0 million valuation loss from changes in the fair value of embedded derivatives on our Series B Stock and a goodwill impairment of \$8.8 million related to a discontinued business. Loss from continuing operations before income taxes for 2007 includes a goodwill impairment of \$6.4 million related to a discontinued business.
- (3) Assets in excess of payment service obligations are substantially restricted assets less payment service obligations as calculated in Note 2 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements. Substantially restricted assets are composed of cash and cash equivalents, receivables and investments.
- (4) Mezzanine Equity relates to our Series B Stock. See Note 11 — *Mezzanine Equity* of the Notes to Consolidated Financial Statements for the terms of the Series B Stock.
- (5) Investable balances are composed of cash and cash equivalents and all classes of investments.
- (6) Net investment margin is determined as net investment revenue (investment revenue less investment commissions) divided by daily average investable balances.
- (7) Includes 27,000, 28,000, 30,000, 18,000 and 16,000 locations in 2010, 2009, 2008, 2007 and 2006, respectively, that offer both money order and money transfer services.

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

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

Basis of Presentation

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

During the fourth quarter of 2010, the Company revised the presentation of its Consolidated Statements of Income (Loss) as a result of an internal review to enhance our external reporting and management reporting. As a result of this review, the Company will no longer present net revenue, previously measured as total revenue less total commissions expense, as this measure was not found to be a meaningful metric internally or to our external users. The Company will continue to separately disclose "Commissions expense." In addition, the Company has created an operating income measure consistent with management reporting and to more clearly delineate operating and non-operating items. As a result, certain items are now presented below the operating income line based on management's assessment of their nature as non-operating, including securities (gains) losses, interest expense and (gains) losses related to cash flow hedges. The securities (gains) losses and \$2.4 million of gains and \$2.8 million of losses related to historical cash flow hedges for the year ended December 31, 2009 and 2008, respectively, were previously presented in revenue. All prior periods have been reclassified to conform to this new presentation.

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As further described in Note 2 — *Summary of Significant Accounting Policies* of the Notes to Consolidated Financial Statements, the Company has corrected the presentation of certain investments in time deposits and certificates of deposit in the 2009 and 2008 consolidated financial statements, reflecting the fact that these investments have original maturities in excess of three months but no greater than thirteen months.

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

Investment revenue — Investment revenue consists of interest and dividends generated through the investment of cash balances received primarily from the sale of official checks, money orders and other payment instruments. These cash balances are available to us for investment until the payment instrument is presented for payment. Investment revenue varies depending on the level of investment balances and the yield on our investments. Investment balances vary based on the number of payment instruments sold, the principal amount of those payment instruments and the length of time that passes until the instruments are presented for payment.

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

Investment commissions expense — Investment commissions consist of amounts paid to financial institution customers based on short-term interest rate indices times the average outstanding cash balances of official checks sold by that financial institution. Through the second quarter of 2008, investment commissions expense included costs associated with interest rate swaps. We historically used interest rate swaps to convert a portion of our variable rate commission payments to fixed rate payments, which hedged the interest rate risk associated with the variable rate commissions paid to our financial institution customers. In connection with the interest rate swaps, we paid a fixed amount to a counterparty and received a variable rate payment in return. To the extent that the fixed rate exceeded the variable rate, we incurred an expense related to the swap; if the variable rate exceeded the fixed rate, we recognized income related to the swap. In connection with the restructuring of the official check business in 2008, we terminated certain financial institution customer relationships. As a result, we terminated the swaps related to commission payments in June 2008. See further discussion of the termination of these swaps in Note 6 — *Derivative Financial Instruments* of the Notes to Consolidated Financial Statements.

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RESULTS OF OPERATIONS

Table 1 — Results of Operations

YEAR ENDED DECEMBER 31,	2010	2009	2008	2010 vs. 2009 (\$)	2009 vs. 2008 (\$)	2010 vs. 2009 (%)	2009 vs. 2008 (%)
<i>(Amounts in thousands)</i>							
Revenue							
Fee and other revenue	\$ 1,145,312	\$ 1,128,492	\$ 1,108,451	\$ 16,820	\$ 20,041	1%	2%
Investment revenue	21,341	33,219	162,130	(11,878)	(128,911)	(36)%	(80)%
Total revenue	1,166,653	1,161,711	1,270,581	4,942	(108,870)	0%	(9)%
Expenses							
Fee and other commissions expense	500,759	497,105	502,317	3,654	(5,212)	1%	(1)%
Investment commissions expense	737	1,362	102,292	(625)	(100,930)	(46)%	(99)%
Total commissions expense	501,496	498,467	604,609	3,029	(106,142)	1%	(18)%
Compensation and benefits	226,422	199,053	224,580	27,369	(25,527)	14%	(11)%
Transaction and operations support	185,782	284,277	219,905	(98,495)	64,372	(35)%	29%
Occupancy, equipment and supplies	46,481	47,425	45,994	(944)	1,431	(2)%	3%
Depreciation and amortization	48,074	57,091	56,672	(9,017)	419	(16)%	1%
Total operating expenses	1,008,255	1,086,313	1,151,760	(78,058)	(65,447)	(7)%	(6)%
Operating income	158,398	75,398	118,821	83,000	(43,423)	110%	(37)%
Other expense (income)							
Net securities (gains) losses	(2,115)	(7,790)	340,688	5,675	(348,478)	NM	NM
Interest expense	102,133	107,911	95,020	(5,778)	12,891	(5)%	14%
Other	—	(2,401)	20,304	2,401	(22,705)	NM	NM
Total other expense, net	100,018	97,720	456,012	2,298	(358,292)	2%	(79)%
Income (loss) before income taxes	58,380	(22,322)	(337,191)	80,702	314,869	NM	NM
Income tax expense (benefit)	14,579	(20,416)	(75,806)	34,995	55,390	NM	NM
Net income (loss)	\$ 43,801	\$ (1,906)	\$ (261,385)	\$ 45,707	\$ 259,479	NM	NM

NM = Not meaningful

Following is a summary of our operating results in 2010 as compared to 2009:

- Total fee and other revenue increased \$16.8 million, or 1 percent, in 2010 due to an increase in money transfer fee and other revenue, partially offset by lower revenue from bill payment products and the Financial Paper Products segment, as well as the impact of certain businesses and products that were discontinued in 2009. Volume growth of 9 percent drove the increase in money transfer fee and other revenue, partially offset by lower average money transfer fees per transaction due to the \$50 price band introduced in the United States earlier in 2010 and the lower euro exchange rate. See further discussion under Table 2 — *Fee and Other Revenue and Commissions Expense*.
- Investment revenue decreased \$11.9 million, or 36 percent, in 2010 due to lower yields earned on our investment portfolio and a decline in average investment balances.

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- Total commissions expense increased \$3.0 million, or 1 percent, in 2010 due to money transfer volume growth, partially offset by a decline in the euro exchange rate, lower average commission rates and lower commissions expense related to the Financial Paper Products segment and bill payment products.
- Total operating expenses decreased \$78.1 million, or 7 percent, in 2010. Expenses in 2009 included \$54.8 million of legal reserves relating to securities litigation, stockholder derivative claims, a patent lawsuit and a settlement with the Federal Trade Commission; goodwill and asset impairments of \$18.3 million; \$15.0 million of incremental provision for loss, primarily from the closure of an international agent; a \$14.3 million net curtailment gain on benefit plans; \$6.4 million of costs related to the implementation of the European Union Payment Services Directive; and \$4.4 million of executive severance and related costs. Expenses in 2010 included a \$16.4 million reversal of a patent lawsuit accrual, \$5.9 million of costs associated with our global transformation initiative and \$1.8 million of asset impairments. In 2010, employee stock-based compensation increased \$11.2 million, marketing costs increased \$6.9 million and incentive compensation increased \$1.6 million, while depreciation and amortization expense decreased \$9.0 million.
- Net securities gains of \$2.1 million in 2010 reflect a \$2.4 million net gain from the call of a trading investment, partially offset by \$0.3 million of other-than-temporary impairments on other asset-backed securities. This is compared to net securities gains of \$7.8 million in 2009, which reflected a \$7.6 million net gain from the call of two trading investments and valuation gains of \$4.3 million on the put option related to the remaining trading investment, partially offset by \$4.1 million of other-than-temporary impairments on other asset-backed securities.
- Interest expense decreased 5 percent to \$102.1 million in 2010 from \$107.9 million in 2009, reflecting lower outstanding debt balances due to repayments of debt, partially offset by the \$8.6 million pro-rata write-off of deferred financing costs and debt discount related to the \$165.0 million of debt prepayments during 2010.
- We had income tax expense of \$14.6 million on pre-tax income of \$58.4 million in 2010, reflecting a release of \$11.9 million of valuation allowances on U.S. deferred tax assets primarily due to reversals and payments of 2009 legal reserves.
- The decline in the euro exchange rate decreased total revenue by \$18.1 million and total expenses by \$15.1 million, for a net decrease to our income before income taxes of \$3.0 million.

Following is a summary of significant actions taken by the Company and economic conditions during the year that impacted our operating results in 2010:

Global Economic Conditions — Throughout 2010, worldwide economic conditions continued to remain weak, as evidenced by high unemployment rates, government assistance to citizens and businesses on a global basis, continued declines in asset values, restricted lending activity and low consumer confidence, among other factors. Historically, the money remittance industry has generally been resilient during times of economic softness as money transfers are deemed essential to many, with the funds used by the receiving party for food, housing and other basic needs. However, given the global reach and extent of the current economic recession, the growth of money transfer volumes and the average principal of money transfers continued to fluctuate by corridor and country in 2010. In addition, bill payment products available in the United States are not as resilient as money transfers given the more discretionary nature of some items paid for by consumers using these products. Accordingly, the volume of bill payment transactions continued to be adversely impacted in 2010, particularly in the auto, housing and credit card sectors. While there have been some indicators of moderation and improvement throughout 2010, particularly in the United States, we continue to have limited visibility into the future and believe growth rates will continue to be hampered in 2011.

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Interest Rate Environment — Interest rates remained low through 2010. Interest rates affect our business in several ways, but primarily through investment revenue, investment commission expense and interest expense. First, the majority of our investment portfolio (including cash and cash equivalents and all classes of investments) is floating rate, causing investment revenue to decrease when rates decline and increase when rates rise. Second, the commissions we pay to our financial institution customers are variable rate, primarily based on the effective federal funds rate. Accordingly, our investment commissions expense decreases when rates decline and increases when rates rise. As discussed in Table 3 — *Net Investment Revenue Analysis*, our net investment margin is based on the spread between the yield earned on our investment portfolio and the commission rates paid to our financial institution customers. In the current environment, the federal funds rate is so low that most of our financial institution customers are in a "negative" commission position, in that we do not owe any commissions to our customers. While the vast majority of our contracts require the financial institution customers to pay us for the negative commission amount, we have opted at this time to impose certain per-item and other fees rather than require payment. We continue to monitor the negative commissions and are reviewing our current fee structure for possible changes. Finally, our senior facility is floating rate debt, and accordingly, our interest expense will decrease in a declining rate environment and increase when rates rise.

Money Transfer Pricing — In the first half of 2010, we introduced a \$50 price band that allows consumers to send \$50 of principal for a \$5 fee at most locations, or a \$4.75 fee at a Walmart location. In the fourth quarter of 2010, we increased advertising for our domestic business and, in particular, promoted the new \$50 price band to every MoneyGram location across the United States. As discussed further in Table 7 — *Global Funds Transfer Segment*, the \$50 price band impacted revenue growth during the year. As we expect the \$50 price band to be a long-term change in our pricing, we anticipate revenue growth will continue to be impacted.

Official Check Restructuring and Repricing — In the first quarter of 2008, we initiated the restructuring of our official check business by changing the commission structure and exiting certain large customer relationships, particularly our top 10 financial institution customers. As of December 31, 2010, approximately \$2.1 billion of balances for the top 10 customers have run-off, with the remaining balances expected to run-off as old issuances are presented to us for payment. The run-off of these balances reduced our investment revenue in 2010. In 2008, we reduced the commission rate paid to the majority of our official check financial institution customers to reflect the impact of the realigned investment portfolio on the profitability of this product. The repricing results in an average contractual payout rate of the effective federal funds rate less approximately 85 basis points, and reduced our investment commissions expense. See Table 3 — *Net Investment Revenue Analysis* for further discussion on the impact of our official check restructuring and repricing initiative.

Money Order Repricing and Review — In the fourth quarter of 2008, we initiated the first phase of a repricing initiative for our money order product sold through retail agent locations. This initiative increases the per-item fee we receive for our money orders and reflects the impact of the realigned investment portfolio on the profitability of this product. A broader second phase of repricing was initiated in the second quarter of 2009. In addition, we continue to review our credit exposure to our agents and may terminate or otherwise revise our relationship with certain agents. As anticipated, money order volumes in 2009 and 2010 declined from these initiatives. While we do not expect any further decline in money order volume due to our repricing initiatives, we do anticipate further market declines as consumers migrate to other payment products and as consumer prices increase due to agents passing along fee increases and changes in the general economic environment.

Global Transformation Initiative — In the second quarter of 2010, we announced that we were implementing a global transformation initiative to realign our management and operations with the changing global market and streamline operations to promote a more efficient and scalable cost structure. The initiative will include organizational changes, relocation of certain operations and investment in technology, among other items. Based upon preliminary estimates, the Company anticipates incurring \$45 million to \$50 million of cash outlays in future phases to generate annual pre-tax cost savings of \$25 million to \$30 million when fully implemented in 2012. In connection with the first phase of this initiative, we recorded \$5.9 million of expenses during 2010, with \$3.0 million included in the "Compensation and benefits" line, \$1.3 million included in the "Transactions and operations support" line and \$1.6 million included in the "Occupancy, equipment and supplies" line in our Consolidated Statements of Income (Loss).

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Table 2 — Fee and Other Revenue and Commissions Expense

YEAR ENDED DECEMBER 31, (Amounts in thousands)	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Fee and other revenue	\$ 1,145,312	\$ 1,128,492	\$ 1,108,451	1%	2%
Fee and other commissions expense	500,759	497,105	502,317	1%	(1)%
Fee and other commissions expense as a % of fee and other revenue	43.7%	44.1%	45.3%		

In 2010, fee and other revenue increased \$16.8 million, or 1 percent, compared to 2009. Fee and other revenue in 2009 included \$8.3 million of incremental revenue from discontinued businesses and products, as well as \$1.3 million of early agent termination fees. Money transfer revenue drove a net increase of \$35.8 million, partially offset by an \$8.1 million decrease in bill payment fee and other revenue and a \$5.0 million decrease in money order fee and other revenue. Money transfer transaction volume growth of 9 percent drove \$77.4 million of incremental revenue, while changes in corridor mix increased revenue \$2.4 million. Fee and other revenue decreased \$18.1 million from the lower euro exchange rate and \$24.6 million from lower average money transfer fees due primarily to the introduction of the \$50 price band in the United States. Foreign exchange revenue of \$113.2 million in 2010 increased \$4.3 million from 2009. Bill payment revenue decreased from lower average fees per transaction due to industry mix and lower volumes. See Table 7 — *Global Funds Transfer Segment* and Table 8 — *Financial Paper Products Segment* for further information regarding fee and other revenue.

In 2009, fee and other revenue increased \$20.0 million, or 2 percent, compared to 2008, driven by money transfer transaction volume growth, partially offset by lower average money transfer fees, the decline in the euro exchange rate and a \$6.6 million reduction in bill payment revenue. Money transfer transaction volume increased 6 percent, generating incremental revenue of \$54.5 million. Average money transfer fees declined from lower average principal per transaction and corridor mix, reducing revenue by \$15.8 million. The decline in the euro exchange rate reduced revenue by \$16.2 million in 2009. In addition, money order and official check fee and other revenue increased \$9.3 million and \$5.6 million, respectively, primarily due to our repricing initiatives. Also, 2009 fee and other revenue declined \$5.9 million from 2008 due to discontinued businesses and products. Fee and other revenue for 2009 includes \$108.9 million of foreign exchange revenue, a decrease of \$1.8 million from 2008.

In 2010, fee and other commissions expense increased \$3.7 million, or 1 percent, from 2009 as money transfer transaction volume growth drove incremental expense of \$23.7 million, partially offset by a \$7.4 million benefit from the lower euro exchange rate, a \$5.4 million decrease in expense as certain historical signing bonuses were fully amortized or written off in the prior year and a \$1.2 million benefit from lower average money transfer commission rates. Money order commissions expense decreased \$1.3 million due to volume, bill payment fee commissions decreased \$2.6 million from lower volumes and average fees due to industry mix and the run-off of products and businesses discontinued in 2009 benefited commissions expense by \$1.1 million.

In 2009, fee and other commissions expense decreased \$5.2 million, or 1 percent, from 2008 due to lower average money transfer commission rates, the decline in the euro exchange rate, lower bill payment volumes and lower signing bonus amortization, partially offset by money transfer volume growth. Incremental fee commissions of \$16.1 million resulting from money transfer transaction volume growth was significantly offset by a decrease of \$7.7 million from lower average commission rates and \$7.6 million from the decline in the euro exchange rate. Bill payment volume declines reduced commissions expense by \$3.8 million and signing bonus amortization decreased by \$2.0 million as certain historical signing bonuses were fully amortized in the third quarter of 2009.

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Table 3 — Net Investment Revenue Analysis

YEAR ENDED DECEMBER 31, (Amounts in thousands)	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Investment revenue	\$ 21,341	\$ 33,219	\$ 162,130	(36)%	(80)%
Investment commissions expense	(737)	(1,362)	(102,292)	46%	99%
Net investment revenue	\$ 20,604	\$ 31,857	\$ 59,838	(35)%	(47)%
Average balances (1):					
Cash equivalents and investments	\$ 3,684,317	\$ 4,246,507	\$ 4,866,339	(13)%	(13)%
Payment service obligations	2,659,171	3,048,100	3,923,989	(13)%	(22)%
Average yields earned and rates paid (2):					
Investment yield	0.58%	0.78%	3.33%		
Investment commission rate	0.03%	0.04%	2.61%		
Net investment margin (2)	0.56%	0.75%	1.23%		

(1) The average balances in the table reflect financial institution customers only.

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

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

Investment revenue in 2009 decreased \$128.9 million, or 80 percent, compared to 2008 due to lower yields earned on our investment portfolio and a decline in average investment balances from the termination of certain official check financial institution customers. Lower yields earned on our investment balances resulted in a decrease of \$110.0 million from 2008, while the decline in average investment balances resulted in a decrease of \$20.7 million. Investment revenue in 2008 also included a \$10.0 million recovery of a security that was fully impaired in 2007.

Investment commissions expense in 2010 decreased \$0.6 million, or 46 percent, compared to 2009 from lower rates implemented in the second phase of our repricing initiative in the second quarter of 2009 and lower average investment balances. Due to the continued low federal funds rate, most of our financial institution customers continue to be in a "negative" commission position as of December 31, 2010, meaning we do not owe any commissions to our customers. While the majority of our contracts require that the financial institution customers pay us for the negative commission amounts, we have opted at this time to impose certain per-item and other fees rather than require payment of the negative commission amounts. We continue to monitor the negative commissions and assess our current fee structure for possible further changes.

Investment commission expense in 2009 decreased \$100.9 million, or 99 percent, compared to 2008. The decline in the federal funds rate and our repricing initiatives resulted in a decrease of \$49.7 million, while lower average investment balances resulted in a decrease of \$23.4 million. In addition, investment commissions expense for 2008 included a \$27.7 million net loss from the termination of interest rate swaps as a result of the termination of certain official check customers in 2008. See Note 6 — *Derivative Financial Instruments* of the Notes to the Consolidated Financial Statements for further information regarding the interest rate swaps.

As a result of the factors discussed above, the net investment margin decreased 0.19 percentage points in 2010 and 0.48 percentage points in 2009.

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Expenses

The following discussion relates to operating expenses, excluding commissions expense, as presented in Table 1 — *Results of Operations*.

Compensation and benefits — Compensation and benefits includes salaries and benefits, management incentive programs and other employee related costs. Compensation and benefits increased \$27.4 million, or 14 percent, in 2010 compared to 2009. Included in 2009 was a \$14.3 million net curtailment gain on benefit plans, partially offset by \$3.9 million of executive severance costs. The remaining increase in 2010 primarily relates to a \$11.2 million increase in stock-based compensation from grants made in 2010 and the second half of 2009 in connection with executive hires, \$3.0 million of severance associated with restructuring initiatives and a \$1.6 million increase in incentive compensation from higher participation levels, which increased the compensation base as compared to the prior year, partially offset by lower sales incentives accruals. As reflected in each of the amounts discussed above, the decrease in the euro exchange rate decreased compensation and benefits expense by \$2.8 million in 2010.

Compensation and benefits decreased \$25.5 million, or 11 percent, in 2009 compared to 2008 primarily from a \$14.3 million net curtailment gain on benefit plans, a \$12.3 million decrease in executive severance and related costs, a \$7.1 million decrease in incentive compensation from accruing annual incentives at a lower tier and a \$2.0 million decrease from the suspension of the discretionary profit sharing plan. Stock-based compensation increased \$10.5 million due to option grants awarded in 2009, partially offset by lower expense from historical grants that vested in the first quarter of 2009 and executive forfeitures. As reflected in each of the amounts discussed above, the decrease in the euro exchange rate decreased compensation and benefits by \$2.1 million in 2009.

Transaction and operations support — Transaction and operations support expense includes marketing, professional fees and other outside services, telecommunications and agent forms related to our products. Transaction and operations support costs decreased \$98.5 million, or 35 percent, in 2010 compared to 2009. Expenses in 2009 included \$54.8 million of legal reserves relating to securities litigation, a patent lawsuit and a settlement with the Federal Trade Commission, \$18.3 million of goodwill and asset impairments, an incremental provision for loss of \$15.0 million primarily related to the closure of an international agent and consultant fees of \$6.4 million related to the implementation of the European Union Payment Services Directive. Expenses in 2010 benefited from a \$16.4 million reversal of legal reserves related to a patent lawsuit and a \$4.8 million reduction in expenses related to telecommunications and agent forms and supplies due to cost savings initiatives. Partially offsetting these benefits was \$6.9 million of incremental marketing costs to support transaction and agent growth, asset impairments of \$1.8 million, \$1.4 million of incremental licensing fees from international growth and \$1.3 million of restructuring and related costs. As reflected in each of the amounts discussed above, the decline in the euro exchange rate decreased transactions and operations support expense by \$3.1 million in 2010. In addition, the impact of foreign exchange rate movements on our foreign denominated assets and liabilities, or revaluation, generated \$2.5 million of incremental expense in 2010.

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Transaction and operations support costs increased \$64.4 million, or 29 percent, in 2009 compared to 2008. We recorded legal reserves in 2009 of \$20.3 million for securities litigation and stockholder derivative claims, \$18.0 million for a settlement with the Federal Trade Commission and \$16.5 million for a patent lawsuit. Asset impairments totaling \$18.3 million were recorded in 2009, reflecting an increase of \$9.5 million over 2008. Impairments in 2009 include a \$7.0 million charge related to the decision to sell our airplane, a \$5.2 million impairment of goodwill and other assets from the decision to discontinue certain bill payment products and the sale of a non-core business and a \$6.1 million impairment of goodwill and intangible assets related to our money order product due to continued declines in that business. Professional fees increased by \$9.5 million in 2009, primarily due to litigation fees and the implementation of the European Union Payment Services Directive. Our provision for agent receivables increased by \$9.0 million, primarily from the closure of an international agent during the year. Marketing costs decreased \$12.7 million in 2009 from controlled spending, partially offset by higher costs from agent location growth. In addition, expense in 2008 reflected \$9.5 million of costs related to the 2008 Recapitalization and restructuring of the official check business. As reflected in each of the amounts discussed above, the decrease in the euro exchange rate decreased transaction and operations support expense by \$1.7 million in 2009.

Occupancy, equipment and supplies — Occupancy, equipment and supplies expense includes facilities rent and maintenance costs, software and equipment maintenance costs, freight and delivery costs and supplies. Expenses in 2010 decreased \$0.9 million, or 2 percent, compared to 2009 due to lower delivery, postage and freight costs from controlled spending and the timing of agent roll-outs, partially offset by \$1.6 million of facility cease-use and related charges associated with restructuring activities. As reflected in the amounts discussed above, the decrease in the euro exchange rate decreased occupancy, equipment and supplies expense by \$0.6 million in 2010.

Occupancy, equipment and supplies increased \$1.4 million, or 3 percent, in 2009 compared to 2008. Software maintenance and office rent increased \$2.3 million and \$1.5 million, respectively, to support the growth of the business. The timing of the roll out of new agent locations and controlled spending resulted in a \$2.8 million reduction of agent costs. As reflected in each of the amounts discussed above, the decrease in the euro exchange rate decreased occupancy, equipment and supplies expense by \$0.4 million in 2009.

Depreciation and amortization — Depreciation and amortization expense includes depreciation on point of sale equipment, agent signage, computer hardware and software, capitalized software development costs, office furniture, equipment and leasehold improvements and amortization of intangible assets. Depreciation and amortization decreased \$9.0 million, or 16 percent, in 2010 compared to 2009, primarily from lower depreciation expense on point of sale equipment, computer hardware and other equipment, signs and amortization of capitalized software. As reflected in the amounts discussed above, the decrease in the euro exchange rate decreased depreciation and amortization expense by \$0.5 million in 2010.

Depreciation and amortization was flat in 2009 compared to 2008 as a \$3.2 million increase in depreciation from capital investments in point of sale equipment, purchased software and other fixed assets to support the growth of the business was mostly offset by a \$2.8 million decrease in amortization of capitalized software, intangible assets and other assets. As reflected in the amounts discussed above, the decrease in the euro exchange rate decreased depreciation and amortization expense by \$0.6 million in 2009.

We implemented a new system in the third quarter of 2010 to increase the flexibility of our back office and improve operating efficiencies. In 2010 and 2009, we capitalized software costs of approximately \$8.4 million and \$4.3 million, respectively, related to this system. In connection with our global transformation initiative, we plan to make further investments in our infrastructure to enhance operating efficiencies and support our continued growth. As a result of these investments, depreciation and amortization expense may increase in the future.

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Other Expense (Income)

Table 4 — Net Securities (Gains) Losses

YEAR ENDED DECEMBER 31,	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
<i>(Amounts in thousands)</i>					
Realized gains from available-for-sale investments	\$ —	\$ —	\$ (34,200)	\$ —	\$ 34,200
Realized losses from available-for-sale investments	—	2	290,498	(2)	(290,496)
Other-than-temporary impairments from available-for-sale investments	334	4,069	70,274	(3,735)	(66,205)
Valuation (gains) losses on trading investments and related put options	—	(4,304)	14,116	4,304	(18,420)
Realized gains from trading investments and related put options	(2,449)	(7,557)	—	5,108	(7,557)
Net securities (gains) losses	\$ (2,115)	\$ (7,790)	\$ 340,688	\$ 5,675	\$ (348,478)

Net securities gains of \$2.1 million in 2010 reflect a \$2.4 million realized gain from the call of a trading investment, net of the reversal of the related put option, partially offset by \$0.3 million of other-than-temporary impairments related to other asset-backed securities.

Net securities gains of \$7.8 million in 2009 reflect a \$7.6 million net realized gain from the call of two trading investments, net of the reversal of the related put options. Valuation gains of \$4.3 million on the put option related to the remaining trading investment were partially offset by \$4.1 million of other-than-temporary impairments related to other asset-backed securities.

Net securities losses of \$340.7 million in 2008 reflect \$256.3 million of net realized losses from the realignment of our investment portfolio in the first quarter of 2008, \$70.3 million of other-than-temporary impairments related to other asset-backed securities and \$40.6 million of unrealized losses from our trading investments, partially offset by a \$26.5 million unrealized gain from put options received in the fourth quarter of 2008 related to the trading investments. The other-than-temporary impairments and unrealized losses were the result of continued deterioration in the mortgage markets, as well as continued illiquidity and uncertainty in the broader markets in 2008. Our 2008 Recapitalization, which was completed on March 25, 2008, included funds to cover these losses.

Interest expense — Interest expense decreased to \$102.1 million in 2010 from \$107.9 million in 2009, reflecting lower outstanding debt balances, partially offset by \$8.6 million of pro rata write-offs of deferred financing costs and debt discount related to the \$165.0 million of debt prepayments in 2010. In 2009, we recorded a \$2.7 million pro rata write-off of deferred financing costs and debt discount in connection with the prepayment of \$185.0 million of debt in 2009. Based on our outstanding debt balances and interest rates in effect at December 31, 2010 and the expectation that we will continue to pay all interest in cash, our interest expense will be approximately \$75.0 million in 2011. This amount would be reduced by any prepayments of debt we may make in 2011.

Interest expense increased to \$107.9 million in 2009 from \$95.0 million in 2008 due to higher average outstanding debt as a result of the recapitalization completed in the first quarter of 2008, partially offset by the payment of \$186.9 million of debt in 2009. In addition, interest expense in 2009 includes \$2.7 million of expense from the write-off of a pro-rata portion of deferred financing costs and debt discount in connection with the prepayment of debt in December 2009.

Income taxes — We had income tax expense of \$14.6 million on pre-tax income of \$58.4 million in 2010, primarily reflecting a release of \$11.9 million of valuation allowances on deferred tax assets related to the U.S. jurisdiction. Reversals and payments of 2009 legal reserves reduced the tax base on which loss carryovers can be utilized and the corresponding release of valuation allowances.

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

In 2008, we had a \$75.8 million tax benefit, primarily reflecting the recognition of a \$90.5 million benefit in the fourth quarter of 2008 upon the completion of an evaluation of the technical merits of tax positions with respect to part of the net securities losses in 2008 and 2007. The \$90.5 million benefit relates to the amount of tax carry-back we were able to utilize to recover tax payments made for fiscal 2005 through 2007.

As of December 31, 2010, our net deferred tax liability position of \$4.3 million reflects \$544.8 million of gross deferred tax assets, \$63.3 million of gross deferred tax liabilities and a \$485.8 million valuation allowance. Essentially all of our deferred tax assets relate to the U.S. jurisdiction. In 2007, we determined it was appropriate to establish a valuation allowance for a significant portion of our gross deferred tax assets as we did not believe that we had sufficient positive evidence to overcome the significant negative evidence of a three year cumulative loss. We continue to believe that it is appropriate to maintain a valuation allowance for a significant portion of our deferred tax assets due to significant negative evidence. Changes in facts and circumstances in the future may cause us to record additional tax benefits as further deferred tax valuation allowances are released and carry-forwards are utilized. We continue to evaluate additional available tax positions related to the net securities losses in prior years.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") and Adjusted EBITDA

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

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

Table 5 — EBITDA and Adjusted EBITDA

YEAR ENDED DECEMBER 31, <i>(Amounts in thousands)</i>	2010	2009	2008
Income (loss) before income taxes	\$ 58,380	\$ (22,322)	\$ (337,191)
Interest expense	102,133	107,911	95,020
Depreciation and amortization	48,074	57,091	56,672
Amortization of agent signing bonuses	29,247	35,280	37,261
EBITDA	237,834	177,960	(148,238)
Significant items impacting EBITDA:			
Net securities (gains) losses	(2,115)	(7,790)	340,688
Gain on security previously priced at zero	—	—	(10,456)
Severance and related costs	(346)	4,353	16,653
Restructuring and reorganization costs	5,853	—	—
Asset impairment charges	1,829	18,329	8,809
Stock-based compensation expense	26,011	14,152	3,691
Net curtailment (gain) loss on benefit plans	—	(14,339)	1,000
Legal accruals	(14,572)	54,750	—
Valuation loss on embedded derivatives	—	—	16,030
Transaction costs related to the 2008 Recapitalization	—	—	7,733
Debt extinguishment loss	—	—	1,499
Valuation loss on interest rate swaps	—	—	27,735
Adjusted EBITDA	\$ 254,494	\$ 247,415	\$ 265,144

For 2010, EBITDA increased \$59.9 million, or 34 percent, to \$237.8 million from \$178.0 million in 2009, reflecting lower legal accruals and asset impairment charges and the benefits of cost savings initiatives, partially offset by higher stock-based compensation and a net curtailment gain recorded in 2009. Adjusted EBITDA for 2010 increased \$7.1 million, or 3 percent, to \$254.5 million from \$247.4 million in 2009, primarily due to money transfer growth and cost savings initiatives.

For 2009, EBITDA increased \$326.2 million to \$178.0 million as compared to negative EBITDA of \$148.2 million in 2008. EBITDA in 2008 was negatively impacted by \$340.1 million of net securities losses incurred during the realignment of our investment portfolio and the continued credit market deterioration, valuation losses on embedded derivatives and interest rate swaps, expenses related to our 2008 Recapitalization and executive severance and related costs. EBITDA in 2009 was negatively impacted by \$54.8 million of legal accruals, higher stock-based compensation and asset impairment charges, partially offset by a \$14.3 million net curtailment gain on benefit plans. Adjusted EBITDA for 2009 decreased \$17.7 million, or 7 percent, to \$247.4 million from \$265.1 million in 2008, primarily due to lower investment revenue from the realignment of our investment portfolio and the run-off of investment balances from the official check restructuring, partially offset by money transfer growth.

Segment Performance

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

The Global Funds Transfer segment is managed as two geographical regions or operating segments, the Americas and EMEAAP, to coordinate sales, agent management and marketing activities. The Americas region includes the United States, Canada, Mexico, the Caribbean and Latin America. The EMEAAP region includes Europe, the Middle East, Africa and the Asia Pacific region. We monitor performance and allocate resources at both a regional and reporting segment level. As the two regions routinely interact in completing money transfer transactions and share systems, processes and licenses, we view the Global Funds Transfer segment as one global network. The nature of the consumers and products offered is the same for each region, and the regions utilize the same agent network, systems and support functions. In addition, the regions have similar regulatory requirements and economic characteristics. Accordingly, we aggregate the two operating segments into one reporting segment.

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

Also excluded from operating income for Global Funds Transfer and Financial Paper Products are interest and other expenses related to our credit agreements, items related to our preferred stock, operating income from businesses categorized as "Other," certain pension and benefit obligation expenses, director deferred compensation plan expenses, executive severance and related costs, certain legal and corporate costs not related to the performance of the segments and restructuring and related costs. Unallocated expenses in 2010 include \$5.9 million of costs associated with our global transformation initiative and \$1.8 million of asset impairments, in addition to other corporate costs of \$7.4 million not allocated to the segments.

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Unallocated expenses in 2009 include \$20.3 million of legal reserves related to securities litigation and stockholder derivative claims, a net curtailment gain on benefit plans of \$14.3 million, \$7.0 million of asset impairments and \$4.4 million of executive severance and related costs, in addition to other corporate costs of \$12.9 million not allocated to the segments. Following is a reconciliation of segment operating income to the consolidated operating results:

Table 6 — Segment Information

YEAR ENDED DECEMBER 31, (Amounts in thousands)	2010	2009	2008
Operating income:			
Global Funds Transfer	\$ 139,314	\$ 82,647	\$ 142,203
Financial Paper Products	36,508	27,372	30,169
Other	(2,367)	(4,316)	(19,883)
Total segment operating income	173,455	105,703	152,489
Net securities (gains) losses	(2,115)	(7,790)	340,688
Interest expense	102,133	107,911	95,020
Other	—	(2,401)	20,304
Other unallocated expenses	15,057	30,305	33,668
Income (loss) before income taxes	\$ 58,380	\$ (22,322)	\$ (337,191)

Table 7 — Global Funds Transfer Segment

YEAR ENDED DECEMBER 31, (Amounts in thousands)	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
Money transfer revenue:					
Fee and other revenue	\$ 926,489	\$ 890,675	\$ 872,849	4%	2%
Investment revenue	244	163	1,873	50%	(91)%
Total money transfer revenue	926,733	890,838	874,722	4%	2%
Bill payment revenue:					
Fee and other revenue	126,467	134,535	141,169	(6)%	(5)%
Investment revenue	81	76	38	7%	100%
Total bill payment revenue	126,548	134,611	141,207	(6)%	(5)%
Total Global Funds Transfer revenue:					
Fee and other revenue	1,052,956	1,025,210	1,014,018	3%	1%
Investment revenue	325	239	1,911	36%	(87)%
Total Global Funds Transfer revenue	1,053,281	1,025,449	1,015,929	3%	1%
Commissions expense	\$ 496,645	\$ 488,116	\$ 491,932	2%	(1)%
Operating income	\$ 139,314	\$ 82,647	\$ 142,203	69%	(42)%
Operating margin	13.2%	8.1%	14.0%		

2010 Compared to 2009

Total revenue in the Global Funds Transfer segment consists primarily of fees on money transfers and bill payment transactions. For 2010, Global Funds Transfer total revenue increased \$27.8 million, or 3 percent, driven by money transfer volume growth, partially offset by a decline in bill payment revenue.

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Money transfer fee and other revenue increased \$35.8 million, or 4 percent, driven by transaction volume growth of 9 percent and favorable corridor mix, partially offset by lower average money transfer fees from the introduction of the \$50 price band in the United States and the lower euro exchange rate. Money transfer transaction volume growth generated incremental revenue of \$77.4 million, while changes in corridor mix increased revenue another \$2.4 million. Lower average money transfer fees decreased fee and other revenue by \$24.6 million, while the lower euro exchange rate decreased revenue by \$18.1 million. In addition, money transfer fee and other revenue in 2009 included \$1.3 million of early termination fees.

Transactions and the related fee revenue are viewed as originating from the send side of a transaction. Accordingly, discussion of transactions by geographic location refers to the region originating a transaction. Money transfer transactions originating outside of the United States increased 15 percent over the prior year. Excluding Spain, transactions originating outside of the United States increased 18 percent over the prior year. Transactions sent from Spain decreased 4 percent for the full year, but increased in the fourth quarter of 2010 as compared to the fourth quarter of 2009. Money transfer transactions originating in the United States, excluding transactions sent to Mexico, increased 8 percent due primarily to an 11 percent increase in intra-United States remittances. Transactions sent to Mexico declined 2 percent from the impact of the United States recession on our consumers, but improved during the last half of the year. Mexico represented approximately 9 percent of our total transactions in 2010, compared to approximately 10 percent in 2009.

Our money transfer agent base expanded 20 percent to approximately 227,000 locations in 2010, primarily due to expansion in markets outside the United States. At December 31, 2010, the Americas had approximately 69,400 locations, with 40,000 locations in North America and 29,400 locations in Latin America (including 13,500 locations in Mexico). At December 31, 2010, EMEAAP had approximately 157,600 locations located in the following regions: 40,900 locations in Western Europe, 38,700 locations in Eastern Europe, 36,200 locations in the Indian subcontinent, 25,700 locations in Asia Pacific, 12,300 locations in Africa and 3,800 locations in the Middle East.

Bill payment fee and other revenue decreased \$8.1 million, or 6 percent. Lower average fees from changes in industry mix and lower volumes decreased revenue by \$5.3 million and \$2.8 million, respectively. Bill payment transaction volume decreased 1 percent, reflecting a change in transaction mix as we continue to grow in new emerging verticals that generate lower revenue per transaction than our traditional verticals. Due to economic conditions in the United States, volumes in our traditional verticals, such as auto and mortgage, continue to be negatively impacted.

Commissions expense consists primarily of fees paid to our third-party agents for money transfer and bill payment services, as well as the amortization of capitalized agent signing bonuses. In 2010, Global Funds Transfer commissions expense increased \$8.5 million due primarily to \$23.7 million of incremental expense from money transfer volume growth, partially offset by a \$7.4 million decrease from the decline in the euro exchange rate and a \$1.2 million decrease due to lower average money transfer commission rates. Bill payment commissions expense decreased \$2.9 million from lower volumes and lower average fees per transaction, partially offset by incremental expense of \$0.3 million from higher average commission rates related to biller incentives. Signing bonus expense decreased \$2.9 million as certain historical signing bonuses were fully amortized or written off in the prior year.

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

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2009 Compared to 2008

For 2009, Global Funds Transfer total revenue increased \$9.5 million, or 1 percent, due primarily to money transfer fee revenue growth, partially offset by lower bill payment revenue and lower investment revenue. Investment revenue decreased \$1.7 million due to lower yields earned on our investment portfolio. See Table 3 — *Net Investment Revenue Analysis* for further information regarding average investment balances and yields on the consolidated investment portfolio.

Money transfer fee and other revenue grew \$17.8 million, or 2 percent, driven by money transfer transaction volume growth, partially offset by lower average money transfer fees and the decline in the euro exchange rate. Money transfer transaction volume increased 6 percent, generating incremental revenue of \$54.5 million. Volume growth in 2009 was lower than the prior year, reflecting the slowing economic conditions in 2009 and a growing volume base. Average money transfer fees declined from lower principal per transaction and corridor mix, reducing revenue by \$15.8 million. The decline in the euro exchange rate, net of hedging activities, reduced revenue by \$16.2 million in 2009.

Through the third quarter of 2009, pricing on money transfers remained stable. During the fourth quarter of 2009, we implemented a low-fee promotion with our largest agent, reducing the average fee per transaction. In January 2008, we launched our MoneyGram Rewards loyalty program in the United States, which provided tiered discounts on transaction fees to our repeat consumers, less paperwork and notifications to the sender when the funds are received, among other features. In 2009, we rolled out MoneyGram Rewards in Canada, France, Germany, Spain and certain agent locations in Italy. Our MoneyGram Rewards program has positively impacted our transaction volumes, with membership in the program up 30 percent as of December 31, 2009 compared to 2008 and transaction volumes from members up 34 percent.

Money transfer transactions originated in the Americas increased 6 percent. Transactions originating in the United States, excluding transactions sent to Mexico, increased 9 percent due primarily to intra-United States remittances. Canada and Latin America saw transaction growth of 15 percent and 9 percent, respectively, from agent network growth. Transactions sent to Mexico declined 9 percent, reflecting the impact of the United States recession on our consumers. Mexico represented approximately 10 percent of our total transactions in 2009 as compared to 12 percent in 2008. Transactions originated in EMEAAP increased 6 percent despite a negative 9 percentage point impact from volume declines in Spain. EMEAAP transactions accounted for 24 percent of our volume in 2009 and 2008. The fastest growing regions in 2009 were South East and Central Africa, the Philippines and South Asia, which all had double-digit growth. The Middle East saw transaction growth of 9 percent, driven by send transactions from, and agent signings and renewals in, the United Arab Emirates. Our France retail business saw transaction growth of 155 percent, while the United Kingdom saw transaction growth of 6 percent primarily from sends to India and Eastern Europe, as well as growth from our three largest agents in the United Kingdom. Greece had transaction growth of 14 percent through its receive markets in Eastern Europe. Spain had volume declines of 24 percent from local economic conditions.

Bill payment fee and other revenue decreased \$6.6 million, or 5 percent, from 2008 from a 4 percent decrease in transaction volume. Lower bill payment volumes reduced revenue by \$4.9 million, reflecting the departure of a large biller in the third quarter of 2008 and the impact of economic conditions on our bill payment customers. In addition, lower principal per transaction and biller vertical mix reduced revenue by \$1.7 million in 2009.

Commissions expense for 2009 decreased \$3.8 million, primarily from lower commission rates and the decline in the euro exchange rate, partially offset by growth in money transfer transaction volume. Money transfer transaction volume growth resulted in incremental commissions expense of \$16.1 million, while lower commission rates and the decline in the euro exchange rate, net of hedging activities, reduced commissions expense by \$7.7 million and \$6.9 million, respectively. Bill payment fee commissions expense decreased \$3.8 million due to volume declines, partially offset by a \$0.6 million increase due to higher average rates. Commissions expense in 2009 also decreased by \$2.5 million primarily from lower signing bonus amortization as certain historical signing bonuses were fully amortized in the third quarter of 2009.

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The operating margin of 8.1 percent for 2009 decreased from 14.0 percent in 2008, due primarily to \$34.5 million of legal reserves related to a patent lawsuit and a settlement agreement with the Federal Trade Commission, a \$5.2 million increase in stock-based compensation, a \$7.1 million increase in provision for loss and a \$3.2 million goodwill impairment related to discontinued bill payment product offerings, partially offset by the higher fee revenue as discussed above.

Table 8 — Financial Paper Products Segment

YEAR ENDED DECEMBER 31,	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
<i>(Amounts in thousands)</i>					
Money order revenue:					
Fee and other revenue	\$ 64,342	\$ 69,296	\$ 59,955	(7)%	16%
Investment revenue	3,951	5,584	26,357	(29)%	(79)%
Total money order revenue	68,293	74,880	86,312	(9)%	(13)%
Official check revenue:					
Fee and other revenue	25,696	23,690	18,061	8%	31%
Investment revenue	15,526	24,213	133,820	(36)%	(82)%
Total official check revenue	41,222	47,903	151,881	(14)%	(68)%
Total Financial Paper Products revenue:					
Fee and other revenue	90,038	92,986	78,016	(3)%	19%
Investment revenue	19,477	29,797	160,177	(35)%	(81)%
Total Financial Paper Products revenue	109,515	122,783	238,193	(11)%	(48)%
Commissions expense	\$ 3,931	\$ 8,295	\$ 110,310	(53)%	(92)%
Operating income	\$ 36,508	\$ 27,372	\$ 30,169	33%	(9)%
Operating margin	33.3%	22.3%	12.7%		

2010 Compared to 2009

Total revenue in the Financial Paper Products segment consists of per-item fees charged to our financial institution customers and retail agents and investment revenue. In 2010, total revenue decreased \$13.3 million, or 11 percent, primarily from a \$10.3 million decrease in investment revenue due to lower yields earned on our investment portfolio and a decline in the average investment balances from the run-off of certain official check financial institution customers terminated in prior periods. See Table 3 — *Net Investment Revenue Analysis* for further information. Money order fee and other revenue decreased \$5.0 million due to a 15 percent decline in volumes. Money order volume declines are consistent with 2009 and are attributed to the anticipated attrition of agents from repricing initiatives, the continued migration by consumers to other payment methods, consumer pricing increases as agents pass along fee increases and the general economic environment. Official check fee and other revenue increased \$2.0 million from 2009 due to our official check repricing initiatives, partially offset by the run-off of official check financial institution customers.

Commissions expense in the Financial Paper Products segment includes payments made to financial institution customers based on amounts generated by the sale of official checks times short-term interest rate indices, payments on money order transactions and amortization of signing bonuses. Commissions expense decreased \$4.4 million, or 53 percent, due primarily to lower money order agent rebates from our repricing initiatives and lower signing bonus amortization, as well as lower investment balances resulting from the run-off of official check financial institution customers. See Table 3 — *Net Investment Revenue Analysis* for further discussion of investment commissions expense.

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

2009 Compared to 2008

For 2009, Financial Paper Products total revenue decreased \$115.4 million, or 48 percent, due primarily to a \$130.4 million, or 81 percent, decrease in investment revenue from lower yields earned on our realigned investment portfolio and a decline in average investment balances from the termination of certain official check financial institution customers. See Table 3 — *Net Investment Revenue Analysis* for further information. This decrease was partially offset by a \$15.0 million increase in fee and other revenue for money order and official check products, primarily due to our repricing initiatives. During 2009, money order volumes declined 17 percent. This decline is attributed to the anticipated attrition of agents due to the repricing initiative, consumer pricing increases as agents pass along fee increases, the continued migration to other payment methods and the general economic environment.

Commissions expense decreased \$102.0 million, or 92 percent, from 2008. Commissions expense for 2008 included a \$27.7 million net loss due to the termination of interest rate swaps related to the official check business. See Note 6 — *Derivative Financial Instruments* of the Notes to Consolidated Financial Statements for further information. Investment commissions paid to financial institution customers decreased in 2009 from the decline in the federal funds rate and lower investment balances upon which commissions were paid. See Table 3 — *Net Investment Revenue Analysis* for further information.

The operating margin increased to 22.3 percent in 2009 from 12.7 percent in 2008, reflecting the growth in fee revenue from repricing initiatives, the \$27.7 million loss from the termination of swaps in 2008 and lower commissions expense from the decline in the federal funds rate and lower investment balances.

Trends Expected to Impact 2011

The discussion of trends expected to impact our business in 2011 is based on information presently available and contains certain assumptions regarding future economic conditions. Differences in actual economic conditions during 2011 compared with our assumptions could have a material impact on our results. See "Cautionary Statements Regarding Forward-Looking Statements" and Part I, Item 1A, *Risk Factors* of this Annual Report on Form 10-K for additional factors that could cause results to differ materially from those contemplated by the following forward-looking statements.

Throughout 2010, global economic conditions remained weak. We cannot predict the duration or extent of the severity of these economic conditions, nor the extent to which these conditions could negatively affect our business, operating results or financial condition. While the money remittance industry has generally been resilient during times of economic softness, the current global economic conditions have continued to adversely impact the demand for money remittances. Given the global economic uncertainty, we have less visibility to the future and believe growth rates could continue to be impacted by slow economic conditions. In addition, bill payment products available in the United States have not been as resilient as money transfers.

While there is uncertainty around the global economy and the remittance industry, the World Bank, a key source of industry analysis for developing countries, is projecting five percent remittance growth in 2011. Our growth has historically exceeded the World Bank projections. We expect our growth to be driven by agent expansion and increasing productivity in our existing agent locations through marketing support, customer acquisition and new product innovation. We anticipate money transfer revenue growth to be lower than transaction growth through the first quarter of 2011 due to the lower average fees resulting from the \$50 price band that was introduced in the first half of 2010. We anticipate that the \$50 price band will be a long-term change in our pricing. We believe there is increased competitive pressure in the remittance industry and although we have not seen significant pricing pressure outside of the \$50 price band, we will continue to proactively manage our pricing efforts. We believe all of these efforts will not only help to counteract the effects of the current global economic conditions, but position us for enhanced market share and growth when the economy begins to recover.

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For our Financial Paper Products segment, we expect the decline in overall paper-based transactions to continue in 2011. As a result of the pricing initiatives undertaken in prior years, we have reduced the commission rates paid to our official check financial institution customers and instituted certain per item and other fees for both the official check and money order services. In addition, the historically low interest rate environment has resulted in low or no commissions being paid to our official check financial institution customers. As a result, we anticipate that the Financial Paper Products segment will experience some financial institution and agent attrition in 2011. We do not believe that an increase in interest rates in 2011 will have a significant impact to our investment margin as the interest rates earned on the substantial portion of our investment portfolio reset on a frequent basis and our pricing initiatives have helped to mitigate interest rate risk.

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

As we implement the second phase of our global transformation initiative in 2011, we anticipate that our operating expenses will increase in the short-term as up-front expenditures will be required to achieve the expected long-term cost savings. Based on current plans for the second phase, we anticipate incurring cash outlays of up to \$22.0 million in 2011 related to restructuring, reorganization and technology investment activities. Up to \$15.0 million of these cash outlays are anticipated to be recognized as an expense in 2011, with the remaining portion capitalized as internally-developed software and amortized over future periods.

Acquisition and Disposal Activity

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

2008 Recapitalization

On March 25, 2008, we completed a series of transactions pursuant to which we received an infusion of \$1.5 billion of gross equity and debt capital to support the long-term needs of the business and provide necessary capital due to the investment portfolio losses in late 2007 and the first quarter of 2008 (the "2008 Recapitalization"). The net proceeds of the 2008 Recapitalization were used to invest in cash equivalents to supplement our unrestricted assets and to repay \$100.0 million on our revolving credit facility. For the key terms of the equity and debt capital issued, see Note 11 — *Mezzanine Equity* and Note 9 — *Debt* of the Notes to the Consolidated Financial Statements.

Recent Developments

On March 7, 2011, we entered into a Recapitalization Agreement with THL and Goldman Sachs pursuant to which (i) THL will convert all of the shares of B Stock into shares of our common stock in accordance with the Certificate of Designations, Preferences and Rights of Series B Participating Convertible Preferred Stock of MoneyGram International, Inc., (ii) Goldman Sachs will convert all of the shares of B-1 Stock into shares of D Stock in accordance with the Certificate of Designations, Preferences and Rights of Series B-1 Participating Convertible Preferred Stock of MoneyGram International, Inc., and (iii) THL will receive approximately 28.2 million additional shares of our common stock and \$140.8 million in cash, and Goldman Sachs will receive approximately 15,504 additional shares of D Stock (equivalent to approximately 15.5 million shares of our common stock) and \$77.5 million in cash (such transactions, collectively, the "2011 Recapitalization"). Concurrently with entering into the Recapitalization Agreement, Worldwide and the Company entered into a Consent Agreement with the GS Note Holders in which the parties thereto have agreed to enter into a supplemental indenture to the indenture governing the Notes that will, among other things, amend the indenture in order to permit the 2011 Recapitalization. See "Business-Recent Developments" in this Form 10-K for further information regarding the 2011 Recapitalization, the Recapitalization Agreement and the Consent Agreement.

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LIQUIDITY AND CAPITAL RESOURCES

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

Table 9 — Assets in Excess of Payment Service Obligations

<i>(Amounts in thousands)</i>	2010	2009
Cash and cash equivalents (substantially restricted)	\$ 2,865,941	\$ 3,376,824
Receivables, net (substantially restricted)	982,319	1,054,381
Short-term investments (substantially restricted)	405,769	400,000
Trading investments and related put options (substantially restricted)	—	26,951
Available-for-sale investments (substantially restricted)	160,936	298,633
	4,414,965	5,156,789
Payment service obligations	(4,184,736)	(4,843,454)
Assets in excess of payment service obligations	\$ 230,229	\$ 313,335

Liquidity

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

To meet our payment service obligations at all times, we must have sufficient highly liquid assets and be able to move funds globally on a timely basis. On average, we pay over \$1.0 billion a day to settle our payment service obligations. We generally receive a similar amount on a daily basis for the principal amount of our payment instruments sold and the related fees. We use the incoming funds from sales of new payment instruments to settle our payment service obligations for previously sold payment instruments. This pattern of cash flows allows us to settle our payment service obligations through on-going cash generation rather than liquidating investments or utilizing our revolving credit facility. We have historically generated, and expect to continue generating, sufficient cash flows from daily operations to fund ongoing operational needs.

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

We also seek to maintain liquidity beyond our operating needs to provide a cushion through the normal fluctuations in our payment service assets and obligations and to invest in the infrastructure and growth of our business. While the assets in excess of payment service obligations, as shown in Table 9, would be available to us for our general operating needs and investment in the Company, we consider a portion of our assets in excess of payment service obligations as additional assurance that regulatory and contractual requirements are maintained. We believe we have sufficient assets and liquidity to operate and grow our business for the next 12 months. Should our liquidity needs exceed our operating cash flows, we believe that our external financing sources, including availability under our senior facility, will be sufficient to meet any liquidity needs.

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Cash and Cash Equivalents and Short-term Investments — To ensure we maintain adequate liquidity to meet our operating needs at all times, we keep a significant portion of our investment portfolio in cash and cash equivalents and short-term investments at financial institutions rated Aa3 or better by Moody's Investor Service ("Moody's") and AA- or better by Standard & Poors ("S&P"), and in U.S. government money market funds rated Aaa by Moody's and AAA by S&P. As of December 31, 2010, cash and equivalents and short-term investments totaled \$3.3 billion, representing 95 percent of our total investment portfolio. Cash equivalents and short-term investments consist of money market funds that invest in United States government and government agency securities, time deposits and certificates of deposit.

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

We also maintain contractual relationships with a variety of domestic and international cash management banks for ACH and wire transfer services used in the movement of consumer funds and agent settlements. There are a limited number of international cash management banks with a network large enough to manage cash settlements for our entire agent base, and some of these large international banks have opted not to bank money service businesses. As a result, we also utilize regional or country-based banking partners in addition to large cash management banks.

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

The combined SPEs hold 2 percent of our \$3.4 billion portfolio as of December 31, 2010, as compared to 3 percent at December 31, 2009. As the SPEs relate to financial institution customers we terminated in connection with the restructuring of our official check business, we expect the SPEs to continue to decline as a percentage of our portfolio as the outstanding instruments related to the financial institutions roll-off.

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Credit Facilities — Our credit facilities consist of a senior facility and second lien notes. See Note 9 — *Debt* of the Notes to the Consolidated Financial Statements for further information. During 2010, we repaid \$165.0 million of outstanding Tranche B debt under our senior facility. Combined with previous debt repayments, we have repaid \$351.9 million of our outstanding debt since January 1, 2009, including the repayment of the full \$145.0 million balance on our revolving credit line, \$205.0 million of prepayments on Tranche B debt and \$1.9 million of scheduled quarterly principal payments on Tranche B debt. We continue to evaluate further reductions of our outstanding debt ahead of scheduled maturities. Following is a summary of our outstanding debt at December 31:

Table 10 — Schedule of Credit Facilities

<i>(Amounts in thousands)</i>	Interest Rate for 2010	Facility Size	Outstanding		2011 Interest
			2010	2009	
Tranche A, due 2013	5.75%	\$ 100,000	\$ 100,000	\$ 100,000	\$ 5,750
Tranche B, net of unamortized discount, due 2013	7.25%	250,000	39,946	196,791	2,991
Revolving credit facility, due 2013	5.75%	250,000	—	—	—
First lien senior secured debt		600,000	139,946	296,791	8,741
Second lien notes, due 2018	13.25%	500,000	500,000	500,000	66,250
Total debt		\$ 1,100,000	\$ 639,946	\$ 796,791	\$ 74,991

(i) Reflects the interest that will be paid in 2011 using the rates in effect on December 31, 2010, assuming no prepayments of principal and the continued payment of interest on the second lien notes.

Our revolving credit facility has \$243.2 million of borrowing capacity as of December 31, 2010, net of \$6.8 million of outstanding letters of credit issued. Amounts outstanding under the senior facility are due upon maturity in 2013. As a result of our debt prepayments, there are no mandatory principal payments required on Tranche B until maturity in 2013. We may elect an interest rate for the senior facility at each reset period based on either the United States prime bank rate or the Eurodollar rate, with a minimum rate of 250 basis points set for the Eurodollar option. The interest rate election may be made individually for each term loan and each draw under the revolving credit facility. For the revolving credit facility and Tranche A, the interest rate is either the United States prime bank rate plus 250 basis points or the Eurodollar rate plus 350 basis points. In addition, we incur fees of 50 basis points on the daily unused availability under the revolving credit facility. The interest rate for Tranche B can be set at either the United States prime bank rate plus 400 basis points or the Eurodollar rate plus 500 basis points. Through 2009 and as of the date of this filing, our interest rates have been set based on the United States prime bank rate.

Amounts outstanding under the second lien notes are due upon maturity in 2018. The interest rate on the second lien notes is 13.25 percent per year. Prior to March 25, 2011, we have the option to capitalize interest at a rate of 15.25 percent. If interest is capitalized, 0.50 percent of the interest is payable in cash and 14.75 percent is capitalized into the outstanding principal balance. We have paid the interest on the second lien notes through December 31, 2010, and we anticipate that we will pay the interest on the second lien notes that is due March 25, 2011.

Our credit facilities contain various financial and non-financial covenants. A violation of these covenants could negatively impact our liquidity by restricting our ability to borrow under the revolving credit facility and/or causing acceleration of amounts due under the credit facilities. The financial covenants in our credit facilities measure leverage, interest coverage and liquidity. Leverage is measured through a senior secured debt ratio calculated as consolidated indebtedness to consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA"), adjusted for certain items such as net securities (gains) losses, stock-based compensation expense, certain legal settlements and asset impairments, among other items ("adjusted EBITDA"). This measure is similar, but not identical, to the measure discussed under Table 5 — *EBITDA and Adjusted EBITDA*. Interest coverage is calculated as adjusted EBITDA to net cash interest expense. Liquidity is measured as assets in excess of payment service obligations, as shown in Table 9, adjusted for various exclusions. We are in compliance with all financial covenants as of December 31, 2010.

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The terms of our credit facilities also place restrictions on certain types of payments we may make, including dividends to our preferred and common stockholders, acquisitions and the funding of foreign subsidiaries, among others. We do not anticipate these restrictions to limit our ability to grow the business either domestically or internationally. In addition, we may only make dividend payments to common stockholders subject to an incremental build-up based on our consolidated net income in future periods. No dividends were paid on our common stock in 2010, and we do not anticipate declaring any dividends on our common stock during 2011.

Equity Registration Rights Agreement — The Company and the Investors also entered into a Registration Rights Agreement (the "Equity Registration Rights Agreement") on March 25, 2008, with respect to the Series B Stock and D Stock, and the common stock owned by the Investors and their affiliates (collectively, the "Registrable Securities"). Under the terms of the Equity Registration Rights Agreement, we are required, after a specified holding period, to use our reasonable best efforts to promptly file with the SEC a shelf registration statement relating to the offer and sale of the Registrable Securities. We are obligated to keep such shelf registration statement continuously effective under the Securities Act of 1933, as amended (the "Securities Act"), until the earlier of (1) the date as of which all of the Registrable Securities have been sold, (2) the date as of which each of the holders of the Registrable Securities is permitted to sell its Registrable Securities without registration pursuant to Rule 144 under the Securities Act and (3) fifteen years. The holders of the Registrable Securities are also entitled to five demand registrations and unlimited piggyback registrations during the term of the Equity Registration Rights Agreement. On December 14, 2010, we filed a shelf registration statement on Form S-3 with the SEC which would permit the offer and sale of the Registrable Securities, as required by the terms of the Equity Registration Rights Agreement. The registration statement also would permit the Company to offer and sell up to \$500 million of its common stock, preferred stock, debt securities or any combination of these, from time to time, subject to market conditions and the Company's capital needs. The registration statement is subject to review by the SEC and has not yet been declared effective by the SEC.

Credit Ratings — As of December 31, 2010 our credit ratings from Moody's, S&P and Fitch Ratings ("Fitch") were B1, B+ and B+, respectively, with a stable outlook assigned by the three credit rating agencies. Our credit facilities, regulatory capital requirements and other obligations are not impacted by the level of our credit ratings. However, higher credit ratings could increase our ability to attract capital, minimize our weighted average cost of capital and obtain more favorable terms with our lenders, agents and clearing and cash management banks.

Mezzanine Equity — Our Series B Stock pays a cash dividend of 10 percent. At the Company's option, we may accrue dividends at a rate of 12.5 percent through March 25, 2013 and 15.0 percent thereafter. We have accrued dividends from the issuance of Series B Stock through December 31, 2010.

Contractual and Regulatory Capital

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

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The regulatory requirements in the United States are similar to our internal measure of assets in excess of payment service obligations set forth in Table 9 — *Assets in Excess of Payment Service Obligations*. The regulatory payment service assets measure varies by state. The most restrictive states may exclude assets held at banks that do not belong to a national insurance program, varying amounts of accounts receivable balances and/or assets held in the SPEs. The regulatory payment service obligation measure varies by state, but in all cases is substantially lower than our payment service obligations as disclosed in the Consolidated Balance Sheets as we are not regulated by state agencies for payment service obligations resulting from outstanding cashier's checks or for amounts payable to agents and brokers. All states require MPSI to maintain positive net worth, with one state also requiring MPSI to maintain positive tangible net worth of \$100.0 million.

We are also subject to regulatory requirements in various countries outside of the United States, which typically results in needing to either prefund agent settlements or hold minimum required levels of cash within the applicable country. The most material of these requirements is in the United Kingdom, where our licensed entity, MoneyGram International Limited, is required to maintain a cash and cash equivalent balance equal to outstanding payment instruments issued in the European community. This amount will fluctuate based on our level of activity within the European Community, and is likely to increase over time as our business expands in that region. Assets used to meet these regulatory requirements support our payment service obligations, but are not available to satisfy other liquidity needs. As of December 31, 2010, we had approximately \$50.2 million of cash deployed outside of the United States to meet regulatory requirements.

We were in compliance with all financial regulatory requirements as of December 31, 2010. We believe that our liquidity and capital resources will remain sufficient to ensure on-going compliance with all financial regulatory requirements.

Available-for-sale Investments — Our investment portfolio includes \$160.9 million of available-for-sale investments as of December 31, 2010. United States government agency residential mortgage-backed securities and United States government agency debentures compose \$137.2 million of our available-for-sale investments, while other asset-backed securities compose the remaining \$23.7 million. In completing our 2008 Recapitalization in 2008, we contemplated that our other asset-backed securities might decline further in value. Accordingly, the capital raised assumed a zero value for these securities. As a result, further unrealized losses and impairments on these securities are already funded and would not cause us to seek additional capital or financing.

Other Funding Sources and Requirements

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

Table 11 — Contractual Obligations

(Amounts in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Debt, including interest payments	\$ 1,143,444	\$ 76,473	\$ 286,328	\$ 132,500	\$ 648,142
Operating leases	47,683	11,782	22,940	7,482	5,479
Other obligations	300	300	—	—	—
Total contractual cash obligations	\$ 1,191,427	\$ 88,555	\$ 309,268	\$ 139,982	\$ 653,621

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Debt consists of amounts outstanding under our senior facility and the second lien notes at December 31, 2010, as shown in Table 10 — *Schedule of Credit Facilities*. Our Consolidated Balance Sheet at December 31, 2010 includes \$639.9 million of debt, net of unamortized discounts of \$1.3 million, and less than \$0.1 million of accrued interest on the debt. The above table reflects the principal and interest that will be paid through the maturity of the debt using the rates in effect on December 31, 2010, and assuming no prepayments of principal and the continued payment of interest on the second lien notes. Operating leases consist of various leases for buildings and equipment used in our business. Other obligations are unfunded capital commitments related to our limited partnership interests included in "Other asset-backed securities" in our investment portfolio. We have other commitments as described further below that are not included in Table 11 as the timing and/or amount of payments are difficult to estimate.

The Company's Series B Stock has a cash dividend rate of 10 percent. At the Company's option, dividends may be accrued through March 25, 2013 at a rate of 12.5 percent in lieu of paying a cash dividend. Due to restrictions in our debt agreements, we elected to accrue the dividends in 2010 and expect that dividends will be accrued for at least the next 12 months. While no dividends have been declared as of December 31, 2010, we have accrued dividends of \$125.0 million in our Consolidated Balance Sheets as accumulated and unpaid dividends are included in the redemption price of the Series B Stock regardless of whether dividends have been declared.

We have a funded, noncontributory pension plan that is frozen to both future benefit accruals and new participants. Our funding policy has historically been to contribute the minimum contribution required by applicable regulations. We made contributions of \$3.1 million to the defined benefit pension plan during 2010. We anticipate a minimum contribution of up to \$7.9 million to the pension plan trust in 2011. We also have certain unfunded pension and postretirement plans that require benefit payments over extended periods of time. During 2010, we paid benefits totaling \$5.4 million related to these unfunded plans. Benefit payments under these unfunded plans are expected to be \$4.6 million in 2011. Expected contributions and benefit payments under these plans are not included in the above table as it is difficult to estimate the timing and amount of benefit payments and required contributions beyond the next 12 months. See Note 10 — *Pensions and Other Benefits* of the Notes to the Consolidated Financial Statements for further information.

As of December 31, 2010, the liability for unrecognized tax benefits was \$10.2 million. As there is a high degree of uncertainty regarding the timing of potential future cash outflows associated with liabilities, we are unable to make a reasonably reliable estimate of the amount and period in which these liabilities might be paid.

In limited circumstances, we may grant minimum commission guarantees as an incentive to new or renewing agents for a specified period of time at a contractually specified amount. Under the guarantees, we will pay to the agent the difference between the contractually specified minimum commission and the actual commissions earned by the agent. As of December 31, 2010, the minimum commission guarantees had a maximum payment of \$2.2 million over a weighted average remaining term of 1.7 years. The maximum payment is calculated as the contractually guaranteed minimum commission times the remaining term of the contract and, therefore, assumes that the agent generates no money transfer transactions during the remainder of its contract. As of December 31, 2010, the liability for minimum commission guarantees is \$0.3 million. Minimum commission guarantees are not reflected in the table above.

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Analysis of Cash Flows

Table 12 — Cash Flows from Operating Activities

YEAR ENDED DECEMBER 31,	2010	2009	2008
<i>(Amounts in thousands)</i>			
Net income (loss)	\$ 43,801	\$ (1,906)	\$ (261,385)
Total adjustments to reconcile net income (loss)	72,398	158,909	341,740
Net cash provided by operating activities before changes in payment service assets and obligations	116,199	157,003	80,355
Change in cash and cash equivalents (substantially restricted)	510,883	700,557	(2,524,402)
Change in trading investments and related put options, net (substantially restricted)	29,400	32,900	—
Change in receivables, net (substantially restricted)	63,037	186,619	128,752
Change in payment service obligations	(658,782)	(594,545)	(2,324,486)
Net change in payment service assets and obligations	(55,462)	325,531	(4,720,136)
Net cash provided by (used in) continuing operating activities	\$ 60,737	\$ 482,534	\$ (4,639,781)

Table 12 summarizes the net cash flows from operating activities. Operating activities provided net cash of \$60.7 million in 2010. Cash generated from our operations was primarily used to pay \$165.0 million of principal and \$83.5 million of interest on our debt, \$40.2 million of capital expenditures, \$27.2 million for signing bonuses and normal operating expenditures. These expenditures were offset by proceeds of \$141.0 million from the maturity of available-for-sale investments and \$29.4 million from a trading security that was called, all of which was reinvested in cash equivalents. We received an income tax refund of \$3.8 million during 2010 and made income tax payments of \$3.9 million.

Operating activities provided net cash of \$482.5 million in 2009. In addition to normal operating expenses, cash generated from operations was used to pay \$186.9 million of principal and \$94.4 million of interest on our debt, \$37.9 million of capital expenditures and \$22.2 million for signing bonuses. We received an income tax refund of \$43.5 million during 2009 and made income tax payments of \$2.2 million. We also reinvested \$141.0 million and \$32.9 million of proceeds from our available-for-sale investments and trading investments, respectively, into cash and cash equivalents during 2009.

Operating activities used net cash of \$4.6 billion in 2008. Besides normal operating activities, cash provided by continuing operations was used to pay \$84.0 million of interest on our debt, \$57.7 million for signing bonuses and \$29.7 million to terminate our interest rate swaps. We also received an income tax refund of \$24.7 million during 2008 and did not make any tax payments. During 2008, we used \$4.7 billion of proceeds from the sale and normal maturity of available-for-sale securities and the 2008 Recapitalization to invest in cash equivalents and settle payment service obligations for instruments sold by departing official check financial institution customers in connection with the official check restructuring.

To understand the cash flow activity of our core business, the cash flows from operating activities relating to the payment service assets and obligations should be reviewed in conjunction with the cash flows from investing activities related to our short-term investments and available-for-sale investments.

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Table 13 — Cash Flows from Investing Activities

YEAR ENDED DECEMBER 31, (Amounts in thousands)	2010	2009	2008
Net investment activity	\$ 135,216	\$ (259,001)	\$ 3,389,331
Purchases of property and equipment	(40,191)	(37,948)	(38,470)
Cash paid for acquisitions, net of cash acquired	(330)	(3,210)	(2,928)
Proceeds from disposal of property and equipment	7,537	—	—
Proceeds from sale of business	—	4,500	—
Net cash provided by (used in) investing activities	\$ 102,232	\$ (295,659)	\$ 3,347,933

Table 13 summarizes the net cash flows from investing activities, primarily consisting of activity related to short-term investments and available-for-sale investments. Investing activities provided cash of \$102.2 million during 2010, primarily from proceeds of \$141.0 million from the maturity of available-for-sale investments. Investing activities used cash of \$295.7 million in 2009, primarily from the purchase of \$400.0 million of short-term investments, or time deposits and certificates of deposits with maturities greater than three months but no longer than twelve months, partially offset by \$141.0 million of proceeds from the maturity of available-for-sale investments. For 2008, investing activities relate primarily to \$2.9 billion of proceeds from the realignment of the investment portfolio and \$493.3 million of proceeds from the normal maturity of available-for-sale investments. Proceeds from net investment activity for all years presented were reinvested in cash and cash equivalents.

Other investing activity consisted of capital expenditures of \$40.2 million, \$37.9 million and \$38.5 million for 2010, 2009 and 2008, respectively, for agent equipment, signage and infrastructure to support the growth of the business and our continued investment in technology platforms to support the growth of the business and enhance operating efficiencies. Included in the Consolidated Balance Sheets under "Accounts payable and other liabilities" and "Property and equipment" is \$3.9 million of property and equipment received by the Company, but not paid as of December 31, 2010. These amounts were paid in January 2011. We expect our total capital expenditures in 2011 to range from approximately \$43.0 million to \$51.0 million as we continue to invest in our technology infrastructure and agent network to support future growth, enhance operating efficiencies and address regulatory trends.

In 2010, we generated \$7.5 million of proceeds from the sale of the corporate airplane and paid \$0.3 million for the acquisition of Blue Dolphin net of cash acquired. In 2009, we received proceeds of \$4.5 million from the sale of FSMC, Inc. and paid \$3.2 million in connection with the acquisition of Raphaels Bank. In 2008, we acquired two of our super-agents in Spain, MoneyCard and Cambios Sol, for \$2.9 million (net of cash acquired of \$5.5 million).

Table 14 — Cash Flows from Financing Activities

YEAR ENDED DECEMBER 31, (Amounts in thousands)	2010	2009	2008
Net proceeds from the issuance of debt	\$ —	\$ —	\$ 685,945
Payment on debt	(165,000)	(41,875)	(1,875)
Payments on credit facilities	—	(145,000)	(100,000)
Net proceeds from the issuance of preferred stock	—	—	707,778
Proceeds from exercise of stock options	2,031	—	—
Net cash (used in) provided by financing activities	\$ (162,969)	\$ (186,875)	\$ 1,291,848

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Table 14 summarizes the net cash flows from financing activities. In 2010, financing activities used \$165.0 million of cash for prepayments on Tranche B of our senior facility, and provided \$2.0 million of cash from the exercise of stock options. In 2009, we made payments totaling \$145.0 million to pay our revolving credit facility in full. We also made payments totaling \$41.9 million on Tranche B of our senior facility, consisting of a \$40.0 million prepayment and \$1.9 million of mandatory quarterly payments. In 2008, financing activities generated \$1.4 billion of cash from the 2008 Recapitalization, net of \$100.0 million of related transaction costs. From these proceeds, we paid \$101.9 million toward the senior facility; the remaining proceeds were invested in cash and cash equivalents as shown in Table 12 — *Cash Flows from Operating Activities*.

Mezzanine Equity and Stockholders' Deficit

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

Stockholders' Deficit — On May 9, 2007, our Board of Directors approved a 5,000,000 share increase in our current authorization to purchase shares of common stock, bringing our total authorization to 12,000,000 shares. We suspended the buyback program in the fourth quarter of 2007. As of December 31, 2010, we had repurchased a total of 6,795,000 shares of our common stock under this authorization and have remaining authorization to purchase up to 5,205,000 shares.

Under the terms of the equity instruments and debt issued in connection with the 2008 Recapitalization, we are limited in our ability to pay dividends on our common stock. No dividends were paid on our common stock in 2010 and we do not anticipate declaring any dividends on our common stock during 2011.

ENTERPRISE RISK MANAGEMENT

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

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

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

Credit Risk

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

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Investment Portfolio — Credit risk from our investment portfolio relates to the risk that we may be unable to collect the interest or principal owed to us under the legal terms of the various securities. Our primary exposure to credit risk arises through the concentration of a large amount of our investment portfolio at a few large financial institutions ("financial institution risk"), as well as a concentration in securities issued by, or collateralized by, U.S. government agencies. We manage credit risk related to our investment portfolio by investing in short-term assets and in issuers with strong credit ratings. Our investment policy permits the investment of funds only in cash, cash equivalents, short-term investments and securities issued by U.S. government agencies with a maturity of 13 months or less.

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

We manage financial institution risk by entering into clearing and cash management agreements primarily with major financial institutions, and regularly monitoring the credit ratings of these financial institutions. Our financial institution risk is further mitigated as the majority of our cash equivalents and investments held by these institutions are invested in securities issued by U.S. government agencies or money market instruments collateralized by U.S. government agencies, which have the implicit or explicit guarantee of the U.S. government depending upon the issuing agency. Our non-interest bearing cash held at our domestic clearing and cash management banks was covered under the Temporary Liquidity Guarantee Program ("TLGP") through December 31, 2010 as those banks opted into the program. The Federal Deposit Insurance Corporation ("FDIC") created the TLGP program to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts and certain holding companies, and providing full coverage of non-interest bearing deposit transaction accounts, regardless of dollar amount. In addition, official checks issued by our financial institution customers were treated as deposits under the TLGP.

The TLGP expired on December 31, 2010, but has been replaced by provisions in the recently passed Dodd-Frank Act, which amend the Federal Deposit Insurance Act ("FDI Act") to provide unlimited FDIC insurance on non-interest bearing accounts through December 31, 2012. In addition to cash in non-interest bearing accounts, the final rule's definition of non-interest bearing transaction accounts encompasses "official checks" issued by insured depository institutions. Official checks, such as cashier checks and money orders issued by insured depository institutions, are "deposits" as defined under the FDI Act. The payee of the official check is the insured party. The legislation will also allow banks to begin paying interest on demand deposit accounts beginning on July 21, 2011. However, this alternative does not provide unlimited insurance coverage.

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

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

The following table shows categories of our investment portfolio held within and outside of the United States, with each section progressing from the Company's perceived lowest to highest credit risk. All but \$23.7 million of the investment portfolio is invested in cash, cash equivalents, short-term investments and investments issued or collateralized by U.S. government agencies. Approximately 95 percent of the portfolio is invested in cash, cash equivalents and short-term investments, with 92 percent invested in financial institutions located within the United States. Cash and cash equivalents held in financial institutions outside of the United States is placed to comply with local requirements or for operating use by our international entities. At December 31, 2010, our investment portfolio was distributed among 55 financial institutions as shown below. To prevent duplication in counts, the number of financial institutions holding our investment portfolio is shown on an incremental basis.

	Number of Financial Institutions	Amount	Percent of Investment Portfolio
<i>(Amounts in thousands)</i>			
Cash equivalents collateralized by securities issued by U.S. government agencies	6	\$ 1,818,137	53%
Available-for-sale investments issued or collateralized by U.S. government agencies	N/A	137,226	4%
Cash, cash equivalents and short-term investments at institutions rated AA	5	1,243,820	36%
Cash, cash equivalents and short-term investments at institutions rated A	4	106,432	3%
Cash, cash equivalents and short-term investments at institutions rated BBB	2	409	—
Cash, cash equivalents and short-term investments at institutions rated below BBB	9	13,592	—
Other asset-backed securities	N/A	23,710	1%
Investment portfolio held within the United States	26	3,343,326	97%
Cash held on-hand at owned retail locations	N/A	8,512	—
Cash, cash equivalents and short-term investments held at institutions rated AA	1	15,480	1%
Cash, cash equivalents and short-term investments at institutions rated A	10	45,813	1%
Cash, cash equivalents and short-term investments at institutions rated below A	18	19,515	1%
Investment portfolio held outside the United States	29	89,320	3%
Total investment portfolio	55	\$ 3,432,646	100%

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Receivables — Credit risk related to receivables is the risk that we are unable to collect the funds owed to us by our agents and financial institution customers who have collected the principal amount and fees associated with the sale of our payment instruments from the consumer on our behalf. Substantially all of the business conducted by our Global Funds Transfer segment is conducted through independent agents, while the business conducted by the Financial Paper Products segment is conducted through both independent financial institution customers and agents. Our agents and financial institution customers receive the principal amount and fees related to the sale of our payment instruments, and we must then collect these funds from them. As a result, we have credit exposure to our agents and financial institution customers. Agents typically have from one to three days to remit the funds, with longer remittance schedules granted to international agents and certain domestic agents. As of December 31, 2010, we had credit exposure to our agents of \$594.0 million in the aggregate spread across over 15,000 agents, of which three agents owed us in excess of \$15.0 million each. As of December 31, 2010, we had a credit exposure to our official check financial institution customers of approximately \$375.7 million in the aggregate spread across 1,400 financial institutions, of which one owed us in excess of \$15.0 million.

Our strategy in managing credit risk related to receivables is to ensure that the revenue generation from an agent or financial institution customer is sufficient to provide for an appropriate level of credit risk and to reduce concentrations of risk through diversification, termination of agents or financial institution customers with poor risk-reward ratios or other means. Management's decision during the fourth quarter of 2008 to terminate its ACH Commerce business was based primarily on a review of the credit risk associated with that business.

As our official checks are issued solely through financial institution customers, we do not consider our credit exposure related to receivables to be significant for official checks. Due to the larger average principal amount of money orders, we consider our credit exposure from money orders to be of higher risk than exposure due to money transfers. However, in the current macroeconomic environment and as a result of our international growth, credit risk related to our money transfer products is increasing. While the extent of credit risk may vary by product, the process for mitigating risk is substantially the same. We assess the creditworthiness of each potential agent before accepting them into our distribution network. This underwriting process includes not only a determination of whether to accept a new agent, but also the remittance schedule and volume of transactions that the agent will be allowed to perform in a given timeframe. We actively monitor the credit risk of our existing agents by conducting periodic comprehensive financial reviews and cash flow analyses of our agents that average high volumes of transactions and monitoring remittance patterns versus reported sales on a daily basis. In the current macroeconomic environment, we have tightened our underwriting requirements and have initiated earlier action against agents with a pattern of delayed or late remittances. We also utilize software embedded in our money transfer and retail money order point of sale equipment which provides credit risk management abilities. First, this software allows us to control both the number and dollar amount of transactions that can be completed by both agent and location in a particular timeframe. Second, this software allows us to monitor for suspicious transactions or volumes of sales, which assists us in uncovering irregularities such as money laundering, fraud or agent self-use. Finally, the software allows us to remotely disable the point of sale equipment to prevent agents from transacting if suspicious activity is noted or remittances are not received according to the agent's contract. The point of sale software requires each location to be re-authorized on a daily basis for transaction processing. Where appropriate, we will also require bank-issued lines of credit to support our receivables and guarantees from the owners or parent companies, although such guarantees are often unsecured.

The risk related to official checks is mitigated by only selling these products through financial institution customers, who have never defaulted on their remittances to us and have had only rare instances of delayed remittances. Substantially all of our financial institution customers have a next-day remit requirement, which reduces the build-up of credit exposure at each financial institution. In addition, the termination of our top 10 financial institution customers in connection with the restructuring of our official check business in 2008 has resulted in less credit exposure at a relatively small number of financial institutions.

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Agents who only sell money orders typically have longer remit timeframes than other agents; in addition, the per transaction revenue tends to be smaller for money orders than for money transfers. As part of our review of the money order business, we evaluated our money order only agents to identify agents where the credit risk outweighs the revenue potential. The Company considered various mitigation actions for the identified agents, including termination of relationships, reductions in permitted transaction volumes and dollars, repricing the fees charged to the agent and prefunding by the agent of average remittances.

Derivative Financial Instruments — Credit risk related to our derivative financial instruments relates to the risk that we are unable to collect amounts owed to us by the counterparties to our derivative agreements. With the termination of our interest rate swaps in the second quarter of 2008, our derivative financial instruments are used solely to manage exposures to fluctuations in foreign currency exchange rates. If the counterparties to any of our derivative financial instruments were to default on payments or experience credit rating downgrades, the value of the derivative financial instruments would decline and adversely impact our operating income. We manage credit risk related to derivative financial instruments by entering into agreements with only major financial institutions and regularly monitoring the credit ratings of these financial institutions. We also only enter into agreements with financial institutions that are experienced in the foreign currency upon which the agreement is based.

Interest Rate Risk

Interest rate risk represents the risk that our operating results are negatively impacted, and our investment portfolio declines in value, due to changes in interest rates. Given the nature of the realigned investment portfolio, particularly the high credit rating of financial institutions holding or issuing our cash, cash equivalents and short-term investments, along with the implicit guarantee of the U.S. government backing our money markets and majority of available-for-sale investments, we believe there is a low risk that the value of these securities would decline such that we would have a material adverse change in our operating results. As of December 31, 2010, the Company held \$538.6 million, or 16%, of the investment portfolio in fixed rate investments.

At December 31, 2010, the Company's "Other asset-backed securities" are priced on average at five cents on the dollar for a total fair value of \$23.7 million. While the Company does believe its "Other asset-backed securities" are at a risk of further decline, the 2008 Recapitalization completed on March 25, 2008 included funds to cover all losses on these securities, as well as the trading investments. Accordingly, any resulting adverse movement in our stockholders' equity or assets in excess of payment service obligations from further declines in investments would not result in regulatory or contractual compliance exceptions.

Our operating results are primarily impacted by interest rate risk through our net investment margin, which is investment revenue less commissions expense. As the money transfer business is not materially affected by investment revenue and pays commissions that are not tied to an interest rate index, interest rate risk has the most impact on our money order and official check businesses. After the portfolio realignment, we are invested primarily in interest-bearing cash accounts, deposit accounts, time deposits and certificates of deposit, and U.S. government money market funds. These types of investments have minimal risk of declines in fair value from changes in interest rates, with the interest rate resetting frequently, if not daily. Our commissions paid to financial institution customers are variable rate, based primarily on the federal funds effective rate and are reset daily. Accordingly, both our investment revenue and our investment commissions expense will decrease when rates decline and increase when rates rise. As a result of our repricing initiative, described below, and the frequent resetting of interest rates earned on the investment portfolio, we believe that investment revenue and investment commissions would increase or decrease approximately in tandem. In addition, the investment portfolio and commission interest rates may differ, resulting in basis risk. We do not believe this risk is material and therefore do not currently employ any hedging strategies to address the basis risk between our commission rates and our investment portfolio, nor do we currently expect to employ such hedging strategies. As a result, our net investment margin may be adversely impacted if changes in the commission rate move by a larger percentage than the yield on our investment portfolio.

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In the second quarter of 2008, we repriced our official check product to an average of federal funds effective rate less 85 basis points to better match our investment commission rate with our lower yield realigned portfolio. In the current environment, the federal funds effective rate is so low that most of our financial institution customers are in a "negative" commission position, in that we do not owe any commissions to our customers. While many of our contracts require the financial institution customers to pay us the negative commission amount, we have opted not to require such payment at this time. As the revenue earned by our financial institution customers from the sale of our official checks primarily comes from the receipt of their investment commissions from us, the negative commissions reduce the revenue our financial institution customers earn from our product. Accordingly, our financial institution customers may sharply reduce their issuances of official checks or choose to not renew their contracts with us if the negative commission positions continue. A substantial decline in the amount of official checks sold would reduce our investment balances, which would in turn result in lower investment revenue for us. As official checks are still required for many financial transactions, including home closings and vehicle purchases, we believe that risk is naturally mitigated in part. We continue to assess the potential impact of negative commissions on our official check business. While there are currently no plans for changes to our business as a result of the negative commissions, we may elect in the future to change some portion of our compensation structure for select financial institution customers to mitigate the risk of substantial declines in our investment balances.

Our senior facility is floating rate debt, resulting in decreases to interest expense in a declining rate environment and increases to interest expense when rates rise. The Company may elect an interest rate for the senior facility at each reset period based on the United States prime bank rate or the Eurodollar rate. For the revolving credit facility and Tranche A, the interest rate is either the United States prime bank rate plus 250 basis points or the Eurodollar rate plus 350 basis points. As of December 31, 2010 the Company has no outstanding balance related to the revolving credit facility. For Tranche B, the interest rate is either the United States prime bank rate plus 400 basis points or the Eurodollar rate plus 500 basis points. Under the terms of the senior facility, the interest rate determined using the Eurodollar index has a minimum rate of 2.50 percent. Throughout 2010, the Company elected to use the United States prime bank rate as its basis. Elections are based on the index which we believe will yield the lowest interest rate until the next reset date. Interest rate risk is managed in part through index election.

The income statement simulation analysis below incorporates substantially all of our interest rate sensitive assets and liabilities, together with forecasted changes in the balance sheet and assumptions that reflect the current interest rate environment. This analysis assumes the yield curve increases gradually over a one-year period. Components of our pre-tax income that are interest rate sensitive include "Investment revenue," "Investment commissions expense" and "Interest expense." As a result of the current federal funds rate environment, the outcome of the income statement simulation analysis on "Investment commissions expense" in a declining rate scenario is not meaningful as we have no downside risk. In the current federal funds rate environment, the worst case scenario is that we would not owe any commissions to our financial institution customers as the commission rate would decline to zero or become negative. Accordingly, we have not presented the impact of the simulation in a declining rate environment for "Investment commissions expense." The following table summarizes the changes to affected components of the income statement under various scenarios.

	Basis Point Change in Interest Rates					
	Down 200	Down 100	Down 50	Up 50	Up 100	Up 200
<i>(Amounts in thousands)</i>						
Interest income	\$ (974)	\$ (862)	\$ (765)	\$ 3,398	\$ 6,802	\$ 13,512
Percent change	(6.1)%	(5.4)%	(4.8)%	21.3%	42.6%	84.6%
Investment commissions expense	NM	NM	NM	\$ (72)	\$ (502)	\$ (7,347)
Percent change	NM	NM	NM	(11.5)%	(80.4)%	(117.4)%
Interest expense	NM	NM	NM	\$ (188)	\$ (230)	\$ (250)
Percent change	NM	NM	NM	(0.2)%	(0.3)%	(0.3)%
Pre-tax loss from continuing operations	NM	NM	NM	\$ 3,137	\$ 6,069	\$ 5,915
Percent change	NM	NM	NM	4.2%	8.1%	7.9%

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Foreign Currency Risk

We are exposed to foreign currency risk in the ordinary course of business as we offer our products and services through a network of agents and financial institutions with locations in 190 countries and operate subsidiaries in 11 countries. As this risk may have an adverse effect on our earnings and equity, we hedge material transactional exposures when feasible using forward or option contracts. Translation risk, generated from translating foreign currency-denominated earnings into U.S. dollars for reporting purposes, is not hedged as this is not considered an economic exposure. In 2010, the decline of the euro exchange rate (net of hedging activities) resulted in a net decrease to our operating results of \$3.0 million over 2009. By policy, we do not speculate in foreign currencies; all currency trades relate to underlying transactional exposures.

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

Realized and unrealized gains or losses on transactional currency risk hedges and any associated revaluation of balance sheet exposures are recorded in "Transaction and operations support" in the Consolidated Statement of Income (Loss). The fair market value of any open hedges at period end are recorded in "Other assets" in the Consolidated Balance Sheets. The net effect of changes in foreign exchange rates and the related forward contracts for the year ended December 31, 2010 was a loss of \$5.4 million. We do not currently have any forward contracts that are designated as hedges for accounting purposes.

Had the euro appreciated/depreciated relative to the U.S. dollar by 20 percent from actual exchange rates for 2010, pre-tax operating income would have increased/decreased \$11.1 million for the year. This sensitivity analysis does not consider the impact of our hedging program.

Operational Risk

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

CRITICAL ACCOUNTING POLICIES

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

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

Fair Value of Investment Securities — Investment securities classified as trading and available-for-sale are recorded at fair value. Realized gains and losses and other-than-temporary impairments related to these investment securities, along with unrealized gains and losses related to trading securities, are reported in the "Net securities (gains) losses" line in the Consolidated Statements of Income (Loss). Unrealized gains and losses related to available-for-sale securities are recorded in accumulated other comprehensive loss in stockholders' deficit.

We measure fair value as an "exit price," or the exchange price that would be received for an asset in an orderly transaction between market participants on the measurement date. A three-level hierarchy has been established for fair value measurements based upon the observability of the inputs to the valuation of an asset or liability, and requires that the use of observable inputs be maximized and the use of unobservable inputs be minimized. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The degree of management judgment involved in determining the fair value of an investment is dependent upon the availability of quoted market prices or observable market parameters. Fair value for the majority of our investments is estimated using quoted market prices in active markets for similar securities, broker quotes or industry-standard models that utilize independently sourced market parameters.

We receive prices from an independent pricing service for the vast majority of the fair value of our investment securities. We verify these prices through periodic internal valuations, as well as through comparison to comparable securities, any broker quotes received and liquidation prices. The independent pricing service will only provide a price for an investment if there is sufficient observable market information to obtain objective pricing. We receive prices from an independent pricing service for all investments classified as residential mortgage-backed securities and U.S. government agencies, as well as certain other asset-backed securities.

For investments that are not actively traded, or for which there is not sufficient observable market information, we estimate fair value using broker quotes when available. When such quotes are not available, and to verify broker quotes received, we estimate fair value using industry-standard pricing models that utilize independently sourced market observable parameters, discount margins for comparable securities adjusted for differences in our security, risk and liquidity premiums observed in the market place, default rates, prepayment speeds, loss severity and information specific to the underlying collateral to the investment. We maximize the use of market observable information to the extent possible, and make our best estimate of the assumptions that a similar market participant would make. Our other asset-backed securities are primarily valued through the use of broker quotes or internal valuations.

The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts. Due to the subjective nature of these assumptions, the estimates determined may not be indicative of the actual exit price if the investment was sold at the measurement date. In the current market, the most subjective assumptions include the default rate of collateral securities and loss severity as it relates to our other asset-backed securities. As of December 31, 2010, we continue to hold investments classified as other asset-backed securities with a fair value of \$23.7 million. Using the highest and lowest prices received as part of the valuation process described above, the range of fair value for these securities was \$23.2 million to \$31.6 million. At December 31, 2010, \$20.8 million, or less than 1 percent, of our total investment portfolio was valued using internal pricing information. No third party price was able to be obtained for these securities.

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Goodwill — We perform impairment testing of our goodwill balances annually as of November 30, and whenever an impairment indicator is identified. The testing is performed by comparing the estimated fair value of our reporting units to their carrying values. The fair value of our reporting units is estimated based on expected future cash flows discounted using a weighted-average cost of capital rate (the "discount rate"). Our discount rate is based on our debt and equity balances, adjusted for current market conditions and investor expectations of return on our equity. In addition, an assumed terminal value is used to project future cash flows beyond base years. Assumptions used in our impairment testing, such as forecasted growth rates and the discount rate, are consistent with our internal forecasts and operating plans. 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.

In connection with the annual impairment test for 2010, we assessed the Global Funds Transfer reporting unit, which had assigned goodwill of \$428.7 million. No goodwill is assigned to the other reporting units. The annual impairment test indicated a fair value for the Global Funds Transfer reporting unit that was substantially in excess of the reporting unit's carrying value. This excess is consistent with our expectations for the reporting unit and market indicators. Accordingly, we believe the goodwill assigned to the Global Funds Transfer reporting unit is not impaired. If the discount rate for the Global Funds Transfer reporting unit increases by 50 basis points from the rate used in our fair value estimate, fair value would be reduced by approximately \$78.4 million, assuming all other components of the fair value estimate remain unchanged. If the growth rate for the Global Funds Transfer reporting unit decreases by 50 basis points from the rate used in our fair value estimate, fair value would be reduced by approximately \$28.2 million, assuming all other components of the fair value estimate remain unchanged. Our estimated fair value for the Global Funds Transfer reporting unit would continue to be substantially in excess under either scenario.

Pension obligations — Through our qualified pension plan and various supplemental executive retirement plans, collectively referred to as our "pension" plans, we provide defined benefit pension plan coverage to certain of our employees and former employees of Viad. Our pension obligations under these plans are measured as of December 31 (the "measurement date"). Pension benefits and the related expense are based upon actuarial projections using assumptions regarding mortality, discount rates, long-term return on assets and other factors. Following are the weighted-average actuarial assumptions used in calculating the benefit obligation as of each measurement date and the net periodic benefit cost for the year ended December 31:

	2010	2009	2008
Net periodic benefit cost:			
Discount rate	5.80%	6.30%	6.50%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	5.75%	5.75%	5.75%
Projected benefit obligation:			
Discount rate	5.30%	5.80%	6.30%
Rate of compensation increase	5.75%	5.75%	5.75%

At each measurement date, the discount rate is based on the then current interest rates for high-quality, long-term corporate debt securities with maturities comparable to our obligations. The rate of compensation increase is applicable to the supplemental executive retirement plans (the "SERPs") only and is based on historical compensation patterns for the plan participants and management's expectations for future compensation patterns. During 2010, benefit accruals under all but one of the SERPs were frozen; for the one SERP, service credit is frozen, but future pay increases continue to be applicable for active participants. Accordingly, the rate of compensation has a nominal impact on the valuation for 2010 and future years.

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Our pension plan assets are primarily invested in interest-bearing cash accounts and commingled trust funds issued or sponsored by the plan trustee. Our investments are periodically realigned in accordance with the investment guidelines. The expected return on pension plan assets is based on our historical market experience, our pension plan investment strategy and our expectations for long-term rates of return. We also consider peer data and historical returns to assess the reasonableness and appropriateness of our expected return. Our pension plan investment strategy is reviewed annually and is based upon plan obligations, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments. At December 31, 2010, the pension assets are composed of approximately 60 percent in U.S. domestic and international equity stock funds, approximately 34 percent in fixed income securities such as global bond funds and corporate obligations, approximately 4 percent in a real estate limited partnership interest and approximately 2 percent in other securities.

The actual rate of return on average pension assets in 2010 was 4.8 percent, as compared to a 4.5 percent rate of return in 2009. We believe the 2010 returns indicate continued stabilization in the markets, and anticipate a return to historical long-term norms in the future. This is consistent with the widely accepted capital market principle that assets with higher volatility generate greater long-term returns and the historical cyclicality of the investment markets. Accordingly, we do not believe that the actual return for 2010 is significantly different from the long-term expected return used to estimate the benefit obligation. In addition, the participants of our plans are relatively young, providing the plan assets with sufficient time to recover to historical return rates.

Our assumptions reflect our historical experience and management's best judgment regarding future expectations. Certain of the assumptions, particularly the discount rate and expected return on plan assets, require significant judgment and could have a material impact on the measurement of our pension obligation. Changing the discount rate by 50 basis points would have increased/decreased 2010 pension expense by \$0.4 million. Changing the expected rate of return by 50 basis points would have increased/decreased 2010 pension expense by \$0.5 million.

Income Taxes — We are subject to income taxes in the United States and various foreign jurisdictions. In determining taxable income, income or losses before taxes are adjusted for various differences between local tax laws and generally accepted accounting principles. The determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions and the sources and character of income and tax credits. Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income taxes that we provide during any given year.

Deferred tax assets and liabilities are recorded based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax basis, and operating loss and tax credit carry-backs and carry-forwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted statutory tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.

We establish valuation allowances for our deferred tax assets based on a more likely than not threshold. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood that the deferred tax assets will be realized. If, based on the weight of available evidence, it is deemed more likely than not that the deferred tax assets will not be realized, we establish or maintain a valuation allowance. We weigh the positive and negative evidence commensurate with the extent it may be objectively verified. It is generally difficult for positive evidence regarding projected future taxable income, exclusive of reversing taxable temporary differences, to outweigh objective negative evidence, particularly cumulative losses. Our assessment of whether a valuation allowance is required or should be adjusted requires judgment and is completed on a taxing jurisdiction basis. We consider, among other matters: the nature, frequency and severity of any cumulative financial reporting losses; the ability to carry back losses to prior years; future reversals of existing taxable temporary differences; tax planning strategies; and projections of future taxable income. The accounting treatment of our deferred taxes represents our best estimate of these items. A valuation allowance established or revised as a result of our assessment is recorded through "Income tax expense (benefit)" in our Consolidated Statements of Income (Loss). Changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations.

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We account for our liability for unrecognized tax benefits using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained upon audit by the tax authority, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50 percent likely of being realized upon settlement. Our tax filings for various periods are subject to audit by various tax authorities. Actual tax amounts may be materially different from amounts accrued based upon the results of audits by the tax authorities. The amount of income tax or benefit recognized in our Consolidated Statements of Income (Loss) includes the impact of reserve provisions and changes to reserves that are considered appropriate based on current information and management's best estimate, as well as any applicable related net interest and penalties.

Prior to our June 2004 spin-off from Viad, income taxes were determined on a separate return basis as if we had not been eligible to be included in the consolidated income tax return of Viad and its affiliates. We are considered the divesting entity in the spin-off and treated as the "accounting successor" to Viad, with the continuing business of Viad is referred to as "New Viad." As part of the spin-off, 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. Although we believe that we have appropriately proportioned such taxes between MoneyGram and Viad, subsequent adjustments may occur upon filing of amended returns or resolution of audits by various taxing authorities.

Recent Accounting Developments

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated by reference herein may contain forward-looking statements with respect to the financial condition, results of operation, plans, objectives, future performance and business of MoneyGram International, Inc. and its subsidiaries. Statements preceded by, followed by or that include words such as "may," "will," "expect," "anticipate," "continue," "estimate," "project," "believes" or similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of that Act. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the risks and uncertainties described in this Annual Report on Form 10-K, including those described below and under Part I, Item 1A titled "Risk Factors," and in the documents incorporated by reference herein. These forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation to update publicly or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by federal securities law.

- *Substantial Debt Service and Dividend Obligations.* Our substantial debt service and our covenant requirements may adversely impact our ability to obtain additional financing and to operate and grow our business and may make us more vulnerable to negative economic conditions.
- *Completion of the Proposed 2011 Recapitalization.* Our proposed 2011 Recapitalization is subject to a number of conditions beyond our control that may prevent, delay or otherwise materially adversely affect the completion of the 2011 Recapitalization.
- *Significant Dilution to Stockholders and Control of Investors.* The Series B Stock issued to the Investors at the closing of our 2008 Recapitalization, dividends accrued on the Series B Stock post-closing and special voting rights provided to the Investors' designees on the Company's Board of Directors significantly dilute the interests of our existing stockholders and give the Investors control of the Company.

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- *Sustained Disruptions in Financial Market or Financial Institution Liquidity.* Disruption in the financial markets or at financial institutions may adversely affect our liquidity, our agents' liquidity, our access to credit and capital, our agents' access to credit and capital and our earnings on our investment portfolio.
- *Sustained Negative Economic Conditions.* Negative economic conditions generally and in geographic areas or industries that are important to our business may cause a decline in our transaction volume, and we may be unable to timely and effectively reduce our operating costs or take other actions in response to a significant decline in transaction volume.
- *International Migration Patterns.* A material slow down or complete disruption of international migration patterns could adversely affect our money transfer volume and growth rate.
- *Retention of Global Funds Transfer Agents and Billers.* We may be unable to maintain retail agent or biller relationships or we may experience a reduction in transaction volume from these relationships.
- *Stockholder Litigation and Related Risks.* Stockholder lawsuits and other litigation or government investigations of the Company or its agents could result in material settlements, fines, penalties or legal fees.
- *Credit Risks.* If we are unable to manage credit risks from our retail agents and official check financial institution customers, which risks may increase during negative economic conditions, our business could be harmed.
- *Fraud Risks.* If we are unable to manage fraud risks from consumers or certain agents, which risks may increase during negative economic conditions, our business could be harmed.
- *Maintenance of Banking Relationships.* We may be unable to maintain existing or establish new banking relationships, including the Company's domestic and international clearing bank relationships, which could adversely affect our business, results of operation and our financial condition.
- *Interest Rate Fluctuations.* Fluctuations in interest rates may negatively affect the net investment margin of our official check and money order businesses.
- *Repricing of our Official Check and Money Order Businesses.* We may be unable to operate our official check and money order businesses profitably as a result of our revised pricing strategies.
- *Failure to Maintain Sufficient Capital.* We may be unable to maintain sufficient capital to pursue our growth strategy, fund key strategic initiatives, and meet evolving regulatory requirements.
- *Failure to Attract and Retain Key Employees.* We may be unable to attract and retain key employees.
- *Development of New and Enhanced Products and Related Investment.* We may be unable to successfully and timely implement new or enhanced technology and infrastructure, delivery methods and product and service offerings and to invest in new products or services and infrastructure.
- *Intellectual Property.* If we are unable to adequately protect our brand and other intellectual property rights and avoid infringing on third-party intellectual property rights, our business could be harmed.
- *Competition.* We may be unable to compete against our large competitors, niche competitors or new competitors that may enter the markets in which we operate.
- *United States and International Regulation.* Failure by us or our agents to comply with the laws and regulatory requirements in the United States and abroad, including the recently enacted Dodd-Frank Act and the regulations developed thereunder or changes in laws, regulations or other industry practices and standards, could have an adverse effect on our results of operations, or change our relationships with our customers, investors and other stakeholders.
- *Changes in Laws.* The Dodd-Frank Act, as well as regulations required thereby, and other laws or regulations that may be adopted in the future, could adversely affect us.

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- *Increased Regulation of Financial Services Companies.* The Dodd-Frank Act increases the regulation of financial services companies generally, including non-bank financial companies supervised by the Federal Reserve.
- *Consumer Financial Protection Act.* We will be subject to various provisions of the Consumer Financial Protection Act of 2010, which will result in a new regulator with new and expanded compliance requirements, which is likely to increase our costs.
- *Operation in Politically Volatile Areas.* Offering money transfer services through agents in regions that are politically volatile or, in a limited number of cases, are subject to certain OFAC restrictions, could cause contravention of U.S. law or regulations by us or our agents, subject us to fines and penalties and cause us reputational harm.
- *Network and Data Security.* A significant security or privacy breach in our facilities, networks or databases could harm our business.
- *Systems Interruption.* A breakdown, catastrophic event, security breach, improper operation or other event impacting our systems or processes or the systems or processes of our vendors, agents and financial institution customers could result in financial loss, loss of customers, regulatory sanctions and damage to our brand and reputation.
- *Technology Scalability.* We may be unable to scale our technology to match our business and transactional growth.
- *Company Retail Locations and Acquisitions.* If we are unable to manage risks associated with running Company-owned retail locations and acquiring businesses, our business could be harmed.
- *International Risks.* Our business and results of operation may be adversely affected by political, economic or other instability in countries that are important to our business.
- *Tax Matters.* Changes in tax laws or an unfavorable outcome with respect to the audit of our tax returns or tax positions, or a failure by us to establish adequate reserves for tax events, could adversely affect our results of operations.
- *Status as a Bank Holding Company Subsidiary.* As a deemed subsidiary of a bank holding company regulated under the BHC Act of 1956, we are subject to supervision, regulation and regular examination by the Federal Reserve.
- *Internal Controls.* Our inability to maintain compliance with the internal control provisions of Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business.
- *Overhang of Convertible Preferred Stock to Float.* Sales of a substantial number of shares of our common stock or the perception that significant sales could occur, may depress the trading price of our common stock.
- *Debt.* If the Company issues a large amount of debt, it may be more difficult for the Company to obtain future financing and our cash flow may not be sufficient to make required payments or repay our indebtedness when it matures.
- *Anti-Takeover Provisions.* Our charter documents and Delaware law contain provisions that may have the effect of delaying, deterring or preventing a merger or change of control of our Company.
- *NYSE Delisting.* We may be unable to continue to satisfy the NYSE criteria for listing on the exchange.
- *Other Factors.* Additional risk factors may be described in our other filings with the SEC from time to time.

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.

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Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

Item 9A. CONTROLS AND PROCEDURES

As of the end of the period covered by this report (the "Evaluation Date"), the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective.

In the third quarter of 2010, the Company implemented a new technology system to enhance certain processes, particularly those related to its partner set-up, settlement and partner servicing for the money transfer, bill payment and money order products. The new system will allow the Company to increase the flexibility of our back office, improve operating efficiencies and automate certain controls and compliance efforts. Other than process changes related to this implementation, there were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fiscal quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this Item is contained in our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

Item 11. EXECUTIVE COMPENSATION

The information called for by this Item is contained in our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information called for by this Item is contained in our definitive Proxy Statement for our 2011 Annual Meeting of Stockholders, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) The financial statements listed in the "Index to Financial Statements and Schedules" are filed as part of this Annual Report on Form 10-K.
- (2) All financial statement schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto listed in the "Index to Financial Statements."
- (3) Exhibits are filed with this Annual Report on Form 10-K or incorporated herein by reference as listed in the accompanying Exhibit Index.

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SIGNATURES

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

MoneyGram International, Inc.
(Registrant)

Date: March 15, 2011

By:
/s/ Pamela H. Patsley

Pamela H. Patsley Chairman and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 15, 2010.

/s/ Pamela H. Patsley Pamela H. Patsley	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ James E. Shields James E. Shields	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Rebecca L. Lobsinger Rebecca L. Lobsinger	Vice President, Controller (Principal Accounting Officer)
* J. Coley Clark	Director
* Victor W. Dahir	Director
* Thomas M. Hagerty	Director
* Scott L. Jaeckel	Director
* Seth W. Lawry	Director
* Ann Mather	Director
* Ganesh B. Rao	Director
* W. Bruce Turner	Director
/s/ Timothy C. Everett Timothy C. Everett *As attorney-in-fact	Executive Vice President, General Counsel and Corporate Secretary

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EXHIBIT INDEX

Exhibit Number	Description
2.1	Separation and Distribution Agreement, dated as of June 30, 2004, by and among Viad Corp, MoneyGram International, Inc., MGI Merger Sub, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 2.1 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
3.1	Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., as amended (Incorporated by reference from Exhibit 3.1 to Registrant's Annual Report on Form 10-K filed on March 15, 2010).
3.2	Bylaws of MoneyGram International, Inc., as amended and restated September 10, 2009 (Incorporated by reference from Exhibit 3.01 to Registrant's Current Report on Form 8-K filed on September 16, 2009).
3.3	Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.3 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
3.4	Certificate of Designations, Preferences and Rights of the Series B Participating Convertible Preferred Stock of MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.2 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
3.5	Certificate of Designations, Preferences and Rights of the Series B-1 Participating Convertible Preferred Stock of MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.3 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
3.6	Certificate of Designations, Preferences and Rights of the Series D Participating Convertible Preferred Stock of MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.4 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
4.1	Form of Specimen Certificate for MoneyGram Common Stock (Incorporated by reference from Exhibit 4.1 to Amendment No. 4 to Registrant's Form 10 filed on June 14, 2004).
4.2	Indenture, dated as of March 25, 2008, by and among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., the other guarantors party thereto and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
4.3	Registration Rights Agreement, dated as of March 25, 2008, by and among the several Investor parties named therein and MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.5 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
4.4	Exchange and Registration Rights Agreement, dated as of March 25, 2008, by and among MoneyGram Payment Systems Worldwide, Inc., each of the Guarantors listed on the signature pages thereto, GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd. and GSMP V Institutional US, Ltd. (Incorporated by reference from Exhibit 4.6 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
10.1	Employee Benefits Agreement, dated as of June 30, 2004, by and among Viad Corp, MoneyGram International, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
10.2	Tax Sharing Agreement, dated as of June 30, 2004, by and between Viad Corp and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
†10.3	MoneyGram International, Inc. 2004 Omnibus Incentive Plan, as amended February 17, 2005 (Incorporated by reference from Exhibit 99.1 to Registrant's Current Report on Form 8-K filed on February 23, 2005).
†10.4	MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended February 17, 2010 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on February 22, 2010).
†10.5	Form of Amended and Restated Non-Employee Director Indemnification Agreement between MoneyGram International, Inc. and Non-Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on February 13, 2009).

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Exhibit Number	Description
†10.6	Form of Employee Director Indemnification Agreement between MoneyGram International, Inc. and Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on February 13, 2009).
†10.7	MoneyGram International, Inc. Performance Bonus Plan, as amended and restated February 17, 2010 (formerly known as the MoneyGram International, Inc. Management and Line of Business Incentive Plan) (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on February 22, 2010).
10.8	Amended and Restated Trademark Security Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc. and JPMorgan Chase Bank, N.A., as collateral agent (Incorporated by reference from Exhibit 10.10 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
10.9	Trademark Security Agreement, dated as of March 25, 2008, by and between PropertyBridge, Inc. and JPMorgan Chase Bank, N.A., as collateral agent (Incorporated by reference from Exhibit 10.11 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
10.10	Second Priority Trademark Security Agreement, dated as of March 25, 2008, by and between PropertyBridge, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.12 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
10.11	Second Priority Trademark Security Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.13 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
10.12	Amended and Restated Patent Security Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc. and JPMorgan Chase Bank, N.A., as collateral agent (Incorporated by reference from Exhibit 10.14 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
10.13	Patent Security Agreement, dated as of March 25, 2008, by and between MoneyGram Payment Systems, Inc. and JPMorgan Chase Bank, N.A., as collateral agent (Incorporated by reference from Exhibit 10.15 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
10.14	Second Priority Patent Security Agreement, dated as of March 25, 2008, by and between MoneyGram Payment Systems, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.16 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
10.15	Second Priority Patent Security Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc., as grantor, and Deutsche Bank Trust Company Americas, as collateral agent for the secured parties (Incorporated by reference from Exhibit 10.17 to Registrants' Current Report on Form 8-K filed on March 28, 2008).
†10.16	Deferred Compensation Plan for Directors of Viad Corp, as amended August 19, 2004 (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on November 12, 2004).
†10.17	Viad Corp Deferred Compensation Plan, as amended August 19, 2004 (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on November 12, 2004).
†10.18	MoneyGram International, Inc. Executive Severance Plan (Tier I), as amended and restated August 16, 2007 (Incorporated by reference from Exhibit 99.03 to Registrant's Current Report on Form 8-K filed on August 22, 2007).
†10.19	First Amendment of the Amended and Restated MoneyGram International, Inc. Executive Severance Plan (Tier I) (Incorporated by reference from Exhibit 10.20 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
†10.20	MoneyGram International, Inc. Special Executive Severance Plan (Tier I) dated March 25, 2008 (Incorporated by reference from Exhibit 10.18 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
†10.21	MoneyGram International, Inc. Executive Severance Plan (Tier II), as amended and restated August 16, 2007 (Incorporated by reference from Exhibit 99.04 to Registrant's Current Report on Form 8-K filed on August 22, 2007).

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Exhibit Number	Description
†10.22	First Amendment of the Amended and Restated MoneyGram International, Inc. Executive Severance Plan (Tier II) (Incorporated by reference from Exhibit 10.21 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
†10.23	MoneyGram International, Inc. Special Executive Severance Plan (Tier II) dated March 25, 2008 (Incorporated by reference from Exhibit 10.19 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
†10.24	MoneyGram Supplemental Pension Plan, as amended and restated December 28, 2007 (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on January 4, 2008).
†10.25	First Amendment of MoneyGram Supplemental Pension Plan (Incorporated by reference from Exhibit 10.28 to Amendment No. 1 to Registrant's Annual Report on Form 10-K/A filed on August 9, 2010).
†10.26	Description of MoneyGram International, Inc. Director's Charitable Matching Program (Incorporated by reference from Exhibit 10.13 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
†10.27	Viad Corp Director's Charitable Award Program (Incorporated by reference from Exhibit 10.14 to Amendment No. 3 to Registrant's Form 10 filed on June 3, 2004).
+10.28	Second Amended and Restated Credit Agreement, dated as of March 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc. and JPMorgan Chase Bank, N.A., individually and as letter of credit issuer, swing line lender, administrative agent and collateral agent and the other lenders party thereto (Incorporated by reference from Exhibit 10.30 to Registrant's Annual Report on Form 10-K filed on March 15, 2010).
10.29	Security Agreement, dated as of January 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., FSMC, Inc., CAG Inc., MoneyGram Payment Systems Worldwide, Inc., PropertyBridge, Inc., MoneyGram of New York LLC, and JPMorgan Chase Bank, N.A. (Incorporated by reference from Exhibit 99.03 to Registrant's Current Report on Form 8-K filed on January 31, 2008).
10.30	Amended and Restated Security Agreement, dated as of March 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., FSMC, Inc., CAG Inc., MoneyGram Payment Systems Worldwide, Inc., PropertyBridge, Inc., MoneyGram of New York LLC, and JPMorgan Chase Bank, N.A., as collateral agent (Incorporated by reference from Exhibit 10.8 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
10.31	Second Priority Security Agreement, dated as of March 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., FSMC, Inc., CAG Inc., MoneyGram Payment Systems Worldwide, Inc., PropertyBridge, Inc., MoneyGram of New York LLC, and Deutsche Bank Trust Company Americas, as collateral agent (Incorporated by reference from Exhibit 10.9 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
10.32	Amended and Restated Pledge Agreement, dated as of March 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., FSMC, Inc., CAG Inc., MoneyGram Payment Systems Worldwide, Inc., PropertyBridge, Inc., MoneyGram of New York LLC, and JPMorgan Chase Bank, N.A. (Incorporated by reference from Exhibit 10.6 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
10.33	Second Priority Pledge Agreement, dated as of March 25, 2008, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., FSMC, Inc., CAG Inc., MoneyGram Payment Systems Worldwide, Inc., PropertyBridge, Inc., MoneyGram of New York LLC, and Deutsche Bank Trust Company Americas (Incorporated by reference from Exhibit 10.7 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
10.34	Amended and Restated Purchase Agreement, dated as of March 17, 2008, among MoneyGram International, Inc. and the several investor parties named therein (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 18, 2008).
10.35	Amended and Restated Fee Arrangement Letter, dated March 17, 2008, between THL Managers VI, LLC and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8-K filed March 18, 2008).

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Exhibit Number	Description
10.36	Amended and Restated Fee Arrangement Letter, dated March 17, 2008, between Goldman, Sachs & Co. and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on March 18, 2008).
10.37	Fee Arrangement Letter, dated as of March 25, 2008, by and between the investor parties named therein, Goldman, Sachs & Co. and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
10.38	Subscription Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc. and The Goldman Sachs Group, Inc. (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
+10.39	Amended and Restated Note Purchase Agreement, dated as of March 17, 2008, among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd., GSMP V Institutional US, Ltd., and THL Managers VI, LLC. (Incorporated by reference from Exhibit 10.41 to Registrant's Annual Report on Form 10-K filed on March 15, 2010).
10.40	Amended and Restated Fee Letter, dated March 17, 2008, among MoneyGram Payment Systems Worldwide, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd., GSMP V Institutional US, Ltd., GS Capital Partners VI Fund, L.P., GS Capital Partners VI Offshore Fund, L.P., GS Capital Partners VI GmbH & Co. KG, GS Capital Partners VI Parallel, L.P., and THL Managers VI, LLC (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on March 18, 2008).
10.41	Second Amended and Restated Note Purchase Agreement, dated as of March 24, 2008, among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd., and GSMP V Institutional US, Ltd. (Incorporated by reference from Exhibit 10.5 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
10.42	MoneyGram Employee Equity Trust, effective as of June 30, 2004 (Incorporated by reference from Exhibit 10.16 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
†10.43	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Restricted Stock Agreement, as amended February 16, 2005 (Incorporated by reference from Exhibit 99.5 to Registrant's Current Report on Form 8-K filed on February 23, 2005).
†10.44	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, as amended February 16, 2005 (Incorporated by reference from Exhibit 99.6 to Registrant's Current Report on Form 8-K filed on February 23, 2005).
†10.45	Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Non-Qualified Stock Option Agreement for Directors (Incorporated by reference from Exhibit 99.7 to Registrant's Current Report on Form 8-K filed on February 23, 2005).
†10.46	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective June 30, 2005 (Incorporated by reference from Exhibit 99.2 to Registrant's Current Report on Form 8-K filed on July 5, 2005).
†10.47	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective August 17, 2005 (US Version) (Incorporated by reference from Exhibit 99.7 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
†10.48	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective August 17, 2005 (UK Version) (Incorporated by reference from Exhibit 99.9 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
†10.49	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 17, 2005 (US Version) (Incorporated by reference from Exhibit 99.6 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
†10.50	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 17, 2005 (UK Version) (Incorporated by reference from Exhibit 99.8 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
†10.51	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective February 15, 2006 (US version) (Incorporated by reference from Exhibit 10.41 to Registrant's Annual Report on Form 10-K filed on March 1, 2006).

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Exhibit Number	Description
†10.52	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective February 15, 2006 (UK Version) (Incorporated by reference from Exhibit 10.42 to Registrant's Annual Report on Form 10-K filed on March 1, 2006).
†10.53	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective May 8, 2007 (Incorporated by reference from Exhibit 99.04 to Registrant's Current Report on Form 8-K filed on May 14, 2007).
†10.54	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 11, 2009 (version 1) (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009).
†10.55	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 11, 2009 (version 2) (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009).
†10.56	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement for Directors, effective August 17, 2005 (Incorporated by reference from Exhibit 99.4 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
†10.57	Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement for Directors, effective February 15, 2006 (Incorporated by reference from Exhibit 10.43 to Registrant's Annual Report on Form 10-K filed on March 1, 2006).
†10.58	Amended and Restated Employment Agreement, dated September 1, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on September 4, 2009).
†10.59	Non-Qualified Stock Option Agreement, dated January 21, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on January 22, 2009).
†10.60	Non-Qualified Stock Option Agreement, dated May 12, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on May 18, 2009).
†10.61	Non-Qualified Stock Option Agreement, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on September 4, 2009).
†10.62	Amendment to Non-Qualified Stock Option Agreements, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on September 4, 2009).
†10.63	Non-Qualified Stock Option Agreement, dated August 11, 2009, between MoneyGram International, Inc. and Daniel J. O'Malley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on August 13, 2009).
†10.64	Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement, dated August 11, 2009, between MoneyGram International, Inc. and Daniel J. O'Malley (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on August 13, 2009).
†10.65	Separation Agreement and Release of All Claims, dated as of June 18, 2008, between MoneyGram International, Inc. and Philip W. Milne (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on June 19, 2008).
†10.66	Confidential Separation Agreement and Release of All Claims, dated as of April 7, 2008, by and between MoneyGram International, Inc. and Long Lake Partners, L.P. and William J. Putney (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on April 11, 2008).
†10.67	Independent Consulting Agreement, dated as of April 8, 2008, by and between MoneyGram Payment Systems, Inc., including all of its parent organizations, holding companies, predecessors, divisions, affiliates, related companies and joint ventures, business units and subsidiaries, and William J. Putney (Incorporated by reference from Exhibit 99.02 to Registrant's Current Report on Form 8-K filed on April 11, 2008).

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<u>Exhibit Number</u>	<u>Description</u>
†10.68	Separation Agreement and Release of All Claims, dated as of March 20, 2009, between MoneyGram International, Inc. and David J. Parrin (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on March 20, 2009).
†10.69	Separation Agreement and Release of All Claims, dated as of March 25, 2009, between MoneyGram International, Inc. and Mary A. Dutra (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on March 27, 2009).
†10.70	Non-Qualified Stock Option Agreement, dated May 6, 2009, between MoneyGram International, Inc. and Anthony P. Ryan (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on May 12, 2009).
†10.71	Severance Agreement, dated as of May 6, 2009, between MoneyGram International, Inc. and Anthony P. Ryan (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on May 12, 2009).
†10.72	Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement, dated May 6, 2009, between MoneyGram Payment Systems, Inc. and Anthony P. Ryan (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on May 12, 2009).
†10.73	Agreement and Release, dated May 6, 2009, between MoneyGram International, Inc. and Anthony P. Ryan (Incorporated by reference from Exhibit 10.04 to Registrant's Current Report on Form 8-K filed on May 12, 2009).
†10.74	Separation Agreement and Release of All Claims, dated October 21, 2009, between MoneyGram International, Inc. and Anthony P. Ryan (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on October 22, 2009).
†10.75	Separation Agreement and Release of All Claims, dated as of July 16, 2009, between MoneyGram International, Inc. and Teresa H. Johnson (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on July 16, 2009).
†10.76	Offer Letter, dated July 28, 2009, between MoneyGram International, Inc. and Jeffrey R. Woods (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on July 30, 2009).
†10.77	Non-Qualified Stock Option Agreement, dated August 11, 2009, between MoneyGram International, Inc. and Jeffrey R. Woods (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on August 13, 2009).
†10.78	Separation Agreement and Release of All Claims, dated as of January 15, 2010, between MoneyGram International, Inc. and Jeffrey R. Woods (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on January 19, 2010).
†10.79	MoneyGram International, Inc. Performance Unit Incentive Plan, as amended and restated May 9, 2007 (Incorporated by reference from Exhibit 99.02 to Registrant's Current Report on Form 8-K filed on May 14, 2007).
†10.80	Form of MoneyGram International, Inc. Executive Compensation Trust Agreement (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on November 22, 2005).
10.81	First Amendment to the MoneyGram International, Inc. Executive Compensation Trust Agreement (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on August 22, 2006).
†10.82	The MoneyGram International, Inc. Outside Directors' Deferred Compensation Trust (Incorporated by reference from Exhibit 99.05 to Registrant's Current Report on Form 8-K filed on November 22, 2005).
10.83	Money Services Agreement between Wal-Mart Stores, Inc. and MoneyGram Payment Systems, Inc. dated February 1, 2005 as amended (Incorporated by reference from Exhibit 10.71 to Registrant's Annual Report on Form 10-K filed on March 25, 2008).
†10.84	Form of Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement (Incorporated by reference from Exhibit 10.27 to Registrant's Quarterly Report on Form 10-Q filed on May 12, 2008).
†10.85	MoneyGram International, Inc. Severance Plan (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K/A filed November 22, 2010).

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Exhibit Number	Description
†10.86	MoneyGram International, Inc. Deferred Compensation Plan, as amended and restated April 12, 2010 (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed April 14, 2010).
†10.87	2005 Deferred Compensation Plan for Directors of MoneyGram International, Inc., as amended and restated April 12, 2010 (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8-K filed April 14, 2010).
†10.88	Deferred Compensation Plan for Directors of MoneyGram International Inc., as amended and restated April 12, 2010 (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed April 14, 2010).
†10.89	Letter Agreement, by and between MoneyGram International, Inc. and James E. Shields, effective as of July 13, 2010 (Incorporated by reference from Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q filed August 9, 2010).
†10.90	Severance Agreement, by and between MoneyGram International, Inc. and James E. Shields, dated July 13, 2010 (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed August 9, 2010).
†10.91	Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement, by and between MoneyGram International, Inc. and James E. Shields, dated July 21, 2010 (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed August 9, 2010).
†10.92	Compromise Agreement, dated April 21, 2010, between MoneyGram International Ltd. and John Hempsey (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed April 26, 2010).
†10.93	Letter Agreement, by and between MoneyGram International, Inc. and Jean C. Benson, dated June 3, 2010 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed June 9, 2010).
†10.94	Summary of Non-Employee Director Compensation Agreements, effective May 26, 2010 (Incorporated by reference from Exhibit 10.10 to Registrant's Quarterly Report on Form 10-Q filed August 9, 2010).
†10.95	Form of MoneyGram International, Inc. Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q filed August 9, 2010).
†10.96	MoneyGram International, Inc. Deferred Compensation Plan, as amended and restated February 16, 2011 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed February 23, 2011).
*21	Subsidiaries of the Registrant
*23	Consent of Deloitte & Touche LLP
*24	Power of Attorney
*31.1	Section 302 Certification of Chief Executive Officer
*31.2	Section 302 Certification of Chief Financial Officer
*32.1	Section 906 Certification of Chief Executive Officer
*32.2	Section 906 Certification of Chief Financial Officer

* Filed herewith.

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

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

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**MoneyGram
International, Inc.**

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

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Management's Responsibility Statement

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

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

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

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

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its Internal Control-Integrated Framework. Based on our assessment and those criteria, management believes that the Company designed and maintained effective internal control over financial reporting as of December 31, 2010.

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

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

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

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Report of Independent Registered Public Accounting Firm

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

We have audited the internal control over financial reporting of MoneyGram International, Inc. and subsidiaries (the "Company") as of December 31, 2010, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Responsibility Statement. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2010 of the Company and our report dated March 15, 2011 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Minneapolis, Minnesota
March 15, 2011

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of MoneyGram International, Inc. and subsidiaries (the "Company") as of December 31, 2010 and 2009, and the related consolidated statements of income (loss), comprehensive income (loss), cash flows and stockholders' deficit for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of MoneyGram International, Inc. and subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2011 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP
Minneapolis, Minnesota
March 15, 2011

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**MONEYGRAM
INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS**

AT DECEMBER 31,	2010	2009
<i>(Amounts in thousands, except share data)</i>		
ASSETS		
Cash and cash equivalents	\$ —	\$ —
Cash and cash equivalents (substantially restricted)	2,865,941	3,376,824
Receivables, net (substantially restricted)	982,319	1,054,381
Short-term investments (substantially restricted)	405,769	400,000
Trading investments and related put options (substantially restricted)	—	26,951
Available-for-sale investments (substantially restricted)	160,936	298,633
Property and equipment	115,111	127,972
Goodwill	428,691	425,630
Other assets	156,969	219,272
Total assets	\$5,115,736	\$5,929,663
LIABILITIES		
Payment service obligations	\$4,184,736	\$4,843,454
Debt	639,946	796,791
Pension and other postretirement benefits	120,536	119,170
Accounts payable and other liabilities	113,647	188,933
Total liabilities	5,058,865	5,948,348
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
MEZZANINE EQUITY		
Participating Convertible Preferred Stock-Series B, \$0.01 par value, 760,000 shares authorized, 495,000 shares issued and outstanding	628,199	539,084
Participating Convertible Preferred Stock-Series B-1, \$0.01 par value, 500,000 shares authorized, 272,500 shares issued and outstanding	371,154	325,244
Total mezzanine equity	999,353	864,328
STOCKHOLDERS' DEFICIT		
Preferred shares, \$0.01 par value, none issued	—	—
Common shares, \$0.01 par value, 1,300,000,000 shares authorized, 88,556,077 shares issued	886	886
Additional paid-in capital	—	—
Retained loss	(771,544)	(694,914)
Unearned employee benefits	—	(8)
Accumulated other comprehensive loss	(31,879)	(35,671)
Treasury stock: 4,935,555 and 6,040,958 shares in 2010 and 2009	(139,945)	(153,306)
Total stockholders' deficit	(942,482)	(883,013)
Total liabilities, mezzanine equity and stockholders' deficit	\$5,115,736	\$5,929,663

See Notes to Consolidated Financial Statements
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MONEYGRAM
INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, <i>(Amounts in thousands, except per share data)</i>	2010	2009	2008
REVENUE			
Fee and other revenue	\$ 1,145,312	\$ 1,128,492	\$ 1,108,451
Investment revenue	21,341	33,219	162,130
Total revenue	1,166,653	1,161,711	1,270,581
EXPENSES			
Fee and other commissions expense	500,759	497,105	502,317
Investment commissions expense	737	1,362	102,292
Total commissions expense	501,496	498,467	604,609
Compensation and benefits	226,422	199,053	224,580
Transaction and operations support	185,782	284,277	219,905
Occupancy, equipment and supplies	46,481	47,425	45,994
Depreciation and amortization	48,074	57,091	56,672
Total operating expenses	1,008,255	1,086,313	1,151,760
OPERATING INCOME	158,398	75,398	118,821
Other expense (income)			
Net securities (gains) losses	(2,115)	(7,790)	340,688
Interest expense	102,133	107,911	95,020
Other	—	(2,401)	20,304
Total other expenses, net	100,018	97,720	456,012
Income (loss) before income taxes	58,380	(22,322)	(337,191)
Income tax expense (benefit)	14,579	(20,416)	(75,806)
NET INCOME (LOSS)	\$ 43,801	\$ (1,906)	\$ (261,385)
BASIC AND DILUTED LOSS PER COMMON SHARE	\$ (1.10)	\$ (1.48)	\$ (4.19)
Net loss available to common stockholders:			
Net income (loss) as reported	\$ 43,801	\$ (1,906)	\$ (261,385)
Accrued preferred stock dividends	(125,005)	(110,279)	(76,593)
Accretion recognized on preferred stock	(10,020)	(10,213)	(7,736)
Net loss available to common stockholders	(91,224)	(122,398)	(345,714)
Weighted-average outstanding common shares	83,186	82,499	82,456

See Notes to Consolidated Financial Statements

MONEYGRAM
INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(LOSS)

FOR THE YEAR ENDED DECEMBER 31,	2010	2009	2008
<i>(Amounts in thousands)</i>			
NET INCOME (LOSS)	\$43,801	\$(1,906)	\$(261,385)
OTHER COMPREHENSIVE INCOME (LOSS)			
Net unrealized gains (losses) on available-for-sale securities:			
Net holding gains (losses) arising during the period, net of tax expense (benefit) of \$0, \$0 and \$(134,570)	4,452	3,107	(219,561)
Reclassification adjustment for net realized losses included in net income (loss), net of tax benefit of \$0, \$0 and \$124,097	334	4,071	202,475
	4,786	7,178	(17,086)
Net unrealized (losses) gains on derivative financial instruments:			
Net holding gains arising during the period, net of tax expense of \$1,329	—	—	2,168
Reclassification adjustment for net unrealized (gains) losses included in net income (loss), net of tax (expense) benefit of \$(478) and \$11,006	—	(780)	17,957
	—	(780)	20,125
Pension and postretirement benefit plans:			
Reclassification of prior service costs for pension and postretirement benefit plans recorded to net income (loss), net of tax benefit of \$32, \$106 and \$38	52	173	62
Reclassification of net actuarial loss for pension and postretirement benefit plans recorded to net income (loss), net of tax benefit of \$1,913, \$2,785 and \$1,679	3,122	4,543	2,740
Valuation adjustment for pension and postretirement benefit plans, net of tax benefit of \$2,697, \$2,251 and \$17,409	(4,400)	(3,672)	(28,405)
Unrealized foreign currency translation gains (losses), net of tax expense (benefit) of \$142, \$(249) and \$1,863	232	(406)	3,039
Other comprehensive income (loss)	3,792	7,036	(19,525)
COMPREHENSIVE INCOME (LOSS)	\$47,593	\$ 5,130	\$(280,910)

See Notes to Consolidated Financial Statements

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**MONEYGRAM
INTERNATIONAL, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,	2010	2009	2008
<i>(Amounts in thousands)</i>			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 43,801	\$ (1,906)	\$ (261,385)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Provision for deferred income taxes	10,023	(14,915)	(425)
Depreciation and amortization	48,074	57,091	56,672
Other-than-temporary impairment charges	334	4,069	70,274
Net (gain) loss on sales and maturities of investments	(2,449)	(7,555)	256,299
Unrealized (gains) losses on trading investments and related put options	—	(4,304)	14,115
Net amortization of investment premiums and discounts	193	740	733
Valuation loss on embedded derivative	—	—	16,030
Asset impairments and adjustments	2,158	18,228	8,809
Signing bonus amortization	29,247	35,280	37,261
Amortization of debt discount and deferred financing costs	(27,172)	(22,176)	(57,960)
Debt extinguishment loss	17,492	12,765	7,484
Provision for uncollectible receivables	—	—	1,499
Non-cash compensation and pension expense	6,404	21,432	12,396
Other non-cash items, net	35,106	9,608	12,596
Change in foreign currency translation adjustments	2,154	4,650	11,709
Change in other assets	232	(406)	3,039
Change in accounts payable and other liabilities	(16,545)	31,246	(13,171)
	(32,853)	13,156	(93,622)
Total adjustments	72,398	158,909	341,740
Change in cash and cash equivalents (substantially restricted)	510,883	700,557	(2,524,402)
Change in trading investments and related put options (substantially restricted)	29,400	32,900	—
Change in receivables, net (substantially restricted)	63,037	186,619	128,752
Change in payment service obligations	(658,782)	(599,545)	(2,324,486)
Net cash provided by (used in) operating activities	60,737	482,534	(4,639,781)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of investments classified as available-for-sale (substantially restricted)	—	—	2,896,011
Proceeds from maturities of investments classified as available-for-sale (substantially restricted)	140,985	140,999	493,320
Purchases of short-term investments (substantially restricted)	(707,137)	(400,000)	—
Proceeds from maturities of short-term investments (substantially restricted)	701,368	—	—
Purchases of property and equipment	(40,191)	(37,948)	(38,470)
Proceeds from disposal of property and equipment	7,537	—	—
Proceeds from disposal of a business	—	4,500	—
Cash paid for acquisitions, net of cash acquired	(330)	(3,210)	(2,928)
Net cash provided by (used in) investing activities	102,232	(295,659)	3,147,933
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of debt	—	—	733,750
Transaction costs for issuance and amendment of debt	—	—	(47,805)
Payments on debt	(165,000)	(41,875)	(1,875)
Payments on revolving credit facility	—	(145,000)	(100,000)
Proceeds from issuance of preferred stock	—	—	760,000
Transaction costs for issuance of preferred stock	—	—	(52,222)
Proceeds from exercise of stock options	2,031	—	—
Net cash (used in) provided by financing activities	(162,969)	(186,875)	1,291,848
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ —	\$ —	\$ —
CASH AND CASH EQUIVALENTS — Beginning of period	\$ —	\$ —	\$ —
CASH AND CASH EQUIVALENTS — End of period	\$ —	\$ —	\$ —

See Notes to Consolidated Financial Statements

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**MONEYGRAM
INTERNATIONAL, INC.**
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

<i>(Amounts in thousands)</i>	Common Stock	Additional Paid-In Capital	Retained Loss	Unearned Employee Benefits	Accumulated Other Comprehensive Loss	Treasury Stock	Total
December 31, 2007	\$ 886	\$ 73,077	\$ (387,479)	\$ (3,280)	\$ (21,715)	\$ (150,006)	\$ (488,517)
Cumulative adjustment for SFAS No. 158 change of measurement date			(390)		(1,467)		(1,857)
Net loss			(261,385)				(261,385)
Reclassification of embedded derivative liability		70,827					70,827
Accrued dividends on preferred stock		(76,593)					(76,593)
Accretion on preferred stock		(7,736)					(7,736)
Employee benefit plans		2,749		2,856		(2,555)	3,050
Net unrealized loss on available-for-sale securities					(17,086)		(17,086)
Net unrealized gain on derivative financial instruments					20,125		20,125
Amortization of prior service cost for pension and postretirement benefits, net of tax					62		62
Amortization of unrealized losses on pension and postretirement benefits, net of tax					2,740		2,740
Valuation adjustment for pension and postretirement benefit plans, net of tax					(28,405)		(28,405)
Unrealized foreign currency translation adjustment					3,039		3,039
December 31, 2008	886	62,324	(649,254)	(424)	(42,707)	(152,561)	(781,736)
Net loss			(1,906)				(1,906)
Accrued dividends on preferred stock		(66,525)	(43,754)				(110,279)
Accretion on preferred stock		(10,213)					(10,213)
Employee benefit plans		14,414		416		(745)	14,085
Net unrealized gain on available-for-sale securities					7,178		7,178
Reclassification of unrealized gain on derivative financial instruments, net of tax					(780)		(780)
Amortization of prior service cost for pension and postretirement benefits, net of tax					173		173
Amortization of unrealized losses on pension and postretirement benefits, net of tax					4,543		4,543
Valuation adjustment for pension and postretirement benefit plans, net of tax					(3,672)		(3,672)
Unrealized foreign currency translation adjustment					(406)		(406)
December 31, 2009	886	—	(694,914)	(8)	(35,671)	(153,306)	(883,013)
Net income			43,801				43,801
Accrued dividends on preferred stock		(25,570)	(99,435)				(125,005)
Accretion on preferred stock		(10,020)					(10,020)
Employee benefit plans		35,590	(20,996)	8		13,361	27,963
Net unrealized gain on available-for-sale securities					4,786		4,786
Amortization of prior service cost for pension and postretirement benefits, net of tax					52		52
Amortization of unrealized losses on pension and postretirement benefits, net of tax					3,122		3,122
Valuation adjustment for pension and postretirement benefit plans, net of tax					(4,400)		(4,400)
Unrealized foreign currency translation adjustment					232		232
December 31, 2010	\$ 886	\$ —	\$ (771,544)	\$ —	\$ (31,879)	\$ (139,945)	\$ (942,482)

See Notes to Consolidated Financial Statements
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MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business

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

MoneyGram was incorporated on December 18, 2003 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 stockholders (the "spin-off"). On June 30, 2004 (the "Distribution Date"), Travelers was merged with a subsidiary of MoneyGram and Viad then distributed 88,556,077 shares of MoneyGram common stock in a tax-free distribution (the "Distribution"). Stockholders of Viad received one share of MoneyGram common stock for every share of Viad common stock owned on the record date of 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. Effective December 31, 2005, the entity that was formerly Travelers was merged into MoneyGram Payment Systems, Inc. ("MPSI"), a wholly owned subsidiary of MoneyGram, with MPSI remaining as the surviving corporation.

On March 25, 2008, the Company completed a recapitalization, pursuant to which the Company received \$1.5 billion of gross equity and debt capital (collectively, the "2008 Recapitalization") to support the long-term needs of the business and provide necessary capital due to the Company's investment portfolio losses as described in Note 5 — *Investment Portfolio*. The equity component of the 2008 Recapitalization consisted of the sale in a private placement of Series B Participating Convertible Preferred Stock of the Company (the "B Stock") and Series B-1 Participating Convertible Preferred Stock of the Company (the "B-1 Stock," and collectively with the B Stock, the "Series B Stock"). The debt component of the 2008 Recapitalization consisted of a senior secured amended and restated credit agreement entered into with a group of lenders (the "senior facility") and the issuance of senior secured second lien notes (the "second lien notes"). See Note 9 — *Debt* and Note 11 — *Mezzanine Equity* for further information regarding the equity and debt components.

Participation Agreement between the Investors and Walmart Stores, Inc. — On February 11, 2008, the affiliates of Thomas H. Lee Partners, L.P. ("THL") and affiliates of Goldman, Sachs & Co. ("Goldman Sachs," and collectively with THL, the "Investors") entered into a Participation Agreement (as amended on March 17, 2008) with Walmart Stores, Inc. ("Walmart") in connection with the 2008 Recapitalization. The Company is not a direct party to the Participation Agreement, which was negotiated solely between the Investors and Walmart. Under the terms of the Participation Agreement, the Investors are obligated to pay Walmart certain percentages of accumulated cash payments received by the Investors in excess of the Investors' original investment in the Company. Cash payments include dividends paid by the Company to the Investors and any cash payments received by the Investors in connection with the sale of any shares of the Company's stock to an unaffiliated third party or upon redemption by the Company. Walmart, in its sole discretion, may elect to receive payments in cash or equivalent shares of stock held by the Investors.

MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company has no obligation to Walmart or additional obligations to the Investors under the terms of the Participation Agreement. However, as the Company indirectly benefited from the agreement, the Company recognizes the Participation Agreement in its consolidated financial statements as if the Company itself entered into the agreement with Walmart. As Walmart may elect to receive any payments under the Participation Agreement in cash, the agreement is accounted for as a liability award. The Company will recognize a liability equal to the fair value of the Participation Agreement through a charge to the Consolidated Statements of Income (Loss) based upon the probability that certain performance conditions will be met. The liability will be remeasured each period until settlement, with changes in fair value recognized in the Consolidated Statements of Income (Loss). Walmart's ability to earn the award under the Participation Agreement is conditioned upon the Investors receiving cash payments related to the Company's preferred stock in excess of the Investors' original investment in the Company. While it is probable that performance conditions will be met at December 31, 2010, the fair value of the liability is zero at this time as the Company's discount rate, based on contractual debt and equity rates of returns and implied market premiums, exceeds the dividend rate on the preferred stock.

Note 2 — Summary of Significant Accounting Policies

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

During the fourth quarter of 2010, the Company revised the presentation of its Consolidated Statements of Income (Loss) as a result of an internal review to enhance external reporting and management reporting. As a result of this review, the Company will no longer present net revenue, previously measured as total revenue less total commissions expense, as this measure was not found to be a meaningful metric internally or to our external users. The Company will continue to separately disclose "Commissions expense." The Company has also presented an operating income measure consistent with management reporting and to more clearly delineate operating and non-operating items. As a result, certain items are now presented below the operating income line based on management's assessment of their nature as non-operating, including securities (gains) losses, interest expense and (gains) losses related to cash flow hedges. In the Consolidated Balance Sheets, the Company has reclassified amounts related to intangible assets into "Other assets" due to immateriality. In the Consolidated Statements of Cash Flows, the Company has separately broken out "Signing bonus payments," which were previously included in "Change in other assets," to enhance transparency. All prior periods have been reclassified to conform to this new presentation.

Correction of Presentation of Short-term Investments — The Company has corrected the presentation of certain investments in time deposits and certificates of deposit in the 2009 and 2008 consolidated financial statements, reflecting the fact that these investments have original maturities in excess of three months but no greater than thirteen months. In the accompanying Consolidated Balance Sheet as of December 31, 2009, \$400.0 million of investments previously presented as "Cash and cash equivalents (substantially restricted)" have now been properly presented as "Short-term investments (substantially restricted)." In addition, the related gross purchases and gross maturities of such short-term investments, previously presented net within "Change in cash and cash equivalents (substantially restricted)" in operating activities, have been properly presented as cash flows from investing activities in the 2009 and 2008 Consolidated Statements of Cash Flows.

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

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Working in cooperation with certain financial institutions, the Company historically established separate consolidated SPEs that provided these financial institutions with additional assurance of its ability to clear their official checks. The Company maintains control of the assets of the SPEs and receives all investment revenue generated by the assets. The Company remains liable to satisfy the obligations of the SPEs, both contractually and by operation of the Uniform Commercial Code, as issuer and drawer of the official checks. As the Company is the primary beneficiary and bears the primary burden of any losses, the SPEs are consolidated in the consolidated financial statements. The assets of the SPEs are recorded in the Consolidated Balance Sheets in a manner consistent with the assets of the Company based on the nature of the asset. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under "Payment service obligations." The investment revenue generated by the assets of the SPEs is allocated to the Financial Paper Products segment in the Consolidated Statements of Income (Loss). For the years ending December 31, 2010 and 2009, the Company's SPEs had cash and cash equivalents of \$83.2 million and \$143.6 million, respectively, and payment service obligations of \$76.9 million and \$115.3 million, respectively.

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

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

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

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

**MONEYGRAM
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

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

<i>(Amounts in thousands)</i>	2010	2009
Cash and cash equivalents (substantially restricted)	\$ 2,865,941	\$ 3,376,824
Receivables, net (substantially restricted)	982,319	1,054,381
Short-term investments (substantially restricted)	405,769	400,000
Trading investments and related put options (substantially restricted)	—	26,951
Available-for-sale investments (substantially restricted)	160,936	298,633
	4,414,965	5,156,789
Payment service obligations	(4,184,736)	(4,843,454)
Assets in excess of payment service obligations	\$ 230,229	\$ 313,335

Regulatory requirements also require MPSI to maintain positive net worth, with one state requiring that MPSI maintain positive tangible net worth. In its most restrictive state, the Company had excess permissible investments of \$423.2 million over the state's payment service obligations measure at December 31, 2010, with substantially higher excess permissible investments for most other states. The Company was in compliance with its contractual and financial regulatory requirements as of December 31, 2010.

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

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

<i>(Amounts in thousands)</i>	2010		2009		2008	
Beginning balance	\$	24,535	\$	16,178	\$	8,019
Charged to expense		6,404		21,432		12,396
Write-offs, net of recoveries		(10,968)		(13,075)		(4,237)
Ending balance	\$	19,971	\$	24,535	\$	16,178

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

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

Starting in the second quarter of 2008, the Company applies the cost recovery method of accounting for interest to its investments categorized as "Other asset-backed securities." The cost recovery method accounts for interest on a cash basis and treats any interest payments received as deemed recoveries of principal, reducing the book value of the related security. When the book value of the related security is reduced to zero, interest payments are then recognized as income upon receipt. The Company began applying the cost recovery method of accounting as it believes it is probable that the Company will not recover all, or substantially all, of its principal investment and interest for its "Other asset-backed securities" given the sustained deterioration in the market, the collapse of many asset-backed securities and the low levels to which the securities have been written down.

MONEYGRAM
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

Fair Value of Financial Instruments — Financial instruments consist of cash and cash equivalents, investments, derivatives and debt. The carrying values of cash and cash equivalents and short-term investments approximate fair value due to the short-term nature of these instruments. The carrying value of the Company's senior facility approximates fair value as interest related to the debt is variable rate. The carrying value of the Company's fixed-rate notes also approximates fair value as the contractual interest rate is comparable to debt with similar maturities issued by companies with similar credit qualities. See Note 4 — *Fair Value Measurement* for information regarding the principles and processes used to estimate the fair value of investments and derivatives.

Derivative Financial Instruments — The Company recognizes derivative instruments in the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value depends on the intended use of the derivative and the resulting designation. For a derivative instrument designated as a fair value hedge, the Company recognizes the change in fair value in earnings in the period of change, together with the offsetting change in the hedged item. For a derivative instrument designated as a cash flow hedge, the Company initially reports the effective portion of the derivative's change in fair value in "Accumulated other comprehensive loss" in the Consolidated Balance Sheets, and subsequently reclassifies the net change in fair value into earnings when the hedged exposure affects earnings.

The Company evaluated the hedge effectiveness of its derivatives designated as cash flow hedges at inception and on an on-going basis. Hedge ineffectiveness, if any, is recorded in earnings on the same line as the underlying transaction risk. When a derivative is no longer expected to be highly effective, hedge accounting is discontinued. Gain or loss on derivatives designated as cash flow hedges that were terminated or discontinued was recorded in "Investment commissions expense" or "Interest expense" in the Consolidated Statements of Income (Loss) based on the underlying transaction risk the derivative was originally hedging. 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" under the operating section or in "Other" expense in the non-operating section in the Consolidated Statements of Income (Loss) based on the Company's purpose for entering into the derivatives.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Agent equipment	3 years
Communication equipment	5 years
Computer hardware	3 years
Computer software	Lesser of the license term or 5-7 years
Leasehold improvements	Lesser of the lease term or 10 years
Office furniture and equipment	Lesser of the useful life or 7 years
Signage	3 years

For the years ended December 31, 2010 and 2009, software development costs of \$14.2 million and \$9.8 million, respectively, were capitalized. At December 31, 2010 and 2009, there is \$40.9 million and \$35.5 million, respectively, of unamortized software development costs included in property and equipment.

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

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

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

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

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

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

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

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

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

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

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

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- Other revenue consists of service charges on aged outstanding money orders, money order dispenser fees and other miscellaneous charges. Through 2009, other revenue also included processing fees on rebate checks and controlled disbursements. These fees are recognized in the period the item is processed or earned.
- Investment revenue is derived from the investment of funds generated from the sale of payment instruments, primarily official checks and money orders, and consists of interest income, dividend income and amortization of premiums and discounts. Interest and dividends are recognized as earned, with the exception of interest related to available-for-sale investments classified as "Other asset-backed securities." For "Other asset-backed securities," interest is recognized using the cost recovery method as described under the accounting policy for "Investments (substantially restricted)." Premiums and discounts on investments are amortized using a straight-line method over the life of the investment.

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

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, as well as costs associated with interest rate swaps hedging commission payments and the sale of receivables program. The Company terminated its interest rate swaps in the second quarter of 2008, as described in Note 6 — *Derivative Financial Instruments*, and terminated its sale of receivable program in the first quarter of 2008. Commissions paid to financial institution customers generally are variable based on short-term interest rates. Investment commissions are recognized each month based on the average outstanding balances of each financial institution customer and their contractual variable rate for that month.

Marketing and Advertising Expense — Marketing and advertising costs are expensed as incurred or at the time the advertising first takes place. Marketing and advertising expense was \$47.1 million, \$40.2 million and \$32.9 million for 2010, 2009 and 2008, respectively.

Stock-Based Compensation — All stock-based compensation awards are measured at fair value at the date of grant and expensed over their vesting or service periods. For awards meeting the criteria for equity treatment, expense is recognized using the straight-line method. For awards meeting the criteria for liability treatment, the fair value is remeasured at each period and the pro-rata portion of the expense is recognized using the straight-line method. See Note 13 — *Stock-Based Compensation* for further discussion of the Company's stock-based compensation.

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

In connection with restructuring and related activities during 2010, the Company recorded total expenses of \$5.9 million, comprised of \$3.0 million of severance costs in the "Compensation and benefits" line, \$1.3 million of costs in the "Transaction and operations support" line and \$1.6 million of facilities and related asset write-off charges in the "Occupancy, equipment and supplies" line of the Consolidated Statements of Income (Loss).

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Earnings Per Share — The Company utilizes the two-class method for computing basic earnings per common share, which reflects the amount of undistributed earnings allocated to the common stockholders using the participation percentage of each class of stock. Undistributed earnings is determined as the Company's net loss less dividends declared or accumulated on preferred stock less any preferred stock accretion. The undistributed earnings allocated to the common stockholders are divided by the weighted-average number of common shares outstanding during the period to compute basic earnings per common share. Diluted earnings per common share reflects the potential dilution that could result if securities or incremental shares arising out of the Company's stock-based compensation plans and the outstanding shares of Series B Stock were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method and the conversion of the Series B Stock using the if-converted method.

Potential common shares are excluded from the computation of diluted earnings per common share when the effect would be anti-dilutive. All potential common shares are anti-dilutive in periods of net loss available to common stockholders. Stock options are anti-dilutive when the exercise price of these instruments is greater than the average market price of the Company's common stock for the period. The Series B Stock is anti-dilutive when the incremental earnings per share of Series B Stock on an if-converted basis is greater than the basic earnings per common share. Following are the potential common shares excluded from diluted earnings per common share as their effect would be anti-dilutive:

<i>(Amounts in thousands)</i>	2010	2009	2008
Shares related to stock options	37,321	21,636	3,577
Shares related to restricted stock	1	28	127
Shares related to preferred stock	431,751	381,749	337,637
Shares excluded from the computation	469,073	403,413	341,341

Recent Accounting Pronouncements and Related Developments — In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. The amendments in this update require, among other things, new disclosures and clarifications of existing disclosures related to transfers in and out of Level 1 and Level 2 fair value measurements, further disaggregation of fair value measurement disclosures for each class of assets and liabilities and additional details of valuation techniques and inputs utilized. This update is consistent with the Company's current accounting application for fair value measurements and disclosures and did not have a material impact on its Consolidated Financial Statements.

In March 2010, the Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010 (collectively, the "Act") was signed into law. The Company has evaluated the impact of the Act and has made the appropriate adjustments with no material impact to its Consolidated Financial Statements.

Note 3 — Acquisitions and Disposals

Blue Dolphin Financial Services N.V. — On February 5, 2010, the Company acquired Blue Dolphin Financial Services N.V. ("Blue Dolphin"); a former super-agent in the Netherlands, for a purchase price of \$1.4 million, including cash acquired of \$1.1 million, and an earn-out potential of up to \$1.4 million. The final earn-out was calculated as of December 31, 2010 in the amount of \$0.8 million. As a result, the Company recorded a gain of \$0.2 million in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss). The acquisition of Blue Dolphin provided the Company with the opportunity for further network expansion in the Netherlands and Belgium under the European Union Payment Services Directive and additional control over sales and marketing activities.

MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company finalized its purchase price allocation in 2010, resulting in \$3.1 million of goodwill assigned to the Company's Global Funds Transfer segment, and the forgiveness of \$2.7 million of liabilities. The Company incurred \$0.1 million of transaction costs related to the acquisition in 2010, which are included in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss). The operating results of Blue Dolphin subsequent to the acquisition date are included in the Company's Consolidated Statements of Income (Loss). The financial impact of the acquisition is not material to the Consolidated Balance Sheets or Consolidated Statements of Income (Loss).

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

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

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

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

MoneyCard World Express, S.A. and Cambios Sol S.A. — In July 2008, the Company acquired MoneyCard World Express, S.A. ("MoneyCard") and Cambios Sol S.A. ("Cambios Sol"), two of its former super-agents in Spain, for purchase prices of \$3.4 million and \$4.5 million, respectively, including cash acquired of \$1.4 million and \$4.1 million, respectively. The acquisition of these money transfer entities provided the Company with a money transfer license in Spain, as well as the opportunity for further network expansion and more control over marketing and promotional activities in the region.

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

In 2009, the Company finalized its purchase price allocation, resulting in goodwill of \$4.3 million assigned to the Company's Global Funds Transfer segment and \$1.4 million of intangible assets. The intangible assets consist primarily of customer lists and developed technology and are being amortized over useful lives ranging from three to five years. In addition, the Company recognized an indefinite life intangible asset of \$0.6 million relating to the money transfer license. The purchase price allocation includes \$0.5 million of transaction costs. The operating results of MoneyCard and Cambios Sol subsequent to the acquisition dates are included in the Company's Consolidated Statements of Income (Loss). The financial impact of the acquisitions is not material to the Consolidated Balance Sheets or Consolidated Statements of Income (Loss).

Property Bridge — After evaluating the Company's market opportunity for certain of its electronic payment services, the Company received approval from its Board of Directors in January 2011 and began to actively pursue the sale of Property Bridge in February 2011. Assets, liabilities, revenue and expenses related to Property Bridge are immaterial to the Consolidated Balance Sheets as of December 31, 2010 and the Consolidated Statements of Income (Loss) for the year ended December 31, 2010.

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

Note 4 — Fair Value Measurement

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

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

MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

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

Debt — Debt is carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The fair value of debt is estimated using market quotations, where available, credit ratings, observable market indices and other market data. As of December 31, 2010, the fair value of Tranche A and Tranche B under the Company's senior facility is estimated at \$95.3 million and \$40.0 million, respectively, as compared to carrying values of \$100.0 million and \$39.9 million, respectively. As of December 31, 2010, the fair value of the Company's second lien notes is estimated at \$520.0 million as compared to a \$500.0 million carrying value. See Note 9 — *Debt* for more information on the Company's debt.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company has financial liabilities related to its forward contracts recorded at a fair value of \$0.5 million and less than \$0.1 million at December 31, 2010 and 2009. Due to the immateriality of these amounts, the Company has presented the assets and liabilities associated with its forward contracts as a net asset position in the table below. Following are the Company's financial assets recorded at fair value by hierarchy level as of December 31:

<i>(Amounts in thousands)</i>	2010			
	Level 1	Level 2	Level 3	Total
Available-for-sale investments (substantially restricted):				
United States government agencies	\$ —	\$ 8,641	\$ —	\$ 8,641
Residential mortgage-backed securities — agencies	—	128,585	—	128,585
Other asset-backed securities	—	—	23,710	23,710
Forward contracts	—	582	—	582
Total financial assets	\$ —	\$ 137,808	\$ 23,710	\$ 161,518

<i>(Amounts in thousands)</i>	2009			
	Level 1	Level 2	Level 3	Total
Trading investments and related put options (substantially restricted)	\$ —	\$ —	\$ 26,951	\$ 26,951
Available-for-sale investments (substantially restricted):				
United States government agencies	—	7,715	—	7,715
Residential mortgage-backed securities — agencies	—	268,830	—	268,830
Other asset-backed securities	—	—	22,088	22,088
Forward contracts	—	5,332	—	5,332
Total financial assets	\$ —	\$ 281,877	\$ 49,039	\$ 330,916

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

<i>(Amounts in thousands)</i>	2010			2009		
	Trading Investments and Related Put Options	Other Asset-Backed Securities	Total Level 3 Financial Assets	Trading Investments and Related Put Options	Other Asset-Backed Securities	Total Level 3 Financial Assets
Beginning balance	\$ 26,951	\$ 22,088	\$ 49,039	\$ 47,990	\$ 29,528	\$ 77,518
Realized gains	2,449	—	2,449	7,557	—	7,557
Realized losses	—	—	—	—	(2)	(2)
Principal paydowns	(29,400)	(3,711)	(33,111)	(32,900)	(6,417)	(39,317)
Other-than-temporary impairments	—	(334)	(334)	—	(4,069)	(4,069)
Unrealized gains — instruments still held at the reporting date	—	7,632	7,632	4,304	4,557	8,861
Unrealized losses — instruments still held at the reporting date	—	(1,965)	(1,965)	—	(1,509)	(1,509)
Ending balance	\$ —	\$ 23,710	\$ 23,710	\$ 26,951	\$ 22,088	\$ 49,039

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Note 5 — Investment Portfolio

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

<i>(Amounts in thousands)</i>	2010	2009
Cash	\$ 1,042,381	\$ 1,243,060
Money markets	1,818,138	1,933,764
Deposits	5,422	200,000
Cash and cash equivalents (substantially restricted)	2,865,941	3,376,824
Short-term investments (substantially restricted)	405,769	400,000
Trading investments and related put options (substantially restricted)	—	26,951
Available-for-sale investments (substantially restricted)	160,936	298,633
Total investment portfolio	\$ 3,432,646	\$ 4,102,408

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

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

Trading Investments and Related Put Options (substantially restricted) — At December 31, 2009, the Company had one trading investment with a fair value of \$11.8 million on a par value of \$29.4 million, and a related put option with a fair value of \$15.2 million. The trading investment was called at par in February 2010, resulting in a \$2.4 million gain recorded in "Net securities (gains) losses," net of the reversal of the related put option.

Two trading investments were called at par during 2009, resulting in a \$7.6 million gain recorded in "Net securities (gains) losses," net of the reversal of the related put options. The fair value of the remaining trading investment was \$11.8 million on a par value of \$29.4 million as of December 31, 2009, which was unchanged from the prior year. The fair value of the related put option was \$15.2 million, reflecting a valuation gain of \$4.3 million from the passage of time.

The Company recorded a \$14.1 million net valuation loss on its trading investments and related put options during the year ended December 31, 2008 due to market concerns regarding the capital position of the monoline insurers and their intent to pay dividends on their preferred stock.

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INTERNATIONAL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

<i>(Amounts in thousands, except net average price)</i>	2009				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Net Average Price
Residential mortgage-backed securities — agencies	\$ 259,563	\$ 9,296	\$ (29)	\$ 268,830	\$ 104.13
Other asset-backed securities	15,706	6,382	—	22,088	3.74
United States government agencies	6,854	861	—	7,715	85.72
Total	\$ 282,123	\$ 16,539	\$ (29)	\$ 298,633	\$ 34.84

At December 31, 2010 and 2009, approximately 85 percent and 93 percent, respectively, of the available-for-sale portfolio is invested in debentures of United States government agencies or securities collateralized by United States government agency debentures. These securities have always had the implicit backing of the United States government and the Company expects to receive full par value upon maturity or pay-down, as well as all interest payments. The Other asset-backed securities continue to have market exposure. The Company has factored this risk into its fair value estimates, with the average price of an asset-backed security at \$0.05 per dollar of par at December 31, 2010.

Gains and Losses and Other-Than-Temporary Impairments — At December 31, 2010 and 2009, net unrealized gains of \$21.3 million and \$16.5 million, respectively, are included in the Consolidated Balance Sheets in "Accumulated other comprehensive loss." During 2010, 2009 and 2008, net losses of \$0.3 million, \$4.1 million and \$326.6 million, respectively, were reclassified from "Accumulated other comprehensive loss" to "Net securities (gains) losses" in connection with other-than-temporary impairments and realized gains and losses recognized during the year. "Net securities (gains) losses" were as follows for the year ended December 31:

<i>(Amounts in thousands)</i>	2010	2009	2008
Realized gains from available-for-sale investments	\$ —	\$ —	\$ (34,200)
Realized losses from available-for-sale investments	—	2	290,498
Other-than-temporary impairments from available-for-sale investments	334	4,069	70,274
Valuation (gains) losses on trading investments and related put options	—	(4,304)	14,116
Realized gains from trading investments and related put options	(2,449)	(7,557)	—
Net securities (gains) losses	\$ (2,115)	\$ (7,790)	\$ 340,688

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company realigned its investment portfolio during the first quarter of 2008, resulting in the sale of securities with a fair value of \$3.2 billion (after other-than-temporary impairment charges) for proceeds of \$2.9 billion and a net realized loss of \$256.3 million. The net realized loss was the result of further deterioration in the markets during the first quarter of 2008 and the short timeframe over which the Company sold its securities. Proceeds from the sales were reinvested in cash and cash equivalents to supplement the Company's assets in excess of payment service obligations. Other-than-temporary impairment charges of \$70.3 million during 2008 were the result of further deterioration in the markets. The Company continues to have the intent to sell its investments classified as Other asset-backed securities.

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

<i>(Dollars in thousands)</i>	2010			2009		
	Number of Securities	Fair Value	Percent of Investments	Number of Securities	Fair Value	Percent of Investments
AAA, including United States agencies	25	\$ 136,893	85%	34	\$ 276,215	92%
A	0	—	—	1	415	0%
BBB	0	—	—	1	1,842	1%
Below investment grade	64	24,043	15%	69	20,161	7%
Total	89	\$ 160,936	100%	105	\$ 298,633	100%

Had the Company used the lowest rating from the rating agencies in the information presented above, there would be no change to investments rated A or better as of December 31, 2010 and 2009.

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

<i>(Amounts in thousands)</i>	2010		2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
After one year through five years	\$ 7,273	\$ 8,641	\$ 6,854	\$ 7,715
Mortgage-backed and other asset-backed securities	132,367	152,295	275,269	290,918
Total	\$ 139,640	\$ 160,936	\$ 282,123	\$ 298,633

Fair Value Determination — The Company uses various sources of pricing for its fair value estimates of its available-for-sale portfolio. The percentage of the portfolio for which the various pricing sources were used is as follows at December 31, 2010 and 2009: 81 percent and 91 percent, respectively, used a third party pricing service; 6 percent and 4 percent, respectively, used broker pricing; and 13 percent and 5 percent, respectively, used internal pricing.

Assessment of Unrealized Losses — At December 31, 2010 and 2009, the Company had nominal unrealized losses in its available-for-sale portfolio, with one Residential mortgage-backed agency security in an unrealized loss position aged 12 months or more, after the recognition of other-than-temporary impairment charges.

MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 6 — Derivative Financial Instruments

The Company uses forward contracts to hedge income statement exposure to foreign currency exchange risk arising from its assets and liabilities denominated in foreign currencies. While these contracts economically hedge foreign currency risk, they are not designated as hedges for accounting purposes. The "Transaction and operations support" line in the Consolidated Statements of Income (Loss) reflects losses of \$5.4 million, \$5.3 million and \$5.5 million in 2010, 2009 and 2008, respectively. These losses reflect changes in foreign exchange rates on foreign-denominated receivables and payables, and are net of a gain of \$1.8 million, a loss of \$5.2 million, and a gain of \$4.3 million from the related forward contracts for 2010, 2009 and 2008, respectively. As of December 31, 2010 and 2009, the Company had \$123.8 million and \$59.4 million, respectively, of outstanding notional amounts relating to its forward contracts.

At December 31, the Company reflects the following fair values of derivative forward contract instruments in its Consolidated Balance Sheets:

(Amounts in thousands)	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		2010	2009	2010	2009
Forward contracts	Other assets	\$ 1,117	\$ 5,361	\$ 535	\$ 29

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

Historically, the Company entered into foreign currency forward contracts with 12-month durations to hedge forecasted foreign currency money transfer transactions. The Company designated these forward contracts as cash flow hedges. All cash flow hedges matured in 2009. The Company recognized a gain of \$2.4 million and a loss of \$2.8 million for the years ended December 31, 2009 and 2008, respectively, in the "Other" expense line in the non-operating section of the Consolidated Statements of Income (Loss), including \$0.8 million of unrealized gains and \$2.2 million of unrealized losses reclassified from "Accumulated other comprehensive income (loss)" upon the final settlement of these cash flow hedges for the years ending December 31, 2009 and 2008.

The Company historically used interest rate swaps to hedge the variability of cash flows from its floating rate debt, as well as its floating rate commission payments to financial institution customers in the Financial Paper Products segment, primarily relating to the official check product. In connection with its restructuring of the official check business in 2008, the Company terminated certain of its financial institution customer relationships. The termination of the relationships led the Company to discontinue hedge accounting treatment in 2008 as the forecasted transaction would no longer occur. The commission swaps were terminated in 2008, resulting in a \$27.7 million loss being recognized in "Investment commissions expense" in the Consolidated Statements of Income (Loss). Additionally, as described in Note 9 — Debt, the Company's senior facility was deemed extinguished as a result of the modifications made in connection with the 2008 Recapitalization. As a result, the Company discontinued hedge accounting treatment of its debt swap and terminated the swap in 2008. As a result of the swap termination, the Company recognized a \$2.0 million loss in "Interest expense" in the Consolidated Statements of Income (Loss).

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INTERNATIONAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As described in Note 11 — *Mezzanine Equity*, the Company's Series B Stock contains a conversion option allowing the stockholder to convert the Series B Stock into shares of common stock. As the Certificate of Designation for the Series B Stock does not explicitly state that a net-cash settlement is not required in the event the Company has insufficient shares of common stock to effect a conversion, guidance from the Securities and Exchange Commission (the "SEC") requires the Company to presume a net-cash settlement would be required. As a result, the conversion option met the definition of an embedded derivative requiring bifurcation and liability accounting treatment to the extent the Company did not have sufficient shares to effect a full conversion. As of March 31, 2008 and June 30, 2008, the Company had a shortfall of committed and authorized common stock, requiring the Company to recognize an embedded derivative. On August 11, 2008, the Investors and the Company formally clarified that the provisions of the Series B Stock do not allow the Investors to require the Company to net-cash settle the conversion option if the Company does not have sufficient shares of common stock to effect a conversion. Effective with this agreement, the Series B Stock conversion option no longer met the criteria for an embedded derivative requiring bifurcation and liability accounting treatment. Accordingly, the Company remeasured the liability through August 11, 2008 and then recorded the liability to "Additional paid-in capital" in the third quarter of 2008. The increase in the fair value of the liability from the issuance of the B Stock through August 11, 2008 of \$16.0 million was recognized in the "Valuation loss on embedded derivatives" line in the Consolidated Statements of Income (Loss). There will be no further impact to the Company's Consolidated Statements of Income (Loss) as no further remeasurement of the conversion option is required.

The Series B Stock also contains a change of control redemption option which, upon exercise, requires the Company to cash settle the par value of the Series B Stock and any accumulated unpaid dividends at a 1 percent premium. As the cash settlement is made at a premium, the change of control redemption option meets the definition of an embedded derivative requiring bifurcation and liability accounting treatment. The fair value of the change of control redemption option was de minimus as of December 31, 2010 and 2009.

Note 7 — Property and Equipment

Property and equipment consists of the following at December 31:

<i>(Amounts in thousands)</i>	2010		2009	
Land	\$	2,907	\$	2,907
Office furniture and equipment		32,633		38,871
Leasehold improvements		23,947		21,378
Agent equipment		67,766		78,973
Signage		62,774		51,584
Computer hardware and software		187,604		186,601
		377,631		380,314
Accumulated depreciation		(262,520)		(252,342)
Total property and equipment	\$	115,111	\$	127,972

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

<i>(Amounts in thousands)</i>	2010		2009		2008	
Office furniture and equipment	\$	3,772	\$	4,600	\$	4,055
Leasehold improvements		3,885		3,526		2,593
Agent equipment		8,989		11,449		10,393
Signage		8,688		10,891		11,558
Computer hardware and software		20,314		23,351		23,692
Total depreciation expense	\$	45,648	\$	53,817	\$	52,291

At December 31, 2010 and 2009, there was \$3.9 million and \$1.2 million, respectively, of property and equipment that had been received by the Company and included in "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

In connection with its decision to sell its corporate airplane, the Company recognized a \$7.0 million impairment charge in 2009 and a \$1.5 million impairment charge in 2010. The sale was completed in the third quarter of 2010. In 2009, the Company fully impaired \$1.4 million of software related to its ACH Commerce business based on changes in its exit plan. In 2008, the Company decided to discontinue certain software development projects and recognized an impairment charge of \$0.9 million. All impairment charges are included in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss).

Note 8 — Goodwill and Intangible Assets

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

<i>(Amounts in thousands)</i>	Global Funds Transfer		Financial Paper Products		Other	
	2010	2009	2010	2009	2010	2009
Balance at beginning of year:						
Goodwill	\$ 428,806	\$ 426,794	\$ 2,487	\$ 2,487	\$ 15,746	\$ 20,220
Accumulated impairment charges	(3,176)	—	(2,487)	—	(15,746)	(15,164)
	425,630	426,794	—	2,487	—	5,056
Goodwill acquired	3,061	2,012	—	—	—	—
Impairment charge	—	(3,176)	—	(2,487)	—	(582)
Divestitures	—	—	—	—	—	(4,474)
Balance at end of year:						
Goodwill	431,867	428,806	2,487	2,487	15,746	15,746
Accumulated impairment charges	(3,176)	(3,176)	(2,487)	(2,487)	(15,746)	(15,746)
	\$ 428,691	\$ 425,630	\$ —	\$ —	\$ —	\$ —

Goodwill acquired in 2010 relates to the acquisition of Blue Dolphin. Goodwill acquired in 2009 relates to the acquisition of Raphaels Bank. Goodwill related to these acquisitions is not deductible for tax purposes.

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

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The Company performed an annual assessment of goodwill during the fourth quarters of 2010, 2009 and 2008. As a result of the 2009 annual assessment, it was determined that the fair value of the retail money order reporting unit, a component of the Financial Paper Products segment, was fully impaired. The Company recorded an impairment charge of \$2.5 million to the Financial Paper Products segment in 2009, which was calculated as the excess of the implied fair value of the retail money order reporting unit over the carrying amount of goodwill. There were no impairments recognized in 2010 and 2008 as a result of the annual impairment test. Goodwill impairment charges are included in the "Transaction and operations support" line of the Consolidated Statements of Income (Loss).

Intangible assets at December 31 consist of the following:

<i>(Amounts in thousands)</i>	2010			2009		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortized intangible assets:						
Customer lists	\$ 15,592	\$ (11,149)	\$ 4,443	\$ 15,307	\$ (9,130)	\$ 6,177
Non-compete agreements	137	(40)	97	200	(150)	50
Trademarks and license	613	(15)	598	597	(1)	596
Developed technology	1,519	(965)	554	1,519	(662)	857
Total intangible assets	\$ 17,861	\$ (12,169)	\$ 5,692	\$ 17,623	\$ (9,943)	\$ 7,680

In 2010, the Company recorded impairment charges of \$0.4 million related to customer lists as a result of acquired customer terminations. In 2009, the Company recorded impairment charges of \$3.6 million related to customer lists and trademarks associated with its retail money order business. Intangible impairment charges are included in the "Transaction and operations support" line of the Consolidated Statements of Income (Loss). No impairments of intangible assets were identified during 2008.

Intangible asset amortization expense for 2010, 2009 and 2008 was \$2.4 million, \$3.3 million and \$4.4 million, respectively. The estimated future intangible asset amortization expense is \$1.2 million, \$0.7 million, \$0.4 million, \$0.3 million and \$0.3 million for 2011, 2012, 2013, 2014 and 2015, respectively.

Note 9 — Debt

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

<i>(Amounts in thousands)</i>	2010		2009	
	Amount	Weighted- Average Interest Rate	Amount	Weighted- Average Interest Rate
Senior Tranche A Loan, due 2013	\$ 100,000	5.75%	\$ 100,000	5.75%
Senior Tranche B Loan, net of unamortized discount, due 2013	39,946	7.25%	196,791	7.25%
Second lien notes, due 2018	500,000	13.25%	500,000	13.25%
Total debt	\$ 639,946		\$ 796,791	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Senior Facility — On March 25, 2008, the Company's wholly owned subsidiary MoneyGram Payment Systems Worldwide, Inc. ("Worldwide") entered into a senior secured amended and restated credit agreement of \$600.0 million with JPMorgan Chase Bank, N.A. ("JPMorgan") as Administrative Agent for a group of lenders (the "senior facility"). The senior facility was composed of a \$100.0 million tranche A term loan ("Tranche A"), a \$250.0 million tranche B term loan ("Tranche B") and a \$250.0 million revolving credit facility, each of which matures in March 2013. Tranche B was issued by the Company at a discount of 93.5 percent, or \$16.3 million, which was recorded as a reduction to the carrying value of Tranche B and is being amortized over the life of the debt using the effective interest method. A portion of the proceeds from the issuance of Tranche B was used to repay \$100.0 million of the revolving credit facility on March 25, 2008.

The Company may elect an interest rate for the senior facility at each reset period based on the United States prime bank rate or the Eurodollar rate. The interest rate election may be made individually for each term loan and each draw under the revolving credit facility. For Tranche A and the revolving credit facility, the interest rate is either the United States prime bank rate plus 250 basis points or the Eurodollar rate plus 350 basis points. For Tranche B, the interest rate is either the United States prime bank rate plus 400 basis points or the Eurodollar rate plus 500 basis points. Under the terms of the senior facility, the interest rate determined using the Eurodollar index has a minimum rate of 2.50 percent. Fees on the daily unused availability under the revolving credit facility are 50 basis points. Substantially all of the Company's non-financial assets are pledged as collateral for the loans under the senior facility, with the collateral guaranteed by the Company's material domestic subsidiaries. The non-financial assets of the material domestic subsidiaries are pledged as collateral for these guarantees.

During 2010 and 2009, the Company elected the United States prime bank rate as its interest basis. In 2010 and 2009, the Company prepaid \$165.0 million and \$40.0 million, respectively, of its Tranche B loan. In 2009, the Company also paid \$1.9 million of mandatory quarterly Tranche B payments. All mandatory payments through maturity have been satisfied. In 2009, the Company repaid \$145.0 million outstanding under its revolving credit facility. As of December 31, 2010, the Company has \$243.2 million of availability under the revolving credit facility, net of \$6.8 million of outstanding letters of credit which reduce the amount available. Amortization of the debt discount on Tranche B of \$8.2 million, \$4.8 million and \$2.0 million during 2010, 2009 and 2008, respectively, is recorded in "Interest expense" in the Consolidated Statements of Income (Loss). Amortization of the debt discount in 2010 and 2009 includes pro-rata write-offs of \$5.9 million and \$1.9 million, respectively, as a result of the Tranche B prepayments.

Second Lien Notes — As part of the 2008 Recapitalization, Worldwide issued \$500.0 million of senior secured second lien notes to Goldman Sachs (the "second lien notes"), which will mature in March 2018. The interest rate on the second lien notes is 13.25 percent per year. Prior to March 25, 2011, the Company has the option to capitalize interest at a rate of 15.25 percent. If interest is capitalized, 0.50 percent of the interest is payable in cash and 14.75 percent is capitalized into the outstanding principal balance. The Company paid the interest through December 31, 2010 and anticipates that it will continue to pay the interest on the second lien notes for the foreseeable future.

Prior to the fifth anniversary, the Company may redeem some or all of the second lien notes at a price equal to 100 percent of the principal, plus any accrued and unpaid interest plus a premium equal to the greater of 1 percent or an amount calculated by discounting the sum of (a) the redemption payment that would be due upon the fifth anniversary plus (b) all required interest payments due through such fifth anniversary using the treasury rate plus 50 basis points. Starting with the fifth anniversary, the Company may redeem some or all of the second lien notes at prices expressed as a percentage of the outstanding principal amount of the second lien notes plus accrued and unpaid interest, starting at approximately 107 percent on the fifth anniversary, decreasing to 100 percent on or after the eighth anniversary. Upon a change of control, the Company is required to make an offer to repurchase the second lien notes at a price equal to 101 percent of the principal amount plus accrued and unpaid interest. The Company is also required to make an offer to repurchase the second lien notes with proceeds of certain asset sales that have not been reinvested in accordance with the terms of the second lien notes or have not been used to repay certain debt.

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

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

Both the senior facility and the second lien notes contain a financial covenant requiring the Company to maintain a minimum liquidity ratio of at least 1:1 for certain assets to outstanding payment service obligations. The senior facility also has two financial covenants referred to as the interest coverage ratio and senior secured debt ratio. The Company must maintain a minimum interest coverage ratio of 1.75:1 through September 30, 2012 and 2:1 from December 31, 2012 through maturity. The senior secured debt ratio is not permitted to exceed 5.5:1 through September 30, 2011, 5:1 from December 31, 2011 through September 30, 2012 and 4.5:1 from December 31, 2012 through maturity. At December 31, 2010, the Company is in compliance with its financial covenants.

Deferred Financing Costs — In connection with the waivers obtained on the senior facility during the first quarter of 2008, the Company capitalized financing costs of \$1.5 million. The Company also capitalized \$19.6 million and \$33.4 million of financing costs for the amendment and restatement of the senior facility and the issuance of the second lien notes, respectively. These costs were capitalized in "Other assets" in the Consolidated Balance Sheets and are being amortized over the term of the related debt using the effective interest method.

Amortization of deferred financing costs of \$9.3 million, \$8.0 million and \$5.5 million for the years ended December 31, 2010, 2009, and 2008, respectively, is recorded in "Interest expense" in the Consolidated Statements of Income (Loss). Amortization during 2010 and 2009 includes \$2.7 million and \$0.9 million, respectively, for the write-off of a pro rata portion of deferred financing costs in connection with the prepayments on Tranche B. In connection with the modification of the senior facility in 2008, the Company recognized a debt extinguishment loss of \$1.5 million, reducing deferred financing costs.

Interest Paid in Cash — The Company paid \$83.5 million, \$94.4 million and \$84.0 million of interest in 2010, 2009 and 2008, respectively.

Note 10 — Pensions and Other Benefits

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

Supplemental Executive Retirement Plans — The Company has obligations under various Supplemental Executive Retirement Plans ("SERPs"), which are unfunded non-qualified defined benefit pension plans providing postretirement income to their participants. As of December 31, 2010, all benefit accruals under the SERPs are frozen with the exception of one plan for which service is frozen but future pay increases are reflected for active participants. It is the Company's policy to fund the SERPs as benefits are paid.

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Postretirement Benefits Other Than Pensions — The Company has unfunded defined benefit postretirement plans that provide medical and life insurance for its participants. The Company amended the postretirement benefit plan to close it to new participants as of December 31, 2009. In November 2010, the Board of Directors approved a change to the plan whereby participants eligible for Medicare coverage will no longer be eligible for coverage under the plan effective July 1, 2011. The Company has determined that its postretirement benefit plan is actuarially equivalent to the Medicare Act and its application for determination of actuarial equivalence has been approved by the Medicare Retiree Drug Subsidy program. The Company's funding policy is to make contributions to the postretirement benefits plans as benefits are paid.

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

	Pension and SERPs			Postretirement Benefits		
	2010	2009	2008	2010	2009	2008
Net periodic benefit cost:						
Discount rate	5.80%	6.30%	6.50%	5.80%	6.30%	6.50%
Expected return on plan assets	8.00%	8.00%	8.00%	—	—	—
Rate of compensation increase	5.75%	5.75%	5.75%	—	—	—
Initial healthcare cost trend rate	—	—	—	9.50%	8.50%	9.00%
Ultimate healthcare cost trend rate	—	—	—	5.00%	5.00%	5.00%
Year ultimate healthcare cost trend rate is reached	—	—	—	2019	2013	2013
Projected benefit obligation:						
Discount rate	5.30%	5.80%	6.30%	5.30%	5.80%	6.30%
Rate of compensation increase	5.75%	5.75%	5.75%	—	—	—
Initial healthcare cost trend rate	—	—	—	9.00%	9.50%	8.50%
Ultimate healthcare cost trend rate	—	—	—	5.00%	5.00%	5.00%
Year ultimate healthcare cost trend rate is reached	—	—	—	2019	2019	2013

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

A one-percentage point change in assumed health care trends would have the following effects for 2010:

<i>(Amounts in thousands)</i>	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	\$ 6	\$ (5)
Effect on postretirement benefit obligation	106	(90)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

	2010	2009
Equity securities	59.8%	55.6%
Fixed income securities	34.4%	35.0%
Real estate	3.9%	5.5%
Other	1.9%	3.9%
Total	100.0%	100.0%

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

- *Short-term investment fund* — This fund is comprised of interest-bearing cash accounts and time deposits with original maturities of less than three months, and is valued at historical cost, which approximates fair value. Amounts in these investments are typically the result of temporary timing differences between receipts from other investments and reinvestment of those funds or benefit payments to plan participants.
- *Common collective trusts issued and held by the trustee* — These investments in equity and fixed income securities comprise the substantial portion of the pension plan trust and are held in various common/collective trusts that are maintained by the trustee, who is regulated, supervised and subject to periodic examination by a state or federal agency. Common collective trusts are held by the trustee for the collective investment and reinvestment of assets contributed from employee benefit plans maintained by more than one employer or a controlled group of corporations. The fair value of the common collective trust is determined based on the price per unit held as of the end of a period as determined by the trustee in accordance with their valuation methodology.
- *Real estate* — The pension plan trust holds an investment in a real estate development project. The fair value of this investment represents the estimated market value of the plan's related ownership percentage of the project based upon an appraisal as of each balance sheet date. As of December 31, 2010 and 2009, there is no unfunded commitment or potential redemptions related to this asset. The fund strategy for this asset is long-term capital appreciation.
- *Experience fund investment contracts* — These investments are actuarially determined annuity reserves for certain participants for whom annuities were purchased under a group annuity contract and were superseded and converted into an investment contract. The fair value is determined by multiplying their balances at cost times a discount factor, which is intended to recognize the difference between the investment yield at cost and the investment yield which prevailed generally at the balance sheet date for new investments of similar nature. The Company liquidated all but one of these investments in 2010 and invested the proceeds into common collective trusts. The remaining balance at December 31, 2010 relates to one contract which was in the process of being liquidated at period-end.

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

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

<i>(Amounts in thousands)</i>	2009			
	Level 1	Level 2	Level 3	Total
Short-term investment fund	\$ 2,298	\$ —	\$ —	\$ 2,298
Common collective trust — equity securities				
Large Cap securities	—	38,326	—	38,326
Small Cap securities	—	9,681	—	9,681
International securities	—	9,237	—	9,237
Common collective trust — fixed income securities				
Core fixed income	5,008	24,323	—	29,331
Long duration fixed income	—	6,655	—	6,655
Real estate	—	—	5,688	5,688
Experience fund investment contracts	—	1,692	—	1,692
Total financial assets	\$ 7,306	\$ 89,914	\$ 5,688	\$ 102,908

The Company's pension plan assets include one security that the Company considers to be a Level 3 asset for valuation purposes. This security is an investment in a real estate joint venture and requires the use of unobservable inputs in its fair value measurement. The fair value of this asset as of December 31, 2010 and 2009 was \$4.2 million and \$5.7 million, respectively. The change in reported net asset value for this asset resulted in an unrealized loss of \$1.5 million for 2010 and an unrealized gain of \$0.9 million for 2009.

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

<i>(Amounts in thousands)</i>	Pension and SERPs			Postretirement Benefits		
	2010	2009	2008	2010	2009	2008
Service cost	\$ —	\$ 894	\$ 1,069	\$ —	\$ 572	\$ 543
Interest cost	11,876	12,659	12,678	253	837	822
Expected return on plan assets	(8,664)	(9,403)	(10,275)	—	—	—
Amortization of prior service cost (credit)	84	346	414	—	(352)	(352)
Recognized net actuarial loss	4,782	3,777	2,528	15	—	—
Curtailment (gain) loss	—	(1,535)	658	—	(12,804)	—
Net periodic expense (benefit)	\$ 8,078	\$ 6,738	\$ 7,072	\$ 268	\$ (11,747)	\$ 1,013

On January 1, 2008, the Company adopted a change in measurement date for its defined benefit pension plan and SERPs and the defined benefit postretirement benefit plans in accordance with applicable accounting guidance. The change in measurement date was adopted using the transition method of measuring its plan assets and benefit obligations as of January 1, 2008. Net periodic costs of \$0.4 million for the period from the Company's previous measurement date of November 30, 2007 through January 1, 2008 were recognized as a separate adjustment to "Retained loss," net of tax. Changes in the fair value of the plan assets and benefit obligation for this period were recognized as an adjustment of \$1.5 million to the opening balance of "Accumulated other comprehensive loss" in 2008.

The Company recognized a net \$1.5 million curtailment gain in 2009 from the amendment of two SERPs and accumulated participant terminations. The amendment of the postretirement benefit plan resulted in a curtailment gain of \$12.8 million in 2009. During 2008, the Company recorded a curtailment loss of \$0.7 million under the SERPs related to the departure of the Company's former chief executive officer and another executive officer. The postretirement benefits expense for 2010, 2009 and 2008 was reduced by less than \$0.4 million due to subsidies received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Subsidies to be received under the Medicare Act in 2011 are not expected to be material.

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

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

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

<i>(Amounts in thousands)</i>	2008	
	Pension and SERPs	Postretirement Benefits
Net actuarial loss (gain)	48,039	(442)
Amortization of net actuarial loss	(2,740)	—
Amortization of prior service (cost) credit	(414)	352
Total recognized in other comprehensive income (loss)	\$ 44,885	\$ (90)
Total recognized in net periodic expense	\$ 7,072	\$ 1,013
Total recognized in net periodic expense and other comprehensive income (loss)	\$ 51,957	\$ 923

The estimated net loss and prior service cost for the defined benefit pension plan and SERPs that will be amortized from "Accumulated other comprehensive loss" into "Net periodic benefit expense" during 2011 is \$6.3 million (\$3.9 million net of tax) and less than \$0.1 million, respectively. The estimated net loss and prior service credit for the for the postretirement benefit plans that will be amortized from "Accumulated other comprehensive loss" into "Net periodic benefit expense" during 2011 is \$0.2 million (\$0.1 million, net of tax) and \$0.6 million (\$0.4 million net of tax), respectively. These amounts are a result of the plan amendment to the postretirement benefit plans effective in 2011 as discussed further above.

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

<i>(Amounts in thousands)</i>	Pension and SERPs		Postretirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation:				
Benefit obligation at the beginning of the year	\$ 211,616	\$ 207,454	\$ 4,521	\$ 13,416
Service cost	—	894	—	572
Interest cost	11,876	12,659	253	837
Actuarial loss	11,417	9,352	1,100	2,018
Plan amendments	—	(6,236)	(4,154)	(11,937)
Medicare Part D reimbursements	—	—	32	3
Benefits paid	(13,418)	(12,507)	(725)	(388)
Benefit obligation at the end of the year	\$ 221,491	\$ 211,616	\$ 1,027	\$ 4,521

<i>(Amounts in thousands)</i>	Pension and SERPs		Postretirement Benefits	
	2010	2009	2010	2009
Change in plan assets:				
Fair value of plan assets at the beginning of the year	\$ 102,908	\$ 95,551	\$ —	\$ —
Actual return on plan assets	9,931	15,918	—	—
Employer contributions	7,715	3,946	725	388
Benefits paid	(13,418)	(12,507)	(725)	(388)
Fair value of plan assets at the end of the year	\$ 107,136	\$ 102,908	\$ —	\$ —
Unfunded status at the end of the year	\$ (114,355)	\$ (108,708)	\$ (1,027)	\$ (4,521)

The unfunded status of the Pension and SERPs increased by approximately 5 percent as the benefit obligation increased \$9.9 million while the fair value of the pension plan assets increased \$4.2 million during the year. The unfunded status of the defined benefit pension plan was \$45.8 million and \$43.0 million at December 31, 2010 and 2009, respectively, and the unfunded status of the SERPs was \$68.6 million and \$65.7 million at December 31, 2010 and 2009, respectively.

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

<i>(Amounts in thousands)</i>	Pension and SERPs		Postretirement Benefits	
	2010	2009	2010	2009
Components recognized in the Consolidated Balance Sheets:				
Pension and other postretirement benefits liability	\$ (114,355)	\$ (108,708)	\$ (1,027)	\$ (4,521)
Accumulated other comprehensive loss:				
Unrealized losses for pension and postretirement benefits, net of tax	59,706	56,378	1,067	542
Prior service cost (credit) for pension and postretirement benefits, net of tax	171	223	(2,575)	—

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INTERNATIONAL, INC. AND SUBSIDIARIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

<i>(Amounts in thousands)</i>	Pension Plan		SERPs		Postretirement Benefits	
	2010	2009	2010	2009	2010	2009
Projected benefit obligation	\$ 152,904	\$ 145,933	\$ 68,587	\$ 65,683	\$ 1,027	\$ 4,521
Accumulated benefit obligation	152,904	145,933	68,587	65,683	—	—
Fair value of plan assets	107,136	102,908	—	—	—	—

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

<i>(Amounts in thousands)</i>	2011	2012	2013	2014	2015	2016-20
Pension and SERPs	\$ 14,284	\$ 14,602	\$ 14,393	\$ 14,478	\$ 20,000	\$ 74,274
Postretirement benefits	111	95	105	112	93	334

The Company has a minimum required contribution of approximately \$7.9 million for the defined benefit pension plan in 2011, and will continue to make contributions to the SERPs and the postretirement benefit plans to the extent benefits are paid. Aggregate benefits paid for the unfunded plans are expected to be \$4.6 million in 2011.

Employee Savings Plan — The Company has an employee savings plan that qualifies under Section 401(k) of the Internal Revenue Code of 1986, as amended. Contributions to, and costs of, the 401(k) defined contribution plan totaled \$3.4 million, \$3.7 million and \$3.7 million in 2010, 2009 and 2008, respectively. MoneyGram does not have an employee stock ownership plan.

Deferred Compensation Plans — Under the Deferred Compensation Plan for Directors of MoneyGram International, Inc., non-employee directors were allowed to defer all or part of their retainers, fees and stock awards in the form of stock units or cash prior to 2009. In 2007, the plan was amended to require that a portion of the retainer received by non-employee directors be deferred in stock units. In 2008, the plan was amended to state that directors who join the Board on or after March 24, 2008 shall not be eligible to participate in the plan. Effective January 1, 2009, voluntary deferrals of director fees and stock unit retainers under the plan were permanently discontinued. Deferrals made prior to 2009 will remain in the plan until such amounts become distributable in accordance with the Director's deferral elections. In April 2010, the plan was amended to convert stock unit accounts into cash. Deferred cash accounts are credited quarterly with interest based on the one-year Constant Maturity rate.

Under the Deferred Compensation Plan for Management, prior to 2010, certain employees could elect to defer their base compensation and incentive pay in the form of cash. In addition, the Company made contributions to certain participants' accounts for profit sharing contributions beyond the IRS qualified plan limits. In April 2010, the plan was amended to discontinue all future deferrals under the plan. Management deferred accounts are generally payable based upon the timing and method elected by the participant. In April 2010, the plan was amended to convert stock unit accounts to cash. Deferred cash accounts are credited quarterly with interest at the one-year Constant Maturity rate.

In February 2011, the plan was amended to (a) terminate all employee deferral accounts on the amendment date and pay each participant the balance of the participant's account in a lump sum one year from termination and (b) cash out all employer deferral accounts if and when the account balance falls below the applicable dollar amount under Section 402(g)(1)(B) of the Internal Revenue Code.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The deferred compensation plans are unfunded and unsecured, and the Company is not required to physically segregate any assets in connection with the deferred accounts. The Company has rabbi trusts associated with each deferred compensation plan which are funded through voluntary contributions by the Company. At December 31, 2010 and 2009, the Company had a liability related to the deferred compensation plans of \$3.8 million and \$5.0 million, respectively, recorded in the "Accounts payable and other liabilities" component in the Consolidated Balance Sheets. The rabbi trusts had a market value of \$10.7 million and \$10.0 million at December 31, 2010 and 2009, respectively, recorded in "Other assets" in the Consolidated Balance Sheets.

Note 11 — Mezzanine Equity

Preferred Stock — In connection with the 2008 Recapitalization, the Company issued 495,000 shares of B Stock and 265,000 shares of B-1 Stock to the Investors for a purchase price of \$495.0 million and \$265.0 million, respectively. As a result of the issuance of the Series B Stock, the Investors had an equity interest of approximately 79 percent on March 25, 2008. With the accrual of dividends, the Investors had an equity interest of approximately 84 percent and 82 percent on December 31, 2010 and 2009, respectively. In addition, the Company capitalized \$107.5 million of transaction costs, including \$7.5 million paid through the issuance of 7,500 shares of B-1 Stock to Goldman Sachs. The B Stock is convertible into shares of common stock of the Company at a price of \$2.50 per share, subject to adjustment. The B-1 Stock is convertible into B Stock by any stockholder other than Goldman Sachs. While held by Goldman Sachs, the B-1 Stock is convertible into Series D Participating Convertible Preferred Stock ("Series D Stock").

The Series B Stock pays a cash dividend of 10 percent. At the Company's option, dividends may be accrued through March 25, 2013 at a rate of 12.5 percent in lieu of paying a cash dividend. If the Company is unable to pay the dividends in cash after March 25, 2013, dividends will accrue at a rate of 15 percent. The Company anticipates that it will accrue dividends on the Series B Stock for at least the next 12 months. While no dividends have been declared as of December 31, 2010, the Company has accrued dividends through a charge to "Additional paid-in capital" to the extent available and through a charge to "Retained loss" for the remainder as accumulated and unpaid dividends are included in the redemption price of the Series B Stock. The Series B Stock also participates in any dividends declared on the common stock on an as-converted basis.

The Series B Stock may be redeemed at the option of the Company after March 25, 2013 if the average market price of its common stock exceeds \$15.00, subject to adjustment, during a period of thirty consecutive trading days. The Series B Stock will be redeemable at the option of the Investors after March 25, 2018 or upon a change of control. As of December 31, 2010, the Company believes that it is not probable that the Series B Stock will become redeemable as (a) the contingencies for the change of control redemption option and the optional redemption by the Company are not met, and (b) these two contingencies may occur prior to the ability of the Investors to exercise their option to redeem. The B Stock votes as a class with the common stock of the Company and has a number of votes equal to (i) the number of shares of common stock issuable if all outstanding shares of B Stock were converted plus (ii) the number of shares of common stock issuable if all outstanding shares of B-1 Stock were converted into B Stock and subsequently converted into common stock.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Series B Stock is recorded in the Company's Consolidated Balance Sheets as "Mezzanine equity" as it has redemption features not solely within the Company's control. The conversion feature in the B Stock met the definition of an embedded derivative requiring bifurcation during a portion of 2008. The change of control redemption option contained in the Series B Stock meets the definition of an embedded derivative requiring bifurcation. The original fair value of the embedded derivatives of \$54.8 million was recognized as a reduction of "Mezzanine equity." See Note 6 — *Derivative Financial Instruments* for further discussion of the embedded derivatives in the Series B Stock. The Company capitalized transaction costs totaling \$37.6 million and \$17.2 million relating to the issuance of the B Stock and B-1 Stock, respectively, through a reduction of "Mezzanine equity." As it is probable the Series B Stock will become redeemable in 2018, these transaction costs, along with the discount recorded in connection with the embedded derivatives, will be accreted to the Series B Stock redemption value of \$767.5 million plus any accumulated but unpaid dividends over a 10-year period using the effective interest method. Following is a summary of mezzanine equity activity:

<i>(Amounts in thousands)</i>	B Stock		B-1 Stock		Series B Stock
Balance at December 31, 2008	\$	458,408	\$	283,804	\$ 742,212
Dividends accrued		71,124		39,155	110,279
Accretion		8,539		1,674	10,213
Tax benefit on transaction costs		1,013		611	1,624
Balance at December 31, 2009		539,084		325,244	864,328
Dividends accrued		80,622		44,383	125,005
Accretion		8,493		1,527	10,020
Balance at December 31, 2010	\$	628,199	\$	371,154	\$ 999,353

Equity Registration Rights Agreement — The Company and the Investors also entered into a Registration Rights Agreement (the "Equity Registration Rights Agreement") on March 25, 2008, with respect to the Series B Stock and D Stock, and the common stock owned by the Investors and their affiliates (collectively, the "Registrable Securities"). Under the terms of the Equity Registration Rights Agreement, we are required, after a specified holding period, to use our reasonable best efforts to promptly file with the SEC a shelf registration statement relating to the offer and sale of the Registrable Securities. We are obligated to keep such shelf registration statement continuously effective under the Securities Act of 1933, as amended (the "Securities Act"), until the earlier of (1) the date as of which all of the Registrable Securities have been sold, (2) the date as of which each of the holders of the Registrable Securities is permitted to sell its Registrable Securities without registration pursuant to Rule 144 under the Securities Act and (3) fifteen years. The holders of the Registrable Securities are also entitled to five demand registrations and unlimited piggyback registrations during the term of the Equity Registration Rights Agreement. On December 14, 2010, we filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission which would permit the offer and sale of the Registrable Securities, as required by the terms of the Equity Registration Rights Agreement. The registration statement also would permit the Company to offer and sell up to \$500 million of its common stock, preferred stock, debt securities or any combination of these, from time to time, subject to market conditions and the Company's capital needs. The registration statement is subject to review by the SEC and has not yet been declared effective by the SEC.

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Note 12 — Stockholders' Deficit

Preferred Stock — The Company's Certificate of Incorporation provides for the issuance of up to 7,000,000 shares of preferred stock that may be issued in one or more series, with each series to have certain rights and preferences as shall be determined by unlimited discretion of the Company's Board of Directors, including, without limitation, voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences. At December 31, 2010 and 2009, the Company had the following designations of preferred shares: 2,000,000 shares of Series A junior participating preferred stock ("Series A Stock"); 760,000 shares of B Stock; 500,000 shares of B-1 Stock; and 200,000 shares of Series D Stock. At December 31, 2010 and 2009, no Series A Stock or Series D Stock is issued or outstanding. See Note 11 — *Mezzanine Equity* for further information on the B Stock, B-1 Stock and Series D Stock.

Common Stock — The Company's Certificate of Incorporation provides for the issuance of up to 1,300,000,000 shares of common stock with a par value of \$0.01. In connection with the spin-off, MoneyGram was recapitalized such that there were 88,556,077 shares of MoneyGram common stock issued. 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 the Company's financial condition, results of operations, cash requirements, prospects and such other factors as the Board of Directors may deem relevant. No dividends were paid in 2010. Under the terms of the equity securities and debt issued in connection with the 2008 Recapitalization, the Company's ability to declare or pay dividends or distributions to the stockholders of the Company's common stock is severely limited. The following is a summary of common stock issued and outstanding at December 31:

<i>(Amounts in thousands)</i>	2010	2009
Common shares issued	88,556	88,556
Treasury stock	(4,936)	(6,041)
Common shares outstanding	83,620	82,515

Treasury Stock — The Board of Directors has authorized the repurchase of a total of 12,000,000 shares. As of December 31, 2010, the Company has repurchased 6,795,000 shares of common stock under this authorization and has remaining authorization to repurchase up to 5,205,000 shares. There were no shares repurchased during 2010 or 2009. Following is a summary of treasury stock share activity:

<i>(Amounts in thousands)</i>	Treasury Stock Shares
Balance at December 31, 2008	5,999
Submission of shares for withholding taxes upon release of restricted stock and forfeiture of shares of restricted stock	42
Balance at December 31, 2009	6,041
Exercise of stock options and release of restricted stock, net of shares surrendered for withholding taxes	(1,105)
Balance at December 31, 2010	4,936

MONEYGRAM
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

<i>(Amounts in thousands)</i>	2010	2009
Net unrealized gains on securities classified as available-for-sale	\$ 21,296	\$ 16,510
Cumulative foreign currency translation adjustments	5,194	4,962
Prior service credit (cost) for pension and postretirement benefits, net of tax	2,404	(223)
Unrealized losses on pension and postretirement benefits, net of tax	(60,773)	(56,920)
Accumulated other comprehensive loss	\$ (31,879)	\$ (35,671)

Note 13 — Stock-Based Compensation

In connection with the spin-off, each holder of a Viad stock option was issued a stock option for MoneyGram common stock. The exercise price of each MoneyGram stock option issued in connection with the spin-off equals the exercise price of the Viad stock option times a fraction, the numerator of which was the closing price of a share of MoneyGram common stock on the first trading day subsequent to the date of spin-off and the denominator of which was that price plus the closing price of a share of Viad common stock on the first trading day subsequent to the date of spin-off (divided by four to reflect the post-spin Viad reverse stock split). These MoneyGram options are considered to have been issued under the MoneyGram International, Inc. 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.

On May 10, 2005, the Company's stockholders approved the MoneyGram International, Inc. 2005 Omnibus Incentive Plan, which authorizes the issuance of awards of up to 7,500,000 shares of common stock. Effective upon the approval of the 2005 Omnibus Incentive Plan, no new awards may be granted under the 2004 Omnibus Incentive Plan. The 2005 Omnibus Incentive Plan provides 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 restricted stock units; (d) dividend equivalents; (e) performance based awards; and (f) stock and other stock-based awards. Shares related to forfeited and cancelled awards become available for new grants, as well as shares that are withheld for full or partial payment to the Company of the exercise price of awards. Shares that are withheld as satisfaction of tax obligations relating to an award, as well as previously issued shares used for payment of the exercise price or satisfaction of tax obligations relating to an award, become available for new grants through May 10, 2015. The Company plans to satisfy stock option exercises and vesting of awards through the issuance of treasury stock. In May 2009, the stockholders of the Company approved a modification of the 2005 Omnibus Incentive Plan to increase the authorization for the issuance of awards from 7,500,000 shares of common stock to 47,000,000 shares of common stock. In May 2010, the stockholders of the Company approved a modification to the 2005 Omnibus Incentive Plan to increase the aggregate number of shares that may be granted to an eligible person in any calendar year from 10 million to 12 million shares, along with adding and clarifying provisions regarding certain limitations for performance awards denominated in shares and cash. As of December 31, 2010, the Company has remaining authorization to issue awards of up to 7,170,657 shares of common stock.

Stock Options — Beginning in 2009, option awards are generally granted with an exercise price equal to the closing market price of the Company's common stock on the date of grant. No stock options were granted in 2008. All outstanding stock options contain certain forfeiture and non-compete provisions.

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Pursuant to the terms of options granted in 2009 and 2010, 50 percent of the options awarded become exercisable through the passage of time (the "Time-based Tranche") and 50 percent of the options awarded become exercisable upon the achievement of certain conditions (the "Performance-based Tranche"). The Time-based Tranche generally becomes exercisable over a five-year period in either (a) an equal number of shares each year or (b) for some issuances in 2009, a tranching vesting schedule whereby 15 percent of the Time-based Tranche vests immediately and then at rates of 10 to 20 percent each year. The Performance-based Tranche becomes exercisable upon the achievement within five years of grant of the earlier of (a) a pre-defined common stock price for any period of 20 consecutive trading days, (b) a change in control of the Company resulting in a pre-defined per share consideration or (c) in the event the Company's common stock does not trade on a United States exchange or trading market, a public offering resulting in the Company's common stock meeting pre-defined equity values. All options granted in 2009 and 2010 have a term of 10 years.

For purposes of determining the fair value of stock option awards, the Company uses the Black-Scholes single option pricing model for the Time-based Tranches and a combination of Monte-Carlo simulation and the Black-Scholes single option pricing model for the Performance-based Tranches. Expected volatility is based on the historical volatility of the price of the Company's common stock since the spin-off on June 30, 2004. The Company used the simplified method to estimate the expected term of the award and historical information to estimate the forfeiture rate. As the pattern of changes in the value of the Company's common stock since late 2007 is substantially different from historical patterns, the nature of options granted since 2008 is substantially different from historical grants and there have been minimal stock option exercises since 2007, the Company is unable to make a more refined estimate than the use of the simplified method. The expected term represents the period of time that options are expected to be outstanding and the forfeiture rate represents the number of unvested options that will be forfeited by grantees due to termination of employment. In addition, the Company considers any expectations regarding future activity which could impact the expected term and forfeiture rate. The risk-free rate for the Black-Scholes model is based on the United States Treasury yield curve in effect at the time of grant for periods within the expected term of the option, while the risk-free rate for the Monte-Carlo simulation is based on the five-year United States Treasury yield in effect at the time of grant. Compensation cost, net of expected forfeitures, is recognized using a straight-line method over the vesting or service period. The following table provides weighted-average grant-date fair value and assumptions utilized to estimate the grant-date fair value of the options granted during the years ended December 31:

	2010	2009
Expected dividend yield	0.0%	0.0%
Expected volatility	72.9%-74.8%	72.8%-76.9%
Risk-free interest rate	1.8%-3.3%	2.3%-3.2%
Expected life	5.3-6.5 years	5.3-6.5 years
Weighted-average grant-date fair value per option	\$2.05	\$1.49

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Following is a summary of stock option activity for 2010:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000)
Options outstanding at December 31, 2009	38,145,414	\$ 3.35		
Granted	13,000,000	2.87		
Exercised	(1,098,750)	1.85		
Forfeited/Expired	(10,149,190)	3.08		
Options outstanding at December 31, 2010	39,897,474	\$ 3.31	8.49 years	\$ 12,766
Vested or expected to vest at December 31, 2010	39,528,786	\$ 3.32	8.50 years	\$ 12,670
Options exercisable at December 31, 2010	7,007,474	\$ 6.96	6.70 years	\$ 3,102

Restricted Stock — Restricted stock awards were valued at the quoted market price of the Company's common stock on the date of grant and expensed using the straight-line method over the vesting or service period of the award. Following is a summary of restricted stock activity for 2010:

	Total Shares	Weighted Average Price
Restricted stock outstanding at December 31, 2009	9,674	\$ 29.26
Vested	(9,674)	29.26
Restricted stock outstanding at December 31, 2010	—	\$ —

Restricted Stock Units — In May 2010, the Company granted an aggregate of 223,888 restricted stock units to members of the Board of Directors, excluding the Chairman of the Board, as compensation for services to be provided. The restricted stock units vest on the first anniversary of their issuance and may only be settled in the Company's common stock. The restricted stock units were valued at the quoted market price of the Company's common stock on the date of grant and are being expensed to the "Compensation and benefits" line in the Consolidated Statements of Income (Loss) using the straight-line method over the vesting period.

Following is a summary of information related to the Company's stock-based awards:

<i>(Amounts in thousands)</i>	2010	2009	2008
Expense recognized related to options	\$ 25,643	\$ 14,459	\$ 3,274
Expense recognized related to restricted stock	8	(307)	417
Expense recognized related to restricted stock units	360	—	—
Intrinsic value of options exercised	1,263	—	—
Market value of restricted stock vested	283	1,550	1,200
Cash received from option exercises	2,031	—	—

The following represents stock-based compensation information as of December 31, 2010:

<i>(Amounts in thousands)</i>	Options	Restricted Stock Units
Unrecognized compensation expense	\$ 35,788	\$ 240
Remaining weighted-average vesting period	1.4 years	0.4 years

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Note 14 — Income Taxes

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

<i>(Amounts in thousands)</i>	2010	2009	2008
United States	\$ 56,872	\$ (19,975)	\$ (345,063)
Foreign	1,508	(2,347)	7,872
Income (loss) before income taxes	\$ 58,380	\$ (22,322)	\$ (337,191)

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

<i>(Amounts in thousands)</i>	2010	2009	2008
Current:			
Federal	\$ (757)	\$ (8,172)	\$ (55,980)
State	147	669	(8,064)
Foreign	5,166	2,002	(13,938)
Current income tax expense (benefit)	4,556	(5,501)	(77,982)
Deferred income tax expense (benefit)	10,023	(14,915)	2,176
Income tax expense (benefit)	\$ 14,579	\$ (20,416)	\$ (75,806)

As of December 31, 2010 and 2009, the Company had a net income tax payable of \$6.3 million recorded in the "Accounts payable and other liabilities" line in the Consolidated Balance Sheets and a net income tax receivable of \$1.3 million recorded in the "Other assets" line in the Consolidated Balance Sheets, respectively. The Company received a \$3.8 million federal income tax refund in 2010 and a \$43.5 million federal income tax refund in 2009. Income taxes paid were \$3.9 million, \$2.2 million and \$1.7 million for 2010, 2009 and 2008, respectively.

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

<i>(Amounts in thousands)</i>	2010	2009	2008
Income tax at statutory federal income tax rate	\$ 20,433	\$ (7,813)	\$ (118,017)
Tax effect of:			
State income tax, net of federal income tax effect	1,309	2,051	1,634
Valuation allowance	(10,016)	(16,090)	44,639
Non-taxable loss on embedded derivatives	—	—	5,611
Decrease in tax reserve	(377)	(2,469)	(7,761)
Other	3,230	3,905	(1,186)
	14,579	(20,416)	(75,080)
Tax-exempt income	—	—	(726)
Income tax expense (benefit)	\$ 14,579	\$ (20,416)	\$ (75,806)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

We had tax expense of \$14.6 million in 2010, including the release of \$11.9 million of valuation allowances on deferred tax assets in the U.S. jurisdiction. The decrease in the tax reserve in 2010 was driven by the favorable settlement or closing of years subject to state audit. "Other" for 2010 includes a change in the tax treatment of the Medicare subsidy under the 2010 federal healthcare legislation and adjustments to the deferred taxes on fixed assets. Changes in facts and circumstances in the future may cause us to record additional tax benefits as further deferred tax valuation allowances are released and carry-forwards are utilized.

We had a tax benefit of \$20.4 million in 2009, primarily reflecting the release of \$17.6 million of valuation allowances on deferred tax assets. Our pre-tax net loss of \$22.3 million, when adjusted for our estimated book to tax differences, resulted in taxable income, which allowed us to release some valuation allowances on our tax loss carryovers. These book to tax differences include impairments on securities and other assets and accruals related to separated employees, litigation and unrealized foreign exchange losses. The decrease in tax reserve in 2009 was driven by the favorable settlement or closing of years subject to state audit. Included in "Other" for 2009 is \$1.6 million of expense for the reversal of tax benefits upon the forfeiture of share-based awards and \$2.3 million of expense on asset impairments.

In 2008, we had a \$75.8 million tax benefit, primarily reflecting the recognition of a \$90.5 million benefit in the fourth quarter of 2008 upon the completion of an evaluation of the technical merits of tax positions with respect to part of the net securities losses in 2008 and 2007. The \$90.5 million benefit relates to the amount of tax carry-back we were able to utilize to recover tax payments made for fiscal 2005 through 2007.

During the second quarter of 2010, the IRS completed its examination of the Company's consolidated income tax returns for 2005 to 2007, and issued its Revenue Agent Report ("RAR") challenging the Company's tax position relating to net securities losses and disallowing \$687.0 million of deductions taken in the 2007 tax return. The Company disagrees with the RAR regarding the net securities losses and filed a protest letter. The Company has had initial conferences with the IRS Appeals Office in 2010, and will continue these conferences in 2011. As of December 31, 2010, the Company has recognized a cumulative benefit of approximately \$95.0 million relating to its net securities losses.

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

<i>(Amounts in thousands)</i>	2010	2009
Deferred tax assets:		
Postretirement benefits and other employee benefits	\$ 54,754	\$ 49,145
Tax loss carryovers	328,398	319,005
Tax credit carryovers	47,602	46,577
Basis difference in revalued investments	106,863	114,708
Bad debt and other reserves	7,185	8,990
Other	—	22,703
Valuation allowance	(485,790)	(496,149)
Total deferred tax asset	59,012	64,979
Deferred tax liabilities:		
Depreciation and amortization	(63,316)	(61,520)
Gross deferred tax liability	(63,316)	(61,520)
Net deferred tax (liability) asset	\$ (4,304)	\$ 3,459

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net deferred tax asset positions are reflected in the "Other assets" line in the Consolidated Balance Sheets, while net deferred tax liability positions are included in the "Accounts payable and other liabilities" line in the Consolidated Balance Sheets. Essentially all of the deferred tax assets relate to the U.S. jurisdiction. The Company has determined that a valuation allowance is required for a significant portion of the deferred tax assets as there is not sufficient positive evidence to overcome the significant negative evidence of a three year cumulative loss. Changes in facts and circumstances in the future may cause the Company to record additional tax benefits as further deferred tax valuation allowances are released and carry-forwards are utilized. The Company continues to evaluate additional available tax positions related to the net securities losses in prior years.

The amount and expiration dates of tax loss carry-forwards (not tax effected) and credit carry-forwards as of December 31, 2010 are as follows:

<i>(Amounts in thousands)</i>	Expiration Date	Amount
United States federal and state loss carry-forwards	2012 - 2030	\$ 892,974
United States federal tax credit carry-forwards	2015 - 2028	31,357
United States federal tax credit carry-forwards	Indefinite	16,245

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

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

<i>(Amounts in thousands)</i>	2010	2009	2008
Beginning balance	\$ 10,711	\$ 13,089	\$ 33,669
Additions based on tax positions related to the current year	—	832	5,711
Settlements	(296)	(1,029)	—
Lapse in statute of limitations	(211)	(2,181)	(479)
Reductions for tax positions of prior years	—	—	(19,204)
Foreign currency translation	—	—	(6,608)
Ending balance	\$ 10,204	\$ 10,711	\$ 13,089

As of December 31, 2010, the liability for unrecognized tax benefits was \$10.2 million, of which \$3.7 million could impact the effective tax rate if recognized. The Company accrues interest and penalties for unrecognized tax benefits through "Income tax expense (benefit)" in the Consolidated Statements of Income (Loss). For the years ended December 31, 2010, 2009 and 2008, the Company accrued approximately \$0.3 million, \$0.6 million and \$2.8 million, respectively, in interest and penalties in its Consolidated Statements of Income (Loss), respectively. As of December 31, 2010 and 2009, the Company had a liability of \$1.7 million each year for interest and penalties related to its unrecognized tax benefits. As of December 31, 2010, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax positions over the next 12 months.

The Company does not consider its earnings in its foreign entities to be permanently reinvested. As of December 31, 2010 and 2009, a deferred tax liability of \$4.8 million and \$6.2 million, respectively, was recognized for the unremitted earnings of its foreign entities.

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Note 15 — Commitments and Contingencies

Operating Leases — The Company has various non-cancelable operating leases for buildings and equipment that terminate through 2021. Certain of these leases contain rent holidays and rent escalation clauses based on pre-determined annual rate increases. The Company recognizes rent expense under the straight-line method over the term of the lease. Any difference between the straight-line rent amounts and amounts payable under the leases are recorded as deferred rent in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. Cash or lease incentives received under certain leases are recorded as deferred rent when the incentive is received and amortized as a reduction to rent over the term of the lease using the straight-line method. Incentives received relating to tenant improvements are recognized as a reduction of rent expense under the straight-line method over the term of the lease. Tenant improvements are capitalized as leasehold improvements and depreciated over the shorter of the remaining term of the lease or 10 years. At December 31, 2010, the deferred rent liability relating to these incentives was \$1.9 million.

Rent expense under operating leases was \$15.3 million, \$13.8 million and \$12.7 million during 2010, 2009 and 2008, respectively. Minimum future rental payments for all non-cancelable operating leases with an initial term of more than one year are (amounts in thousands):

2011	\$	11,782
2012		9,255
2013		7,137
2014		6,549
2015		5,887
Thereafter		7,073
Total	\$	47,683

Legal Proceedings — The Company is involved in various claims, litigations and government inquiries that arise from time to time in the ordinary course of the Company's business. All of these matters are subject to uncertainties and outcomes that are not predictable with certainty. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigations alleged. Management does not believe that after final disposition any of these matters is likely to have a material adverse impact on the Company's financial condition, results of operations and cash flows.

In relation to various legal matters, including those described below, the Company had \$2.3 million and \$97.9 million of liability recorded in the "Accounts payable and other liabilities" line in the Consolidated Balance Sheets as of December 31, 2010 and 2009, respectively. As of December 31, 2009, the Company had a \$61.0 million related receivable from insurance carriers in the "Other assets" line in the Consolidated Balance Sheets. A net gain of \$12.7 million and charges totaling \$54.9 million, net of insurance recoveries, and \$0.3 million were recorded in the "Transaction and operations support" line in the Consolidated Statements of Income (Loss) during 2010, 2009 and 2008, respectively

MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Federal Securities Class Actions — As previously disclosed, on March 9, 2010, the Company and certain of its present and former officers and directors entered into a Settlement Agreement, subject to final approval of the court, to settle a consolidated class action case originally filed on October 3, 2008 in the United States District Court for the District of Minnesota captioned *In re MoneyGram International, Inc. Securities Litigation*. The settlement provides for a cash payment of \$80.0 million, all but \$20.0 million of which would be paid by the Company's insurance carriers. At a hearing on June 18, 2010, the Court issued a final order and judgment approving the settlement. The settlement became effective on July 26, 2010, when the time to appeal the Court's final order and judgment expired without any appeal having been filed. The Company paid \$20.0 million into an escrow account in March 2010 and the insurance carrier paid \$60.0 million in April 2010, resulting in full settlement of the Company's liability in this matter.

Minnesota Stockholder Derivative Claims — Certain of the Company's present and former officers and directors were defendants in a consolidated stockholder derivative action in the United States District Court for the District of Minnesota captioned *In re MoneyGram International, Inc. Derivative Litigation*. The Consolidated Complaint in this action, which was filed on November 18, 2009 and arises out of the same matters at issue in the securities class action, alleges claims on behalf of the Company for, among other things, breach of fiduciary duties, unjust enrichment, abuse of control, and gross mismanagement. On February 24, 2010, the parties entered into a non-binding Memorandum of Understanding pursuant to which they agreed, subject to final approval of the parties and the court, to settle this action. On March 31, 2010, the parties entered into a Stipulation of Settlement agreeing to settle the case on terms largely consistent with the Memorandum of Understanding. On April 1, 2010, the Court issued an Order that preliminarily approved the settlement, providing for notice to stockholders and scheduled a hearing on the settlement for June 18, 2010. The Stipulation of Settlement provides for changes to the Company's business, corporate governance and internal controls, some of which have already been implemented in whole or in part. The Company also agreed to pay attorney fees and expenses to the plaintiffs' counsel in the amount of \$1.3 million, with \$1.0 million to be paid by the Company's insurance carriers. On June 21, 2010, the Court denied an objection to the settlement filed by a MoneyGram shareholder, Russell L. Berney, and issued a final order and judgment approving the settlement. On July 20, 2010, Mr. Berney filed a notice of appeal of the final order and judgment in the United States Court of Appeals for the Eighth Circuit. On October 5, 2010, the Company entered into a Settlement Agreement to settle the claims brought individually by Mr. Berney in this proceeding and the California Action discussed below.

ERISA Class Action — On April 22, 2008, Delilah Morrison, on behalf of herself and all other MoneyGram 401(k) Plan participants, brought an action in the United States District Court for the District of Minnesota. The complaint alleged claims under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including claims that the defendants breached fiduciary duties by failing to manage the plan's investment in Company stock, and by continuing to offer Company stock as an investment option when the stock was no longer a prudent investment. The complaint also alleged that defendants failed to provide complete and accurate information regarding Company stock sufficient to advise plan participants of the risks involved with investing in Company stock and breached fiduciary duties by failing to avoid conflicts of interests and to properly monitor the performance of plan fiduciaries and fiduciary appointees. Finally, the complaint alleged that to the extent that the Company is not a fiduciary, it is liable for knowingly participating in the fiduciary breaches as alleged. On August 7, 2008, plaintiff amended the complaint to add an additional plaintiff, name additional defendants and additional allegations. For relief, the complaint sought damages based on what the most profitable alternatives to Company stock would have yielded, unspecified equitable relief, costs and attorneys' fees. On March 25, 2009, the Court granted in part and denied in part defendants' motion to dismiss. On April 30, 2010, plaintiffs filed a motion for class certification, which defendants opposed in a brief filed May 28, 2010. On June 8, 2010, defendants filed a motion for partial summary judgment. Both motions were scheduled for hearing before the Court on October 22, 2010. On October 13, 2010, the Company entered into a Settlement Agreement which provides for a cash payment of \$4.5 million, all but approximately \$0.7 million of which was paid by the Company's insurance carrier. The Court issued a final judgment and order approving the Settlement Agreement in October 2010.

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MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

California Action — On January 22, 2008, Russell L. Berney filed a complaint in Los Angeles Superior Court against the Company and its officers and directors, Thomas H. Lee Partners, L.P., and PropertyBridge, Inc. and two of its officers, alleging false and negligent misrepresentation, violations of California securities laws and unfair business practices with regard to disclosure of the Company's investments. The complaint also alleged derivative claims against the Company's Board of Directors relating to the Board's oversight of disclosure of the Company's investments and with regard to the Company's negotiations with Thomas H. Lee Partners, L.P. and Euronet Worldwide, Inc. The complaint seeks monetary damages, disgorgement, restitution or rescission of stock purchases, rescission of agreements with third parties, constructive trust and declaratory and injunctive relief, as well as attorneys' fees and costs. In July 2008, an amended complaint was filed asserting an additional claim for declaratory relief. In September 2009, an amended complaint was filed alleging additional facts and naming additional defendants. The Company's previously disclosed settlement in the Minnesota Stockholder Derivative Litigation and the Minnesota District Court's April 1, 2010 Order preliminarily approving the settlement in the Minnesota Stockholder Derivative Litigation contain provisions enjoining MoneyGram stockholders from commencing or continuing to prosecute any litigation involving the claims to be settled in that case. On April 5, 2010, the California court stayed proceedings in this action pending the settlement hearing in the Minnesota Stockholder Derivative Litigation. The final order and judgment issued in connection with the Minnesota Stockholder Derivative Litigation on June 21, 2010 enjoined Mr. Berney from prosecuting the derivative claims alleged in the California Action that were settled in the Minnesota Stockholder Action. On October 5, 2010, the Company entered into a Settlement Agreement to settle the claims brought individually by Mr. Berney against the Company and the defendants. The Court issued a final judgment and order approving the Settlement Agreement in October 2010.

Patent Action — On September 25, 2009, the United States District Court for the Western District of Texas, Austin returned a jury verdict in a patent suit brought against the Company by Western Union on May 11, 2007, styled *Western Union v. MoneyGram Payment Systems, Inc.*, alleging patent infringement and seeking damages and an injunction. The District Court awarded \$16.5 million to Western Union. The Company appealed the verdict. On December 7, 2010 the Court of Appeals for the Federal Circuit ruled in favor of the Company, reversing the District Court's ruling on the grounds of obviousness of the three underlying patents that were the subject of the appeal. The District Court proceeding also had involved a fourth patent, as to which no appeal was sought. The liability on that particular patent is expected to be approximately \$150,000 subject to a review by the District Court. Western Union filed a petition for a re-hearing before the same panel of appellate judges or the entire appellate court "en banc", which petition was denied by the Appellate Court on February 11, 2011.

Other Matters — The Company has been served with subpoenas to produce documents and testify before the Grand Jury in the Middle District of Pennsylvania. The subpoenas seek information in relation to the Company's U.S. and Canadian agents, as well as certain transactions involving such agents, fraud complaint data, and the Company's consumer anti-fraud program during the period 2004 to 2009. In addition, the Financial Crimes Enforcement Network of the US Treasury ("FinCEN") has requested information concerning the Company's reporting of fraudulent transactions during this period. The Company has provided the information requested pursuant to the subpoenas and continues to provide documents relating to its agents and the investigation. In November 2010, the Company met with the Assistant U.S. Attorney for the Middle District of Pennsylvania ("AUSA") and representatives of FinCEN to discuss the investigation. The Company is in the process of providing additional information and scheduling a follow up meeting with the AUSA and FinCEN. No claims have been made against the Company at this time.

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

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MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Due to the early stage of these other matters, the Company is unable to predict the outcome or the possible loss, or range of loss, if any, resulting therefrom.

In connection with its agreement with the Federal Trade Commission ("FTC"), the Company is making enhancements to its consumer anti-fraud program and, in 2009, paid \$18.0 million into an FTC-administered fund to refund consumers who have been victimized through third-party fraud.

Credit Facilities — At December 31, 2010, the Company has overdraft facilities through its senior facility consisting of \$6.8 million of letters of credit to assist in the management of investments and the clearing of payment service obligations. All of these letters of credit are outstanding as of December 31, 2010. These overdraft facilities reduce amounts available under the senior facility. Fees on the letters of credit are paid in accordance with the terms of the senior facility described in Note 9 — *Debt*.

Other Commitments — The Company has agreements with certain co-investors to provide funds related to investments in limited partnership interests. As of December 31, 2010, the total amount of unfunded commitments related to these agreements was \$0.3 million. The amortization expense was recognized as part of "Transaction and operations support" expense in the Consolidated Statements of Income (Loss).

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

As of December 31, 2010, the liability for minimum commission guarantees is \$0.3 million and the maximum amount that could be paid under the minimum commission guarantees is \$2.2 million over a weighted average remaining term of 1.7 years. The maximum payment is calculated as the contractually guaranteed minimum commission times the remaining term of the contract and, therefore, assumes that the agent generates no money transfer transactions during the remainder of its contract. However, under the terms of certain agent contracts, the Company may terminate the contract if the projected or actual volume of transactions falls beneath a contractually specified amount. With respect to minimum commission guarantees expiring in 2010 and 2009, the Company paid \$0.5 million and \$0.7 million, respectively, or 22 percent and 18 percent, respectively, of the estimated maximum payment for the year.

Note 16 — Segment Information

The Company's reporting segments are primarily organized based on the nature of products and services offered and the type of consumer served. The Company primarily manages its business through two reporting segments, Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfers and bill payment services to consumers through a network of agents and, in select markets, company-operated locations. The Financial Paper Products segment provides money orders to consumers through retail and financial institution locations in the United States and Puerto Rico, and provides official check services to financial institutions in the United States. One agent of both the Global Funds Transfer segment and the Financial Paper Products segment accounted for 30 percent, 29 percent and 26 percent of total revenue in 2010, 2009 and 2008, respectively. Businesses which are not operated within these segments are categorized as "Other," and primarily relate to discontinued products and businesses. Segment pre-tax operating income and segment operating margin are used to review operating performance and allocate resources.

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Global Funds Transfer segment is managed as two geographical regions or operating segments, the Americas and EMEAAP, to coordinate sales, agent management and marketing activities. The Americas region includes the United States, Canada, Mexico, the Caribbean and Latin America. EMEAAP is composed of Europe, Middle East, Africa and the Asia Pacific region. The Company monitors performance and allocates resources at both a regional and reporting segment level. As the two regions routinely interact in completing money transfer transactions and share systems, processes and licenses, we view the Global Funds Transfer segment as one global network. The nature of the consumers and products offered is the same for each region, and the regions utilize the same agent network, systems and support functions. In addition, the regions have similar regulatory requirements and economic characteristics. Accordingly, we aggregate the two operating segments into one reporting segment.

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

Also excluded from operating income for Global Funds Transfer and Financial Paper Products are interest and other expenses related to the Company's credit agreements, items related to the Company's preferred stock, operating income from businesses categorized as "Other," certain pension and benefit obligation expenses, director deferred compensation plan expenses, executive severance and related costs, certain legal and corporate costs not related to the performance of the segments and restructuring and reorganization costs. Unallocated expenses in 2010 include \$5.9 million of costs associated with restructuring initiatives and \$1.8 million of asset impairments in addition to other net corporate costs of \$7.4 million not allocated to the segments. Unallocated expenses in 2009 include \$20.3 million of legal reserves related to securities litigation and stockholder derivative claims, a net curtailment gain on benefit plans of \$14.3 million, \$7.0 million of asset impairments and \$4.4 million of executive severance and related costs in addition to other net corporate costs of \$12.9 million not allocated to the segments.

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

<i>(Amounts in thousands)</i>	2010	2009	2008
Revenue			
Global Funds Transfer:			
Money transfer	\$ 926,733	\$ 890,838	\$ 874,722
Bill payment	126,548	134,611	141,207
Total Global Funds Transfer	1,053,281	1,025,449	1,015,929
Financial Paper Products:			
Money order	68,293	74,880	86,312
Official check	41,222	47,903	151,881
Total Financial Paper Products	109,515	122,783	238,193
Other	3,857	13,479	16,459
Total revenue	\$ 1,166,653	\$ 1,161,711	\$ 1,270,581

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**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<i>(Amounts in thousands)</i>	2010	2009	2008
Segment operating income:			
Global Funds Transfer	\$ 139,314	\$ 82,647	\$ 142,203
Financial Paper Products	36,508	27,372	30,169
Other	(2,367)	(4,316)	(19,883)
Total segment operating income	173,455	105,703	152,489
Net securities (gains) losses	(2,115)	(7,790)	340,688
Interest expense	102,133	107,911	95,020
Other	—	(2,401)	20,304
Other unallocated expenses	15,057	30,305	33,668
Income (loss) before income taxes	\$ 58,380	\$ (22,322)	\$ (337,191)

<i>(Amounts in thousands)</i>	2010	2009	2008
Depreciation and amortization:			
Global Funds Transfer	\$ 40,489	\$ 43,512	\$ 44,540
Financial Paper Products	7,527	12,590	11,132
Other	58	989	1,000
Total depreciation and amortization	\$ 48,074	\$ 57,091	\$ 56,672
Capital expenditures:			
Global Funds Transfer	\$ 37,090	\$ 32,236	\$ 35,352
Financial Paper Products	5,935	6,005	5,005
Other	—	17	—
Total capital expenditures	\$ 43,025	\$ 38,258	\$ 40,357

<i>(Amounts in thousands)</i>	2010	2009
Assets:		
Global Funds Transfer	\$ 1,017,574	\$ 1,150,820
Financial Paper Products	3,797,911	4,403,829
Other	300,251	375,014
Total assets	\$ 5,115,736	\$ 5,929,663

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

<i>(Amounts in thousands)</i>	2010	2009	2008
United States	\$ 762,276	\$ 789,222	\$ 888,348
International	404,377	372,489	382,233
Total revenue	\$ 1,166,653	\$ 1,161,711	\$ 1,270,581

**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Note 17 — Subsequent Event

On March 7, 2011, the Company entered into a Recapitalization Agreement with THL and Goldman Sachs pursuant to which (i) THL will convert all of the shares of B Stock into shares of common stock in accordance with the Certificate of Designations, Preferences and Rights of Series B Participating Convertible Preferred Stock of MoneyGram International, Inc., (ii) Goldman Sachs will convert all of the shares of B-1 Stock into shares of D Stock in accordance with the Certificate of Designations, Preferences and Rights of Series B-1 Participating Convertible Preferred Stock of MoneyGram International, Inc., and (iii) THL will receive approximately 28.2 million additional shares of common stock and \$140.8 million in cash, and Goldman Sachs will receive approximately 15,504 additional shares of D Stock (equivalent to approximately 15.5 million shares of common stock) and \$77.5 million in cash (such transactions, collectively, the "2011 Recapitalization").

Concurrently with entering into the Recapitalization Agreement, Worldwide and the Company entered into a Consent Agreement with the holders of the second lien notes in which the parties have agreed to enter into a supplemental indenture to the indenture governing the second lien notes that will, among other things, amend the indenture in order to permit the 2011 Recapitalization. In addition, the Company is currently working with certain of its relationship banks to put in place a new senior secured credit facility comprised of a revolver and a term loan, which would refinance the Company's existing senior secured credit facility and provide the funding for the 2011 Recapitalization.

The 2011 Recapitalization has been approved unanimously by the Company's board of directors following the recommendation of a special committee comprised of independent and disinterested members of our board of directors, and is subject to various conditions contained in the Recapitalization Agreement, including the approval of the 2011 Recapitalization or any other matter that requires approval under the Recapitalization Agreement (collectively the "Stockholder Approval Matters") by the affirmative vote of a majority of the outstanding shares of our common stock and B Stock (on an as-converted basis), voting as a single class, and the affirmative vote of a majority of the outstanding shares of our common stock (not including the B Stock or any other stock of the Company held by any Investor), in each case voting on the Stockholder Approval Matters and the Company's receipt of sufficient financing to consummate the 2011 Recapitalization.

If the 2011 Recapitalization is completed as intended, all amounts included in mezzanine equity would be converted into components of stockholders' deficit. Unamortized transaction costs and discounts related to the mezzanine equity would be charged against additional paid-in capital to the extent available, with the remaining amount charged to retained loss. The conversion of the B Stock would result in an increase to common stock and additional paid-in capital, while the conversion of the B-1 Stock would result in the recognition of the D Stock within stockholders' deficit. The shares of common stock and D Stock issued as additional consideration, along with additional consideration to be paid in cash, would be charged against retained loss and would reduce the amount of income available to common stockholders in the calculation of earnings per share for the period in which the conversion is completed. Upon entering into a new senior secured credit facility, the Company anticipates that the unamortized discounts and deferred financing costs related to the existing senior facility would be expensed in 2011.

Note 18 — Quarterly Financial Data (Unaudited)

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

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**MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

2010 Fiscal Quarters

<i>(Amounts in thousands, except per share data)</i>	First	Second ⁽¹⁾	Third ⁽¹⁾	Fourth ⁽¹⁾
Revenue	\$ 286,504	\$ 283,897	\$ 292,887	\$ 303,365
Total operating expenses	251,442	247,119	254,413	255,281
Operating income	35,062	36,778	38,474	48,084
Total other expenses, net	22,015	27,717	24,689	25,597
Income before income taxes	\$ 13,047	\$ 9,061	\$ 13,785	\$ 22,487
Net income	\$ 10,812	\$ 6,848	\$ 9,985	\$ 16,156
Loss per common share Basic and diluted	\$ (0.26)	\$ (0.31)	\$ (0.30)	\$ (0.23)

2009 Fiscal Quarters

<i>(Amounts in thousands, except per share data)</i>	First	Second ⁽²⁾	Third ⁽²⁾	Fourth ⁽²⁾
Revenue	\$ 278,102	\$ 286,280	\$ 301,712	\$ 295,617
Total operating expenses	240,446	268,123	297,027	280,717
Operating income	37,656	18,157	4,685	14,900
Total other expenses, net	25,252	21,747	23,389	27,332
Income (loss) before income taxes	\$ 12,404	\$ (3,590)	\$ (18,704)	\$ (12,432)
Net income (loss)	\$ 11,841	\$ (3,317)	\$ (18,304)	\$ 7,874
Loss per common share Basic and diluted	\$ (0.20)	\$ (0.40)	\$ (0.60)	\$ (0.29)

- (1) Operating expenses in the second quarter of 2010 include an impairment charge of \$1.5 million. Operating expenses in the second, third and fourth quarters of 2010 include restructuring and reorganization costs of \$1.9 million, \$1.6 million and \$2.3 million, respectively. Operating expenses in the third quarter of 2010 include legal accruals of \$1.8 million. Operating expenses in the fourth quarter of 2010 include the reversal of a legal accrual of \$16.4 million.
- (2) Operating expenses in the second and third quarters of 2009 include legal accruals of \$12.0 million and \$22.5 million, respectively. Operating expenses in the fourth quarter of 2009 include \$20.3 million of legal accruals and a \$15.5 million curtailment gain on the Company's benefit plans.

Note 19 — Condensed Consolidating Financial Statements

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

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MONEYGRAM
INTERNATIONAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following information represents condensed, consolidating Balance Sheets as of December 31, 2010 and 2009, along with condensed, consolidating Statements of Income (Loss) and Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008. The condensed, consolidating financial information presents financial information in separate columns for MoneyGram International, Inc. on a Parent-only basis carrying its investment in subsidiaries under the equity method; Guarantors on a combined basis, carrying investments in subsidiaries that are not expected to guarantee the debt (collectively, the "Non-Guarantors") under the equity method; Non-Guarantors on a combined basis; and eliminating entries. The eliminating entries primarily reflect intercompany transactions, such as accounts receivable and payable, fee revenue and commissions expense and the elimination of equity investments and income in subsidiaries. As described in Note 2 — *Summary of Significant Accounting Policies* the Company has corrected the presentation of certain investments in time deposits and certificates of deposit in the 2009 and 2008 condensed, consolidating financial statements.

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**MONEYGRAM
INTERNATIONAL, INC.**
**CONDENSED,
CONSOLIDATING BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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**MONEYGRAM
INTERNATIONAL, INC.**
**CONDENSED,
CONSOLIDATING STATEMENTS OF INCOME(LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

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MONEYGRAM
INTERNATIONAL, INC.

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

<i>(Amounts in thousands)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (21,872)	\$ 73,029	\$ 9,580	\$ —	\$ 60,737
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from maturities of investments	—	140,985	—	—	140,985
Net purchases of short-term investments	—	(5,769)	—	—	(5,769)
Purchases of property and equipment, net of disposals	—	(17,901)	(14,753)	—	(32,654)
Cash paid for acquisitions, net of cash acquired	—	(1,436)	1,106	—	(330)
Capital contributions to subsidiaries	—	(4,067)	—	4,067	—
Dividends from subsidiaries	20,000	—	—	(20,000)	—
Net cash provided by (used in) investing activities	20,000	111,812	(13,647)	(15,933)	102,232
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on debt	—	(165,000)	—	—	(165,000)
Proceeds from exercise of stock options	2,031	—	—	—	2,031
Intercompany financings	(159)	159	—	—	—
Capital contributions from parent	—	—	4,067	(4,067)	—
Dividends to parent	—	(20,000)	—	20,000	—
Net cash used in financing activities	1,872	(184,841)	4,067	15,933	(162,969)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—	—	—
CASH AND CASH EQUIVALENTS — Beginning of period	—	—	—	—	—
CASH AND CASH EQUIVALENTS — End of period	\$ —	\$ —	\$ —	\$ —	\$ —

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**MONEYGRAM
INTERNATIONAL, INC.
CONDENSED, CONSOLIDATING BALANCE SHEETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

<i>(Amounts in thousands)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ —	\$ —	\$ —	\$ —	\$ —
Cash and cash equivalents (substantially restricted)	—	3,170,259	206,565	—	3,376,824
Receivables, net (substantially restricted)	—	1,047,459	6,922	—	1,054,381
Short-term investments (substantially restricted)	—	400,000	—	—	400,000
Investments and related put options (substantially restricted)	—	325,584	—	—	325,584
Property and equipment	—	111,015	16,957	—	127,972
Goodwill	—	306,878	118,752	—	425,630
Other assets	60,294	129,983	28,995	—	219,272
Equity investments in subsidiaries	237,521	164,676	—	(402,197)	—
Intercompany receivables	—	301,227	—	(301,227)	—
Total assets	\$ 297,815	\$ 5,957,081	\$ 378,191	\$ (703,424)	\$ 5,929,663
LIABILITIES AND STOCKHOLDERS' DEFICIT (EQUITY)					
Payment service obligations	\$ —	\$ 4,719,520	\$ 123,934	\$ —	\$ 4,843,454
Debt	—	796,791	—	—	796,791
Pension and other postretirement benefits	—	118,069	1,101	—	119,170
Accounts payable and other liabilities	87,773	85,180	15,980	—	188,933
Intercompany liabilities	228,727	—	72,500	(301,227)	—
Total liabilities	316,500	5,719,560	213,515	(301,227)	5,948,348
Mezzanine equity	864,328	—	—	—	864,328
Total stockholders' deficit (equity)	(883,013)	237,521	164,676	(402,197)	(883,013)
Total liabilities, mezzanine equity and stockholders' deficit (equity)	\$ 297,815	\$ 5,957,081	\$ 378,191	\$ (703,424)	\$ 5,929,663

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**MONEYGRAM
INTERNATIONAL, INC.**
**CONDENSED,
CONSOLIDATING STATEMENTS OF (LOSS) INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009**

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

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**MONEYGRAM
INTERNATIONAL, INC.**
**CONDENSED,
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009**

<i>(Amounts in thousands)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 25,847	\$ 423,763	\$ 32,924	\$ —	\$ 482,534
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from maturities of investments	—	140,999	—	—	140,999
Net purchases of short-term investments	—	(400,000)	—	—	(400,000)
Purchases of property and equipment	—	(26,253)	(11,695)	—	(37,948)
Cash paid for acquisitions, net of cash acquired	—	—	(3,210)	—	(3,210)
Proceeds from disposal of a business	—	4,500	—	—	4,500
Dividends from subsidiaries	—	18,019	—	(18,019)	—
Net cash provided by (used in) investing activities	—	(262,735)	(14,905)	(18,019)	(295,659)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on debt	—	(186,875)	—	—	(186,875)
Intercompany financings	(25,847)	25,847	—	—	—
Dividends to parent	—	—	(18,019)	18,019	—
Net cash (used in) provided by financing activities	(25,847)	(161,028)	(18,019)	18,019	(186,875)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—	—	—
CASH AND CASH EQUIVALENTS — Beginning of period	—	—	—	—	—
CASH AND CASH EQUIVALENTS — End of period	\$ —	\$ —	\$ —	\$ —	\$ —

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**MONEYGRAM
INTERNATIONAL, INC.**
**CONDENSED,
CONSOLIDATING STATEMENTS OF (LOSS) INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008**

<i>(Amounts in thousands)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
REVENUE					
Fee and other revenue	\$ —	\$ 1,101,379	\$ 116,407	\$ (109,335)	\$ 1,108,451
Investment revenue	—	135,218	26,912	—	162,130
Total revenue	—	1,236,597	143,319	(109,335)	1,270,581
EXPENSES					
Fee and other commissions expense	—	519,792	12,015	(29,490)	502,317
Investment commissions expense	—	102,292	—	—	102,292
Total commissions expense	—	622,084	12,015	(29,490)	604,609
Compensation and benefits	17,688	170,525	36,367	—	224,580
Transaction and operations support	12,406	242,566	44,778	(79,845)	219,905
Occupancy, equipment and supplies	—	39,599	6,395	—	45,994
Depreciation and amortization	—	44,984	11,688	—	56,672
Total operating expenses	30,094	1,119,758	111,243	(109,335)	1,151,760
OPERATING (LOSS) INCOME	(30,094)	116,839	32,076	—	118,821
Other expense (income)					
Net securities (gains) losses	—	246,719	93,969	—	340,688
Interest expense	6,478	88,542	—	—	95,020
Other	16,030	4,274	—	—	20,304
Total other expenses, net	22,508	339,535	93,969	—	456,012
(Loss) income before income taxes	(52,602)	(222,696)	(61,893)	—	(337,191)
Income tax (benefit) expense	(18,411)	(58,580)	1,185	—	(75,806)
(Loss) income after income taxes	(34,191)	(164,116)	(63,078)	—	(261,385)
Equity (loss) income in subsidiaries	(227,194)	(63,078)	—	290,272	—
NET (LOSS) INCOME	\$ (261,385)	\$ (227,194)	\$ (63,078)	\$ 290,272	\$ (261,385)

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MONEYGRAM
INTERNATIONAL, INC.

CONDENSED,
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

<i>(Amounts in thousands)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
NET CASH PROVIDED USED IN OPERATING ACTIVITIES	\$ (46,315)	\$ (3,880,047)	\$ (713,419)	\$ —	\$ (4,639,781)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales of investments	—	2,004,482	891,529	—	2,896,011
Proceeds from maturities of investments	—	351,983	141,337	—	493,320
Purchases of property and equipment	—	(31,537)	(6,933)	—	(38,470)
Cash paid for acquisitions, net of cash acquired	—	(474)	(2,454)	—	(2,928)
Capital contributions to subsidiaries	(760,000)	—	—	760,000	—
Dividends from subsidiaries	—	310,060	—	(310,060)	—
Net cash (used in) provided by investing activities	(760,000)	2,634,514	1,023,479	449,940	3,347,933
CASH FLOWS FROM FINANCING ACTIVITIES:					
Net proceeds from issuance of debt	—	685,945	—	—	685,945
Payments on debt	—	(101,875)	—	—	(101,875)
Net proceeds from issuance of preferred stock	707,778	—	—	—	707,778
Intercompany financings	98,537	(98,537)	—	—	—
Capital contributions from parent	—	760,000	—	(760,000)	—
Dividends to parent	—	—	(310,060)	310,060	—
Net cash provided by (used in) financing activities	806,315	1,245,533	(310,060)	(449,940)	1,291,848
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	—	—	—	—
CASH AND CASH EQUIVALENTS — Beginning of period	—	—	—	—	—
CASH AND CASH EQUIVALENTS — End of period	\$ —	\$ —	\$ —	\$ —	\$ —

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**SUBSIDIARIES
OF
MONEYGRAM INTERNATIONAL, INC.**

Blue Dolphin Financial Services N.V. (Belgium)
Blue Dolphin Financial Services (Nederland) B.V. (Netherlands)
Blue Dolphin Financial Services s.r.o. (Czech Republic)
Ferrum Trust (Delaware)
Hematite Trust (Delaware)
MIL Overseas Limited (United Kingdom)
MIL Overseas Nigeria Limited (Nigeria)
MoneyGram France, S.A. (France)
MoneyGram India Private Ltd. (India)
MoneyGram International Holdings Limited (United Kingdom)
MoneyGram International Limited (Jordan)
MoneyGram International Limited (United Kingdom)
MoneyGram International Pte. Ltd (Singapore)
MoneyGram of New York LLC (Delaware)
MoneyGram Overseas (Pty) Limited South Africa (South Africa)
MoneyGram Payment Systems Bulgaria, EOOD (Bulgaria)
MoneyGram Payment Systems Canada, Inc. (Ontario)
MoneyGram Payment Systems, Inc. (Delaware)
MoneyGram Payment Systems Italy S.r.l. (Italy)
MoneyGram Payment Systems Spain, S.A. (Spain)
MoneyGram Payment Systems Worldwide, Inc. (Delaware)
PropertyBridge, Inc. (Delaware)
Travelers Express Co. (P.R.), Inc. (Puerto Rico)
Tssavorite Trust (Delaware)

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements No. 333-159709, No. 333-125122 and No. 333-116976 on Form S-8 and in Registration Statement No. 333-171151 on Form S-3 of our reports dated March 15, 2011, relating to the consolidated financial statements of MoneyGram International, Inc., and the effectiveness of MoneyGram International, Inc.'s internal control over financial reporting, appearing in the Annual Report on Form 10-K of MoneyGram International, Inc. for the year ended December 31, 2010.

/s/ DELOITTE & TOUCHE LLP Minneapolis, Minnesota March 15, 2011

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Timothy C. Everett and Corinna Ulrich, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign MoneyGram International, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

<u>/s/ J. Coley Clark</u> J. Coley Clark	March 11, 2011
<u>/s/ Victor W. Dahir</u> Victor W. Dahir	March 11, 2011
<u>/s/ Thomas M. Hagerty</u> Thomas M. Hagerty	March 11, 2011
<u>/s/ Scott L. Jaeckel</u> Scott L. Jaeckel	March 11, 2011
<u>/s/ Seth W. Lawry</u> Seth W. Lawry	March 11, 2011
<u>/s/ Ann Mather</u> Ann Mather	March 11, 2011
<u>/s/ Ganesh B. Rao</u> Ganesh B. Rao	March 11, 2011
<u>/s/ W. Bruce Turner</u> W. Bruce Turner	March 11, 2011

**Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Pamela H. Patsley, certify that:

1. I have reviewed this Annual Report on Form 10-K of MoneyGram International, Inc. for the fiscal year ended December 31, 2010;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2011

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

**Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, James E. Shields, certify that:

1. I have reviewed this Annual Report on Form 10-K of MoneyGram International, Inc. for the fiscal year ended December 31, 2010;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2011

/s/ James E. Shields

James E. Shields
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K (the "Report"), of MoneyGram International, Inc. (the "Company") for the period ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof I, Pamela H. Patsley, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2011

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

**Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

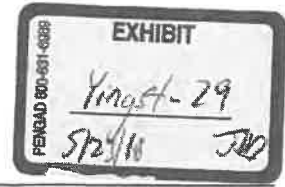
In connection with the Annual Report on Form 10-K (the "Report"), of MoneyGram International, Inc. (the "Company") for the period ended December 31, 2010, as filed with the Securities and Exchange Commission on the date hereof I, James E. Shields, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 15, 2011

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

Exhibit M



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2017.
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____.

Commission File Number: 001-31950



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

Delaware
(State or other jurisdiction of
incorporation or organization)
2828 N. Harwood St., 15th Floor
Dallas, Texas
(Address of principal executive offices)

16-1690064
(I.R.S. Employer
Identification No.)
75201
(Zip Code)

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

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

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Common stock, \$0.01 par value	The NASDAQ Stock Market LLC
Securities registered pursuant to Section 12(g) of the Act: None	

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

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

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of voting and nonvoting common stock held by non-affiliates of the registrant, computed by reference to the last sales price as reported on the NASDAQ Stock Market LLC as of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, was \$499.5 million. 55,460,583 shares of common stock were outstanding as of March 8, 2018.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information required by Part III of this report is incorporated by reference from the registrant's proxy statement for the 2018 Annual Meeting of Stockholders.

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PART I

Item 1. BUSINESS

Overview

MoneyGram International, Inc. (together with our subsidiaries, "MoneyGram," the "Company," "we," "us" and "our") is a global provider of innovative money transfer services and is recognized worldwide as a financial connection to friends and family. Whether online, through a mobile device, at a kiosk or in a local store, we connect consumers in any way that is convenient for them. We also provide bill payment services, issue money orders and process official checks in select markets. Our primary customers are persons who may not be fully served by other financial institutions, which we refer to as unbanked or underbanked consumers. Unbanked consumers do not have a relationship with a traditional financial institution. Underbanked consumers are not fully served by traditional financial institutions. The World Bank, a key source of industry analysis for cross-border remittance data, estimates that 2 billion adults are unbanked, based on 2017 global data. As an alternative financial services provider, we provide these consumers with essential services to help them meet the financial demands of their daily lives. Many of our customers utilize traditional banking services but prefer to use our services based on convenience, quality of our service, trust of our brand, cost or to make urgent payments or transfers.

Our offerings include money transfers, bill payment services, money order services and official check processing. Our money transfer services are our primary revenue driver. Our services are offered in approximately 350,000 locations in more than 200 countries and territories and are primarily operated by third-party businesses ("agents"), but also include Company-operated retail locations. We also offer Digital solutions such as moneygram.com, mobile solutions, account deposit and kiosk-based services. We have one primary customer care center in Warsaw, Poland, with regional support centers providing ancillary services and additional call center services in various countries. We provide call center services 24 hours per day, 365 days per year and provide customer service in dozens of languages.

The MoneyGram® brand is recognized throughout the world. We use various trademarks and service marks in our business, including, but not limited, to MoneyGram, the Globe design logo, MoneyGram Bringing You Closer, MoneyGram MyWay, MoneyGram MobilePass, MoneyGram Kameleon, ExpressPayment, Send It. Pay It. Load It., Moneygrado, FormFree, AgentWorks, Agent-Connect, Delta, DeltaWorks, PowerTransact and PrimeLink, some of which are registered in the United States and other countries. This document also contains trademarks and service marks of other businesses that are the property of their respective holders and are used herein solely for identification purposes. We have omitted the ® and ™ designations, as applicable, for the trademarks we reference.

We conduct our business primarily through our wholly-owned subsidiary, MoneyGram Payment Systems, Inc. ("MPSI"), under the MoneyGram brand. The Company was incorporated in Delaware on December 18, 2003 in connection with the June 30, 2004 spin-off from our former parent company, Viad Corporation. Through the Company's predecessors, we have been in operation for over 70 years.

The Company utilizes specific terms related to our business throughout this document, including the following:

Corridor — With regard to a money transfer transaction, the originating "send" location and the designated "receive" location are referred to as a corridor.

Corridor mix — The relative impact of increases or decreases in money transfer transaction volume in each corridor versus the comparative prior period.

Face value — The principal amount of each completed transaction, excluding any fees related to the transaction.

Foreign currency — The impact of foreign currency exchange rate fluctuations on our financial results is typically calculated as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior-year period's currency exchange rates. We use this method to calculate the impact of changes in foreign currency exchange rates on revenues, commissions and other operating expenses for all countries where the functional currency is not the U.S. dollar.

Termination of Merger Agreement

As previously disclosed, on January 26, 2017, the Company entered into an Agreement and Plan of Merger (as amended by the First Amendment to the Agreement and Plan of Merger, dated April 15, 2017, the "Merger Agreement") with Alipay (UK) Limited, a United Kingdom limited company ("Alipay"), Matrix Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Alipay ("Merger Sub"), and, solely for purposes of certain specified provisions of the Merger Agreement, Alipay (Hong Kong) Holding Limited, a Hong Kong limited company, providing for the merger of Merger Sub with and into the Company, with the Company surviving as a wholly owned subsidiary of Alipay (the "Merger").

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The closing of the Merger was subject to certain conditions, including clearance by the Committee on Foreign Investment in the United States ("CFIUS") under the Defense Production Act of 1950, as amended. The parties to the Merger Agreement were advised that CFIUS clearance of the Merger would not be forthcoming. After further discussion between the parties, they determined to cease efforts to seek CFIUS approval and entered into a Termination Agreement, dated January 2, 2018 (the "Termination Agreement"), pursuant to which they mutually terminated the Merger Agreement, with Alipay paying the Company a termination fee of \$30.0 million. The parties also agreed to release each other from certain claims and liabilities arising out of or relating to the Merger Agreement or the transactions contemplated thereby.

In addition, pursuant to the Termination Agreement, the Company and Alipay agreed to work collaboratively to explore and develop non-exclusive strategic initiatives to bring together their capabilities in the remittance and digital payments markets to provide their respective customers with user-friendly, rapid-response and low-cost money transfer services into China, India, the Philippines and other markets.

Our Segments

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

	2017	2016	2015
Global Funds Transfer			
Money transfer	89%	89%	89%
Bill payment	5%	6%	7%
Financial Paper Products			
Money order	3%	3%	3%
Official check	3%	2%	1%
Total revenue	100%	100%	100%

See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 14 — Segment Information of the Notes to the Consolidated Financial Statements for additional financial information about our segments and geographic areas.

During 2017, 2016 and 2015, our 10 largest agents accounted for 34%, 36% and 37%, respectively, of total revenue and 35%, 37% and 39%, respectively, of Global Funds Transfer segment revenue. Wal-Mart Stores, Inc. ("Walmart") is our only agent that accounts for more than 10% of our total revenue. In 2017, 2016 and 2015, Walmart accounted for 17%, 18% and 19%, respectively, of total revenue. Walmart accounted for 18% of Global Funds Transfer revenue in 2017 and 19% of Global Funds Transfer segment revenue in each of 2016 and 2015.

Global Funds Transfer Segment

The Global Funds Transfer segment is our primary revenue driver, providing money transfer services and bill payment services primarily to unbanked and underbanked consumers. We utilize a variety of proprietary point-of-sale platforms, including AgentConnect, which is integrated into an agent's point-of-sale system, DeltaWorks and Delta T3, which are separate software and stand-alone device platforms, and moneygram.com.

We continue to focus on the growth of our Global Funds Transfer segment outside of the U.S. During 2017 and 2016 sends originated outside of the U.S. generated 47% each year and 46% in 2015, of our total Company revenue, and 50%, 49% and 48% for 2017, 2016 and 2015, respectively, of our total Global Funds Transfer segment revenue. In 2017, our Global Funds Transfer segment had total revenue of \$1.5 billion.

Money Transfer — We earn our money transfer revenues primarily from consumer transaction fees and the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. We have corridor pricing capabilities that provide us flexibility when establishing consumer fees and foreign exchange rates for our money transfer services, which allow us to remain competitive in all locations. In a cash-to-cash money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally a fixed fee or is based on a percentage of the fee charged to the consumer. When a money transfer transaction is initiated at a MoneyGram-owned store, staging kiosk or via our online platform, typically only the receiving agent earns a commission.

In certain countries, we have multi-currency technology that allows consumers to choose a currency when initiating or receiving a money transfer. The currency choice typically consists of local currency, U.S. dollars and/or euros. These capabilities allow consumers to know the amount that will be received in the selected currency.

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The majority of our remittances constitute transactions in which cash is collected by one of our agents and funds are available for pick-up at another agent location. Typically, the designated recipient may receive the transferred funds within 10 minutes at any MoneyGram agent location. In select countries, the designated recipient may also receive the transferred funds via a deposit to the recipient's bank account, mobile phone account or prepaid card. Through our online product offerings, consumers can remit funds from a bank account, credit card or debit card.

We offer a variety of services to provide the best consumer experience possible at our agent locations. We offer transaction-staging kiosks at select agent locations around the world. Our MoneyGram MobilePass product allows customers to stage a transaction on a mobile device or online and pay for the transaction at one of MoneyGram's thousands of locations across the U.S. Through our FormFree service, consumers are directed via phone to one of our customer care centers where a representative collects transaction information and enters it directly into our central data processing system.

In 2017, we offered our money transfer services on the internet via our moneygram.com service in the U.S., United Kingdom and Germany and through affiliate websites. Through moneygram.com, consumers have the ability to send money from the convenience of their home or internet-enabled mobile device to any of our agent locations worldwide or to a recipient's bank account through a debit or credit card or, in certain cases, funding with a U.S. checking account. Money transfer transactions through moneygram.com grew 24% and revenue grew 25% in 2017 over the prior year.

We also offer our money transfer services via virtual agents allowing our consumers to send international transfers conveniently from a website or their mobile phone in 27 countries. We continue to expand our money transfer services to consumers through the addition of transaction-staging kiosks, ATMs, prepaid cards and direct-to-bank account products in various markets around the world.

As of December 31, 2017, our money transfer agent network had approximately 350,000 locations. Our agent network includes agents such as international post offices, formal and alternative financial institutions as well as large and small retailers. Additionally, we have Company-operated retail locations in the U.S. and Western Europe. Some of our agents outside the U.S. manage sub-agents. We refer to these agents as super-agents. Although these sub-agents are under contract with these super-agents, the sub-agent locations typically have access to similar technology and services as our other agent locations. Many of our agents have multiple locations, a large number of which operate in locations that are open outside of traditional banking hours, including nights and weekends. Our agents know the markets they serve and they work with our sales and marketing teams to develop business plans for their markets. This may include contributing financial resources to, or otherwise supporting, our efforts to market MoneyGram's services.

Bill Payment Services — We earn our bill payment revenues primarily from fees charged to consumers for each transaction completed. Our primary bill payment service offering is our ExpressPayment service, which we offer at substantially all of our money transfer agent and Company-operated locations in the U.S., Canada and Puerto Rico, at certain agent locations in select Caribbean and European countries and through our Digital solutions.

Through our bill payment services, consumers can complete urgent bill payments, pay routine bills, or load and reload prepaid debit cards with cash at an agent location, company-operated locations or through moneygram.com with a credit or debit card. We offer consumers same-day and two or three day payment service options; the service option is dependent upon our agreement with the biller. We offer payment options to over 13,500 billers in key industries, including the ability to allow the consumer to load or reload funds to nearly 500 prepaid debit card programs. These industries include the credit card, mortgage, auto finance, telecommunications, corrections, health care, utilities, property management, prepaid card and collections industries.

Marketing — We have global marketing and product management teams located in multiple geographical regions. We employ a strategy of developing products and marketing campaigns that are global, yet can be tailored to address our consumer base and local needs. A key component of our marketing efforts is our global branding. We use a marketing mix to support our brand, which includes traditional, digital and social media, point-of-sale materials, signage at our agent locations, targeted marketing campaigns, seasonal campaigns and sponsorships.

Sales — Our sales teams are organized by geographic area, product and delivery channel. We have dedicated teams that focus on developing our agent and biller networks to enhance the reach of our money transfer and bill payment products. Our agent requirements vary depending upon the type of outlet, location and compliance and regulatory requirements. Our sales teams and strategic partnership teams continue to improve our agent relationships and overall network strength with a goal of providing the optimal agent and consumer experience.

Competition — The market for money transfer and bill payment services continues to be very competitive and the World Bank estimates that in 2018 cross-border remittances will be over \$600 billion. We generally compete for money transfer agents on the basis of value, service, quality, technical and operational differences, price, commission and marketing efforts. We compete for money transfer consumers on the basis of trust, convenience, availability of outlets, price, technology and brand recognition.

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Our competitors include a small number of large money transfer and bill payment providers, financial institutions, banks and a large number of small niche money transfer service providers that serve select regions. Our largest competitor in the money transfer industry is The Western Union Company ("Western Union"), which also competes with our bill payment services and money order businesses. In 2014, Walmart launched a white label money transfer service, a program operated by a competitor of MoneyGram that allows consumers to transfer money between Walmart U.S. store locations. We will encounter increasing competition as new technologies emerge that allow consumers to send and receive money through a variety of channels, but we continue to be an innovator in the industry by diversifying our core money transfer business through new channels, such as online, mobile solutions, kiosk and other digital offerings.

Seasonality — A larger share of our annual money transfer revenues traditionally occurs in the third and fourth quarters as a result of major global holidays falling during or around this period.

Financial Paper Products Segment

Our Financial Paper Products segment provides money orders to consumers through our agents and financial institutions located throughout the U.S. and Puerto Rico and provides official check outsourcing services for financial institutions across the U.S.

In 2017, our Financial Paper Products segment generated revenues of \$94.0 million from fee and other revenue and investment revenue. We earn revenue from the investment of funds underlying outstanding official checks and money orders. We refer to our cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and available-for-sale investments collectively as our "investment portfolio." Our investment portfolio primarily consists of low risk, highly liquid, short-term U.S. government securities and bank deposits that produce a low rate of return.

Money Orders — Consumers use our money orders to make payments in lieu of cash or personal checks. We generate revenue from money orders by charging per item and other fees, as well as from the investment of funds underlying outstanding money orders, which generally remain outstanding for approximately six days. We sell money orders under the MoneyGram brand and on a private label or co-branded basis with certain agents and financial institutions in the U.S. As of December 31, 2017, we issued money orders through our network of over 17,500 agents and financial institution locations in the U.S. and Puerto Rico.

Official Check Outsourcing Services — Official checks are used by consumers where a payee requires a check drawn on a bank. Financial institutions also use official checks to pay their own obligations. Similar to money orders, we generate revenue from our official check outsourcing services through U.S. banks and credit unions by charging per item and other fees, as well as from the investment of funds underlying outstanding official checks, which generally remain outstanding for approximately four days. As of December 31, 2017, we provided official check outsourcing services through approximately 800 financial institutions at approximately 5,600 branch bank locations.

Marketing — We employ a wide range of marketing methods. We use a marketing mix to support our brand, which includes traditional, digital and social media, point of sale materials, signage at our agent locations and targeted marketing campaigns. Official checks are financial institution branded, and therefore, all marketing to this segment is business to business.

Sales — Our sales teams are organized by product and delivery channel. We have dedicated teams that focus on developing our agent and financial institution networks to enhance the reach of our official check and money order products. Our agent and financial institution requirements vary depending upon the type of outlet or location, and our sales teams continue to improve and strengthen these relationships with a goal of providing the optimal consumer experience with our agents and financial institutions.

Competition — Our money order competitors include a small number of large money order providers and a large number of small regional and niche money order providers. Our largest competitors in the money order industry are Western Union and the U.S. Postal Service. We generally compete for money order agents on the basis of value, service, quality, technical and operational differences, price, commission and marketing efforts. We compete for money order consumers on the basis of trust, convenience, availability of outlets, price, technology and brand recognition.

Official check competitors include financial institution solution providers, such as core data processors, and corporate credit unions. We generally compete against a financial institution's desire to perform these processes in-house with support from these types of organizations. We compete for official check customers on the basis of value, service, quality, technical and operational differences, price and commission.

Regulation

Compliance with laws and regulations is a highly complex and integral part of our day-to-day operations. Our operations are subject to a wide range of laws and regulations of the U.S. and other countries, including anti-money laundering laws and regulations; financial services regulations; currency control regulations; anti-bribery laws; regulations of the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"); money transfer and payment instrument licensing laws; escheatment laws; privacy, data protection and information security laws; and consumer disclosure and consumer protection laws. Regulators worldwide are exercising heightened supervision of money transfer providers and requiring increased efforts to ensure compliance. Failure to comply with any applicable laws and regulations could result in restrictions on our ability to provide our products and services.

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as well as the potential imposition of civil fines and possibly criminal penalties. See "Risk Factors" section in Item 1A for additional discussion regarding potential impacts of failure to comply. We continually monitor and enhance our global compliance programs in light of the most recent legal and regulatory changes.

Deferred Prosecution Agreement — In November 2012, we announced that a settlement was reached with the U.S. Attorney's Office for the Middle District of Pennsylvania (the "MDPA") and the U.S. Department of Justice ("U.S. DOJ") relating to the previously disclosed investigation of transactions involving certain of our U.S. and Canadian agents, as well as fraud complaint data and the consumer anti-fraud program, during the period from 2003 to early 2009. In connection with this settlement, we entered into a five-year deferred prosecution agreement (the "DPA") with the MDPA and U.S. DOJ dated November 8, 2012. Under the DPA, we agreed to a forfeiture of \$100.0 million that is available as restitution to victims of the consumer fraud scams perpetrated through MoneyGram agents. Also under the DPA, we have agreed, among other things, to retain an independent compliance monitor for a period of five years and in the first quarter of 2013, Aaron Marcu, a litigation partner with Freshfields Bruckhaus Deringer, LLP in New York and head of its global financial institutions litigation group, was selected as our independent compliance monitor. We have received five annual reports from the compliance monitor, and we continue to make investments in various areas related to our compliance systems and operations in order to comply with the requirements contained in the DPA and recommendations of the compliance monitor.

On November 1, 2017, the Company agreed to a stipulation with the MDPA and the DOJ (the "Government") that the term of the Company's DPA be extended for 90 days to February 6, 2018. On January 31, 2018, the Company agreed with the Government that the term of the DPA be extended for an additional 45 days to March 23, 2018. The purpose of the extension is to provide the Company and the Government additional time to discuss whether the Company is in compliance with the DPA. There can be no assurance that the Company and the Government will continue to be able to negotiate a mutually satisfactory outcome during such 45 day period (or any further short-term extension of the DPA) or that such outcome will not include a further extension of the DPA, financial penalties or additional restrictions on the Company, including a monitorship period beyond the current monitorship that ends on April 30, 2018. Furthermore, there can be no assurance that the Government will not seek any other remedy, including criminal prosecution and financial penalties, in lieu of an extension of the DPA and monitorship.

The Company has recorded an \$85.0 million accrual in connection with a possible resolution of this matter, based on the facts and circumstances known at the time. However, the Company is unable to reasonably estimate the ultimate loss and no assurance can be given that future costs and payments made in connection with this matter will not exceed the amount currently recorded or that the government will not also seek to impose non-monetary remedies or penalties. See "Risk Factors — We face possible uncertainties relating to compliance with and the impact of the deferred prosecution agreement entered into with the U.S. federal government" for additional information.

Anti-Money Laundering Compliance — Our services are subject to U.S. anti-money laundering laws and regulations, including the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001, as well as state laws and regulations and the anti-money laundering laws and regulations in many of the countries in which we operate, particularly in the European Union. Countries in which we operate may require one or more of the following:

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

Anti-money laundering regulations are constantly evolving and vary from country to country. We continuously monitor our compliance with anti-money laundering regulations and implement policies and procedures in light of the most current legal requirements.

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We offer our money transfer services primarily through third-party agents with whom we contract and do not directly control. As a money services business, we and our agents are required to establish anti-money laundering compliance programs that include: (i) internal policies and controls; (ii) designation of a compliance officer; (iii) ongoing employee training and (iv) an independent review function. We have developed an anti-money laundering training manual available in multiple languages and a program to assist with the education of our agents on the various rules and regulations. We also offer in-person and online training as part of our agent compliance training program and engage in various agent oversight activities. We have also adopted a global compliance policy that outlines key principles of our compliance program to our agents.

In connection with regulatory requirements to assist in the prevention of money laundering, terrorist financing and other illegal activities and pursuant to legal obligations and authorizations, the Company makes information available to certain U.S. federal and state, as well as certain foreign, government agencies when required by law. In recent years, the Company has experienced an increase in data sharing requests by these agencies, particularly in connection with efforts to prevent money laundering or terrorist financing or reduce the risk of consumer fraud. In certain cases, the Company is also required by government agencies to deny transactions that may be related to persons suspected of money laundering, terrorist financing or other illegal activities, and as a result the Company may inadvertently deny transactions from customers who are making legal money transfers, which could lead to liability or reputational damage. Responding to these agency requests may result in increased operational costs.

Money Transfer and Payment Instrument Licensing — In most countries, either we or our agents are required to obtain licenses or to register with a government authority in order to offer money transfer services. Almost all states in the U.S., the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam require us to be licensed to conduct business within their jurisdictions. Our primary overseas operating subsidiary, MoneyGram International Ltd., is a licensed payment institution under the Payment Services Regulations adopted in the United Kingdom pursuant to the European Union Payment Services Directive ("PSD"). As a result of the United Kingdom's planned exit from the European Union, we have obtained authorization as a payment institution from the National Bank of Belgium for the conduct of our business in the European Union following the United Kingdom's departure. In 2016, the PSD was amended by a revised Payment Services Directive ("PSD2"), which was implemented in the national law of the member states during or prior to January 2018. Among other changes, the PSD2 has increased the supervisory powers granted to member states with respect to activities performed by us and our agents in the European Union. We are also subject to increasingly significant licensing or other regulatory requirements in various other jurisdictions. Licensing requirements may include minimum net worth, provision of surety bonds or letters of credit, compliance with operational procedures, agent oversight and the maintenance of reserves or "permissible investments" in an amount equivalent to outstanding payment obligations, as defined by our various regulators. The types of securities that are considered "permissible investments" vary across jurisdictions, but generally include cash and cash equivalents, U.S. government securities and other highly rated debt instruments. Many regulators require us to file reports on a quarterly or more frequent basis to verify our compliance with their requirements. Many regulators also subject us to periodic examinations and require us and our agents to comply with anti-money laundering and other laws and regulations.

Escheatment Regulations — Unclaimed property laws of every state in the U.S., the District of Columbia, Puerto Rico and the U.S. Virgin Islands require that we track certain information on all of our payment instruments and money transfers and, if they are unclaimed at the end of an applicable statutory abandonment period, that we remit the proceeds of the unclaimed property to the appropriate jurisdiction. Statutory abandonment periods for payment instruments and money transfers range from three to seven years. Certain foreign jurisdictions also have unclaimed property laws. These laws are evolving and are frequently unclear and inconsistent among various jurisdictions, making compliance challenging. We have an ongoing program designed to comply with escheatment laws as they apply to our business.

Data Privacy and Cybersecurity Laws and Regulations — We are subject to federal, state and international laws and regulations relating to the collection, use, retention, security, transfer, storage and disposal of personally identifiable information of our consumers, agents and employees. In the U.S., we are subject to various federal privacy laws, including the Gramm-Leach-Bliley Act, which requires that financial institutions provide consumers with privacy notices and have in place policies and procedures regarding the safeguarding of personal information. We are also subject to privacy and data breach laws of various states. Outside the U.S., we are subject to privacy laws of numerous countries and jurisdictions. In some cases, these laws are more restrictive than the U.S. laws and impose more stringent duties on companies or penalties for non-compliance. For example, the General Data Protection Regulation in the European Union, effective May 2018, will impose a higher standard of personal data protection with significant penalties for non-compliance for companies operating in the European Union or doing business with European Union residents. In addition, government surveillance laws and data localization laws are evolving to address increased and changing threats and risks. All of these laws are continuing to develop and may be inconsistent from jurisdiction to jurisdiction.

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Dodd-Frank Act — The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law in 2010. The Dodd-Frank Act imposes additional regulatory requirements and creates additional regulatory oversight over us. The Dodd-Frank Act created a Bureau of Consumer Financial Protection (the "CFPB") which issues and enforces consumer protection initiatives governing financial products and services, including money transfer services, in the U.S. The CFPB's Remittance Transfer Rule became effective on October 28, 2013. Its requirements include: a disclosure requirement to provide consumers sending funds internationally from the U.S. enhanced pre-transaction written disclosures, an obligation to resolve certain errors, including errors that may be outside our control, and an obligation to cancel transactions that have not been completed at a customer's request. As a "larger participant" in the market for international money transfers, we are subject to direct examination and supervision by the CFPB. We have modified our systems and consumer disclosures in light of the requirements of the Remittance Transfer Rule. In addition, under the Dodd-Frank Act, it is unlawful for any provider of consumer financial products or services to engage in unfair, deceptive or abusive acts or practices. The CFPB has substantial rule making and enforcement authority to prevent unfair, deceptive or abusive acts or practices in connection with any transaction with a consumer for a financial product or service.

Foreign Exchange Regulation — Our money transfer services are subject to foreign currency exchange statutes of the U.S., as well as similar state laws and the laws of certain other countries in which we operate. Certain of these statutes require registration or licensure and reporting. Others may impose currency exchange restrictions with which we must comply.

Regulation of Prepaid Cards — We sell our MoneyGram-branded prepaid card in the U.S., in addition to loading prepaid cards of other card issuers through our ExpressPayment offering. Our prepaid cards and related loading services may be subject to federal and state laws and regulations, including laws related to consumer protection, licensing, unclaimed property, anti-money laundering and the payment of wages. Certain of these federal and state statutes prohibit or limit fees and expiration dates on and/or require specific consumer disclosures related to certain categories of prepaid cards. We continually monitor our prepaid cards and related loading services in light of developments in such statutes and regulations.

Anti-Bribery Regulation — We are subject to regulations imposed by the Foreign Corrupt Practices Act (the "FCPA") in the U.S., the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions. We are subject to recordkeeping and other requirements imposed upon companies related to compliance with these laws. We maintain a compliance program designed to comply with applicable anti-bribery laws and regulations.

Clearing and Cash Management Bank Relationships

Our business involves the transfer of money on a global basis on behalf of our consumers, our agents and ourselves. We buy and sell a number of global currencies and maintain a network of settlement accounts to facilitate the funding of money transfers and foreign exchange trades to ensure that funds are received on a timely basis. Our relationships with the clearing, trading and cash management banks are critical to an efficient and reliable global funding network.

In the U.S., we have agreements with six active clearing banks that provide clearing and processing functions for official checks, money orders and other draft instruments. We employ four banks to clear our official checks and three banks to clear our retail money orders. We believe that this network of banks provides sufficient capacity to handle the current and projected volumes of items for these services.

We maintain significant relationships with major international banks which provide the capability to transfer money electronically as well as through domestic and international wire transfer networks. There are a limited number of banks that have the capabilities that are broad enough in scope to handle our volume and complexity. Consequently, we employ banks whose market is not limited to their own country or region, and have extensive systems capabilities and branch networks that can support settlement needs that are often unique to different countries around the world. In 2013, we activated our participation in the Society for Worldwide Interbank Financial Telecommunication ("SWIFT") network for international wire transfers, which improves access to all banks in the world while lowering the cost of these funds transfers.

Intellectual Property

The MoneyGram brand is important to our business. We have registered our MoneyGram trademark in the U.S. and in a majority of the other countries in which we do business. We maintain a portfolio of other trademarks that are material to our Company, which were previously discussed in the "Overview" section. In addition, we maintain a portfolio of MoneyGram branded and related domain names.

We rely on a combination of patent, trademark and copyright laws and trade secret protection and confidentiality or license agreements to protect our proprietary rights in products, services, expertise and information. We believe the intellectual property rights in processing equipment, computer systems, software and business processes held by us and our subsidiaries provide us with a competitive advantage. We take appropriate measures to protect our intellectual property to the extent such intellectual property can be protected.

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We own various patents related to our money order and money transfer technologies which have given us competitive advantages in the marketplace. We also have patent applications pending in the U.S. that relate to our money transfer, money order and bill payment technologies and business methods. We anticipate that these applications, if granted, could give us continued competitive advantages in the marketplace.

Employees

As of December 31, 2017, we had 1,180 full-time employees in the U.S. and 1,756 full-time employees outside of the U.S. In addition, we engage independent contractors to support various aspects of our business. None of our employees in the U.S. are represented by a labor union.

Executive Officers of the Registrant

W. Alexander Holmes, age 43, has served as Chief Executive Officer since January 2016 and Chairman of the Board since February 2018. Prior to that, Mr. Holmes served as Executive Vice President, Chief Financial Officer and Chief Operating Officer of the Company since February 2014 and Executive Vice President and Chief Financial Officer since March 2012. He joined the Company in 2009 as Senior Vice President for Corporate Strategy and Investor Relations. From 2003 to 2009, Mr. Holmes served in a variety of positions at First Data Corporation, including chief of staff to the Chief Executive Officer, Director of Investor Relations and Senior Vice President of Global Sourcing & Strategic Initiatives. From 2002 to 2003, he managed Western Union's Benelux region from its offices in Amsterdam.

Lawrence Angelilli, age 62, has served as Chief Financial Officer, since January 2016. Prior to that, Mr. Angelilli served as Senior Vice President, Corporate Finance and Treasurer since 2014. He joined the Company in August 2011 as Senior Vice President and Treasurer. From 2009 to 2010, Mr. Angelilli served as Director of Underwriting at Hudson Advisors, a global asset management company affiliated with Lone Star Funds, a global private equity fund. From 1998 to 2009, he was Senior Vice President of Finance at Centex Corporation, a publicly traded homebuilder and mortgage originator.

Joann L. Chatfield, age 52, has served as Chief Marketing Officer since May 2017. Ms. Chatfield joined MoneyGram in May 2011 and has held various roles within the Company, including Director of Marketing, U.S. and Canada, Vice President, Global Marketing Services and Head of Marketing for North and South America. Prior to joining MoneyGram, Ms. Chatfield held various management roles at Texans Credit Union and MCI, Inc. Ms. Chatfield has over 20 years of leadership experience in marketing, brand management, product marketing as well as vendor and sponsorship management.

Kamila K. Chytil, age 38, has served as Chief Global Operations Officer since May 2016. Ms. Chytil joined the Company in May 2015 as Senior Vice President of key partnerships and payments. From 2011 to May 2015, Ms. Chytil was Senior Vice President and General Manager of retail payments at Fidelity National Information Services, Inc., a global provider of financial technology solutions, where she was responsible for e-commerce, check cashing and retail payments. From 2004 to 2011, Ms. Chytil held various other management roles at Fidelity National Information Services, overseeing analytics, risk management, and operations.

Laura Gardiner, age 50, has been Chief Human Resources and Communications Officer since February 2017. She joined the Company in April of 2012 as a Senior Director of Human Resources and from 2014 to January 2017 served as Vice President of Human Resources. From 2010 to 2012, Ms. Gardiner served as Director of Human Resources with Western Union, a global financial services company. From 2008 to 2009, Ms. Gardiner served as Vice President of Human Resources with Pronerve LLC, a neurophysiologic monitoring service company. Ms. Gardiner has over 20 years of experience in human resources and business roles in a variety of industries.

Francis Aaron Henry, age 52, has served as General Counsel and Corporate Secretary since August 2012 and previously served as interim General Counsel from July 2012 to August 2012. He joined the Company in January 2011 as Senior Vice President, Assistant General Counsel, Global Regulatory and Privacy Officer. From 2008 to 2011, Mr. Henry was Assistant General Counsel at Western Union and from 2004 to 2008, he was Senior Counsel at Western Union.

Grant A. Lines, age 53, has served as Chief Revenue Officer since January 2018. Prior to that, he served as Chief Revenue Officer Africa, Middle East, Asia Pacific, Russia and CIS from February 2015 until January 2018. Mr. Lines previously served the Company as Executive Vice President, Asia-Pacific, South Asia and Middle East from February 2014 to February 2015. Prior to that, Mr. Lines served the Company as Senior Vice President, Asia-Pacific, South Asia and Middle East from February 2013 to February 2014. Prior to that, Mr. Lines served as General Manager of Black Label Solutions, a leading developer and supplier of computerized retail point of sale systems, from May 2011 to December 2012. He served as Managing Director of First Data Corporation's ANZ business, a global payment processing company, from September 2008 to February 2011. Prior to that, Mr. Lines held various positions in the industry.

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Andrés Villareal, age 53, has been Chief Compliance Officer since March 2016. He joined the Company in April 2015 as Senior Vice President and Deputy Chief Compliance Officer. From 2004 to April 2015, Mr. Villareal held various positions at Citigroup, a leading global bank, including Global Head of Compliance for Citi Commercial Bank and Chief Compliance Officer for Citi Assurance Services, a captive insurance company. Mr. Villareal has over 27 years of experience in various compliance, legal and business roles in a variety of industries, including financial services, banking and insurance.

John D. Stoneham, age 39, has been Corporate Controller and Principal Accounting Officer since October 2015. Mr. Stoneham previously served as Vice President and Interim Controller since August 2015. From December 2012 to July 2015, Mr. Stoneham served in various accounting roles at the Company. Prior to December 2012, Mr. Stoneham was the Corporate Controller for Cinsay, Inc., a software provider. From January 2011 to December 2011, he was the SEC Reporting Manager at Archipelago Learning, a software-as-a-service provider of education products. Mr. Stoneham is a Certified Public Accountant and began his career at KPMG LLP, an accounting and financial advisory services firm.

Available Information

Our website address is corporate.moneygram.com. The information on our website is not part of this Annual Report on Form 10-K. We make our reports on Forms 10-K, 10-Q and 8-K, Section 16 reports on Forms 3, 4 and 5, and all amendments to those reports, available electronically free of charge in the Investor Relations section of our website (ir.moneygram.com) as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (the "SEC"). Any materials filed with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE., Washington DC 20549. Information on the operation of the Public Reference Room can be found by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, which may be found at www.sec.gov.

Item 1A. RISK FACTORS

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

RISK FACTORS

Risks Related to Our Business and Industry

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

The markets in which we compete are highly competitive, and we face a variety of competitors across our businesses, some of which have larger and more established customer bases and substantially greater financial, marketing and other resources than we have. Money transfer, bill payment and money order services compete in a concentrated industry, with a small number of large competitors and a large number of small, niche competitors. Our money transfer products compete with a variety of financial and non-financial companies, including banks, card associations, web-based services, payment processors, informal remittance systems, consumer money transfer companies and others. The services are differentiated by features and functionalities, including brand recognition, customer service, reliability, distribution network and options, price, speed and convenience. Distribution channels such as online, account based and mobile solutions continue to evolve and impact the competitive environment for money transfers. The electronic bill payment services within our Global Funds Transfer segment compete in a highly fragmented consumer-to-business payment industry. Our official check business competes primarily with financial institutions that have developed internal processing capabilities or services similar to ours and do not outsource official check services. Financial institutions could also offer competing official check outsourcing services to our existing and prospective official check customers.

Our future growth depends on our ability to compete effectively in money transfer, bill payment, money order and official check services. For example, if our products and services do not offer competitive features and functionalities, we may lose customers to our competitors, which could adversely affect our business, financial condition and results of operations. In addition, if we fail to price our services appropriately relative to our competitors, consumers may not use our services, which could adversely affect our business, financial condition and results of operations. For example, transaction volume where we face intense competition could be adversely affected by increasing pricing pressures between our money transfer services and those of some of our competitors, which could reduce margins and adversely affect our financial condition and results of operations. We have historically implemented and will likely continue to implement price adjustments from time to time in response to competition and other factors. If we reduce prices in order to more effectively compete, such reductions could adversely affect our financial condition and results of operations in the short term and may also adversely affect our financial condition and results of operations in the long term if transaction volumes do not increase sufficiently.

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If we lose key agents, our business with key agents is reduced or we are unable to maintain our agent network under terms consistent with those currently in place, our business, financial condition and results of operations could be adversely affected.

Most of our revenue is earned through our agent network. In addition, our international agents may have subagent relationships in which we are not directly involved. If agents or their subagents decide to leave our network, our revenue and profits could be adversely affected. Agent loss may occur for a number of reasons, including competition from other money transfer providers, an agent's dissatisfaction with its relationship with us or the revenue earned from the relationship, or an agent's unwillingness or inability to comply with our standards or legal requirements, including those related to compliance with anti-money laundering regulations, anti-fraud measures or agent monitoring. Agents may also generate fewer transactions or reduce locations for reasons unrelated to our relationship with them, including increased competition in their business, general economic conditions, regulatory costs or other reasons. In addition, we may not be able to maintain our agent network under terms consistent with those already in place. Larger agents may demand additional financial concessions or may not agree to enter into exclusive arrangements, which could increase competitive pressure. The inability to maintain our agent contracts on terms consistent with those already in place, including in respect of exclusivity rights, could adversely affect our business, financial condition and results of operations.

A substantial portion of our agent network locations, transaction volume and revenue is attributable to or generated by a limited number of key agents. During 2017 and 2016, our ten largest agents accounted for 34% and 36%, respectively, of our total revenue. Our largest agent, Walmart, accounted for 17% and 18% of our total revenue in 2017 and 2016, respectively. The current term of our contract with Walmart expires on February 1, 2019. If our contracts with our key agents, including Walmart, are not renewed or are terminated, or are renewed but on less favorable terms, or if such agents generate fewer transactions or reduce their locations, our business, financial condition and results of operations could be adversely affected. In addition, the introduction of competitive products by Walmart or our other key agents, including competing white label products, could reduce our business with those key agents and intensify industry competition, which could adversely affect our business, financial condition and results of operations.

Consumer fraud could adversely affect our business, financial condition and results of operations.

Criminals are using increasingly sophisticated methods to engage in illegal activities such as identity theft, fraud and paper instrument counterfeiting. As we make more of our services available over the internet and other digital media, we subject ourselves to new types of consumer fraud risk because requirements relating to consumer authentication are more complex with internet services. Certain former agents have also engaged in fraud against consumers, and existing agents could engage in fraud against consumers. We use a variety of tools to protect against fraud; however, these tools may not always be successful. Allegations of fraud may result in fines, settlements, litigation expenses and reputational damage.

The industry is under increasing scrutiny from federal, state and local regulators in the United States and regulatory agencies in many countries in connection with the potential for consumer fraud. If consumer fraud levels involving our services were to rise, it could lead to regulatory intervention and reputational and financial damage. This, in turn, could lead to government enforcement actions and investigations, reduce the use and acceptance of our services or increase our compliance costs and thereby have a material adverse impact on our business, financial condition and results of operations.

MoneyGram and our agents are subject to numerous U.S. and international laws and regulations. Failure to comply with these laws and regulations could result in material settlements, fines or penalties, and changes in these laws or regulations could result in increased operating costs or reduced demand for our products or services, all of which may adversely affect our business, financial condition and results of operations.

We operate in a highly regulated environment, and our business is subject to a wide range of laws and regulations that vary from jurisdiction to jurisdiction. We are also subject to oversight by various governmental agencies, both in the U.S. and abroad. In light of the current conditions in the global financial markets and economy, lawmakers and regulators in the U.S. in particular have increased their focus on the regulation of the financial services industry. New or modified regulations and increased oversight may have unforeseen or unintended adverse effects on the financial services industry, which could affect our business and operations.

Our business is subject to a variety of regulations aimed at preventing money laundering and terrorism. We are subject to U.S. federal anti-money laundering laws, including the Bank Secrecy Act and the requirements of OFAC, which prohibit us from transmitting money to specified countries or to or from prohibited individuals. Additionally, we are subject to anti-money laundering laws in many other countries in which we operate, particularly in the European Union. We are also subject to financial services regulations, money transfer and payment instrument licensing regulations, consumer protection laws, currency control regulations, escheatment laws, privacy and data protection laws and anti-bribery laws. Many of these laws are constantly evolving, and may be unclear and inconsistent across various jurisdictions, making compliance challenging. Subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased program costs, liability and reputational damage.

We are considered a Money Services Business in the U.S. under the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001. As such, we are subject to reporting, recordkeeping and anti-money laundering provisions in the U.S. as well as many other jurisdictions. During 2017, there were significant regulatory reviews and actions taken by U.S. and other regulators and law enforcement agencies against banks, Money Services Businesses and other financial institutions related to money laundering, and

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the trend appears to be greater scrutiny by regulators of potential money laundering activity through financial institutions. We are also subject to regulatory oversight and enforcement by the U.S. Department of the Treasury Financial Crimes Enforcement Network ("FinCEN"). Any determination that we have violated the anti-money-laundering laws could have an adverse effect on our business, financial condition and results of operations.

The Dodd-Frank Act increases the regulation and oversight of the financial services industry. The Dodd-Frank Act addresses, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, thrift charters and changes among the bank regulatory agencies. The Dodd-Frank Act requires enforcement by various governmental agencies, including the CFPB. Money transmitters such as the Company are subject to direct supervision by the CFPB and are required to provide additional consumer information and disclosures, adopt error resolution standards and adjust refund procedures for international transactions originating in the U.S. in a manner consistent with the Remittance Transfer Rule (a rule issued by the CFPB pursuant to the Dodd-Frank Act). In addition, the CFPB may adopt other regulations governing consumer financial services, including regulations defining unfair, deceptive, or abusive acts or practices, and new model disclosures. We could be subject to fines or other penalties if we are found to have violated the Dodd-Frank Act's prohibition against unfair, deceptive or abusive acts or practices. The CFPB's authority to change regulations adopted in the past by other regulators could increase our compliance costs and litigation exposure. We may also be liable for failure of our agents to comply with the Dodd-Frank Act. The legislation and implementation of regulations associated with the Dodd-Frank Act have increased our costs of compliance and required changes in the way we and our agents conduct business. In addition, we are subject to periodic examination by the CFPB.

We are also subject to regulations imposed by the FCPA in the U.S., the U.K. Bribery Act and similar anti-bribery laws in other jurisdictions. Because of the scope and nature of our global operations, we experience a higher risk associated with the FCPA and similar anti-bribery laws than many other companies. We are subject to recordkeeping and other requirements imposed upon companies related to compliance with these laws. In 2017, there have been significant regulatory reviews and actions taken by the United States and other regulators related to anti-bribery laws, and the trend appears to be greater scrutiny on payments to, and relationships with, foreign entities and individuals.

We are also subject to the European Union's Payment Services Directive ("PSD"), which governs the regulatory regime for payment services in the European Union, and similar regulatory or licensing requirements in other jurisdictions. The PSD and other international regulatory or licensing requirements may impose potential liability on us for the conduct of our agents and the commission of third-party fraud utilizing our services. If we fail to comply with the PSD or such other requirements, we could be subject to fines or penalties or revocation of our licenses, which could adversely impact our business, financial condition and results of operations. Additionally, the U.S. and other countries periodically consider initiatives designed to lower costs of international remittances which, if implemented, may adversely impact our business, financial condition and results of operations.

In addition, we are subject to escheatment laws in the United States and certain foreign jurisdictions in which we conduct business. These laws are evolving and are frequently unclear and inconsistent among various jurisdictions, making compliance challenging. We have an ongoing program designed to comply with escheatment laws as they apply to our business. In the United States, we are subject to the laws of various states which from time to time take inconsistent or conflicting positions regarding the requirements to escheat property to a particular state. Certain foreign jurisdictions do not have escheatment provisions which apply to our transactions. In these jurisdictions where there is not a requirement to escheat, and when, by utilizing historical data we determine that the likelihood is remote that the item will be paid out, we record a reduction to our payment service obligation and recognize an equivalent amount as a component of fee and other revenue.

Any violation by us of the laws and regulations set forth above could lead to significant fines or penalties and could limit our ability to conduct business in some jurisdictions. In some cases, we could be liable for the failure of our agents or their subagents to comply with laws, which could have an adverse effect on our business, financial condition and results of operations. As a result, the risk of adverse regulatory action against the Company because of actions of its agents or subagents and the cost to monitor our agents and subagents has increased. In addition to these fines and penalties, a failure by us or our agents to comply with applicable laws and regulations also could seriously damage our reputation and result in diminished revenue and profit and increase our operating costs and could result in, among other things, revocation of required licenses or registrations, loss of approved status, termination of contracts with banks or retail representatives, administrative enforcement actions and fines, class action lawsuits, cease and desist orders and civil and criminal liability. The occurrence of one or more of these events could have a material adverse effect on our business, financial condition and results of operations.

In certain cases, regulations may provide administrative discretion regarding enforcement. As a result, regulations may be applied inconsistently across the industry, which could result in additional costs for the Company that may not be required to be incurred by some of its competitors. If the Company were required to maintain a price higher than its competitors to reflect its regulatory costs, this could harm its ability to compete effectively, which could adversely affect its business, financial condition and results of operations. In addition, changes in laws, regulations or other industry practices and standards, or interpretations of legal or regulatory requirements, may reduce the market for or value of our products or services or render our products or services less profitable or obsolete. For example, policy makers may impose heightened customer due diligence requirements or other restrictions.

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or fees on remittances. Changes in the laws affecting the kinds of entities that are permitted to act as money transfer agents (such as changes in requirements for capitalization or ownership) could adversely affect our ability to distribute certain of our services and the cost of providing such services. Many of our agents are in the check cashing industry. Any regulatory action that negatively impacts check cashers could also cause this portion of our agent base to decline. If onerous regulatory requirements were imposed on our agents, the requirements could lead to a loss of agents, which, in turn, could lead to a loss of retail business.

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

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

Regulatory and judicial proceedings and potential adverse developments in connection with ongoing litigation may adversely affect our business, financial condition and results of operations. There may also be adverse publicity associated with lawsuits and investigations that could decrease agent and consumer acceptance of our services. Additionally, our business has been in the past, and may be in the future, the subject of class action lawsuits, regulatory actions and investigations and other general litigation. The outcome of class action lawsuits, regulatory actions and investigations and other litigation is difficult to assess or quantify but may include substantial fines and expenses, as well as the revocation of required licenses or registrations or the loss of approved status, which could have a material adverse effect on our business, financial position and results of operations or consumers' confidence in our business. Plaintiffs or regulatory agencies in these lawsuits, actions or investigations may seek recovery of very large or indeterminate amounts, and the magnitude of these actions may remain unknown for substantial periods of time. The cost to defend or settle future lawsuits or investigations may be significant. In addition, improper activities, lawsuits or investigations involving our agents may adversely impact our business operations or reputation even if we are not directly involved.

We face possible uncertainties relating to compliance with and the extension and impact of the deferred prosecution agreement entered into with the U.S. federal government.

In November 2012, we announced that we had entered into a five-year DPA with the MDPA/U.S. DOJ relating to the period from 2003 to early 2009. Pursuant to the DPA, the MDPA/U.S. DOJ filed a two-count criminal information in the U.S. District Court for the Middle District of Pennsylvania. Under the DPA, the Company has agreed, among other things, to retain an independent compliance monitor (the "Compliance Monitor") for a period of five years. On November 1, 2017, the Company agreed to a stipulation with the Government that the term of the Company's DPA be extended for 90 days to February 6, 2018. On January 31, 2018, the Company agreed with the Government that the term of the DPA be extended for an additional 45 days to March 23, 2018. The purpose of the extension is to provide the Company and the Government additional time to discuss whether the Company is in compliance with the DPA. There can be no assurance that the Company and the Government will be able to negotiate a mutually satisfactory outcome during such 45 day period (or during any further short-term extension of the DPA) or that such outcome will not include a further extension of the DPA, financial penalties or additional restrictions on the Company, including a monitorship period beyond the current monitorship that ends on April 30, 2018. The terms of any agreement with the Government could impose significant additional costs upon the Company related to compliance and other required terms, which could have an adverse impact on the Company's operations. Furthermore, there can be no assurance that the Government will not seek any other remedy, including criminal prosecution and financial penalties, in lieu of an extension of the DPA and the monitorship. A prosecution of the Company by the Government or the imposition of significant financial penalties could lead to a severe material adverse effect upon the Company's ability to conduct its business. Furthermore, neither the DPA nor any agreement with the MDPA/U.S. DOJ would resolve any inquiries from other governmental agencies, which could result in additional costs, expenses and fines.

The Company has recorded an \$85.0 million accrual in connection with a possible resolution of this matter based on the facts and circumstances known at the time. However, the Company is unable to reasonably estimate the ultimate loss and no assurance can be given that future costs and payments made in connection with this matter will not exceed the amount currently recorded or that the government will not also seek to impose non-monetary remedies or penalties.

Current and proposed data privacy and cybersecurity laws and regulations could adversely affect our business, financial condition and results of operations.

We are subject to requirements relating to data privacy and cybersecurity under U.S. federal, state and foreign laws. For example, the United States Federal Trade Commission routinely investigates the privacy practices of companies and has commenced enforcement actions against many, resulting in multi-million dollar settlements and multi-year agreements governing the settling companies' privacy practices. In addition, the General Data Protection Regulation in the European Union, effective May 2018, will impose a higher standard of personal data protection with significant penalties for non-compliance for companies operating in the European Union or doing business with European Union residents. If we are unable to meet such requirements, we may be subject to significant fines or penalties. Furthermore, certain industry groups require us to adhere to privacy requirements in

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addition to federal, state and foreign laws, and certain of our business relationships depend upon our compliance with these requirements. As the number of countries enacting privacy and related laws increases and the scope of these laws and enforcement efforts expands, we will increasingly become subject to new and varying requirements. Failure to comply with existing or future data privacy and cybersecurity laws, regulations and requirements, including by reason of inadvertent disclosure of personal information, could result in significant adverse consequences, including reputational harm, civil litigation, regulatory enforcement, costs of remediation, increased expenses for security systems and personnel, harm to our consumers and harm to our agents. These consequences could materially adversely affect our business, financial condition and results of operations.

In addition, in connection with regulatory requirements to assist in the prevention of money laundering and terrorist financing and pursuant to legal obligations and authorizations, the Company makes information available to certain United States federal and state, as well as certain foreign, government agencies. In recent years, the Company has experienced increasing data sharing requests by these agencies, particularly in connection with efforts to prevent terrorist financing or reduce the risk of identity theft. During the same period, there has also been increased public attention to the corporate use and disclosure of personal information, accompanied by legislation and regulations intended to strengthen data protection, information security and consumer privacy. These regulatory goals may conflict, and the law in these areas is not consistent or settled. While we believe that we are compliant with our regulatory responsibilities, the legal, political and business environments in these areas are rapidly changing, and subsequent legislation, regulation, litigation, court rulings or other events could expose us to increased program costs, liability and reputational damage that could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We have substantial interest expense on our debt, and our ratings are below "investment grade." This requires that we access capital markets that are subject to higher volatility than those that support higher rated companies. Since a significant portion of our cash flow from operations is dedicated to debt service, a reduction in cash flow could result in an event of default, or significantly restrict our access to capital. Our ratings below investment grade also create the potential for a cost of capital that is higher than other companies with which we compete. Further, our debt is subject to floating interest rates. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. A significant increase in interest rates could have an adverse effect on our financial position and results of operations.

We are also subject to capital requirements imposed by various regulatory bodies throughout the world. We may need access to external capital to support these regulatory requirements in order to maintain our licenses and our ability to earn revenue in these jurisdictions. An interruption of our access to capital could impair our ability to conduct business if our regulatory capital falls below requirements.

Weakness in economic conditions could adversely affect our business, financial condition and results of operations.

Our money transfer business relies in part on the overall strength of global and local economic conditions. Our consumers tend to be employed in industries such as construction, energy, manufacturing and retail that tend to be cyclical and more significantly impacted by weak economic conditions than other industries. This may result in reduced job opportunities for our customers in the U.S. or other countries that are important to our business, which could adversely affect our business, financial condition and results of operations. For example, sustained weakness in the price of oil could adversely affect economic conditions and lead to reduced job opportunities in certain regions that constitute a significant portion of our total money transfer volume, which could result in a decrease in our transaction volume. In addition, increases in employment opportunities may lag other elements of any economic recovery.

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

If economic conditions were to deteriorate in a market important to our business, our revenue, financial condition and results of operations could be adversely impacted. Additionally, if our consumer transactions decline due to deteriorating economic conditions, we may be unable to timely and effectively reduce our operating costs or take other actions in response, which could adversely affect our business, financial condition and results of operations.

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

We provide money transfer services between and among more than 200 countries and territories and continue to expand in various international markets. Our ability to grow in international markets and our future results could be adversely affected by a number of factors, including:

- changes in political and economic conditions and potential instability in certain regions, including in particular the recent civil unrest, terrorism, political turmoil and economic uncertainty in Africa, the Middle East and other regions;
- restrictions on money transfers to, from and between certain countries;
- currency controls, new currency adoptions and repatriation issues;
- changes in regulatory requirements or in foreign policy, including the adoption of domestic or foreign laws, regulations and interpretations detrimental to our business;
- possible increased costs and additional regulatory burdens imposed on our business;
- the implementation of U.S. sanctions, resulting in bank closures in certain countries and the ultimate freezing of our assets;
- burdens of complying with a wide variety of laws and regulations;
- possible fraud or theft losses, and lack of compliance by international representatives in foreign legal jurisdictions where collection and legal enforcement may be difficult or costly;
- reduced protection of our intellectual property rights;
- unfavorable tax rules or trade barriers;
- inability to secure, train or monitor international agents; and
- failure to successfully manage our exposure to foreign currency exchange rates, in particular with respect to the euro.

In particular, a portion of our revenue is generated in currencies other than the U.S. dollar. As a result, we are subject to risks associated with changes in the value of our revenues denominated in foreign currencies. In addition, we maintain significant foreign currency balances that are subject to volatility, and could result in losses due to a devaluation of the U.S. dollar. See "Enterprise Risk Management-Foreign Currency Risk" in Item 7A of this Annual Report on Form 10-K for more information.

We conduct money transfer transactions through agents in some regions that are politically volatile, which could increase our cost of operating in those regions.

We conduct money transfer transactions through agents in some regions that are politically volatile, which could increase our cost of operating in those regions. For example, it is possible that our money transfer services or other products could be used in contravention of applicable law or regulations. Such circumstances could result in increased compliance costs, regulatory inquiries, suspension or revocation of required licenses or registrations, seizure or forfeiture of assets and the imposition of civil and criminal fees and penalties, or other restrictions on our business operations. In addition to monetary fines or penalties that we could incur, we could be subject to reputational harm that could have a material adverse effect on our business, financial condition and results of operations.

We have submitted a Voluntary Self-Disclosure to OFAC that could result in penalties from OFAC, which could have a material adverse impact on our business or financial condition.

We have policies and procedures designed to prevent transactions that are subject to economic and trade sanctions programs administered by OFAC and by certain foreign jurisdictions that prohibit or restrict transactions to or from (or dealings with or involving) certain countries, their governments, and in certain circumstances, their nationals, as well as with certain individuals and entities such as narcotics traffickers, terrorists and terrorist organizations. If such policies and procedures are not effective in preventing such transactions, we may violate sanctions programs, which could have a material adverse impact on our business.

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In 2015, we initiated an internal investigation to identify payments processed by the Company that were violations of OFAC sanctions regulations. We notified OFAC of the internal investigation, which was conducted in conjunction with the Company's outside counsel. On March 28, 2017, we filed a Voluntary Self-Disclosure with OFAC regarding the findings of our internal investigation. OFAC is currently reviewing the results of the Company's investigation. OFAC has broad discretion to assess potential violations and impose penalties. At this time, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition or operations, and we cannot predict when OFAC will conclude their review of our Voluntary Self-Disclosure. Adverse findings or penalties imposed by OFAC could have a material adverse impact on our business or financial condition.

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

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

- We may be unable to access funds in our investment portfolio, deposit accounts and clearing accounts on a timely basis to settle our payment instruments, pay money transfers and make related settlements to agents. Any resulting need to access other sources of liquidity or short-term borrowing would increase our costs. Any delay or inability to settle our payment instruments, pay money transfers or make related settlements with our agents could adversely impact our business, financial condition and results of operations.
- In the event of a major bank failure, we could face major risks to the recovery of our bank deposits used for the purpose of settling with our agents, and to the recovery of a significant portion of our investment portfolio. A substantial portion of our cash, cash equivalents and interest-bearing deposits are either held at banks that are not subject to insurance protection against loss or exceed the deposit insurance limit.
- Our Revolving Credit Facility is one source of funding for our corporate transactions and liquidity needs. If any of the banks participating in our Revolving Credit Facility were unable or unwilling to fulfill its lending commitment to us, our short-term liquidity and ability to engage in corporate transactions, such as acquisitions, could be adversely affected.
- We may be unable to borrow from financial institutions or institutional investors on favorable terms, which could adversely impact our ability to pursue our growth strategy and fund key strategic initiatives, such as product development and acquisitions.

If financial liquidity deteriorates, there can be no assurance we will not experience an adverse effect, which may be material, on our ability to access capital and on our business, financial condition and results of operations.

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

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

If we cannot maintain sufficient relationships with large international banks that provide these services, we would be required to establish a global network of local banks to provide us with these services or implement alternative cash management procedures, which may result in increased costs. Relying on local banks in each country in which we do business could alter the complexity of our treasury operations, degrade the level of automation, visibility and service we currently receive from banks and affect patterns of settlement with our agents. This could result in an increase in operating costs and an increase in the amount of time it takes to concentrate agent remittances and to deliver agent payables, potentially adversely impacting our cash flow, working capital needs and exposure to local currency value fluctuations.

We and our agents are considered Money Service Businesses in the U.S. under the Bank Secrecy Act. U.S. regulators are increasingly taking the position that Money Service Businesses, as a class, are high risk businesses. In addition, the creation of anti-money laundering laws has created concern and awareness among banks of the negative implications of aiding and abetting money laundering activity. As a result, banks may choose not to provide banking services to Money Services Businesses in certain regions due to the risk of additional regulatory scrutiny and the cost of building and maintaining additional compliance functions. In addition, certain foreign banks have been forced to terminate relationships with Money Services Businesses by U.S. correspondent banks. As a result, we and certain of our agents have been denied access to retail banking services in certain markets by banks that have sought to reduce their exposure to Money Services Businesses and not as a result of any concern related to the Company's

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compliance programs. If we or our agents are unable to obtain sufficient banking relationships, we or they may not be able to offer our services in a particular region, which could adversely affect our business, financial condition and results of operations.

A breach of security in the systems on which we rely could adversely affect our business, financial condition and results of operations.

We rely on a variety of technologies to provide security for our systems. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments, including improper acts by third parties, may result in a compromise or breach of the security measures we use to protect our systems. We obtain, transmit and store confidential consumer, employer and agent information in connection with certain of our services. These activities are subject to laws and regulations in the U.S. and other jurisdictions. The requirements imposed by these laws and regulations, which often differ materially among the many jurisdictions, are designed to protect the privacy of personal information and to prevent that information from being inappropriately disclosed. Any security breaches in our computer networks, databases or facilities could lead to the inappropriate use or disclosure of personal information, which could harm our business and reputation, adversely affect consumers' confidence in our or our agents' business, cause inquiries and fines or penalties from regulatory or governmental authorities, cause a loss of consumers, subject us to lawsuits and subject us to potential financial losses. In addition, we may be required to expend significant capital and other resources to protect against these security breaches or to alleviate problems caused by these breaches. Our agents and third-party independent contractors may also experience security breaches involving the storage and transmission of our data as well as the ability to initiate unauthorized transactions. If users gain improper access to our, our agents' or our third-party independent contractors' computer networks or databases, they may be able to steal, publish, delete or modify confidential customer information or generate unauthorized money transfers. Such a breach could expose us to monetary liability, losses and legal proceedings, lead to reputational harm, cause a disruption in our operations, or make our consumers and agents less confident in our services, which could have a material adverse effect on our business, financial condition and results of operations.

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

Our ability to provide reliable services largely depends on the efficient and uninterrupted operation of our computer network systems and data centers. Our business involves the movement of large sums of money and the management of data necessary to do so. The success of our business particularly depends upon the efficient and error-free handling of transactions and data. We rely on the ability of our employees and our internal systems and processes to process these transactions in an efficient, uninterrupted and error-free manner.

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

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

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

From time to time, the U.S. and foreign, state and local governments consider legislation that could increase our effective tax rates. If changes to applicable tax laws are enacted that significantly increase our corporate tax rate, our net income could be negatively impacted.

We file tax returns and take positions with respect to federal, state, local and international taxation, and our tax returns and tax positions are subject to review and audit by taxing authorities. An unfavorable outcome in a tax review or audit could result in higher tax expense, including interest and penalties, which could adversely affect our financial condition, results of operations.

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and cash flows. We establish reserves for material known tax exposures; however, there can be no assurance that an actual taxation event would not exceed our reserves.

Recently enacted changes to the U.S. federal tax laws could adversely affect our business, financial condition and results of operations.

On December 22, 2017, the legislation commonly known as the "Tax Cuts and Jobs Act" (the "TCJA"), which significantly revises the Internal Revenue Code of 1986, as amended, was enacted. The TCJA, among other things, contains significant changes to the U.S. corporate tax laws, including a permanent reduction of the corporate income tax rate, a limitation on the deductibility of business interest expense, limitation of the deduction for certain net operating losses to 80% of current year taxable income, an indefinite net operating loss carryforward, immediate deductions for new investments in certain business assets instead of deductions for depreciation expense over time, modification or repeal of many business deductions and credits (including certain foreign tax credits), a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a modified territorial system (retaining certain existing rules and containing new rules designed to include in the U.S. income tax base certain income generated in non-U.S. territories whether or not that income has been repatriated to the U.S.), a minimum taxing system related to payments deemed to erode the U.S. tax base, and a one-time tax on accumulated offshore earnings held in cash and illiquid assets (with the latter taxed at a lower rate). We continue to examine the impact the TCJA may have on us, and it could adversely affect our business, financial condition and results of operations.

A significant change or disruption in international migration patterns could adversely affect our business, financial condition and results of operations.

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

We face credit risks from our agents and financial institutions with which we do business.

The vast majority of our money transfer, bill payment and money order business is conducted through independent agents that provide our products and services to consumers at their business locations. Our agents receive the proceeds from the sale of our payment instruments and money transfers, and we must then collect these funds from the agents. If an agent becomes insolvent, files for bankruptcy, commits fraud or otherwise fails to remit payment instruments or money transfer proceeds to us, we must nonetheless pay the payment instrument or complete the money transfer on behalf of the consumer.

Moreover, we have made, and may make in the future, secured or unsecured loans to agents under limited circumstances or allow agents to retain our funds for a period of time before remitting them to us. As of December 31, 2017, we had credit exposure to our agents of \$549.0 million in the aggregate spread across 14,344 agents.

Financial institutions, which are utilized to conduct business for our Financial Paper Products segment, issue official checks and money orders and remit to us the face amounts of those instruments the day after they are issued. We may be liable for payment on all of those instruments. As of December 31, 2017, we had credit exposure for official checks and money orders conducted by financial institutions of \$293.7 million in the aggregate spread across 923 financial institutions.

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

In the event of an agent bankruptcy, we would generally be in the position of creditor, possibly with limited or no security, and we would therefore be at risk of a reduced recovery. We are not insured against credit losses, except in circumstances of agent theft or fraud. Significant credit losses could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Our success depends to a large extent upon our ability to attract and retain key employees. Qualified individuals with experience in our industry are in high demand. In addition, legal or enforcement actions against compliance and other personnel in the money transfer industry may affect our ability to attract and retain key employees. The lack of management continuity or the loss of one or more members of our executive management team could harm our business and future development.

The operation of retail locations and acquisition or start-up of businesses create risks and may adversely affect our business, financial condition and results of operations.

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

We may, from time to time, acquire or start-up businesses both inside and outside of the U.S. The acquisition and integration of businesses involve a number of risks. Such risks include, among others:

- risks in connection with acquisitions and start-ups and potential expenses that could be incurred in connection therewith;
- risks related to the integration of new businesses, including integrating facilities, personnel, financial systems, accounting systems, distribution, operations and general operating procedures;
- the diversion of capital and management's attention from our core business;
- the impact on our financial condition and results of operations due to the timing of the new business or the failure of the new business to meet operating expectations; and
- the assumption of unknown liabilities relating to the new business.

Risks associated with acquiring or starting new businesses could result in increased costs and other operating inefficiencies, which could have an adverse effect on our business, financial condition and results of operations.

Any restructuring activities and cost reduction initiatives that we undertake may not deliver the expected results and these actions may adversely affect our business operations.

We have undertaken and may in the future undertake various restructuring activities and cost reduction initiatives in an effort to better align our organizational structure and costs with our strategy. These activities and initiatives can be substantial in scope and they can involve large expenditures. Such activities could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of our strategic objectives and the results of our operations. If we do not fully realize or maintain the anticipated benefits of any restructuring plan or cost reduction initiative, our business, financial condition and results of operations could be adversely affected.

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

We are required to certify and report on our compliance with the requirements of Section 404 of the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing the effectiveness of our internal control over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. In order to achieve effective internal controls, we may need to enhance our accounting

systems or processes, which could increase our cost of doing business. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business.

Risks Related to Ownership of Our Stock

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

As of December 31, 2017, Thomas H. Lee Partners, L.P. ("THL") held 43.8% of our outstanding common shares and 37.6% of our outstanding shares on a fully-converted basis (if all of the outstanding shares of the Series D Participating Convertible Preferred (the "D Stock") were converted to common shares), excluding treasury shares held by the Company. The combined ownership percentage of THL and affiliates of Goldman Sachs & Co. ("Goldman Sachs" and, collectively with THL, the "Investors") on a fully-converted basis was 51.7% as of December 31, 2017. Additionally our charter provides that as long as the Investors have a right to designate directors to our Board of Directors pursuant to the Amended and Restated Purchase Agreement, dated as of March 17, 2008, among the Company and the several Investor parties named therein, THL has the right to designate two to four directors (such directors, the "THL Representatives"), who each have equal votes and who together have a total number of votes equal to the number of directors as is proportionate to the common stock ownership (on an as-converted basis) of the investors (rounded to the nearest whole number), unlike the other members of our Board of Directors who have only one vote each. THL has appointed two of the nine members of our Board of Directors, each THL Representative currently has multiple votes, and the THL Representatives together currently hold a majority of the votes of our Board of Directors.

We cannot provide assurance that the interests of THL will coincide with the interests of other holders of our common stock and THL's substantial control over us could result in harm to the market price of our common stock by delaying, deferring or preventing a change in control of our company; impeding a merger, consolidation, takeover or other business combination involving our company; or entrenching our management and Board of Directors.

We have a significant number of saleable common shares and D Stock held by the Investors relative to our outstanding common shares.

As of December 31, 2017, there were 54.2 million outstanding common shares, excluding treasury shares (or 63.1 million common shares if the outstanding D Stock were converted into common shares). As of December 31, 2017, THL held approximately 23.7 million shares of our common stock and Goldman Sachs held approximately 71,282 shares of D Stock, which are convertible into approximately 8.9 million shares of our common stock. Sales of a substantial number of common shares, or the perception that significant sales could occur (particularly if sales are concentrated in time or amount), may depress the trading price of our common stock.

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

Our charter contains provisions that may discourage third parties from seeking to acquire the Company. These provisions and specific provisions of Delaware law relating to business combinations with interested stockholders may have the effect of delaying, deterring or preventing certain business combinations, including a merger or change in control of the Company. Some of these provisions may discourage a future acquisition of the Company even if stockholders would receive an attractive value for their shares or if a significant number of our stockholders believed such a proposed transaction to be in their best interests. As a result, stockholders who desire to participate in such a transaction may not have the opportunity to do so.

Our bylaws designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or employees, which may discourage such lawsuits against us and such persons. Alternatively, if a court were to find these provisions of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

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

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

The market price of our common stock may be volatile.

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

Item 1B. UNRESOLVED STAFF COMMENTS

None.

Item 2. PROPERTIES

Our leased corporate offices are located in Dallas, TX. We have a number of offices leased in more than 30 countries and territories around the world including, but not limited to: U.S., United Kingdom, Poland and United Arab Emirates. These offices provide operational, sales and marketing support and are used by both our Global Funds Transfer Segment and our Financial Paper Products Segment. We believe that our properties are sufficient to meet our current and projected needs. We periodically review our facility requirements and may acquire new facilities, or modify, consolidate, dispose of or sublet existing facilities, based on business needs.

Item 3. LEGAL PROCEEDINGS

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

Litigation Commenced Against the Company:

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

Government Investigations:

OFAC — In 2015, we initiated an internal investigation to identify any payments processed by the Company that were violations of the U.S. Department of the Treasury's OFAC sanctions regulations. We notified OFAC of the ongoing internal investigation, which was conducted in conjunction with the Company's outside counsel. On March 28, 2017, we filed a Voluntary Self-Disclosure with OFAC regarding the findings of our internal investigation. OFAC is currently reviewing the results of the Company's investigation. At this time, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition or results of operations, and we cannot predict when OFAC will conclude their review of our Voluntary Self-Disclosure.

Deferred Prosecution Agreement — In November 2012, we announced that a settlement was reached with the MDPA and the U.S. DOJ relating to the previously disclosed investigation of transactions involving certain of our U.S. and Canadian agents, as well as fraud complaint data and the consumer anti-fraud program, during the period from 2003 to early 2009. In connection with this settlement, we entered into the DPA with the MDPA and U.S. DOJ dated November 8, 2012.

On November 1, 2017, the Company agreed to a stipulation with the Government that the term of the Company's DPA be extended for 90 days to February 6, 2018. On January 31, 2018, the Company agreed with the Government that the term of the DPA be

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extended for an additional 45 days to March 23, 2018. The purpose of the extension is to provide the Company and the Government additional time to discuss whether the Company is in compliance with the DPA. There can be no assurance that the Company and the Government will continue to be able to negotiate a mutually satisfactory outcome during such 45 day period (or any further short-term extension of the DPA) or that such outcome will not include a further extension of the DPA, financial penalties or additional restrictions on the Company, including a monitorship period beyond the current monitorship that ends on April 30, 2018. Furthermore, there can be no assurance that the Government will not seek any other remedy, including criminal prosecution and financial penalties, in lieu of an extension of the DPA and monitorship.

As a result, in the fourth quarter of 2017, the Company recorded an \$85.0 million accrual in connection with a possible resolution of this matter, based on the facts and circumstances known at the time. However, the Company is unable to reasonably estimate the ultimate loss and no assurance can be given that future costs and payments made in connection with this matter will not exceed the amount currently recorded or that the government will not also seek to impose non-monetary remedies or penalties.

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

Actions Commenced by the Company:

Tax Litigation — The IRS completed its examination of the Company's consolidated income tax returns through 2013 and issued Notices of Deficiency for 2005-2007 and 2009 and an Examination Report for 2008. The Notices of Deficiency and Examination Report disallow, among other items, approximately \$900.0 million of ordinary deductions on securities losses in the 2007, 2008 and 2009 tax returns. In May 2012 and December 2012, the Company filed petitions in the U.S. Tax Court challenging the 2005-2007 and 2009 Notices of Deficiency, respectively. In 2013, the Company reached a partial settlement with the IRS allowing ordinary loss treatment on \$186.9 million of deductions in dispute. In January 2015, the U.S. Tax Court granted the IRS's motion for summary judgment upholding the remaining adjustments in the Notices of Deficiency. During 2015, the Company made payments to the IRS of \$61.0 million for federal tax payments and associated interest related to the matter. The Company believes that it has substantive tax law arguments in favor of its position. The Company filed a notice of appeal with the U.S. Tax Court on July 27, 2015 for an appeal to the U.S. Court of Appeals for the Fifth Circuit. Oral arguments were held before the Fifth Circuit on June 7, 2016, and on November 15, 2016, the Fifth Circuit vacated the Tax Court's decision and remanded the case to the Tax Court for further proceedings. The Company filed a motion for summary judgment in the Tax Court on May 31, 2017. On August 23, 2017, the IRS filed a motion for summary judgment and its response to the Company's motion for summary judgment. Pending the outcome of the appeal, the Company may be required to file amended state returns and make additional cash payments of up to \$18.7 million on amounts that have previously been accrued.

See Note 13 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements for additional disclosure.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NASDAQ Stock Market LLC under the symbol "MGI." As of March 8, 2018, there were 7,867 stockholders of record of our common stock.

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

Fiscal Quarter	2017		2016	
	High	Low	High	Low
First	\$ 17.13	\$ 11.26	\$ 7.09	\$ 4.68
Second	\$ 17.92	\$ 15.88	\$ 7.37	\$ 5.81
Third	\$ 17.48	\$ 15.28	\$ 8.33	\$ 6.29
Fourth	\$ 16.27	\$ 12.40	\$ 12.72	\$ 5.83

Our Board of Directors has authorized the repurchase of a total of 12,000,000 common shares, as announced in our press releases issued on November 18, 2004, August 18, 2005 and May 9, 2007. The repurchase authorization is effective until such time as the Company has repurchased 12,000,000 common shares. The Company may consider repurchasing shares which would be subject to limitations in our debt agreements. Common stock tendered to the Company in connection with the exercise of stock options or vesting of restricted stock is not considered repurchased shares under the terms of the repurchase authorization. As of December 31, 2017, the Company had repurchased 9,842,509 common shares under the terms of the repurchase authorization and has remaining authorization to repurchase up to 2,157,491 shares. During the three months ended December 31, 2017, the Company did not repurchase any common shares.

The terms of our debt agreements place significant limitations on the amount of restricted payments we may make, including dividends on our common stock and repurchases of our capital stock. Subject to certain customary conditions, we may (i) make restricted payments in an aggregate amount not to exceed \$50.0 million (without regard to a pro forma leverage ratio calculation), (ii) make restricted payments up to a formulaic amount determined based on incremental build-up of our consolidated net income in future periods (subject to compliance with maximum pro forma leverage ratio calculation) and (iii) repurchase capital stock from THL and Goldman Sachs in a remaining aggregate amount up to \$170.0 million. As a result, our ability to declare or pay dividends or distributions to the stockholders of the Company's common stock is materially limited at this time. No dividends were paid on our common stock in 2017 or 2016.

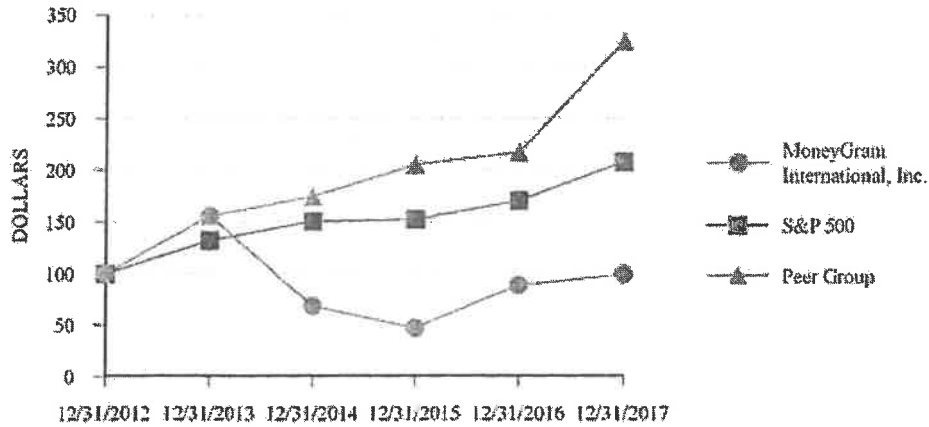
STOCKHOLDER RETURN PERFORMANCE

The Company's peer group consists of companies that are in the money remittance and payment industries, along with companies that effectively capture our competitive landscape given the products and services that we provide. The peer group is comprised of the following companies: Euronet Worldwide Inc., Fiserv, Inc., MasterCard, Inc., Paypal Holdings, Inc., Visa, Inc. and The Western Union Company.

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The following graph compares the cumulative total return from December 31, 2012 to December 31, 2017 for our common stock, our peer group index of payment services companies and the S&P 500 Index. The graph assumes the investment of \$100 in each of our common stock, our peer group and the S&P 500 Index on December 31, 2012, and the reinvestment of all dividends as and when distributed. The graph is furnished and shall not be deemed "filed" with the SEC or subject to Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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



*\$100 invested on 12/31/2012 in stock or index, including reinvestment of dividends.

The following table is a summary of the cumulative total return for the fiscal years ending December 31:

	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017
MoneyGram International, Inc.	100.00	156.36	68.40	47.18	88.86	99.17
S&P 500	100.00	132.39	150.51	152.59	170.84	208.14
Peer Group	100.00	156.03	175.00	205.36	217.05	323.71

Item 6. SELECTED FINANCIAL DATA

The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and Notes thereto. The following table presents our selected consolidated financial data for the years ended December 31:

<i>(Amounts in millions, except per share and location data)</i>	2017	2016	2015	2014 ⁽¹⁾	2013 ⁽¹⁾
Operating Results					
Revenue					
Global Funds Transfer segment	\$ 1,508.1	\$ 1,553.7	\$ 1,465.8	\$ 1,470.1	\$ 1,475.0
Financial Paper Products segment	94.0	75.6	73.3	80.3	84.0
Other	—	1.1	—	—	0.6
Total revenue	\$ 1,602.1	\$ 1,630.4	\$ 1,539.1	\$ 1,550.4	\$ 1,559.6
Net (loss) income	\$ (29.8)	\$ 15.9	\$ (77.7)	\$ 71.6	\$ 52.0
Net (loss) income per common share:					
Basic	\$ (0.47)	\$ 0.26	\$ (1.25)	\$ 1.10	\$ 0.73
Diluted	\$ (0.47)	\$ 0.24	\$ (1.25)	\$ 1.09	\$ 0.72
Financial Position					
Cash and cash equivalents	\$ 190.0	\$ 157.2	\$ 164.5	\$ 250.6	\$ 318.8
Total assets	\$ 4,772.5	\$ 4,597.4	\$ 4,505.2	\$ 4,628.3	\$ 4,775.8
Long-term debt	\$ 908.1	\$ 915.2	\$ 942.6	\$ 949.6	\$ 831.8
Stockholders' deficit	\$ (245.3)	\$ (215.6)	\$ (229.5)	\$ (189.0)	\$ (82.8)

(1) Selected financial data for the years ended December 31, 2014 and 2013 has been corrected to reflect the adjustments related to the errors described in Note 15 — *Immaterial Error Correction* of the Notes to the Consolidated Financial Statements. The correction of the error decreased net income by \$0.5 million and \$0.4 million and diluted net income per common share by \$0.01 for the years ended December 31, 2014 and 2013, respectively. Stockholders' deficit increased by \$6.3 million and \$5.8 million as of December 31, 2014 and 2013, respectively.

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

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

The comparisons presented in this discussion refer to the same period in the prior year unless otherwise noted. This discussion is organized in the following sections:

- Overview
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Policies and Estimates
- Cautionary Statements Regarding Forward-Looking Statements

OVERVIEW

MoneyGram is a global provider of innovative money transfer services and is recognized worldwide as a financial connection to friends and family. Whether online, through a mobile device, at a kiosk or in a local store, we connect consumers in any way that is convenient for them. We also provide bill payment services, issue money orders and process official checks in the U.S. and in select countries and territories. We primarily offer services through third-party agents, including retail chains, independent retailers, post offices and financial institutions. We also have Company-operated retail locations in the U.S. and Western Europe. Additionally, we offer Digital solutions, which include moneygram.com, mobile solutions, account deposit and kiosk-based services.

We manage our revenue and related commissions expense through two reporting segments: Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfer services in approximately 350,000 agent locations in more than 200 countries and territories. Our global money transfer services are our primary revenue driver, accounting for 89% of total revenue for the year ended December 31, 2017. The Global Funds Transfer segment also provides bill payment services to consumers through substantially all of our money transfer agent and Company-operated locations in the U.S., Canada and Puerto Rico, at certain agent locations in select Caribbean and European countries and through our Digital solutions. The Financial Paper Products segment provides money order services to consumers through retail locations and financial institutions located in the U.S. and Puerto Rico, and provides official check services to financial institutions in the U.S. Corporate expenses that are not related to our segments' performance are excluded from operating income for Global Funds Transfer and Financial Paper Products segments.

Business Environment

Throughout 2017, worldwide political and economic conditions remained highly variable, as evidenced by both economic growth and challenges in key markets, low currency reserves, currency controls in certain countries and a volatile immigration environment. Also, there is continued political unrest and economic weakness in parts of the Middle East and Africa that contributed to the volatility. Given the global reach and extent of the current economic conditions, the growth of money transfer volumes and the average face value of money transfers continued to be highly variable by corridor and country.

We generally compete for money transfer consumers on the basis of trust, convenience, price, technology and brand recognition. The market for money transfer services remains very competitive, consisting of a few large competitors and a large number of small, niche competitors. In addition to the competitive environment, global compliance requirements are becoming increasingly more complex, which has been affecting our top line growth. We continue to enhance our compliance tools to comply with various government and other regulatory programs around the globe. We also introduced self-imposed compliance measures to further protect our customers and the integrity of our network.

We continue to make progress on our journey toward becoming a digitally-enabled, customer-centric organization despite competition from new technologies that allow consumers to send and receive money in a variety of ways. We believe that our continued investment in innovative products and services, particularly Digital solutions, such as the global expansion of moneygram.com, mobile solutions and account deposit services, positions the Company to accelerate our digital transformation and diversify our product and service offerings to meet consumers' needs. Digital solutions revenue for 2017 was \$211.6 million, or 14% of money transfer revenue and increased by 9% from \$194.1 million in 2016. Moneygram.com, which represents 42% of Digital solutions revenue for 2017, grew by \$17.7 million or 25% over 2016.

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Anticipated Trends

This discussion of trends expected to impact our business in 2018 is based on information presently available and reflects certain assumptions, including assumptions regarding future economic conditions. Differences in actual economic conditions compared with our assumptions could have a material impact on our results. See "Cautionary Statements Regarding Forward-Looking Statements" and Part I, Item 1A, "Risk Factors" of this Annual Report on Form 10-K for additional factors that could cause results to differ materially from those contemplated by the following forward-looking statements.

We continue to see increased opportunities to capitalize on growth and expansion both geographically and through product and service offerings. However, economic and political instability, which can result in currency volatility, liquidity pressure on central banks and pressure on labor markets in certain countries, may continue to impact our business in 2018. Additionally, pricing pressure continues to negatively impact our growth in the U.S. to U.S. channel, along with economic issues in the Middle East and Africa, which have restricted our ability to transact in certain markets.

The June 23, 2016 referendum by British voters to exit the European Union (referred to as Brexit), which was followed by Britain providing official notice to leave the European Union in March of 2017, introduced additional uncertainty in global markets and currency exchange rates. We are currently unable to determine the long term impact that Brexit will have on us, as any impact will depend, in part, on the outcome of tariff, trade, regulatory and other negotiations.

For our Financial Paper Products segment, we expect the decline in overall paper-based transactions to continue primarily due to continued migration by customers to other payment methods. Our investment revenue, which consists primarily of interest income generated through the investment of cash balances received from the sale of our Financial Paper Products, is dependent on the interest rate environment. The Company would see a positive impact on its investment revenue if interest rates continue to rise.

The TCJA, which was signed into law on December 22, 2017, makes significant changes to the taxation of U.S. business entities. These changes include a permanent reduction to the federal corporate income tax rate and changes in the deductibility of interest on corporate debt obligations, among others. The Company continues to analyze the various components of the TCJA and its impact on our consolidated financial statements. As such, the provisional amounts recorded as of December 31, 2017 related to the estimated impact resulting from the re-measurement of our deferred tax assets and liabilities and the estimated change for the one-time tax on our deferred foreign earnings could change. See "Income Taxes" section further below and Note 12 — *Income Taxes* of the Notes to the Consolidated Financial Statements for additional disclosure.

We continue to see a trend among state, federal and international regulators toward enhanced scrutiny of anti-money laundering compliance programs, as well as consumer fraud prevention and education. Compliance with laws and regulations is a highly complex and integral part of our day-to-day operations, thus we have continued to increase our compliance personnel headcount and make investments in our compliance-related technology and infrastructure. For the year ended December 31, 2017, the Company has invested \$28.0 million in its compliance enhancement program, which includes \$18.4 million of capital expenditures and \$9.6 million of expenses incurred.

In the first quarter of 2013, a compliance monitor was selected pursuant to a requirement of our settlement with the MDPA and U.S. DOJ. We have received five annual reports from the compliance monitor and we continue to make investments in our compliance systems and operations as part of our compliance enhancement program. We incurred \$16.0 million of expense directly related to the compliance monitor for the year ended December 31, 2017.

Financial Measures and Key Metrics

This Annual Report on Form 10-K includes financial information prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") as well as certain non-GAAP financial measures that we use to assess our overall performance.

GAAP Measures — We utilize certain financial measures prepared in accordance with GAAP to assess the Company's overall performance. These measures include, but are not limited to: fee and other revenue, fee and other commissions expense, fee and other revenue less commissions, operating income and operating margin. Due to our regulatory capital requirements, we deem certain assets as settlement assets. Settlement assets represent funds received or to be received from agents for unsettled money transfers, money orders and customer payments. Settlement assets include settlement cash and cash equivalents, receivables, net, interest-bearing investments and available-for-sale investments. See Note 2 — *Summary of Significant Accounting Policies* of the Notes to the Consolidated Financial Statements for additional disclosure.

Non-GAAP Measures — Generally, a non-GAAP financial measure is a numerical measure of financial performance, financial position or cash flows that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. The non-GAAP financial measures should be viewed as a supplement to, and not a substitute for, financial measures presented in accordance with GAAP. We strongly encourage investors and stockholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. While we believe that these metrics enhance investors' understanding of our business, these metrics are not necessarily

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comparable with similarly named metrics of other companies. The following are non-GAAP financial measures we use to assess our overall performance:

EBITDA (Earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization)

Adjusted EBITDA (EBITDA adjusted for certain significant items) — Adjusted EBITDA does not reflect cash requirements necessary to service interest or principal payments on our indebtedness or tax payments that may result in a reduction in cash available.

Adjusted Free Cash Flow (Adjusted EBITDA less cash interest, cash taxes, cash payments for capital expenditures and cash payments for agent signing bonuses) — Adjusted Free Cash Flow does not reflect cash payments related to the adjustment of certain significant items in Adjusted EBITDA.

Constant Currency — Constant currency metrics assume that amounts denominated in foreign currencies are translated to the U.S. dollar at rates consistent with those in the prior year.

The Company utilizes specific terms related to our business throughout this document, including the following:

Corridor — With regard to a money transfer transaction, the originating "send" location and the designated "receive" location are referred to as a corridor.

Corridor mix — The relative impact of increases or decreases in money transfer transaction volume in each corridor versus the comparative prior period.

Face value — The principal amount of each completed transaction, excluding any fees related to the transaction.

Foreign currency — The impact of foreign currency exchange rate fluctuations on our financial results is typically calculated as the difference between current period activity translated using the current period's currency exchange rates and the comparable prior-year period's currency exchange rates. We use this method to calculate the impact of changes in foreign currency exchange rates on revenues, commissions and other operating expenses for all countries where the functional currency is not the U.S. dollar.

RESULTS OF OPERATIONS

The following table is a summary of the results of operations for the years ended December 31:

<i>(Amounts in millions, except percentages)</i>	2017	2016	2015	2017 vs 2016	2016 vs 2015	2017 vs 2016	2016 vs 2015
Revenue							
Fee and other revenue	\$ 1,560.9	\$ 1,612.4	\$ 1,527.0	\$ (51.5)	\$ 85.4	(3)%	6 %
Investment revenue	41.2	18.0	12.1	29.2	5.9	NM	49 %
Total revenue	1,602.1	1,630.4	1,539.1	(28.3)	91.3	(2)%	6 %
Expenses							
Fee and other commissions expense	763.5	793.1	759.8	(29.6)	33.3	(4)%	4 %
Investment commissions expense	8.7	2.5	0.8	6.2	1.7	NM	NM
Total commissions expense	772.2	795.6	760.6	(23.4)	35.0	(3)%	5 %
Compensation and benefits	277.7	295.7	310.4	(18.0)	(14.7)	(6)%	(5)%
Transaction and operations support	402.3	309.5	324.8	92.8	(15.3)	30 %	(5)%
Occupancy, equipment and supplies	66.1	61.9	62.3	4.2	(0.4)	7 %	(1)%
Depreciation and amortization	75.1	79.9	66.1	(4.8)	13.8	(6)%	21 %
Total operating expenses	1,593.4	1,542.6	1,524.2	50.8	18.4	3 %	1 %
Operating income	8.7	87.8	14.9	(79.1)	72.9	(90)%	NM
Other expenses							
Interest expense	45.3	45.0	45.3	0.3	(0.3)	1 %	(1)%
Debt extinguishment costs	—	0.3	—	(0.3)	0.3	NM	NM
Total other expenses (income), net	45.3	45.3	45.3	—	—	— %	— %
(Loss) income before income taxes	(36.6)	42.5	(30.4)	(79.1)	72.9	NM	NM
Income tax (benefit) expense	(6.8)	26.6	47.3	(33.4)	(20.7)	NM	(44)%
Net (loss) income	\$ (29.8)	\$ 15.9	\$ (77.7)	\$ (45.7)	\$ 93.6	NM	NM

NM = Not meaningful

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Global Funds Transfer Fee and Other Revenue

Fee and other revenue consists of transaction fees, foreign exchange revenue and other revenue. The Company earns money transfer revenues primarily from consumer transaction fees on its money transfer and bill payment services and the management of currency exchange spreads involving different "send" and "receive" countries. Other revenue in the Global Funds Transfer segment primarily consists of breakage revenue on money transfer transactions where the likelihood of payment is remote and there is no requirement for remitting balances to government agencies under unclaimed property laws.

The following discussion provides a summary of fee and other revenue for the Global Funds Transfer segment for the years ended December 31. Investment revenue is not included in the analysis below. For further detail, see "Investment Revenue Analysis" below.

<i>(Amounts in millions, except percentages)</i>	2017	2016	2015	2017 vs 2016	2016 vs 2015
Money transfer fee and other revenue	\$ 1,421.8	\$ 1,456.2	\$ 1,366.9	(2)%	7%
Bill payment fee and other revenue	86.3	97.5	98.7	(11)%	(1)%
Global Funds Transfer fee and other revenue	\$ 1,508.1	\$ 1,553.7	\$ 1,465.6	(3)%	6%
Fee and other commissions expense	\$ 762.2	\$ 791.9	\$ 759.5	(4)%	4%

Money Transfer Fee and Other Revenue

The following table details the changes in money transfer fee and other revenue from the respective prior year for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016
Prior year ended	\$ 1,456.2	\$ 1,366.9
Change resulting from:		
Corridor mix	(41.1)	24.2
Money transfer volume	17.2	74.1
Average face value per transaction and pricing	(15.5)	11.1
Impact from changes in exchange rates	1.7	(16.2)
Other	3.3	(3.9)
Current year ended	\$ 1,421.8	\$ 1,456.2

In 2017, the decrease in money transfer fee and other revenue was primarily driven by a negative change in corridor mix and a decrease in the average face value per transaction and pricing, partially offset by increased Non-U.S. and U.S. outbound money transfer volume discussed further below.

In 2016, the increase in money transfer fee and other revenue was primarily driven by increased Non-U.S. and U.S. outbound money transfer volume discussed further below and a positive change in corridor mix, partially offset by the stronger U.S. dollar compared to prior year.

The following table displays year-over-year money transfer fee and other revenue growth by geographic channel (the region originating the transaction) for the years ended December 31:

	2017 vs 2016	2016 vs 2015
Total money transfer fee and other revenue	(2)%	7%
U.S. Outbound	1%	9%
Non-U.S.	(2)%	8%
U.S. to U.S.	(16)%	(7)%

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Money Transfer Transactions

The following table displays the percentage distribution of total money transfer transactions by geographic channel (the region originating the transaction) for the years ended December 31:

	2017	2016	2015
U.S. Outbound	44%	43%	43%
Non-U.S.	44%	43%	40%
U.S. to U.S.	12%	14%	17%

The following table displays year over year money transfer transaction growth by geographic channel (the region originating the transaction) for the years ended December 31:

	2017 vs 2016	2016 vs 2015
Total transactions	1%	5%
U.S. Outbound	2%	8%
Non-U.S.	6%	11%
U.S. to U.S.	(14)%	(13)%

During 2017, total money transfer fee and other revenue declined by 2% and total money transfer transactions grew by 1%. The U.S. Outbound channel generated 1% revenue growth for the year ended December 31, 2017 and 2% transaction growth for the same period. The revenue and transaction growth was primarily driven by sends to Latin America. The U.S. Outbound channel accounted for 44% of our total money transfer transactions for 2017.

During 2017, money transfer fee for the Non-U.S. channel and other revenue declined by 2% and transactions grew by 6% for the same period. The transaction growth was primarily driven by sends from Latin America, Middle East and Europe partially offset by a decrease in revenue caused by geopolitical and economic challenges in parts of Africa. The Non-U.S. channel accounted for 44% of total money transfer transactions for the year ended December 31, 2017.

For the year ended December 31, 2017, the U.S. to U.S. channel money transfer fee and other revenue declined by 16% and transactions declined by 14% for the same period. The decline was primarily due to lower transaction volume. The U.S. to U.S. channel accounted for 12% of total money transfer transactions for 2017.

During 2016, total money transfer fee and other revenue grew by 7% and total money transfer transactions grew by 5%. The U.S. Outbound channel generated 9% revenue growth for the year ended December 31, 2016 and 8% transaction growth for the same period. The revenue and transaction growth was primarily driven by sends to Latin America, Africa and Asia Pacific and was partially offset by the discontinuation of our full-service kiosk offerings. The U.S. Outbound channel accounted for 43% of our total money transfer transactions for 2016.

During 2016, the Non-U.S. channel money transfer fee and other revenue grew by 8% and transactions grew by 11% for the same period. The revenue and transaction growth was primarily driven by sends from Europe, partially offset by lower transaction volume caused by geopolitical and economic challenges in parts of Africa. The Non-U.S. channel accounted for 43% of total money transfer transactions for the year ended December 31, 2016.

For the year ended December 31, 2016, the U.S. to U.S. channel money transfer fee and other revenue declined by 7% and transactions declined by 13% for the same period. The decline was primarily due to lower volume of transactions under \$200. The U.S. to U.S. channel accounted for 14% of total money transfer transactions for 2016.

Bill Payment Fee and Other Revenue

In 2017 and 2016, bill payment fee and other revenue decreased by \$11.2 million or 11% and \$1.2 million or 1%, respectively, due to lower transactions resulting from shifts in industry mix. For the years ended December 31, 2017 and 2016, bill payment transactions decreased by 12% and 3%, respectively.

Global Funds Transfer Fee and Other Commissions Expense

The Company incurs fee commissions and foreign exchange commissions primarily on our Global Funds Transfer products. In a money transfer transaction, both the agent initiating the transaction and the receiving agent earn a fee commission that is generally a fixed fee or is based on a percentage of the fee charged to the consumer. The agent initiating the transaction and the receiving agent also earn foreign exchange commissions, which are generally based on a percentage of currency exchange spreads. In a bill payment transaction, the agent initiating the transaction receives a commission and, in limited circumstances, the biller will generally earn a commission that is based on a percentage of the fee charged to the consumer. Other commissions expense includes the amortization of capitalized agent signing bonus payments.

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The following table details the changes in fee and other commissions for the Global Funds Transfer segment from the respective prior year for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016
Prior year ended	\$ 791.9	\$ 759.5
Change resulting from:		
Money transfer revenue	(17.4)	50.9
Bill payment revenue and commission rates	(6.6)	(0.1)
Money transfer corridor and agent mix	(3.7)	(5.0)
Signing bonuses	(1.9)	(5.0)
Impact from changes in exchange rates	(0.1)	(8.4)
Current year ended	\$ 762.2	\$ 791.9

For the year ended December 31, 2017, fee and other commissions expense decreased \$29.7 million or 4%. The decrease in commissions expense was primarily driven by decreases in money transfer revenue, bill payment revenue and commissions rates and money transfer corridor and agent mix. Commissions expense as a percentage of fee and other revenue was 51% in both 2017 and 2016.

For the year ended December 31, 2016, fee and other commissions expense increased \$32.4 million or 4%. The increase in commissions expense was primarily driven by the increase in money transfer revenue, as a result of an increase in money transfer volume and an increase in average price per transaction, partially offset by changes in money transfer corridor and agent mix, the impact from a stronger U.S. dollar compared to prior year and a decrease in signing bonus amortization. Commissions expense as a percentage of fee and other revenue declined to 51% in 2016 from 52% in 2015.

Financial Paper Products Fee and Other Revenue and Fee and Other Commissions Expense

Fee and other revenue consists of transaction fees and other revenue. Transaction fees are earned on money order and official check transactions. Other revenue primarily consists of processing fees, service charges on aged outstanding money orders and money order dispenser fees. We generally do not pay commissions to agents on the sale of money orders, except, in certain limited circumstances, for large agents where we may pay a commission based on total money order transactions or outstanding balance.

The following discussion provides a summary of fee and other revenue and fee and other commissions expense for the Financial Paper Product segment for the years ended December 31. Investment revenue and investment commissions expense are not included in the analysis below. For further detail, see "Investment Revenue Analysis" below.

<i>(Amounts in millions, except percentages)</i>	2017	2016	2015	2017 vs 2016	2016 vs 2015
Money order fee and other revenue	\$ 42.5	\$ 45.4	\$ 47.6	(6)%	(5)%
Official check fee and other revenue	10.4	12.2	13.8	(15)%	(12)%
Financial Paper Product fee and other revenue	\$ 52.9	\$ 57.6	\$ 61.4	(8)%	(6)%
Fee and other commissions expense	\$ 1.3	\$ 1.2	\$ 0.3	8%	NM

Money order fee and other revenue decreased in 2017 and 2016 due to transaction declines of 6% and 7%, respectively, attributed primarily to the migration of consumers to other payment methods. Similarly, official check fee and other revenue decreased due to transaction declines of 3% and 8% in 2017 and 2016, respectively.

Investment Revenue Analysis

The following discussion provides a summary of the Company's investment revenue and investment commissions expense for the years ended December 31:

<i>(Amounts in millions, except percentages)</i>	2017	2016	2015	2017 vs 2016	2016 vs 2015
Investment revenue	\$ 41.2	\$ 18.0	\$ 12.1	NM	49%
Investment commissions expense ⁽¹⁾	8.7	2.5	0.8	NM	NM

⁽¹⁾Investment commissions expense consists of amounts paid to financial institution customers based on short-term interest rate indices times the average outstanding cash balances of official checks sold by the financial institution.

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Investment Revenue

Investment revenue consists primarily of interest income generated through the investment of cash balances received from the sale of official checks and money orders. These cash balances are available to us for investment until the payment instrument is cleared. Investment revenue varies depending on the level of investment balances and the yield on our investments.

Investment revenue in 2017 increased \$23.2 million, when compared to 2016, due to the redemption of an asset-backed security as well as higher yields earned on investment balances. In 2017, investment commissions expense increased due to the change in interest rates. See Note 4 — *Investment Portfolio* of the Notes to the Consolidated Financial Statements for additional information on the redemption.

Investment revenue in 2016 increased \$5.9 million, or 49%, when compared to 2015 primarily due to higher yields earned on investment balances. In 2016 investment commissions expense increased due to the change in interest rates.

Operating Expenses

The following table is a summary of the operating expenses, excluding commissions expense, for the years ended December 31:

<i>(Amounts in millions, except percentages)</i>	2017		2016		2015	
	Dollars	Percent of Total Revenue	Dollars	Percent of Total Revenue	Dollars	Percent of Total Revenue
Compensation and benefits	\$ 277.7	17%	\$ 295.7	18%	\$ 310.4	20%
Transaction and operations support	402.3	25%	309.5	19%	324.8	21%
Occupancy, equipment and supplies	66.1	4%	61.9	4%	62.3	4%
Depreciation and amortization	75.1	5%	79.9	5%	66.1	4%
Total operating expenses	\$ 821.2	51%	\$ 747.0	46%	\$ 763.6	50%

In 2017, total operating expenses as a percentage of total revenue increased when compared to 2016, due to an \$85.0 million accrual related to the DPA.

In 2016, total operating expenses as a percentage of total revenue was 46% compared to 50% in 2015. The decrease was mainly due to an increase in total revenue, lower expense related to the 2014 Global Transformation Program and a decrease in pension expense, partially offset by an increase in outsourcing, independent contractor and consultant costs, depreciation and amortization and net salaries, related payroll taxes and cash incentive compensation, all of which are discussed in more detail below.

Compensation and Benefits

Compensation and benefits include salaries and benefits, management incentive programs, related payroll taxes and other employee related costs. The following table is a summary of the change in compensation and benefits from the respective prior year for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016
Prior year ended	\$ 295.7	\$ 310.4
Change resulting from:		
Net salaries, related payroll taxes and cash incentive compensation	(11.7)	12.7
Severance and related costs	(6.0)	7.0
Employee stock-based compensation	(3.4)	(1.7)
Impact from changes in exchange rates	2.3	(2.1)
Pension	(1.3)	(19.7)
Reorganization and restructuring	—	(10.3)
Other	2.1	(0.6)
Current year ended	\$ 277.7	\$ 295.7

In 2017, compensation and benefits decreased by \$18.0 million due to the decrease in net salaries, related payroll taxes and cash incentive compensation primarily driven by lower headcount, a decrease in severance and related costs and lower employee stock-based compensation expense. These decreases were partially offset by the changes in exchange rates due to a weaker U.S. dollar.

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In 2016, compensation and benefits decreased by \$14.7 million due to the decrease in pension expense primarily as a result of a pension settlement charge recorded in 2015 from a voluntary pension buyout, the conclusion of the 2014 Global Transformation Program reorganization and restructuring activities, impact from changes in exchange rates due to a stronger U.S. dollar and lower employee stock-based compensation expense. These decreases were partially offset by an increase in net salaries, related payroll taxes and cash incentive compensation primarily driven by higher headcount and also offset by an increase in severance and related costs.

Transaction and Operations Support

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

The following table is a summary of the change in transaction and operations support from the respective prior year for the years ended December 31:

<u>(Amounts in millions)</u>	2017	2016
Prior year ended	\$ 309.5	\$ 324.8
Change resulting from:		
Legal expenses	94.2	(2.2)
Net realized foreign exchange gains	10.7	(6.8)
Outsourcing, independent contractor and consultant costs	(9.2)	19.2
Marketing costs	(8.4)	5.8
Direct monitor costs	6.9	(2.4)
Provision for loss	(4.9)	(8.1)
Bank Charges	4.2	2.1
Compliance enhancement program	(2.1)	(13.0)
Impact from changes in exchange rates	1.0	(1.0)
Reorganization and restructuring	—	(7.8)
Other	0.4	(1.1)
Current year ended	\$ 402.3	\$ 309.5

In 2017, transaction and operations support increased by \$92.8 million primarily due to an increase in legal expenses driven by the \$85.0 million accrual related to the DPA discussed in more detail in Note 13 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements, and costs incurred in connection with the terminated merger with Ant Financial. Additional factors contributing to the increase include: the change in net realized foreign exchange gains, direct monitor costs and bank charges from fees on foreign exchange trades. The increase was partially offset by decreases in outsourcing, independent contractor and consultant costs and marketing costs and a reduction in our provision for loss.

In 2016, transaction and operations support decreased by \$15.3 million primarily due to the decline in expenses related to the compliance enhancement program and the completion of the 2014 Global Transformation Program reorganization and restructuring activities, a reduction in our provision for loss due to reduced moneygram.com fraud losses and decreased net realized foreign exchange gains related to the favorable execution of the purchase of certain currencies, which traded outside of their historical norms in the first half of 2016. The decrease was partially offset by an increase in costs for outsourcing, independent contractor and consultant costs as a result of continued investment in our compliance systems and call centers and an increase in marketing costs.

Occupancy, Equipment and Supplies

Occupancy, equipment and supplies expense include facilities rent and maintenance costs, software and equipment maintenance costs, freight and delivery costs and supplies.

In 2017, occupancy, equipment and supplies expense increased \$4.2 million when compared to 2016 as a result of an increase in equipment maintenance costs.

In 2016, occupancy, equipment and supplies remained relatively flat when compared to 2015.

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Depreciation and Amortization

Depreciation and amortization includes depreciation on computer hardware and software, agent signage, point of sale equipment, capitalized software development costs, office furniture, equipment and leasehold improvements and amortization of intangible assets.

In 2017, depreciation and amortization decreased \$4.8 million, or 6%, when compared to 2016, as a result of higher costs during the first half of 2016 from the accelerated depreciation expense on our non-core point of sale equipment that was early retired.

In 2016, depreciation and amortization increased \$13.8 million, or 21%, when compared to 2015, primarily driven by accelerated depreciation expense on non-core assets and depreciation expense on computer hardware and software asset additions related to the compliance enhancement program.

Other Expenses, Net

Interest expense in 2017 remained relatively flat when compared to 2016.

Interest expense in 2016 remained relatively flat when compared to 2015. The Company incurred debt extinguishment costs of \$0.3 million in 2016 in connection with additional debt principal payments and a debt repurchase made during the year.

Income Taxes

The following table represents our provision for income taxes and effective tax rate for the years ended December 31:

(Amounts in millions, except percentages)

	2017	2016	2015
Provision for income taxes	\$ (6.8)	\$ 26.6	\$ 47.3
Effective tax rate	18.6%	62.6%	(155.6)%

In 2017, the Company recognized a tax benefit of \$6.8 million on a pre-tax loss of \$36.6 million. The most significant items impacting the effective tax rate were the tax impacts of TCJA, discussed below, and the tax impact of an accrual related to the DPA as further discussed in Note 13 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements. As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the TCJA, the Company revalued its ending net deferred tax liabilities as of December 31, 2017 and recognized a provisional \$19.8 million tax benefit in the Company's consolidated statement of income for the year ended December 31, 2017. Additionally, the Company recognized a provisional net \$3.0 million tax benefit for the remeasurement of previously recorded deferred tax assets and liabilities primarily associated with historical earnings in its foreign subsidiaries. See Note 12 — *Income Taxes* of the Notes to the Consolidated Financial Statements for additional disclosure regarding potential impacts from the TCJA and the other items impacting the Company's effective tax rate.

Our provision for income taxes decreased from 2015 to 2016, primarily as a result of an IRS tax court decision received in 2015 partially offset by a separate IRS settlement in 2016. The effective tax rate increase in 2016 is not meaningful to compare to 2015 due to the operating loss in 2015. See Note 12 — *Income Taxes* and Note 13 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements for additional disclosure.

Our provision for income taxes is volatile and could be affected by changes in the valuation of our deferred tax assets and liabilities, changes in tax laws and regulations, ultimate settlements of the IRS matter referred to above and examinations by tax authorities. We continue to examine the impact the TCJA may have on us, which could adversely affect our business, financial condition and results of operations.

We are regularly examined by tax authorities both domestically and internationally. We assess the likelihood of adverse outcomes and believe that adequate amounts have been reserved for adjustments that may result from these examinations. Given the inherent uncertainties in these examinations, the ultimate amount and timing of adjustments cannot be assured.

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Operating Income and Operating Margin

The following table provides a summary overview of operating income and operating margin for the years ended December 31:

<i>(Amounts in millions, except percentages)</i>	2017	2016	2015
Operating income:			
Global Funds Transfer	\$ 4.9	\$ 95.8	\$ 31.7
Financial Paper Products:	31.8	18.5	17.9
Total segment operating income	36.7	114.3	49.6
Other	(28.0)	(26.5)	(34.7)
Total operating income	\$ 8.7	\$ 87.8	\$ 14.9
Total operating margin	0.5%	5.4%	1.0%
Global Funds Transfer	0.3%	6.2%	2.2%
Financial Paper Products	33.8%	24.5%	24.4%

2017 Compared to 2016

In 2017, the Global Funds Transfer segment operating income and operating margin decreased due to the decline in money transfer fee and other revenue and an \$85.0 million accrual related to the DPA discussed in more detail in Note 13 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements, partially offset by the decrease in operating expenses as a result of various cost saving initiatives throughout the year. The Financial Paper Products segment operating income and operating margin increased when compared to 2016, due to higher segment revenues from the redemption of an asset-backed security described in Note 4 — *Investment Portfolio* of the Notes to the Consolidated Financial Statements. The increase in "Other" operating losses was primarily driven by costs incurred in connection with the terminated merger with Ant Financial in 2017, partially offset by lower severance and related costs.

2016 Compared to 2015

During 2016, the Company experienced an increase in total operating income and operating margin when compared to 2015, primarily due to increase in money transfer fee and other revenue of \$89.3 million. Additionally, total operating expenses as a percent of total revenue decreased due to the lower expenses related to the 2014 Global Transformation Program and the reduction in pension expense, partially offset by an increase in outsourcing, independent contractor and consultant costs, depreciation and amortization and net salaries, related payroll taxes and cash incentive compensation, as previously discussed.

"Other" operating losses decreased from 2015 to 2016 primarily due to the decrease in pension expense as a result of a pension settlement charge recorded in 2015 from a voluntary pension buyout.

EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and Constant Currency

We believe that EBITDA (earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization), Adjusted EBITDA (EBITDA adjusted for certain significant items), Adjusted Free Cash Flow (Adjusted EBITDA less cash interest, cash taxes, cash payments for capital expenditures and cash payments for agent signing bonuses) and constant currency measures (which assume that amounts denominated in foreign currencies are translated to the U.S. dollar at rates consistent with those in the prior year) provide useful information to investors because they are indicators of the strength and performance of our ongoing business operations. These calculations are commonly used as a basis for investors, analysts and other interested parties to evaluate and compare the operating performance and value of companies within our industry. In addition, our debt agreements require compliance with financial measures similar to Adjusted EBITDA, EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and constant currency are financial and performance measures used by management in reviewing results of operations, forecasting, allocating resources and establishing employee incentive programs. We also present Adjusted EBITDA growth, constant currency adjusted, which provides information to investors regarding MoneyGram's performance without the effect of foreign currency exchange rate fluctuations year-over-year.

Although we believe that EBITDA, Adjusted EBITDA, Adjusted Free Cash Flow and constant currency measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered in isolation or as substitutes for the accompanying GAAP financial measures. These metrics are not necessarily comparable with similarly named metrics of other companies.

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The following table is a reconciliation of our non-GAAP financial measures to the related GAAP financial measures for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
(Loss) income before income taxes	\$ (36.6)	\$ 42.5	\$ (30.4)
Interest expense	45.3	45.0	45.3
Depreciation and amortization	75.1	79.9	66.1
Amortization of agent signing bonuses	51.9	54.0	60.4
EBITDA	135.7	221.4	141.4
Significant items impacting EBITDA:			
Legal and contingent matters ⁽¹⁾	85.9	2.3	1.7
Direct monitor costs	16.0	9.1	11.5
Stock-based, contingent and incentive compensation	14.5	19.0	26.9
Costs incurred in connection with the terminated merger with Ant Financial ⁽²⁾	12.7	—	—
Compliance enhancement program	9.6	10.3	26.5
Severance and related costs	1.5	1.9	—
Reorganization and restructuring costs	—	—	20.0
Pension settlement charge	—	—	13.8
Adjusted EBITDA	\$ 275.9	\$ 264.0	\$ 241.8
Adjusted EBITDA growth, as reported	5%		
Adjusted EBITDA growth, constant currency adjusted	5%		
Adjusted EBITDA	\$ 275.9	\$ 264.0	\$ 241.8
Cash payments for interest	(41.9)	(41.6)	(42.1)
Cash payments for taxes, net of refunds	(5.0)	(9.5)	(64.4)
Payments related to IRS tax matter	—	—	61.0
Cash payments for capital expenditures	(83.6)	(82.8)	(109.9)
Cash payments for agent signing bonuses	(40.3)	(34.0)	(87.3)
Adjusted Free Cash Flow	\$ 105.1	\$ 96.1	\$ (0.9)

(1) 2017 consists primarily of an \$85.0 million accrual related to the DPA net of a one-time insurance settlement of \$1.3 million.

(2) Costs include, but are not limited to, legal, investment banking and consultant fees and other one-time integration planning costs.

2017 Compared to 2016

The Company generated EBITDA of \$135.7 million and \$221.4 million and Adjusted EBITDA of \$275.9 million and \$264.0 million for the years ended December 31, 2017 and 2016, respectively. Adjusted EBITDA increased when compared to the same period in 2016, primarily due to a decrease in total operating expenses driven by a decrease in net salaries, related payroll taxes and cash incentive compensation, outsourcing, independent contractor and consultant costs and marketing costs. EBITDA decreased primarily due to an \$85.0 million accrual related to the DPA discussed in more detail in Note 13 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements when compared to 2016.

For 2017, Adjusted Free Cash Flow increased by \$9.0 million. The increase was a result of increase in Adjusted EBITDA, decreases in payments for net cash taxes, partially offset by increases in agent signing bonuses.

2016 Compared to 2015

For 2016, the Company generated EBITDA of \$221.4 million and adjusted EBITDA of \$264.0 million. When compared to 2015, Adjusted EBITDA increased \$22.2 million. The increase in Adjusted EBITDA was primarily driven by an increase in money transfer fee and other revenue and a decrease in the pension expense. The increase in EBITDA was driven by the same factors that impacted Adjusted EBITDA and lower expense related to the 2014 Global Transformation Program.

For 2016, Adjusted Free Cash Flow increased by \$97.0 million. The increase was a result of increase in Adjusted EBITDA, decreases in payments for capital expenditures and agent signing bonuses.

See "Results of Operations" and "Analysis of Cash Flows" sections for additional information regarding these changes.

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LIQUIDITY AND CAPITAL RESOURCES

We have various resources available for purposes of managing liquidity and capital needs, including our investment portfolio, credit facilities and letters of credit. We refer to our cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and available-for-sale investments collectively as our "investment portfolio." The company utilizes cash and cash equivalents in various liquidity and capital assessments.

Cash and Cash Equivalents, Settlement Assets and Payment Service Obligations

The following table shows the components of the Company's cash and cash equivalents and settlement assets as of December 31:

<i>(Amounts in millions)</i>	2017	2016
Cash and cash equivalents	\$ 190.0	\$ 157.2
Settlement assets:		
Settlement cash and cash equivalents	1,469.9	1,365.0
Receivables, net	1,125.3	999.4
Interest-bearing investments	1,154.2	1,252.1
Available-for-sale investments	7.0	17.8
	<u>3,756.9</u>	<u>3,634.3</u>
Payment service obligations	\$ (3,756.9)	\$ (3,634.3)

Our primary sources of liquidity include cash flows generated by the sale of our payment instruments, our cash and cash equivalent and interest-bearing investment balances, proceeds from our investment portfolio and credit capacity under our credit facilities. Our primary operating liquidity needs are related to the settlement of payment service obligations to our agents and financial institution customers, general operating expenses and debt service.

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

We seek to maintain funding capacity beyond our daily operating needs to provide a cushion through the normal fluctuations in our payment service obligations, as well as to provide working capital for the operational and growth requirements of our business. We believe we have sufficient liquid assets and funding capacity to operate and grow our business for the next 12 months. Should our liquidity needs exceed our operating cash flows, we believe that external financing sources, including availability under our credit facilities, will be sufficient to meet our anticipated funding requirements.

Cash and Cash Equivalents and Interest-bearing Investments

To ensure we maintain adequate liquidity to meet our operating needs at all times, we keep a significant portion of our investment portfolio in cash and cash equivalents and interest-bearing investments at financial institutions rated A- or better by two of the following three rating agencies: Moody's Investor Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings, Inc. ("Fitch"); and in AAA rated U.S. government money market funds. If the rating agencies have split ratings, the Company uses the lower of the highest two out of three ratings across the agencies for disclosure purposes. If the institution has only two ratings, the Company uses the lower of the two ratings for disclosure purposes. As of December 31, 2017, cash and cash equivalents (including unrestricted and settlement cash and cash equivalents) and interest-bearing investments totaled \$2.8 billion. Cash and cash equivalents consist of interest-bearing deposit accounts, non-interest bearing transaction accounts and money market securities; interest-bearing investments consist of time deposits and certificates of deposit with maturities of up to 24 months.

Available-for-sale Investments

Our investment portfolio includes \$7.0 million of available-for-sale investments as of December 31, 2017. U.S. government agency residential mortgage-backed securities compose \$5.6 million of our available-for-sale investments, while asset-backed and other securities compose the remaining \$1.4 million.

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Clearing and Cash Management Banks

We collect and disburse money through a network of clearing and cash management banks. The relationships with these banks are a critical component of our ability to maintain our global active funding requirements on a timely basis. We have agreements with six active clearing banks that provide clearing and processing functions for official checks, money orders and other draft instruments. We have four active official check clearing banks, which provide sufficient capacity for our official check business. We rely on three active banks to clear our retail money orders and believe that these banks provide sufficient capacity for that business. We also maintain relationships with a variety of domestic and international cash management banks for electronic funds transfer and wire transfer services used in the movement of consumer funds and agent settlements.

Credit Facilities

On March 28, 2013, we entered into the 2013 Credit Agreement with BOA, as administrative agent, the financial institutions party thereto as lenders and the other agents party thereto. The 2013 Credit Agreement provided for (i) a senior secured five-year Revolving Credit Facility up to an aggregate principal amount of \$125.0 million and (ii) a senior secured seven-year term loan facility of \$850.0 million ("Term Credit Facility"). The Revolving Credit Facility includes a sub-facility that permits the Company to request the issuance of letters of credit up to an aggregate amount of \$50.0 million, with borrowings available for general corporate purposes and which would reduce the amount available under the Revolving Credit Facility.

On April 2, 2014, we entered into the Incremental Agreement with BOA, as administrative agent, and various lenders, which provided for (i) a tranche under the Term Credit Facility in an aggregate principal amount of \$130.0 million, (ii) an increase in the aggregate revolving loan commitments under the 2013 Credit Agreement from \$125.0 million to \$150.0 million, and (iii) certain other amendments to the 2013 Credit Agreement.

On December 12, 2016, the Company entered into Amendment No. 2 to the 2013 Credit Agreement (the "2016 Amendment") with BOA and various lenders. The 2016 Amendment includes, but is not limited to, decreasing the aggregate revolving credit commitments from \$150.0 million to \$125.0 million from December 12, 2016 to March 27, 2018 (the remainder of the original Revolving Credit Facility term), and increasing the maximum secured leverage ratio, effective the first quarter of 2017. The 2016 Amendment also extends the maturity date of the revolving credit commitments of the extending lenders, which represent commitments of \$85.8 million in the aggregate, from March 28, 2018 to September 28, 2019.

The following table is a summary of the Company's outstanding debt balance as of December 31:

	December 31, 2017		December 31, 2016	
	Effective Interest Rate		Effective Interest Rate	
<i>(Amounts in millions, except percentages)</i>				
Senior secured credit facility due 2020	4.94%	\$ 914.2	4.25%	\$ 924.0
Unamortized debt issuance costs and debt discount		(6.1)		(8.8)
Total debt, net		<u>\$ 908.1</u>		<u>\$ 915.2</u>

As of December 31, 2017, the Company had no outstanding letters of credit or borrowings under the Revolving Credit Facility, leaving \$125.0 million of borrowing capacity thereunder. The Company's effective interest rate on senior secured borrowings increased from 4.25% as of December 31, 2016 to 4.94% as of December 31, 2017 due to an increase in the Eurodollar rate.

The 2013 Credit Agreement contains various financial and non-financial covenants. We continuously monitor our compliance with our debt covenants. At December 31, 2017, the Company was in compliance with its financial covenants. See Note 8 — *Debt* of the Notes to the Consolidated Financial Statements for additional disclosure related to the Company's credit facilities and financial covenants.

Credit Ratings

As of December 31, 2017, our credit ratings from Moody's and S&P were B1 with a stable outlook and B+ with a stable outlook, respectively. Our credit facilities, regulatory capital requirements and other obligations will not be impacted by a future change in our credit ratings.

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Regulatory Capital Requirements and Contractual Obligations

Regulatory Capital Requirements

We have capital requirements relating to government regulations in the U.S. and other countries where we operate. Such regulations typically require us to maintain certain assets in a defined ratio to our payment service obligations. Through our wholly-owned subsidiary and licensed entity, MPSI, we are regulated in the U.S. by various state agencies that generally require us to maintain a pool of liquid assets and investments in an amount generally equal to the regulatory payment service obligation measure, as defined by each state, for our regulated payment instruments, namely teller checks, agent checks, money orders and money transfers. The regulatory requirements do not require us to specify individual assets held to meet our payment service obligations, nor are we required to deposit specific assets into a trust, escrow or other special account. Rather, we must maintain a pool of liquid assets. Provided we maintain a total pool of liquid assets sufficient to meet the regulatory and contractual requirements, we are able to withdraw, deposit or sell our individual liquid assets at will, without prior notice, penalty or limitations. We were in compliance with all state capital requirements as of December 31, 2017.

We are also subject to regulatory capital requirements in various countries outside of the U.S., which typically result in a requirement to either prefund agent settlements or hold minimum required levels of cash or guarantees within the applicable country. The amounts can fluctuate based on our level of activity and is likely to increase over time as our business expands internationally. Assets used to meet these regulatory requirements support our payment service obligations and are not available to satisfy other liquidity needs. As of December 31, 2017, we had \$83.5 million of prefunDS and cash designated to meet regulatory capital requirements and such amounts are included in "Settlement assets" on the Consolidated Balance Sheet.

We were in compliance with all regulatory capital requirements as of December 31, 2017. We believe that our liquidity and capital resources will remain sufficient to ensure ongoing compliance with all regulatory capital requirements.

Contractual Obligations

The following table includes aggregated information about the Company's contractual obligations that impact our liquidity and capital needs. The table includes information about payments due under specified contractual obligations, aggregated by type of contractual obligation as of December 31, 2017:

<u>(Amounts in millions)</u>	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Debt, including interest payments	\$ 1,025.4	\$ 57.5	\$ 967.9	\$ —	\$ —
Non-cancellable leases	65.0	16.3	27.5	16.5	4.7
Signing bonuses	34.0	28.0	6.0	—	—
Marketing	59.1	22.3	25.2	9.8	1.8
Total contractual cash obligations	\$ 1,183.5	\$ 124.1	\$ 1,026.6	\$ 26.3	\$ 6.5

Our Consolidated Balance Sheet at December 31, 2017 includes \$914.2 million of debt, netted with unamortized debt issuance costs and debt discount of \$6.1 million. The above table reflects the principal and interest that will be paid through the maturity of the debt using the rates in effect on December 31, 2017, and assuming no prepayments of principal. Non-cancellable leases include operating leases for buildings, vehicles and equipment and other leases. Signing bonuses are payments to certain agents and financial institution customers as an incentive to enter into long-term contracts. Marketing represents contractual marketing obligations with certain agents, billers and corporate sponsorships. We have other commitments as described further below that are not included in this table as the timing and/or amount of payments are difficult to estimate.

We have a funded, noncontributory defined benefit pension plan ("Pension Plan") that is frozen to both future benefit accruals and new participants. It is our policy to fund at least the minimum required contribution each year plus additional discretionary amounts as available and necessary to minimize expenses of the plan. We made contributions of \$8.0 million to the Pension Plan during 2017. Although the Company has no minimum required contribution for the Pension Plan in 2018, we expect to contribute \$8.0 million to the Pension Plan in 2018.

The Company has certain unfunded defined benefit plans: supplemental executive retirement plans ("SERPs"), which are unfunded non-qualified defined benefit pension plans providing postretirement income to their participants; and a postretirement plan ("Postretirement Benefits") that provides medical and life insurance for its participants. These plans require payments over extended periods of time. The Company will continue to make contributions to the SERPs and the Postretirement Benefits to the extent benefits are paid. Aggregate benefits paid for the unfunded plans are expected to be \$7.0 million in 2018.

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As discussed in Note 13 — *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements, the IRS completed its examination of the Company's consolidated income tax returns through 2013 and issued Notices of Deficiency for 2005-2007 and 2009 and an Examination Report for 2008. The Notices of Deficiency and Examination Report disallow, among other items, approximately \$900.0 million of ordinary deductions on securities losses in the 2007, 2008 and 2009 tax returns. In May 2012 and December 2012, the Company filed petitions in the U.S. Tax Court challenging the 2005-2007 and 2009 Notices of Deficiency, respectively. In 2013, the Company reached a partial settlement with the IRS allowing ordinary loss treatment on \$186.9 million of deductions in dispute. In January 2015, the U.S. Tax Court granted the IRS's motion for summary judgment upholding the remaining adjustments in the Notices of Deficiency. During 2015, the Company made payments to the IRS of \$61.0 million for federal tax payments and associated interest related to the matter. The Company believes that it has substantive tax law arguments in favor of its position. The Company filed a notice of appeal with the U.S. Tax Court on July 27, 2015 for an appeal to the U.S. Court of Appeals for the Fifth Circuit. Oral arguments were held before the Fifth Circuit on June 7, 2016, and on November 15, 2016, the Fifth Circuit vacated the Tax Court's decision and remanded the case to the Tax Court for further proceedings. The Company filed a motion for summary judgment in the Tax Court on May 31, 2017. On August 23, 2017, the IRS filed a motion for summary judgment and its response to the Company's motion for summary judgment. Pending the outcome of the appeal, the Company may be required to file amended state returns and make additional cash payments of up to \$18.7 million on amounts that have previously been accrued.

In limited circumstances as an incentive to new or renewing agents, the Company may grant minimum commission guarantees for a specified period of time at a contractually specified amount. Under the guarantees, the Company will pay to the agent the difference between the contractually specified minimum commission and the actual commissions earned by the agent. As of December 31, 2017, the minimum commission guarantees had a maximum payment of \$2.1 million over a weighted average remaining term of 0.6 years. The maximum payment is calculated as the contractually guaranteed minimum commission times the remaining term of the contract and, therefore, assumes that the agent generates no money transfer transactions during the remainder of its contract. As of December 31, 2017, the liability for minimum commission guarantees was \$1.2 million. Minimum commission guarantees are not reflected in the table above.

The Company has agreements with certain co-investors to provide funds related to investments in limited partnership interests. As of December 31, 2017, the total amount of unfunded commitments related to these agreements was \$0.3 million.

Analysis of Cash Flows

(Amounts in millions)

	2017	2016	2015	2017 vs 2016	2016 vs 2015
Net cash provided by operating activities	\$ 132.5	\$ 120.9	\$ 34.1	\$ 11.6	\$ 86.8
Net cash used in investing activities	(83.6)	(82.8)	(109.5)	(0.8)	26.7
Net cash used in financing activities	(16.1)	(45.4)	(10.7)	29.3	(34.7)
Net change in cash and cash equivalents	\$ 32.8	\$ (7.3)	\$ (86.1)	\$ 40.1	\$ 78.8

Cash Flows from Operating Activities

During 2017, cash provided by operating activities increased due to a decrease in cash taxes, net and reduction in expenditures for working capital items. The increase was partially offset by an increase in signing bonus payments of \$6.3 million driven by the timing of agent expansion and retention efforts.

During 2016, cash provided by operating activities increased due to an increase in net income and a decrease in signing bonus payments of \$53.3 million driven by the timing of agent expansion and retention efforts. This increase was partially offset by increased payments for employee performance bonuses and a payment of \$13.0 million related to the State Civil Investigative Demands matter in March 2016.

Cash Flows from Investing Activities

Items impacting net cash used in investing activities in 2017, 2016 and 2015 were primarily from capital expenditures of \$83.6 million, \$82.8 million and \$109.9 million, respectively. Capital expenditures remained relatively flat when compared to 2016.

Cash Flows from Financing Activities

In 2017, items impacting net cash used in financing activities were \$9.8 million of principal payments on debt and payments to tax authorities for stock-based compensation of \$8.0 million. In 2016, items impacting net cash used in financing activities were \$30.3 million of principal payments on debt, which included additional principal payments totaling \$20.0 million made on the Term Credit Facility in the fourth quarter of 2016, stock repurchases of \$11.7 million and payments to tax authorities for stock-based compensation of \$2.7 million. In 2015, items impacting net cash used in financing activities were \$9.8 million principal payments on debt, payments to tax authorities for stock-based compensation of \$0.5 million and \$0.4 million of stock repurchases.

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Stockholders' Deficit

Stockholders' Deficit — The Company is authorized to repurchase up to 12,000,000 shares of our common stock. As of December 31, 2017, we had repurchased a total of 9,842,509 shares of our common stock under this authorization and have remaining authorization to purchase up to 2,157,491 shares.

Under the terms of our outstanding credit facilities, we are restricted in our ability to pay dividends on our common stock. No dividends were paid on our common stock in 2017, and we do not anticipate declaring any dividends on our common stock during 2018.

Off-Balance Sheet Arrangements

None.

Critical Accounting Policies and Estimates

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

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

Goodwill — We have two reporting units: Global Funds Transfer and Financial Paper Products. Our Global Funds Transfer reporting unit is the only reporting unit that carries goodwill. We evaluate goodwill for impairment annually as of October 1, or more frequently upon occurrence of certain events. When testing goodwill for impairment, we may elect to perform either a qualitative test or a quantitative test to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, we consider the impact of any changes to the following factors: macroeconomic, industry and market factors, cost factors, and changes in overall financial performance, as well as any other relevant events and uncertainties impacting a reporting unit. If our qualitative assessment does not conclude that it is more likely than not that the estimated fair value of the reporting unit is greater than the carrying value, we perform a quantitative analysis. In a quantitative testing, the fair value of a reporting unit is determined based on a discounted cash flow analysis and further analyzed using other methods of valuation. A discounted cash flow analysis requires us to make various assumptions, including assumptions about future cash flows, growth rates and discount rates. The assumptions about future cash flows and growth rates are based on our long-term projections by reporting unit. In addition, an assumed terminal value is used to project future cash flows beyond base years. Assumptions used in our impairment testing are consistent with our internal forecasts and operating plans. Our discount rate is based on our debt and equity balances, adjusted for current market conditions and investor expectations of return on our equity. If the fair value of a reporting unit exceeds its carrying amount, there is no impairment. If not, we compare the fair value of the reporting unit with its carrying amount. To the extent the carrying amount of the reporting unit exceeds its fair value, a write-down of the reporting unit's goodwill would be necessary.

We did not recognize a goodwill impairment loss for 2017, 2016 or 2015. The carrying value of goodwill assigned to the Global Funds Transfer reporting unit at December 31, 2017 was \$442.2 million. By analyzing the qualitative factors discussed above, we determined that a quantitative impairment analysis was not needed. As of October 1, 2017, the Global Funds Transfer reporting unit carrying value remained relatively unchanged when compared to the prior year. Additionally, as of the 2017 test date, the Company's market price more than doubled when compared to the prior year test date and there were no significant changes to the reporting unit's cash flows and growth rates. As such, we concluded that the Global Funds Transfer reporting unit's fair value was substantially in excess of the reporting unit's carrying value.

As of December 31, 2017, there were no qualitative factors that indicated that the fair value of the reporting unit is less than the carrying value.

Pension — Through the Company's Pension Plan and SERPs, collectively referred to as our "Pension," we provide defined benefit pension plan coverage to certain of our employees and certain employees of Viad Corporation, our former parent. Our pension obligations under these plans are measured as of December 31, the measurement date. Pension benefit obligations and the related expense are based upon actuarial projections using assumptions regarding mortality, discount rates, long-term return on assets and other factors.

Our assumptions reflect our historical experience and management's best judgment regarding future expectations. Certain of the assumptions, particularly the discount rate and expected return on plan assets, require significant judgment and could have a material impact on the measurement of our pension obligation.

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In order to estimate the interest cost components of net periodic benefit expense for its Pension and Postretirement Benefits, the Company utilizes a full yield curve approach by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows.

At each measurement date, the discount rate used to measure total benefit obligation for the Pension and Postretirement Benefits is based on the then current interest rate yield curves for long-term corporate debt securities with maturities rated AA comparable to our obligations.

Our Pension Plan assets are primarily invested in commingled trust funds. Our investments are periodically realigned in accordance with the investment guidelines. The expected return on Pension Plan assets is based on our historical market experience, our asset allocations and our expectations for long-term rates of return. We also consider peer data and historical returns to assess the reasonableness and appropriateness of our assumption. Our Pension Plan asset allocations are reviewed periodically and are based upon plan funded ratio, an evaluation of market conditions, tolerance for risk and cash requirements for benefit payments.

Lower discount rates increase the Pension and Postretirement Benefits obligation and subsequent year pension expense, while higher discount rates decrease the Pension and Postretirement Benefits obligation and subsequent year pension expense. Decreasing the discount rate by 50 basis points would have increased the 2017 Pension and Postretirement Benefits net periodic benefit expense by \$0.3 million. If the discount rate increased by 50 basis points, the Pension and Postretirement Benefits net periodic benefit expense would have decreased by \$0.2 million. Decreasing the expected rate of return by 50 basis points would have increased the 2017 Pension Plan net periodic benefit expense by \$0.6 million and increasing the expected rate of return by 50 basis points would have decreased the 2017 Pension Plan net periodic benefit expense by \$0.6 million.

Income Taxes, Tax Contingencies — We are subject to income taxes in the U.S. and various foreign jurisdictions. In determining taxable income, income or loss before taxes is adjusted for differences between local tax laws and GAAP.

We file tax returns in multiple states within the U.S. and various countries. Generally, our tax filings are subject to audit by tax authorities for three to five years following submission of a return. With a few exceptions, the Company is no longer subject to foreign or U.S., state and local income tax examinations for years prior to 2012. The U.S. federal income tax filings are subject to audit for fiscal years 2014 through 2017.

The benefits of tax positions are recorded in the income statement if we determine it is more-likely-than-not, based on the technical merits of the position, that the tax position will be sustained upon examination, including any related appeals or litigation.

Changes in tax laws, regulations, agreements and treaties, foreign currency exchange restrictions or our level of operations or profitability in each taxing jurisdiction could have an impact on the amount of income taxes that we provide during any given year. The determination of taxable income in any jurisdiction requires the interpretation of the related tax laws and regulations and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of deductions and the sources and character of income and tax credits.

These assumptions and probabilities are periodically reviewed and revised based upon new information.

Changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations. Actual tax amounts may be materially different from amounts accrued based upon the results of audits due to different interpretations by the tax authorities than those of the Company. While we believe that our reserves are adequate to cover reasonably expected tax risks, an unfavorable tax settlement generally requires the use of cash and an increase in the amount of income tax expense that we recognize. A favorable tax settlement generally requires a decrease in the amount of income taxes that we recognize.

Income Taxes, Valuation of Deferred Tax Assets — Deferred tax assets and liabilities are recorded based on the future tax consequences attributable to temporary differences that exist between the financial statement carrying value of assets and liabilities and their respective tax basis, and operating loss and tax credit carry-forwards on a taxing jurisdiction basis. We measure deferred tax assets and liabilities using enacted statutory tax rates that will apply in the years in which we expect the temporary differences to be recovered or paid.

The carrying amount of deferred tax assets must be reduced through a valuation allowance if it is more-likely-than-not that the deferred tax asset will not be realized. In the period in which a valuation allowance is recorded, we would record tax expense, whereas a tax benefit would be recorded in the period a valuation allowance is released.

In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood that the deferred tax assets will be realized. Our assessment of whether a valuation allowance is required or should be adjusted requires judgment and is completed on a taxing jurisdiction basis. We consider, among other matters: the nature, frequency and severity of any cumulative financial reporting losses; the ability to carry back losses to prior years; future reversals of existing taxable temporary differences; tax planning strategies and projections of future taxable income. We also consider our best estimate of the outcome of any on-going examinations based on the technical merits of the position, historical procedures and case law, among other items.

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As of December 31, 2017, we have recorded a valuation allowance of \$75.9 million against deferred tax assets of \$133.6 million. The valuation allowance primarily relates to basis differences in revalued investments, capital losses and certain foreign tax loss carryovers. While we believe that the basis for estimating our valuation allowance is appropriate, changes in our current estimates due to unanticipated events, or other factors, could have a material effect on our financial condition and results of operations.

The Company has not completed its accounting for the income tax effects of the TCJA. Where the Company has been able to make reasonable estimates of the effects, the Company has recorded provisional amounts in accordance with SEC Staff Accounting Bulletin No. 118. Where the Company has not yet been able to make reasonable estimates of the impact of certain elements, the Company has not recorded any amounts related to those elements and has continued accounting for them in accordance with ASC 740 on the basis of the tax laws in effect immediately prior to the enactment of the TCJA.

The TCJA reduces the U.S. federal corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. While the accounting is incomplete, the Company has made a reasonable estimate and recorded a provisional decrease to net U.S. deferred tax liabilities of \$19.8 million with a corresponding increase to deferred tax benefit. Based on further analysis of the estimates and additional guidance on the application of the law, it is anticipated that revisions may occur throughout the allowable measurement period.

Transition Tax on unrepatriated foreign earnings: The Transition Tax on unrepatriated foreign earnings is a tax on previously untaxed accumulated and current earnings and profits ("E&P") of the Company's foreign subsidiaries. To determine the amount of the Transition Tax, the Company must determine, among other factors, the amount of post-1986 E&P of its foreign subsidiaries, as well as the amount of non-U.S. income taxes paid on such earnings. The Company made a reasonable estimate of the Transition Tax and has recorded a provisional Transition Tax expense. After the utilization of foreign tax credits related to undistributed foreign subsidiary E&P and other existing foreign tax credits, the Company expects a net zero liability associated with the deemed mandatory repatriation. The Company is continuing to gather additional information to more precisely compute the amount of the Transition Tax to complete its calculation of E&P as well as the final determination of non-U.S. income taxes paid.

Due to the complexity of the new tax laws around global intangible low taxed income ("GILTI"), the Company is continuing to evaluate how the income tax provision will be accounted for under the U.S. generally accepted accounting principles wherein companies are allowed to make an accounting policy election of either (i) account for GILTI as a component of tax expense in the period in which the Company is subject to the rules (the "period cost method"), or (ii) account for GILTI in the Company's measurement of deferred taxes (the "deferred method"). Currently, the Company has not elected a method and will only do so after its completion of the analysis of the GILTI provisions.

Recent Accounting Developments

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the documents incorporated by reference herein may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with respect to, among other things, the financial condition, results of operations, plans, objectives, future performance and business of MoneyGram and its subsidiaries. Statements preceded by, followed by or that include words such as "believes," "estimates," "expects," "projects," "plans," "anticipates," "intends," "continues," "will," "should," "could," "may," "would," "goals" and other similar expressions are intended to identify some of the forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and are included, along with this statement, for purposes of complying with the safe harbor provisions of the Act. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to, among others, the risks and uncertainties described in Part I, Item 1A under the caption "*Risk Factors*" of this Annual Report. These forward-looking statements speak only as of the date they are made, and MoneyGram undertakes no obligation to publicly update or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by federal securities law. These forward-looking statements are based on management's current expectations, beliefs and assumptions and are subject to certain risks, uncertainties and changes in circumstances due to a number of factors. These factors include, but are not limited to;

- our ability to compete effectively;
- our ability to maintain key agent or biller relationships, or a reduction in business or transaction volume from these relationships, including with our largest agent, Walmart, through its introduction of competing white label money transfer products or otherwise;
- our ability to manage fraud risks from consumers or agents;
- the ability of us and our agents to comply with U.S. and international laws and regulations;

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- litigation and regulatory proceedings involving us or our agents, which could result in material settlements, fines or penalties, revocation of required licenses or registrations, termination of contracts, other administrative actions or lawsuits and negative publicity;
- possible uncertainties relating to compliance with and the impact of the DPA;
- current and proposed regulations addressing consumer privacy and data use and security;
- our ability to successfully develop and timely introduce new and enhanced products and services and our investments in new products, services or infrastructure changes;
- our substantial debt service obligations, significant debt covenant requirements and credit rating and our ability to maintain sufficient capital;
- continued weakness in economic conditions, in both the U.S. and global markets;
- our ability to manage risks associated with our international sales and operations;
- our offering of money transfer services through agents in regions that are politically volatile or, in a limited number of cases, that may be subject to certain OFAC restrictions;
- major bank failure or sustained financial market illiquidity, or illiquidity at our clearing, cash management and custodial financial institutions;
- the ability of us and our agents to maintain adequate banking relationships;
- a security or privacy breach in systems, networks or databases on which we rely;
- disruptions to our computer systems and data centers and our ability to effectively operate and adapt our technology;
- changes in tax laws or unfavorable outcomes of tax positions we take, or a failure by us to establish adequate reserves for tax events;
- a significant change, material slow down or complete disruption of international migration patterns;
- our ability to manage credit risks from our agents and official check financial institution customers;
- our ability to adequately protect our brand and intellectual property rights and to avoid infringing on the rights of others;
- our ability to attract and retain key employees;
- our ability to manage risks related to the operation of retail locations and the acquisition or start-up of businesses;
- any restructuring actions and cost reduction initiatives that we undertake may not deliver the expected results and these actions may adversely affect our business;
- our ability to maintain effective internal controls;
- our capital structure and the special voting rights provided to the THL Representatives on our Board of Directors; and
- the risks and uncertainties described in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections of this Annual Report on Form 10-K, as well as any additional risk factors that may be described in our other filings with the SEC from time to time.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Enterprise Risk Management

Risk is an inherent part of any business. Our most prominent risk exposures are credit, interest rate and foreign currency exchange. See Part I, Item 1A "Risk Factors" of this Annual Report on Form 10-K for a description of the principal risks to our business. Appropriately managing risk is important to the success of our business, and the extent to which we effectively manage each of the various types of risk is critical to our financial condition and profitability. Our risk management objective is to monitor and control risk exposures to produce steady earnings growth and long-term economic value.

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

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

Credit Risk

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

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

At December 31, 2017, the Company's investment portfolio of \$2.8 billion was primarily comprised of cash and cash equivalents, consisting of interest-bearing deposit accounts, non-interest bearing transaction accounts and money market funds backed by U.S. government securities, and interest-bearing investments consisting of time deposits and certificates of deposit. Based on investment policy restrictions, investments are limited to those rated A- or better by two of the following three rating agencies: Moody's, S&P and Fitch. If the rating agencies have split ratings, the Company uses the lower of the highest two out of three ratings across the agencies for disclosure purposes. If the institution has only two ratings, the Company uses the lower of the two ratings for disclosure purposes. No maturity of interest-bearing investments exceeds 24 months from the date of purchase.

The financial institutions holding significant portions of our investment portfolio may act as custodians for our asset accounts, serve as counterparties to our foreign currency transactions and conduct cash transfers on our behalf for the purpose of clearing our payment instruments and related agent receivables and agent payables. Through certain check clearing agreements and other contracts, we are required to utilize several of these financial institutions.

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

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The following table is a detailed summary of our investment portfolio as of December 31, 2017:

<i>(Amounts in millions, except percentages and financial institutions)</i>	Number of Financial Institutions ⁽¹⁾	Amount	Percent of Investment Portfolio
Cash held on-hand at owned retail locations	N/A	\$ 0.4	—%
Cash equivalents collateralized by securities issued by U.S. government agencies	3	9.2	—%
Available-for-sale investments issued by U.S. government agencies	N/A	5.6	—%
Cash, cash equivalents and interest-bearing investments at institutions rated AAA ⁽²⁾	1	30.2	1%
Cash, cash equivalents and interest-bearing investments at institutions rated AA	5	696.7	25%
Cash, cash equivalents and interest-bearing investments at institutions rated A	12	1,455.1	52%
Cash, cash equivalents and interest-bearing investments at institutions rated BBB	1	1.7	—%
Cash, cash equivalents and interest-bearing investments at institutions rated below BBB	3	54.2	2%
Asset-backed and other securities	N/A	1.4	—%
Investment portfolio held within the U.S.	25	2,254.5	80%
Cash held on-hand at owned retail locations	N/A	24.6	1%
Cash, cash equivalents and interest-bearing investments held at institutions rated AA	5	60.1	2%
Cash, cash equivalents and interest-bearing investments at institutions rated A	17	417.7	15%
Cash, cash equivalents and interest-bearing investments at institutions rated below A	50	64.2	2%
Investment portfolio held outside the U.S.	72	566.6	20%
Total investment portfolio		\$ 2,821.1	100%

⁽¹⁾ Financial institutions, located both in the U.S. and outside of the U.S., are included in each of their respective total number of financial institutions.

⁽²⁾ Inclusive of deposits with FDIC-insured institutions and where such deposits are fully insured by the Federal Deposit Insurance Corporation.

At December 31, 2017, all but \$1.4 million of the investment portfolio is invested in cash, cash equivalents, interest-bearing investments and investments issued or collateralized by U.S. government agencies. Approximately 99% of the portfolio is invested in cash, cash equivalents and interest-bearing investments, with 80% of our total investment portfolio invested at financial institutions located within the U.S.

Receivables — We have credit exposure to receivables from our agents through the money transfer, bill payment and money order settlement process. These receivables originate from independent agents who collect funds from consumers who are transferring money or buying money orders, and agents who receive proceeds from us in anticipation of payment to the recipients of money transfers. Agents typically have from one to three days to remit the funds, with longer remittance schedules granted to certain agents on a limited basis. The Company has a credit risk management function that conducts the underwriting of credit on new agents as well as conducting credit surveillance on all agents to monitor their financial health and the history of settlement activity with us. The Company's credit risk management function also maintains daily contact with agents, and performs a collection function. For the year ended December 31, 2017, our annual credit losses from agents, as a percentage of total fee and other revenue, was 1%. As of December 31, 2017, we had credit exposure to our agents of \$549.0 million in the aggregate spread across 14,344 agents, of which three agents, individually, owed us in excess of \$15.0 million.

In addition, we are exposed to credit risk directly from consumer transactions particularly through our Digital solutions, where transactions are originated through means other than cash, and therefore are subject to credit card chargebacks, insufficient funds or other collection impediments, such as fraud. As the Digital solutions become a greater proportion of our money transfer business, these losses may increase.

We also have credit exposure to receivables from our financial institution customers for business conducted by the Financial Paper Products segment. Financial institutions will collect proceeds for official checks and money orders and remit those proceeds to us. We actively monitor the credit risk associated with financial institutions such as banks and credit unions, and have not incurred any losses associated with the failure or merger of any bank or non-bank financial institution customer. As of December 31, 2017, we had a credit exposure to our official check and money order financial institution customers of \$293.7 million in the aggregate spread across 923 financial institutions, of which one owed us in excess of \$15.0 million.

With respect to our credit union customers, our credit exposure is partially mitigated by National Credit Union Administration insurance and we have required certain credit union customers to provide us with larger balances on deposit and/or to issue cashier's checks only. While the value of these assets are not at risk in a disruption or collapse of a counterparty financial institution, the delay in accessing our assets could adversely affect our liquidity and potentially our earnings depending upon the severity of the delay and corrective actions we may need to take.

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

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

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

Derivative Financial Instruments — Credit risk related to our derivative financial instruments relates to the risk that we are unable to collect amounts owed to us by the counterparties to our derivative agreements. Our derivative financial instruments are used to manage exposures to fluctuations in foreign currency exchange rates. If the counterparties to any of our derivative financial instruments were to default on payments, it could result in a delay or interruption of payments to our agents. We manage credit risk related to derivative financial instruments by entering into agreements with only major banks and regularly monitoring the credit ratings of these banks. See Note 5 — *Derivative Financial Instruments* of the Notes to the Consolidated Financial Statements for additional disclosure.

Interest Rate Risk

Interest rate risk represents the risk that our operating results are negatively impacted, and our investment portfolio declines in value, due to changes in interest rates. Given the short maturity profile of the investment portfolio and the low level of interest rates, we believe there is an extremely low risk that the value of these securities would decline such that we would have a material adverse change in our operating results. As of December 31, 2017, the Company held \$208.1 million, or 7%, of the investment portfolio in fixed rate investments.

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

Our results are impacted by interest rate risk through our interest expense for borrowings under the 2013 Credit Agreement. The Company may elect an interest rate for its debt under the 2013 Credit Agreement at each reset period based on the BOA prime bank rate or the Eurodollar rate. The interest rate election may be made individually for the Term Credit Facility and each draw under the Revolving Credit Facility. The interest rate will be either the "alternate base rate" (calculated in part based on the BOA prime rate) plus either 200 or 225 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time) or the Eurodollar rate plus either 300 or 325 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time). In connection with the initial funding under the 2013 Credit Agreement, the Company elected the Eurodollar rate as its primary interest basis. Under the terms of the 2013 Credit Agreement, the minimum interest rate applicable to Eurodollar borrowings under the Term Credit Facility is 100 basis points plus the applicable margins previously referred to in this paragraph. Accordingly, any increases in interest rates will adversely affect interest expense.

The tables below incorporate substantially all of our interest rate sensitive assets and assumptions that reflect changes in all interest rates pertaining to the balance sheet. The "ramp" analysis assumes that interest rates change in even increments over the next 12 months. The "shock" analysis assumes interest rates change immediately and remain at the changed level for the next twelve months. Components of our pre-tax income (loss) that are interest rate sensitive include "Investment revenue," "Investment commissions expense" and "Interest expense." In the current interest rate environment where rates have been historically low, our risk associated with interest rates is not material. A moderately rising interest rate environment would be generally beneficial to the Company because variable rate assets exceed our variable rate liabilities, and certain of our variable rate liabilities will not react to increases in interest rates until those rates exceed the floor set for the index rate on the corresponding debt.

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The following table summarizes the changes to affected components of the income statement under various ramp scenarios as of December 31, 2017:

<i>(Amounts in millions)</i>	Basis Point Change in Interest Rates					
	Down	Down	Down	Up	Up	Up
	200	100	50	50	100	200
Investment revenue	\$ (20.5)	\$ (12.3)	\$ (6.2)	\$ 6.2	\$ 12.3	\$ 24.7
Investment commissions expense	10.0	6.4	3.4	(3.5)	(7.0)	(14.1)
Interest expense	4.5	3.5	1.9	(1.9)	(3.7)	(7.4)
Change in pretax income	\$ (6.0)	\$ (2.4)	\$ (0.9)	\$ 0.8	\$ 1.6	\$ 3.2

The following table summarizes the changes to affected components of the income statement under various shock scenarios as of December 31, 2017:

<i>(Amounts in millions)</i>	Basis Point Change in Interest Rates					
	Down	Down	Down	Up	Up	Up
	200	100	50	50	100	200
Investment revenue	\$ (30.6)	\$ (22.8)	\$ (11.6)	\$ 11.6	\$ 23.1	\$ 46.3
Investment commissions expense	12.8	10.3	5.7	(6.1)	(12.0)	(24.2)
Interest expense	4.8	4.8	3.4	(3.4)	(6.9)	(13.7)
Change in pretax income	\$ (13.0)	\$ (7.7)	\$ (2.5)	\$ 2.1	\$ 4.2	\$ 8.4

Foreign Currency Risk

We are exposed to foreign currency risk in the ordinary course of business as we offer our products and services through a network of agents and financial institutions with locations in more than 200 countries and territories. By policy, we do not speculate in foreign currencies; all currency trades relate to underlying transactional exposures.

Our primary source of foreign exchange risk is transactional risk. This risk is predominantly incurred in the money transfer business in which funds are frequently transferred cross-border and we settle with agents in multiple currencies. Although this risk is somewhat limited due to the fact that these transactions are short-term in nature, we currently manage some of this risk with forward contracts to protect against potential short-term market volatility. The primary currency pairs, based on volume, that are traded against the U.S. dollar in the spot and forward markets include the European euro, Mexican peso, British pound and Indian rupee. The tenor of forward contracts is typically less than 30 days.

Realized and unrealized gains or losses on transactional currency and any associated revaluation of balance sheet exposures are recorded in "Transaction and operations support" in the Consolidated Statements of Operations. The fair market value of any open forward contracts at period end are recorded in "Other assets" or "Accounts payable and other liabilities" in the Consolidated Balance Sheets. The net effect of changes in foreign exchange rates and the related forward contracts for the year ended December 31, 2017 was a gain of \$7.5 million.

Additional foreign currency risk is generated from fluctuations in the U.S. dollar value of future foreign currency-denominated earnings. In 2017, fluctuations in the euro exchange rate (net of transactional hedging activities) resulted in a net increase to our operating income of \$1.6 million.

In 2017, the euro was our second largest currency position in the world following the U.S. dollar. Had the euro appreciated or depreciated relative to the U.S. dollar by 20% from actual exchange rates for 2017, operating income would have increased/decreased approximately \$14.0 million for the year. There are inherent limitations in this sensitivity analysis, primarily due to the assumption that foreign exchange rate movements are linear and instantaneous, that the unhedged exposure is static and that we would not hedge any additional exposure. As a result, the analysis is unable to reflect the potential effects of more complex market changes that could arise, which may positively or negatively affect income.

Translation risk is generated from the accounting translation of the financial statements of foreign subsidiaries (from their functional currency) into U.S. dollars for consolidation and does not have a significant impact on company results. These translation adjustments are recorded in "Accumulated other comprehensive loss" on the Consolidated Balance Sheets.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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

None.

Item 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

As of the end of the period covered by this report, the Company's management carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2017, the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the fiscal quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

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

Item 9B. OTHER INFORMATION

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by this Item is contained in Item 1 of this Annual Report on Form 10-K under the caption "*Executive Officers of the Registrant*" and in our definitive Proxy Statement for our 2018 Annual Meeting of Stockholders, and is incorporated herein by reference.

All of our employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, also referred to as the Principal Officers, are subject to our Code of Conduct. Our directors are also subject to our Code of Conduct. These documents are posted on our website at corporate.moneygram.com in the Investor Relations section, and are available in print free of charge to any stockholder who requests them at the address set forth in Item 1 – *Available Information* of this Annual Report on Form 10-K. We will disclose any amendments to, or waivers of, our Code of Conduct for directors or Principal Officers on our website. The information on our website is not part of this Annual Report on Form 10-K.

Item 11. EXECUTIVE COMPENSATION

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Stockholders, and is incorporated herein by reference.

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

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Stockholders, and is incorporated herein by reference.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this Item is contained in our definitive Proxy Statement for our 2018 Annual Meeting of Stockholders, and is incorporated herein by reference.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) The financial statements listed in the "Index to Financial Statements" are filed as part of this Annual Report on Form 10-K.
- (2) All financial statement schedules are omitted because they are not applicable or the required information is included in the Consolidated Financial Statements or notes thereto listed in the "Index to Financial Statements."
- (3) Exhibits are filed with this Annual Report on Form 10-K or incorporated herein by reference as listed in the accompanying Exhibit Index.
- (b) (1) The following exhibits are filed or incorporated by reference herein in response to Item 601 of Regulation S-K. The Company files Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K pursuant to the Securities Exchange Act of 1934 under Commission File No. 1-31950.

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EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
2.1	<u>Separation and Distribution Agreement, dated as of June 30, 2004, by and among Viad Corporation, MoneyGram International, Inc., MGI Merger Sub, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 2.1 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).</u>
2.2	<u>Recapitalization Agreement, dated as of March 7, 2011, among MoneyGram International, Inc., certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and Goldman, Sachs & Co. and certain of its affiliates (Incorporated by reference from Exhibit 2.1 to Registrant's Current Report on Form 8-K filed March 9, 2011).</u>
2.3	<u>Amendment No. 1 to Recapitalization Agreement, dated as of May 4, 2011, among MoneyGram International, Inc., certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and Goldman, Sachs & Co. and certain of its affiliates (Incorporated by reference from Exhibit 2.1 to Registrant's Current Report on Form 8-K filed May 6, 2011).</u>
2.4	<u>Agreement and Plan of Merger, dated January 26, 2017, by and among MoneyGram International, Inc., Alipay (UK) Limited, Matrix Acquisition Corp. and, solely for purposes of certain specified provisions thereof, Alipay (Hong Kong) Holding Limited (Incorporated by reference from Exhibit 2.1 to Registrant's Current Report on Form 8-K filed January 26, 2017).</u>
2.5	<u>First Amendment to the Agreement and Plan of Merger, dated April 15, 2017, by and among MoneyGram International, Inc., Alipay (UK) Limited, Matrix Acquisition Corp. and Alipay (Hong Kong) Holding Limited (Incorporated by reference from Exhibit 2.1 to Registrant's Current Report on Form 8-K filed April 17, 2017).</u>
2.6	<u>Termination Agreement, dated as of January 2, 2018, by and among MoneyGram International, Inc., Alipay (UK) Limited, Matrix Acquisition Corp. and Alipay (Hong Kong) Holding Limited (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed January 2, 2018).</u>
3.1	<u>Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated June 28, 2004 (Incorporated by reference from Exhibit 3.1 to Registrant's Annual Report on Form 10-K filed on March 15, 2010).</u>
3.2	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated May 12, 2009 (Incorporated by reference from Exhibit 3.1 to Registrant's Annual Report on Form 10-K filed March 15, 2010).</u>
3.3	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
3.4	<u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of MoneyGram International, Inc., dated November 14, 2011 (Incorporated by reference from Exhibit 3.1 to Registrant's Current Report on Form 8-K filed November 14, 2011).</u>
3.5	<u>Amended and Restated Bylaws of MoneyGram International, Inc., dated October 28, 2015 (Incorporated by reference from Exhibit 3.5 to Registrant's Quarterly Report on Form 10-Q filed on November 2, 2015).</u>
3.6	<u>Amendment to the Amended and Restated Bylaws of MoneyGram International, Inc., dated March 2, 2016 (Incorporated by reference from Exhibit 3.6 to Registrant's Annual Report on Form 10-K filed on March 2, 2016).</u>
3.7	<u>Amended and Restated Certificate of Designations, Preferences and Rights of Series D Participating Convertible Preferred Stock of MoneyGram International, Inc., dated May 18, 2011 (Incorporated by reference from Exhibit 3.2 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
4.1	<u>Form of Specimen Certificate for MoneyGram Common Stock (Incorporated by reference from Exhibit 4.1 to Amendment No. 4 to Registrant's Form 10 filed on June 14, 2004).</u>
4.2	<u>Registration Rights Agreement, dated as of March 25, 2008, by and among the several investor parties named therein and MoneyGram International, Inc. (Incorporated by reference from Exhibit 4.5 to Registrant's Current Report on Form 8-K filed on March 28, 2008).</u>
4.3	<u>Amendment No. 1 to Registration Rights Agreement, dated as of May 18, 2011, by and among MoneyGram International, Inc., certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.1	<u>Employee Benefits Agreement, dated as of June 30, 2004, by and among Viad Corporation, MoneyGram International, Inc. and Travelers Express Company, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).</u>
10.2	<u>Tax Sharing Agreement, dated as of June 30, 2004, by and between Viad Corporation and MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).</u>
† 10.3	<u>MoneyGram International, Inc. 2004 Omnibus Incentive Plan, as amended February 17, 2005 (Incorporated by reference from Exhibit 99.1 to Registrant's Current Report on Form 8-K filed on February 23, 2005).</u>

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- †10.4 Form of Amended and Restated Non-Employee Director Indemnification Agreement between MoneyGram International, Inc. and Non-Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on February 13, 2009).
- †10.5 Form of Employee Director Indemnification Agreement between MoneyGram International, Inc. and Employee Directors of MoneyGram International, Inc. (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on February 13, 2009).
- †10.6 MoneyGram International, Inc. Performance Bonus Plan, as amended and restated February 17, 2010 (formerly known as the MoneyGram International, Inc. Management and Line of Business Incentive Plan) (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on February 22, 2010).
- †10.7 Deferred Compensation Plan for Directors of Viad Corp. as amended August 19, 2004 (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed on November 12, 2004).
- †10.8 First Amendment of the Amended and Restated MoneyGram International, Inc. Executive Severance Plan (Tier II) (Incorporated by reference from Exhibit 10.21 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
- †10.9 MoneyGram Supplemental Pension Plan, as amended and restated December 28, 2007 (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on January 4, 2008).
- †10.10 First Amendment of MoneyGram Supplemental Pension Plan (Incorporated by reference from Exhibit 10.28 to Amendment No. 1 to Registrant's Annual Report on Form 10-K/A filed on August 9, 2010).
- †10.11 Description of MoneyGram International, Inc. Director's Charitable Matching Program (Incorporated by reference from Exhibit 10.13 to Registrant's Quarterly Report on Form 10-Q filed on August 13, 2004).
- †10.12 Viad Corporation Director's Charitable Award Program (Incorporated by reference from Exhibit 10.14 to Amendment No. 3 to Registrant's Form 10 filed on June 3, 2004).
- 10.13 Amended and Restated Purchase Agreement, dated as of March 17, 2008, among MoneyGram International, Inc. and the several investor parties named therein (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 18, 2008).
- 10.14 Subscription Agreement, dated as of March 25, 2008, by and between MoneyGram International, Inc. and The Goldman Sachs Group, Inc. (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8-K filed on March 28, 2008).
- †10.15 Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Restricted Stock Agreement, as amended February 16, 2005 (Incorporated by reference from Exhibit 99.5 to Registrant's Current Report on Form 8-K filed on February 23, 2005).
- †10.16 Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, as amended February 16, 2005 (Incorporated by reference from Exhibit 99.6 to Registrant's Current Report on Form 8-K filed on February 23, 2005).
- †10.17 Form of MoneyGram International, Inc. 2004 Omnibus Incentive Plan Non-Qualified Stock Option Agreement for Directors as adopted February 16, 2005 (Incorporated by reference from Exhibit 99.7 to Registrant's Current Report on Form 8-K filed on February 23, 2005).
- †10.18 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective June 30, 2005 (Incorporated by reference from Exhibit 99.2 to Registrant's Current Report on Form 8-K filed on July 5, 2005).
- †10.19 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective August 17, 2005 (US Version) (Incorporated by reference from Exhibit 99.7 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
- †10.20 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Restricted Stock Agreement, effective August 17, 2005 (UK Version) (Incorporated by reference from Exhibit 99.9 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
- †10.21 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 17, 2005 (US Version) (Incorporated by reference from Exhibit 99.6 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
- †10.22 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 17, 2005 (UK Version) (Incorporated by reference from Exhibit 99.8 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
- †10.23 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective February 15, 2006 (US version) (Incorporated by reference from Exhibit 10.41 to Registrant's Annual Report on Form 10-K filed on March 1, 2006).
- †10.24 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective February 15, 2006 (UK Version) (Incorporated by reference from Exhibit 10.42 to Registrant's Annual Report on Form 10-K filed on March 1, 2006).

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- †10.25 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective May 8, 2007 (Incorporated by reference from Exhibit 99.04 to Registrant's Current Report on Form 8-K filed on May 14, 2007).
- †10.26 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 11, 2009 (version 1) (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009).
- †10.27 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement, effective August 11, 2009 (version 2) (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed on November 9, 2009).
- †10.28 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement for Directors, effective August 17, 2005 (Incorporated by reference from Exhibit 99.4 to Registrant's Current Report on Form 8-K filed on August 23, 2005).
- †10.29 Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Non-Qualified Stock Option Agreement for Directors, effective February 15, 2006 (Incorporated by reference from Exhibit 10.43 to Registrant's Annual Report on Form 10-K filed on March 1, 2006).
- †10.30 Non-Qualified Stock Option Agreement, dated January 21, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on January 22, 2009).
- †10.31 Non-Qualified Stock Option Agreement, dated May 12, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.02 to Registrant's Current Report on Form 8-K filed on May 18, 2009).
- †10.32 Non-Qualified Stock Option Agreement, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed on September 4, 2009).
- †10.33 Amendment to Non-Qualified Stock Option Agreements, dated August 31, 2009, between MoneyGram International, Inc. and Pamela H. Patsley (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K filed on September 4, 2009).
- †10.34 MoneyGram International, Inc. Performance Unit Incentive Plan, as amended and restated May 9, 2007 (Incorporated by reference from Exhibit 99.02 to Registrant's Current Report on Form 8-K filed on May 14, 2007).
- †10.35 Form of MoneyGram International, Inc. Executive Compensation Trust Agreement (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on November 22, 2005).
- †10.36 First Amendment to the MoneyGram International, Inc. Executive Compensation Trust Agreement (Incorporated by reference from Exhibit 99.01 to Registrant's Current Report on Form 8-K filed on August 22, 2006).
- †10.37 The MoneyGram International, Inc. Outside Directors' Deferred Compensation Trust, dated January 5, 2005 (Incorporated by reference from Exhibit 99.05 to Registrant's Current Report on Form 8-K filed on November 22, 2005).
- †10.38 Form of Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement (Incorporated by reference from Exhibit 10.27 to Registrant's Quarterly Report on Form 10-Q filed on May 12, 2008).
- †10.39 MoneyGram International, Inc. Severance Plan, restated effective February 17, 2010 (Incorporated by reference from Exhibit 10.03 to Registrant's Current Report on Form 8-K/A filed November 22, 2010).
- †10.40 Form of MoneyGram International, Inc. Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q filed August 9, 2010).
- †10.41 MoneyGram International, Inc. Deferred Compensation Plan, as amended and restated February 16, 2011 (Incorporated by reference from Exhibit 10.01 to Registrant's Current Report on Form 8-K filed February 23, 2011).
- 10.42 Consent Agreement, dated as of March 7, 2011, among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 9, 2011).
- †10.43 MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended and restated May 8, 2015 (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed May 14, 2015).
- +10.44 Amended and Restated Credit Agreement, dated as of March 28, 2013, by and among MoneyGram International, Inc., Bank of America, N.A., as administrative agent, the financial institutions party thereto as lenders and the other agents party thereto (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2013).
- 10.45 Guaranty, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York, L.L.C. and Bank of America, N.A., as administrative agent (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8-K filed May 23, 2011).

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10.46	<u>Pledge Agreement, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A. as collateral agent (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.47	<u>Security Agreement, dated as of May 18, 2011, among MoneyGram International, Inc., MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., MoneyGram of New York LLC, and Bank of America, N.A. as collateral agent (Incorporated by reference from Exhibit 10.4 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.48	<u>Intercreditor Agreement, dated as of May 18, 2011, among MoneyGram Payment Systems Worldwide, Inc., the First Priority Secured Parties as defined therein, the Second Priority Secured Parties as defined therein, and Deutsche Bank Trust Company Americas, as Trustee and Collateral Agent (Incorporated by reference from Exhibit 10.5 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.49	<u>Patent Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A. as Collateral Agent (Incorporated by reference from Exhibit 10.6 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.50	<u>Patent Security Agreement, dated as of May 18, 2011, between MoneyGram Payment Systems, Inc. and Bank of America, N.A. as Collateral Agent (Incorporated by reference from Exhibit 10.7 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.51	<u>Trademark Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A. as Collateral Agent (Incorporated by reference from Exhibit 10.8 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.52	<u>Trademark Security Agreement, dated as of May 18, 2011, between MoneyGram Payment Systems, Inc. and Bank of America, N.A. as Collateral Agent (Incorporated by reference from Exhibit 10.9 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
10.53	<u>Copyright Security Agreement, dated as of May 18, 2011, between MoneyGram International, Inc. and Bank of America, N.A. as Collateral Agent (Incorporated by reference from Exhibit 10.10 to Registrant's Current Report on Form 8-K filed May 23, 2011).</u>
+10.54	<u>First Incremental Amendment and Joinder Agreement, dated April 2, 2014, by and among MoneyGram International, Inc., as borrower, MoneyGram Payment Systems Worldwide, Inc., MoneyGram Payment Systems, Inc., and MoneyGram of New York LLC, Bank of America, N.A. as administrative agent, and the financial institutions party thereto as Lenders (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed May 2, 2014).</u>
10.55	<u>Consent Agreement, dated as of August 12, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries, and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed November 3, 2011).</u>
10.56	<u>Consent Agreement, dated as of August 12, 2011, by and among MoneyGram International, Inc., and certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed November 3, 2011).</u>
10.57	<u>Consent Agreement, dated as of October 24, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries, and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.85 to Registrant's Annual Report on Form 10-K filed on March 9, 2012).</u>
10.58	<u>Consent Agreement, dated as of November 15, 2011, by and among MoneyGram International, Inc. and certain affiliates and co-investors of Thomas H. Lee Partners, L.P. and affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed November 16, 2011).</u>
10.59	<u>Consent Agreement, dated as of November 17, 2011, by and among MoneyGram Payment Systems Worldwide, Inc., MoneyGram International, Inc. and certain of its subsidiaries and certain affiliates of Goldman, Sachs & Co. (Incorporated by reference from Exhibit 4.1 to Registrant's Current Report on Form 8-K filed November 18, 2011).</u>
†10.60	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Performance Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 99.1 to Registrant's Current Report on Form 8-K filed November 23, 2011).</u>
†10.61	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Stock Option Agreement (Incorporated by reference from Exhibit 99.2 to Registrant's Current Report on Form 8-K filed November 23, 2011).</u>
†10.62	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Stock Appreciation Right Agreement (Incorporated by reference from Exhibit 10.92 to Registrant's Annual Report on Form 10-K filed March 9, 2012).</u>
†10.63	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Performance Restricted Stock Unit Award Agreement (For Participants in France) (Incorporated by reference from Exhibit 10.93 to Registrant's Annual Report on Form 10-K filed March 9, 2012).</u>

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†10.64	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Stock Option Agreement (For Optionees in France) (Incorporated by reference from Exhibit 10.94 to Registrant's Annual Report on Form 10-K filed March 9, 2012).</u>
*†10.65	<u>Form of Executive Severance Agreement.</u>
10.66	<u>Stipulation and Agreement of Compromise and Settlement, dated as of July 19, 2012, by and among the plaintiffs and class representatives party thereto, MoneyGram International, Inc., Thomas H. Lee Partners, L.P., The Goldman Sachs Group, Inc. and certain individual defendants party thereto (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed November 9, 2012).</u>
10.67	<u>Supplemental Agreement Regarding Settlement, dated as of July 20, 2012, by and among MoneyGram International, Inc., Thomas H. Lee Partners, L.P., The Goldman Sachs Group, Inc., certain individual defendants party thereto, and Federal Insurance Company (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed November 9, 2012).</u>
+10.68	<u>Amended and Restated Master Trust Agreement dated January 29, 2016 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed February 1, 2016).</u>
+10.69	<u>Amendment No. 1 to Amended and Restated Master Trust Agreement, dated August 26, 2016 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed October 31, 2016).</u>
+10.70	<u>Amendment No. 2 to Amended and Restated Master Trust Agreement, dated October 25, 2016 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.75 to Registrant's Annual Report on Form 10-K filed March 16, 2017).</u>
10.71	<u>Amendment No. 4 to Amended and Restated Master Trust Agreement, dated January 25, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.11 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.72	<u>Amendment No. 5 to Amended and Restated Master Trust Agreement, dated January 1, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.12 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.73	<u>Amendment No. 6 to Amended and Restated Master Trust Agreement, dated February 20, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.13 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.74	<u>Amendment No. 1 to the Co-Branded MTAas Website Addendum to the Amended and Restated Master Trust Agreement, dated February 22, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.14 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.75	<u>Amendment No. 7 to Amended and Restated Master Trust Agreement, dated July 28, 2017 by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed November 2, 2017).</u>
*10.76	<u>Non-Employee Director Compensation Arrangements, revised to be effective January 1, 2017.</u>
10.77	<u>Note Purchase Agreement, dated as of March 27, 2013, by and among MoneyGram Payment Systems Worldwide, Inc., GSMP V Onshore US, Ltd., GSMP V Offshore US, Ltd. and GSMP V Institutional US, Ltd. (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 28, 2013).</u>
10.78	<u>Stock Repurchase Agreement, dated March 26, 2014, by and among the Company and the THL Selling Stockholders (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 31, 2014).</u>
†10.79	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Performance Restricted Stock Unit Award Agreement. (Incorporated by reference from Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2013).</u>
†10.80	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Global Stock Option Agreement (Incorporated by reference from Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2013).</u>
†10.81	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan Stock Option Agreement (For Optionees in France) (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2013).</u>
†10.82	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2015 Global Time-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed May 4, 2015).</u>
†10.83	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2015 Global Performance-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed May 4, 2015).</u>

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†10.84	<u>2015 Global Time-Based Restricted Stock Unit Award Agreement, dated February 25, 2015, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed May 4, 2015).</u>
†10.85	<u>2015 Global Performance-Based Restricted Stock Unit Award Agreement, dated February 25, 2015, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed May 4, 2015).</u>
†10.86	<u>Employment Agreement, dated July 30, 2015, by and between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.2 to Registrant's Current Report on Form 8-K filed July 31, 2015).</u>
†10.87	<u>Amendment No. 1 to Employment Agreement, dated as of December 27, 2017, by and between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.1 to Registrant's Current Report on Form 8-K filed December 28, 2017).</u>
†10.88	<u>Employment Agreement, dated July 30, 2015, by and between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.3 to Registrant's Current Report on Form 8-K filed July 31, 2015).</u>
†10.89	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2016 Global Time-Based Restricted Stock Unit Award (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.90	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2016 Global Performance-Based Restricted Stock Unit Award (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.91	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2016 Global Performance-Based Cash Award Agreement (Incorporated by reference from Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.92	<u>2016 Global Time-Based Restricted Stock Unit Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.93	<u>2016 Global Performance-Based Restricted Stock Unit Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.94	<u>2016 Global Performance-Based Cash Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.95	<u>2016 Global Time-Based Restricted Stock Unit Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.96	<u>2016 Global Performance-Based Restricted Stock Unit Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
†10.97	<u>2016 Global Performance-Based Cash Award Agreement, dated February 23, 2016, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.10 to Registrant's Quarterly Report on Form 10-Q filed May 3, 2016).</u>
10.98	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2017 Global Time-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.99	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2017 Global Performance-Based Restricted Stock Unit Award Agreement (Incorporated by reference from Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.100	<u>Form of MoneyGram International, Inc. 2005 Omnibus Incentive Plan 2017 Global Performance-Based Cash Award Agreement (Incorporated by reference from Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.101	<u>2017 Time-Based Restricted Stock Unit Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.102	<u>2017 Performance-Based Restricted Stock Unit Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.103	<u>2017 Performance-Based Cash Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and Pamela H. Patslev (Incorporated by reference from Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.104	<u>2017 Time-Based Restricted Stock Unit Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.7 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>

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10.105	<u>2017 Performance-Based Restricted Stock Unit Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.8 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
10.106	<u>2017 Performance-Based Cash Award Agreement, dated February 22, 2017, between MoneyGram International, Inc. and W. Alexander Holmes (Incorporated by reference from Exhibit 10.9 to Registrant's Quarterly Report on Form 10-Q filed May 5, 2017).</u>
+10.107	<u>Amendment No. 2 to Amended and Restated Credit Agreement, dated December 12, 2016, relating to Amended and Restated Credit Agreement dated March 28, 2013 between MoneyGram International, Inc., the lenders from time to time party thereto and Bank of America, N.A. as Administrative Agent (Incorporated by reference from Exhibit 10.107 to Registrant's Annual Report on Form 10-K filed March 16, 2017).</u>
10.108	<u>Amendment No. 3 to Amended and Restated Credit Agreement, dated December 30, 2016, relating to Amended and Restated Credit Agreement dated March 28, 2013 between MoneyGram International, Inc., the lenders from time to time party thereto and Bank of America, N.A. as Administrative Agent (Incorporated by reference from Exhibit 10.108 to Registrant's Annual Report on Form 10-K filed March 16, 2017).</u>
*21	<u>Subsidiaries of the Registrant</u>
*23.1	<u>Consent of KPMG LLP</u>
*23.2	<u>Consent of Deloitte & Touche LLP</u>
*24	<u>Power of Attorney</u>
*31.1	<u>Section 302 Certification of Chief Executive Officer</u>
*31.2	<u>Section 302 Certification of Chief Financial Officer</u>
*32.1	<u>Section 906 Certification of Chief Executive Officer</u>
*32.2	<u>Section 906 Certification of Chief Financial Officer</u>
*101	The following financial statements, formatted in Extensible Business Reporting Language ("XBRL"): (i) Consolidated Balance Sheets as of December 31, 2017 and December 31, 2016; (ii) Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015; (iii) Consolidated Statements of Comprehensive (Loss) Income for the years ended December 31, 2017, 2016 and 2015; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015; (v) Consolidated Statements of Stockholders' Deficit as of December 31, 2017, 2016 and 2015, and (vi) Notes to the Consolidated Financial Statements.
*	Filed herewith.
†	Indicates management contract or compensatory plan or arrangement required to be filed as an exhibit to this report.
+	Confidential information has been omitted from this Exhibit and has been filed separately with the SEC pursuant to a confidential treatment request under Rule 24b-2.

Item 16. FORM 10-K SUMMARY

None.

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SIGNATURES

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

MoneyGram International, Inc.
(Registrant)

Date: March 16, 2018

By: /s/ W. ALEXANDER HOLMES
W. Alexander Holmes
Chairman and Chief Executive Officer
(Principal Executive Officer)

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

<u>/s/ W. Alexander Holmes</u> W. Alexander Holmes	Chairman and Chief Executive Officer (Principal Executive Officer)	March 16, 2018
<u>/s/ Lawrence Angelilli</u> Lawrence Angelilli	Chief Financial Officer (Principal Financial Officer)	March 16, 2018
<u>/s/ John D. Stoneham</u> John D. Stoneham	Corporate Controller (Principal Accounting Officer)	March 16, 2018

Directors

J. Coley Clark	Seth W. Lawry
Victor W. Dahir	Ganesh B. Rao
Antonio O. Garza	W. Bruce Turner
Peggy Vaughan	Michael Rafferty

By: /s/ F. Aaron Henry March 16, 2018
F. Aaron Henry
Attorney-in-fact

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Management's Responsibility Statement

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

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

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

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

Management assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management believes that the Company designed and maintained effective internal control over financial reporting as of December 31, 2017.

The Company's independent registered public accounting firm, KPMG LLP, has been engaged to audit our financial statements included in this Annual Report on Form 10-K and the effectiveness of the Company's system of internal control over financial reporting as of December 31, 2017. Their attestation report regarding the Company's internal control over financial reporting is included on page F-3 of this Annual Report on Form 10-K.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control Over Financial Reporting

We have audited MoneyGram International, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' deficit for the years ended December 31, 2017 and 2016, and the related notes, and our report dated March 16, 2018 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Responsibility Statement. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control Over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Dallas, Texas
March 16, 2018

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of MoneyGram International, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' deficit for the years ended December 31, 2017 and 2016, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years ended December 31, 2017 and 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 16, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2016.

Dallas, Texas
March 16, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of operations, comprehensive income (loss), cash flows and stockholders' deficit of MoneyGram International, Inc. and subsidiaries (the "Company") for the year ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, such 2015 consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of MoneyGram International, Inc. and subsidiaries for the year ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

/s/ DELOITTE & TOUCHE LLP
Dallas, Texas

March 2, 2016 (March 16, 2017 as to the effects of the 2016 immaterial error correction related to foreign exchange revenue disclosed in Note 15 to the consolidated financial statements; March 16, 2018 as to the effects of the 2017 immaterial error correction related to the pension plan disclosed in Note 15 to the consolidated financial statements and the adoption of *ASU 2016-09, Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, discussed in Note 2 to the consolidated financial statements)

**MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS**

AT DECEMBER 31,	2017	2016
<i>(Amounts in millions, except share data)</i>		
ASSETS		
Cash and cash equivalents	\$ 190.0	\$ 157.2
Settlement assets	3,756.9	3,634.3
Property and equipment, net	214.9	201.0
Goodwill	442.2	442.2
Other assets	168.5	162.7
Total assets	<u>\$ 4,772.5</u>	<u>\$ 4,597.4</u>
LIABILITIES		
Payment service obligations	\$ 3,756.9	\$ 3,634.3
Debt, net	908.1	915.2
Pension and other postretirement benefits	97.3	99.0
Accounts payable and other liabilities	255.5	164.5
Total liabilities	<u>5,017.8</u>	<u>4,813.0</u>
COMMITMENTS AND CONTINGENCIES (NOTE 13)		
STOCKHOLDERS' DEFICIT		
Participating convertible preferred stock - series D, \$0.01 par value, 200,000 shares authorized, 71,282 issued at December 31, 2017 and December 31, 2016	183.9	183.9
Common stock, \$0.01 par value, 162,500,000 shares authorized, 58,823,567 shares issued at December 31, 2017 and December 31, 2016	0.6	0.6
Additional paid-in capital	1,034.8	1,020.3
Retained loss	(1,336.1)	(1,252.6)
Accumulated other comprehensive loss	(63.0)	(56.1)
Treasury stock: 4,585,223 and 6,058,856 shares at December 31, 2017 and December 31, 2016, respectively	(65.5)	(111.7)
Total stockholders' deficit	<u>(245.3)</u>	<u>(215.6)</u>
Total liabilities and stockholders' deficit	<u>\$ 4,772.5</u>	<u>\$ 4,597.4</u>

See Notes to the Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31.*(Amounts in millions, except per share data)*

	2017	2016	2015
REVENUE			
Fee and other revenue	\$ 1,560.9	\$ 1,612.4	\$ 1,527.0
Investment revenue	41.2	18.0	12.1
Total revenue	1,602.1	1,630.4	1,539.1
EXPENSES			
Fee and other commissions expense	763.5	793.1	759.8
Investment commissions expense	8.7	2.5	0.8
Total commissions expense	772.2	795.6	760.6
Compensation and benefits	277.7	295.7	310.4
Transaction and operations support	402.3	309.5	324.8
Occupancy, equipment and supplies	66.1	61.9	62.3
Depreciation and amortization	75.1	79.9	66.1
Total operating expenses	1,593.4	1,542.6	1,524.2
OPERATING INCOME	8.7	87.8	14.9
Other expenses			
Interest expense	45.3	45.0	45.3
Debt extinguishment costs	—	0.3	—
Total other expenses, net	45.3	45.3	45.3
(Loss) income before income taxes	(36.6)	42.5	(30.4)
Income tax (benefit) expense	(6.8)	26.6	47.3
NET (LOSS) INCOME	\$ (29.8)	\$ 15.9	\$ (77.7)
(LOSS) EARNINGS PER COMMON SHARE			
Basic	\$ (0.47)	\$ 0.26	\$ (1.25)
Diluted	\$ (0.47)	\$ 0.24	\$ (1.25)
Weighted-average outstanding common shares and equivalents used in computing (loss) earnings per share			
Basic	62.9	62.3	62.1
Diluted	62.9	65.9	62.1

See Notes to the Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

FOR THE YEAR ENDED DECEMBER 31,	2017	2016	2015
<i>(Amounts in millions)</i>			
NET (LOSS) INCOME	\$ (29.8)	\$ 15.9	\$ (77.7)
OTHER COMPREHENSIVE (LOSS) INCOME			
Net change in unrealized holding gains on available-for-sale securities arising during the period, net of tax benefit of \$0.0, \$0.1 and \$0.0 for the years ended December 31, 2017, 2016 and 2015, respectively	3.6	(0.3)	(0.1)
Net reclassification adjustment for net realized gains included in net earnings, net of tax expense of \$0.0 for the years ended December 31, 2017, 2016 and 2015, respectively	(12.2)	—	—
Net change in pension liability due to amortization of prior service credit and net actuarial loss, net of tax benefit of \$1.6, \$2.0 and \$3.1 for the years ended December 31, 2017, 2016 and 2015, respectively	2.8	3.5	5.2
Valuation adjustment for pension and postretirement benefits, net of tax (benefit) expense of (\$4.5), (\$1.2) and \$7.1 for the years ended December 31, 2017, 2016 and 2015, respectively	(10.6)	(2.1)	12.5
Pension settlement charge, net of tax benefit of \$0.0, \$0.0 and \$5.4 for the years ended December 31, 2017, 2016 and 2015, respectively	—	—	9.3
Unrealized foreign currency translation adjustments, net of tax (expense) benefit of (\$8.0), \$1.3 and \$4.6 for the years ended December 31, 2017, 2016 and 2015, respectively	9.5	(6.4)	(8.1)
Other comprehensive (loss) income	(6.9)	(5.3)	18.8
COMPREHENSIVE (LOSS) INCOME	\$ (36.7)	\$ 10.6	\$ (58.9)

See Notes to the Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31,

(Amounts in millions)

	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	\$ (29.8)	\$ 15.9	\$ (77.7)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	75.1	79.9	66.1
Signing bonus amortization	51.9	54.0	60.4
Deferred income tax (benefit) expense	(4.9)	7.3	25.1
Gain on redemption of asset-backed security	(12.2)	—	—
Amortization of debt discount and debt issuance costs	3.2	3.7	2.8
Non-cash compensation and pension expense	20.4	25.1	46.6
Signing bonus payments	(40.3)	(34.0)	(87.3)
Change in other assets	(4.6)	1.0	27.2
Change in accounts payable and other liabilities	70.3	(31.8)	(28.6)
Other non-cash items, net	3.4	(0.2)	(0.5)
Net cash provided by operating activities	132.5	120.9	34.1
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(83.6)	(82.8)	(109.9)
Proceeds from disposal of assets	—	—	0.4
Net cash used in investing activities	(83.6)	(82.8)	(109.5)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on debt	(9.8)	(30.3)	(9.8)
Stock repurchases	—	(11.7)	(0.4)
Contingent consideration payment	—	(0.7)	—
Payments to tax authorities for stock-based compensation	(8.0)	(2.7)	(0.5)
Proceeds from exercise of stock options and other	1.7	—	—
Net cash used in financing activities	(16.1)	(45.4)	(10.7)
NET CHANGE IN CASH AND CASH EQUIVALENTS	32.8	(7.3)	(86.1)
CASH AND CASH EQUIVALENTS—Beginning of year	157.2	164.5	250.6
CASH AND CASH EQUIVALENTS—End of year	\$ 190.0	\$ 157.2	\$ 164.5
Supplemental cash flow information:			
Cash payments for interest	\$ 41.9	\$ 41.6	\$ 42.1
Cash payments for taxes, net of refunds	\$ 5.0	\$ 9.5	\$ 64.4

See Notes to the Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

<i>(Amounts in millions)</i>	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Loss	Accumulated Other Comprehensive Loss	Treasury Stock	Total
January 1, 2015	\$ 183.9	\$ 0.6	\$ 982.8	\$ (1,144.6)	\$ (67.1)	\$ (138.3)	\$ (182.7)
Prior period pension adjustment	—	—	—	(3.8)	(2.5)	—	(6.3)
Net loss	—	—	—	(77.7)	—	—	(77.7)
Stock-based compensation activity	—	—	19.6	(5.3)	—	4.5	18.8
Stock repurchase	—	—	—	—	—	(0.4)	(0.4)
Other comprehensive income	—	—	—	—	18.8	—	18.8
December 31, 2015	183.9	0.6	1,002.4	(1,231.4)	(50.8)	(134.2)	(229.5)
Net income	—	—	—	15.9	—	—	15.9
Stock-based compensation activity	—	—	17.9	(37.1)	—	34.2	15.0
Stock repurchase	—	—	—	—	—	(11.7)	(11.7)
Other comprehensive loss	—	—	—	—	(5.3)	—	(5.3)
December 31, 2016	183.9	0.6	1,020.3	(1,252.6)	(56.1)	(111.7)	(215.6)
Net loss	—	—	—	(29.8)	—	—	(29.8)
Stock-based compensation activity	—	—	14.5	(53.7)	—	46.2	7.0
Other comprehensive loss	—	—	—	—	(6.9)	—	(6.9)
December 31, 2017	\$ 183.9	\$ 0.6	\$ 1,034.8	\$ (1,336.1)	\$ (63.0)	\$ (65.5)	\$ (245.3)

See Notes to the Consolidated Financial Statements

MONEYGRAM INTERNATIONAL, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 — Description of the Business and Basis of Presentation

References to "MoneyGram," the "Company," "we," "us" and "our" are to MoneyGram International, Inc. and its subsidiaries.

Nature of Operations — MoneyGram offers products and services under its two reporting segments: Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfer services and bill payment services to consumers. We primarily offer services through third-party agents, including retail chains, independent retailers, post offices and other financial institutions. We also offer Digital solutions such as moneygram.com, mobile solutions, account deposit and kiosk-based services. Additionally, we have Company-operated retail locations in the U.S. and Western Europe. The Financial Paper Products segment provides official check outsourcing services and money orders through financial institutions and agent locations.

Basis of Presentation — The accompanying consolidated financial statements of MoneyGram are prepared in conformity with generally accepted accounting principles in the United States of America ("GAAP"). The Consolidated Balance Sheets are unclassified due to the timing uncertainty surrounding the payment of settlement obligations.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on historical experience, future expectations and other factors and assumptions the Company believes to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis and are revised when necessary. Changes in estimates are recorded in the period of change. Actual amounts may differ from these estimates.

Principles of Consolidation — The consolidated financial statements include the accounts of MoneyGram International, Inc. and its subsidiaries. Intercompany profits, transactions and account balances have been eliminated in consolidation.

The Company participates in various trust arrangements (special purpose entities or "SPEs") related to official check processing agreements with financial institutions and structured investments within the investment portfolio. Working in cooperation with certain financial institutions, the Company historically established separate consolidated SPEs that provided these financial institutions with additional assurance of its ability to clear their official checks. The Company maintains control of the assets of the SPEs and receives all investment revenue generated by the assets. The Company remains liable to satisfy the obligations of the SPEs, both contractually and by operation of the Uniform Commercial Code, as issuer and drawer of the official checks. As the Company is the primary beneficiary and bears the primary burden of any losses, the SPEs are consolidated in the consolidated financial statements. The assets of the SPEs are recorded in the Consolidated Balance Sheets in a manner consistent with the assets of the Company based on the nature of the asset. Accordingly, the obligations have been recorded in the Consolidated Balance Sheets under "Payment service obligations." The investment revenue generated by the assets of the SPEs is allocated to the Financial Paper Products segment in the Consolidated Statements of Operations. As of December 31, 2017, the Company had only one SPE remaining with settlement assets equal to the payment service obligations of \$0.8 million. As of December 31, 2016, the Company's SPEs had settlement assets equal to payment service obligations of \$1.7 million.

Merger Agreement — On January 26, 2017, MoneyGram International, Inc., a Delaware corporation (the "Company"), entered into an Agreement and Plan of Merger (as amended by the First Amendment to the Agreement and Plan of Merger, dated April 15, 2017, the "Merger Agreement") with Alipay (UK) Limited, a United Kingdom limited company ("Alipay"), Matrix Acquisition Corp., a Delaware corporation and wholly owned subsidiary of Alipay ("Merger Sub"), and, solely for purposes of certain specified provisions of the Merger Agreement, Alipay (Hong Kong) Holding Limited, a Hong Kong limited company, providing for the merger of Merger Sub with and into the Company, with the Company surviving as a wholly owned subsidiary of Alipay (the "Merger"). The closing of the Merger was subject to certain conditions, including clearance by the Committee on Foreign Investment in the United States ("CFIUS") under the Defense Production Act of 1950, as amended. On January 2, 2018, the parties to the Merger Agreement have been advised that CFIUS clearance of the Merger will not be forthcoming, and after further discussion between the parties, they determined to cease efforts to seek CFIUS approval and entered into a Termination Agreement (the "Termination Agreement"). Pursuant to the Termination Agreement, Alipay paid the Company a termination fee of \$30.0 million on January 3, 2018. The parties have agreed to release each other from certain claims and liabilities arising out of or relating to the Merger Agreement or the transactions contemplated thereby.

Note 2 — Summary of Significant Accounting Policies

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

Settlement assets and payment service obligations — Settlement assets represent funds received or to be received from agents for unsettled money transfers, money orders and consumer payments. The Company records corresponding payment service obligations relating to amounts payable under money transfers, money orders and consumer payment service arrangements. Settlement assets consist of settlement cash and cash equivalents, receivables and investments. Payment service obligations primarily consist of outstanding payment instruments; amounts owed to financial institutions for funds paid to the Company to cover clearings of official check payment instruments, remittances and clearing adjustments; amounts owed to agents for funds paid to consumers on behalf of the Company; commissions owed to financial institution customers and agents for instruments sold; amounts owed to investment brokers for purchased securities and unclaimed instruments owed to various states. These obligations are recognized by the Company at the time the underlying transaction occurs.

The Company's primary licensed entities are MoneyGram Payment Systems, Inc. ("MPSI") and MoneyGram International Limited, which enable us to offer our money transfer service in the European Economic Area as well as around the globe. MPSI is regulated by various U.S. state agencies that generally require the Company to maintain a pool of assets with an investment rating bearing one of the three highest grades as defined by a nationally recognized rating agency ("permissible investments") in an amount equal to the payment service obligations, as defined by each state, for those regulated payment instruments, namely teller checks, agent checks, money orders and money transfers. The regulatory payment service assets measure varies by state, but in all cases excludes investments rated below A-. The most restrictive states may also exclude assets held at banks that do not belong to a national insurance program, varying amounts of accounts receivable balances and/or assets held in the SPE. The regulatory payment service obligations measure varies by state, but in all cases is substantially lower than the Company's payment service obligations as disclosed in the Consolidated Balance Sheets as the Company is not regulated by state agencies for payment service obligations resulting from outstanding cashier's checks or for amounts payable to agents and brokers.

We are also subject to licensing or other regulatory requirements in various other jurisdictions. Licensing requirements may include minimum net worth, provision of surety bonds or letters of credit, compliance with operational procedures, agent oversight and the maintenance of settlement assets in an amount equivalent to outstanding payment service obligations, as defined by our various regulators.

The regulatory and contractual requirements do not require the Company to specify individual assets held to meet its payment service obligations, nor is the Company required to deposit specific assets into a trust, escrow or other special account. Rather, the Company must maintain a pool of liquid assets sufficient to comply with the requirements. No third party places limitations, legal or otherwise, on the Company regarding the use of its individual liquid assets. The Company is able to withdraw, deposit or sell its individual liquid assets at will, with no prior notice or penalty, provided the Company maintains a total pool of liquid assets sufficient to meet the regulatory and contractual requirements. Regulatory requirements also require MPSI to maintain positive net worth, with certain states requiring that MPSI maintain positive tangible net worth. The Company was in compliance with its contractual and financial regulatory requirements as of December 31, 2017.

The following table summarizes the amount of Settlement assets and Payment service obligations as of December 31:

<i>(Amounts in millions)</i>	2017	2016
Settlement assets:		
Settlement cash and cash equivalents	\$ 1,469.9	\$ 1,365.0
Receivables, net	1,125.8	999.4
Interest-bearing investments	1,154.2	1,252.1
Available-for-sale investments	7.0	17.8
	<u>3,756.9</u>	<u>3,634.3</u>
Payment service obligations	\$ (3,756.9)	\$ (3,634.3)

Receivables, net (included in settlement assets) — The Company has receivables due from financial institutions and agents for payment instruments sold and amounts advanced by the Company to certain agents for operational and local regulatory purposes. These receivables are outstanding from the day of the sale of the payment instrument until the financial institution or agent remits the funds to the Company. The Company provides an allowance for the portion of the receivable estimated to become uncollectible based on its history of collection experience, known collection issues, such as agent suspensions and bankruptcies, consumer credit card chargebacks and insufficient funds and other matters the Company identifies in its routine collection monitoring. Receivables are generally considered past due one day after the contractual remittance schedule, which is typically one to three days after the

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sale of the underlying payment instrument. Receivables are generally written off against the allowance one year after becoming past due.

The following summary details the activity within the allowance for credit losses for the years ended December 31.

<i>(Amounts in millions)</i>	2017	2016	2015
Beginning balance	\$ 11.8	\$ 9.2	\$ 10.7
Provision	8.0	12.9	20.4
Write-offs, net of recoveries	(13.2)	(10.3)	(21.9)
Ending balance	\$ 6.6	\$ 11.8	\$ 9.2

Investments (included in settlement assets) — The Company classifies securities as interest-bearing or available-for-sale. The Company has no securities classified as trading or held-to-maturity. Time deposits and certificates of deposits with original maturities of up to 24 months are classified as interest-bearing investments and recorded at amortized cost. Securities held for indefinite periods of time, including any securities that may be sold to assist in the clearing of payment service obligations or in the management of the investment portfolio, are classified as available-for-sale securities. These securities are recorded at fair value, with the net after-tax unrealized gain or loss recorded in "Accumulated other comprehensive loss" in the stockholders' deficit section of the Consolidated Balance Sheets. Realized gains and losses and other-than-temporary impairments are recorded in the Consolidated Statements of Operations under "Net securities gains."

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

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

Securities with gross unrealized losses as of the balance sheet date are subject to a process for identifying other-than-temporary impairments. Securities that the Company deems to be other-than-temporarily impaired are written down to fair value in the period the impairment occurs. The assessment of whether such impairment has occurred is based on management's evaluation of the underlying reasons for the decline in fair value on an individual security basis. The Company considers a wide range of factors about the security and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and the prospects for recovery. The Company considers an investment to be other-than-temporarily impaired when it is deemed probable that the Company will not receive all of the cash flows contractually stipulated for the investment, or whether it is more likely than not that we will sell an investment before recovery of its amortized cost basis. The Company evaluates all residential mortgage-backed and other asset-backed investments for impairment. When an adverse change in expected cash flows occurs, and if the fair value of a security is less than its carrying value, the investment is written down to fair value through a permanent reduction to its amortized cost. Securities gains and losses are recognized upon the sale, call or maturity of securities using the specific identification method to determine the cost basis of securities sold.

Fair Value of Financial Instruments — Financial instruments consist of cash and cash equivalents, settlement cash and cash equivalents, investments, derivatives, payment service obligations and debt. The carrying values of cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and payment service obligations approximate fair value. The carrying value of debt is stated at amortized cost; however, for disclosure purposes the fair value is estimated. See Note 3 — *Fair Value Measurement* for information regarding the principles and processes used to estimate the fair value of financial instruments.

Derivative Financial Instruments — The Company recognizes derivative financial instruments in the Consolidated Balance Sheets at fair value. The accounting for changes in the fair value is recognized through the "Transaction and operations support" line in the Consolidated Statements of Operations in the period of change. See Note 5 — *Derivative Financial Instruments* for additional disclosure.

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Property and Equipment — Property and equipment includes computer hardware, computer software, signage, equipment at agent locations, office furniture and equipment and leasehold improvements, and is stated at cost net of accumulated depreciation and amortization. Property and equipment is depreciated and amortized using a straight-line method over the useful life or term of the lease or license. The cost and related accumulated depreciation and amortization of assets sold or disposed of are removed from the financial statements, with the resulting gain or loss, if any, recognized in "Occupancy, equipment and supplies" in the Consolidated Statements of Operations. See Note 6 — *Property and Equipment* for additional disclosure. The following table summarizes the estimated useful lives by major asset category:

Type of Asset	Useful Life
Computer hardware	3 years
Computer software	5 - 7 years
Signage	3 years
Equipment at agent locations	3 - 7 years
Office furniture and equipment	7 years
Leasehold improvements	10 years

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

Computer software includes acquired and internally developed software. For the years ended December 31, 2017 and 2016, software development costs of \$43.9 million and \$43.7 million, respectively, were capitalized. At December 31, 2017 and 2016, there were \$115.2 million and \$101.1 million, respectively, of unamortized software development costs included in property and equipment.

Property and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for property and equipment, the carrying value of the asset is reduced to the estimated fair value.

Goodwill and Intangible Assets — Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations and is assigned to the reporting unit in which the acquired business will operate. Intangible assets are recorded at their estimated fair value at the date of acquisition. In the year following the period in which identified intangible assets become fully amortized, the fully amortized balances are removed from the gross asset and accumulated amortization amounts. Goodwill is not amortized, but is instead subject to impairment testing. Intangible assets with finite lives are amortized using a straight-line method over their respective useful lives as follows:

Type of Intangible Asset	Useful Life
Contractual and customer relationships	3-15 years
Non-compete agreements	3-5 years
Developed technology	5-7 years

The Company evaluates its goodwill for impairment annually as of October 1 of each year or more frequently if impairment indicators arise in accordance with Accounting Standards Codification ("ASC") Topic 350, "Intangibles - Goodwill and Other." When testing goodwill for impairment, the Company may elect to perform either a qualitative test or a quantitative test to determine if it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value. During a qualitative analysis, the Company considers the impact of any changes to the following factors: macroeconomic, industry and market factors, cost factors, and changes in overall financial performance, as well as any other relevant events and uncertainties impacting a reporting unit. If the qualitative assessment does not conclude that it is more likely than not that the estimated value of the reporting unit is greater than the carrying value, the Company performs a quantitative analysis. In a quantitative testing, the carrying value of the reporting unit is compared to its estimated fair value. If the fair value of a reporting unit exceeds its carrying amount, there is no impairment. If not, we compare the fair value of the reporting unit with its carrying amount. To the extent the carrying amount of the reporting unit exceeds its fair value, an impairment charge of the reporting unit's goodwill would be recognized; however, the loss recognized would not exceed the total amount of goodwill allocated to that reporting unit. Intangible assets with finite lives are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing the carrying value of the assets to the estimated future undiscounted cash flows to be generated by the asset. If an impairment is determined to exist for intangible assets, the carrying value of the asset is reduced to the estimated fair value.

Payments on Long-Term Contracts — The Company makes payments to certain agents and financial institution customers as an incentive to enter into long-term contracts. The payments, or signing bonuses, are generally required to be refunded pro rata in

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the event of nonperformance under, or cancellation of, the contract by the customer. Signing bonuses are viewed as prepaid commissions expense and are, therefore, capitalized and amortized over the life of the related contract. Amortization of signing bonuses on long-term contracts is recorded in "Fee and other commissions expense" in the Consolidated Statements of Operations. The carrying values of the signing bonuses are reviewed whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

The liability for unrecognized tax benefits is recorded as a non-cash item in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. The Company records interest and penalties for unrecognized tax benefits in "Income tax expense" in the Consolidated Statements of Operations. See Note 12 — *Income Taxes* for additional disclosure.

Treasury Stock — Repurchased common stock is stated at cost and is presented as a separate component of stockholders' deficit. See Note 10 — *Stockholders' Deficit* for additional disclosure.

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

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

- Fee and other revenue consists of transaction fees, service revenue, foreign exchange revenue and other revenue.
 - Transaction fees consist primarily of fees earned on money transfer, money order, bill payment and official check transactions. The money transfer transaction fees vary based on the principal value of the transaction and the locations in which these money transfers originate and to which they are sent. The official check, money order and bill payment transaction fees are fixed fees charged on a per item basis. Transaction fees are recognized at the time of the transaction or sale of the product and are presented on a gross basis.
 - Foreign exchange revenue is earned from the management of currency exchange spreads on money transfer transactions involving different "send" and "receive" currencies. Currency exchange spread is the difference between the exchange rate set by the Company to the consumer and the rate at which the Company or its agents are able to acquire currency. Foreign exchange revenue is recognized at the time the exchange in funds occurs and is presented on a gross basis.
 - Other revenue primarily consists of service charges on aged outstanding money orders and money order dispenser fees. Additionally, for unclaimed payment instruments and money transfers, we recognize breakage income when the likelihood of consumer pick-up becomes remote based on historical experience and there is no requirement for remitting balances to government agencies under unclaimed property laws.
- Investment revenue is earned from the investment of funds generated from the sale of payment instruments, primarily official checks and money orders, and consists of interest income, dividend income, income received on our cost recovery securities and amortization of premiums and discounts.

Fee and Other Commissions Expense — The Company incurs fee commissions primarily related to our Global Funds Transfer services. In a money transfer transaction, both the agent initiating the transaction and the receiving agent earn a commission that is generally either a fixed fee or is based on a percentage of the fee charged to the consumer. The agent initiating the transaction and the receiving agent also earn foreign exchange commissions, which are generally based on a percentage of the foreign exchange spread. In a bill payment transaction, the agent initiating the transaction receives a commission that is generally based on a percentage of the fee charged to the consumer and, in limited circumstances, the biller receives a commission that is based on a percentage of the fee charged to the consumer. The Company generally does not pay commissions to agents on the sale of money orders, except, in certain limited circumstances, for large agents where we may pay a fixed commission based on total money order transactions. Other commissions expense includes the amortization of capitalized agent signing bonus payments.

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

Marketing and Advertising Expense — Marketing and advertising costs are expensed as incurred or at the time the advertising first takes place and are recorded in the "Transaction and operations support" line in the Consolidated Statements of Operations. Marketing and advertising expense was \$57.2 million, \$65.1 million and \$59.4 million for 2017, 2016 and 2015, respectively.

Stock-Based Compensation — Stock-based compensation awards are measured at fair value at the date of grant and expensed over their vesting or service periods. The expense, net of estimated forfeitures, is recognized using the straight-line method and is recorded in "Compensation and benefits" in the Consolidated Statements of Operations. The Company accounts for modifications to its share-based payment awards in accordance with the provisions of ASC Topic 718, "Compensation - Stock Compensation." Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the share price and other pertinent factors at that date, and is recognized as compensation cost on the date of modification (for vested awards) or over the remaining vesting or service period (for unvested awards). Any unrecognized compensation cost remaining from the original award is recognized over the vesting period of the modified award. See Note 11 — **Stock-Based Compensation** for additional disclosure of the Company's stock-based compensation.

Earnings Per Share — For all periods in which it is outstanding, the Series D Participating Convertible Preferred Stock (the "D Stock") is included in the weighted-average number of common shares outstanding utilized to calculate basic earnings per common share because the D Stock is deemed a common stock equivalent. Diluted earnings per common share reflects the potential dilution that could result if securities or incremental shares arising out of the Company's stock-based compensation plans were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method.

The following table is a reconciliation of the weighted-average amounts used in calculating (loss) earnings per share for the period ended December 31:

<u>(Amounts in millions)</u>	2017	2016	2015
Basic common shares outstanding	62.9	62.3	62.1
Shares related to restricted stock units	—	3.6	—
Diluted common shares outstanding	62.9	65.9	62.1

Potential common shares are excluded from the computation of diluted earnings per common share when the effect would be anti-dilutive. All potential common shares are anti-dilutive in periods of net loss available to common stockholders. Stock options are anti-dilutive when the exercise price of these instruments is greater than the average market price of the Company's common stock for the period. The following table summarizes the weighted-average potential common shares excluded from diluted (loss) income per common share as their effect would be anti-dilutive or their performance conditions are not met for the years ended December 31:

<u>(Amounts in millions)</u>	2017	2016	2015
Shares related to stock options	1.7	2.7	3.4
Shares related to restricted stock units	3.2	—	3.8
Shares excluded from the computation	4.9	2.7	7.2

Recent Accounting Pronouncements and Related Developments — In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The new guidance sets forth a five-step revenue recognition model which replaces the current revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance and requires more detailed disclosures. To further assist with adoption and implementation of ASU 2014-09, the FASB issued the following ASUs:

- ASU 2016-08 (Issued March 2016) — *Principal versus Agent Consideration (Reporting Revenue Gross versus Net)*
- ASU 2016-10 (Issued April 2016) — *Identifying Performance Obligations and Licensing*
- ASU 2016-12 (Issued May 2016) — *Narrow-Scope Improvements and Practical Expedients*
- ASU 2016-20 (Issued December 2016) — *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*

These ASUs are effective for public entities for interim and annual reporting periods beginning after December 15, 2017. Early adoption is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. The Company is

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not early adopting these standards and will use the cumulative effect transition method upon adoption. Based on our evaluation for money transfer and bill payment services provided by the Global Funds Transfer segment, the Company has determined that each of these services includes only one performance obligation to the customer. For the Company's money transfer service, the performance obligation is to collect the consumer's money and make funds available for payment, generally on the same day, to a designated recipient in the currency requested. For the Company's bill payment service, the performance obligation is to collect the consumer's money and transfer the funds to the designated institution, generally on the same day. The satisfaction of these performance obligations occurs at a point in time, which is not a change from how we currently recognize revenue. For the money orders and official checks products, the Company will continue to recognize revenue on a monthly basis depending on the volume of products sold. As such, the adoption of this standard will not have an impact on the Company's consolidated financial statements and a minimal impact on our internal controls over financial reporting. Based on the disclosure requirements of ASC 606, upon adoption, we expect to provide expanded disclosures relating to our revenue recognition policies and how these relate to our revenue-generating contractual performance obligations. Management is finalizing its disclosure requirements of this standard.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires organizations to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing arrangements. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The FASB retained the distinction between finance leases and operating leases, leaving the effect of leases in the statement of comprehensive income and the statement of cash flows largely unchanged from previous GAAP. ASU 2016-02 mandates a modified retrospective transition method and is effective for fiscal years beginning after December 15, 2018. Early adoption of the amendment is permitted but the Company will not be early adopting this standard. The Company's leases consist primarily of operating leases for buildings, equipment and vehicles. The impact of this ASU on the Company's consolidated financial statements is still being evaluated but, due to the nature of the Company's leases, management believes that this standard will not have a material impact on the Consolidated Statement of Operations.

In March 2016, the FASB issued ASU 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. Under the new ASU, companies are allowed to withhold up to the employees' maximum statutory tax rates in the applicable jurisdictions without resulting in liability classification. Further, the ASU requires that cash payments to tax authorities in connection with shares withheld to meet statutory tax withholding requirements be presented as a financing activity in the statement of cash flows. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016. The Company adopted ASU 2016-09 in the first quarter of 2017. Prior to the adoption of ASU 2016-09, the Company presented cash payments to tax authorities in connection with shares withheld to meet statutory tax withholdings requirements as an operating activity in its statement of cash flows. Upon adoption of this ASU, the presentation of these payments was reclassified to a financing activity and prior period Consolidated Statements of Cash Flows have been updated to reflect this change.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740) - Intra-Entity Transfers of Assets Other Than Inventory*. This standard requires that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. Consequently, the amendments in this standard eliminate the exception for an intra-entity transfer of an asset other than inventory. ASU 2016-16 is effective for public companies for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. The Company will not be early adopting this standard but, upon adoption, will use the modified retrospective approach. The modified retrospective approach will result in a reclassification of a net deferred charge of approximately \$1.3 million from "Other assets" to "Retained loss" on the Consolidated Balance Sheets, with a partial offset, which the Company is in the process of finalizing, for the establishment of remaining net deferred tax assets in each respective jurisdiction.

The Company has determined that there have been no other recently adopted or issued accounting standards that had, or will have, a material impact on its consolidated financial statements.

Note 3 — Fair Value Measurement

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

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

- **Available-for-sale investments** - For residential mortgage-backed securities issued by U.S. government agencies, fair value measures are obtained from an independent pricing service. As market quotes are generally not readily available or accessible for these specific securities, the pricing service measures fair value through the use of pricing models utilizing reported market quotes adjusted for observable inputs, such as market prices for comparable securities, spreads, prepayment speeds, yield curves and delinquency rates. Accordingly, these securities are classified as Level 2 financial instruments.

For asset-backed and other securities, which include investments in limited partnerships, market quotes are generally not available. The Company utilizes broker quotes to measure market value, if available. Because the inputs and assumptions that brokers use to develop prices are unobservable, valuations that are based on brokers' quotes are classified as Level 3. Also, the Company uses pricing services that utilize pricing models based on market observable and unobservable data. The observable inputs include quotes for comparable securities, yield curves, default indices, interest rates, historical prepayment speeds and delinquency rates. These pricing models also apply an inactive market adjustment as a significant unobservable input. Accordingly, asset-backed and other securities valued using third-party pricing models are classified as Level 3.

- **Derivative financial instruments** — Derivatives consist of forward contracts to manage income statement exposure to foreign currency exchange risk arising from the Company's assets and liabilities denominated in foreign currencies. The Company's forward contracts are well-established products, allowing the use of standardized models with market-based inputs. These models do not contain a high level of subjectivity, and the inputs are readily observable. Accordingly, the Company has classified its forward contracts as Level 2 financial instruments. See Note 5 — *Derivative Financial Instruments* for additional disclosure on the Company's forward contracts.

The following table summarizes the Company's financial assets and liabilities measured at fair value by hierarchy level on a recurring basis:

<i>(Amounts in millions)</i>	Level 2	Level 3	Total
December 31, 2017			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	\$ 5.6	\$ —	\$ 5.6
Asset-backed and other securities	—	1.4	1.4
Forward contracts	0.2	—	0.2
Total financial assets	<u>\$ 5.8</u>	<u>\$ 1.4</u>	<u>\$ 7.2</u>
Financial liabilities:			
Forward contracts	\$ 1.0	\$ —	\$ 1.0
 December 31, 2016			
Financial assets:			
Available-for-sale investments:			
Residential mortgage-backed securities	\$ 7.2	\$ —	\$ 7.2
Asset-backed and other securities	—	10.6	10.6
Forward contracts	2.4	—	2.4
Total financial assets	<u>\$ 9.6</u>	<u>\$ 10.6</u>	<u>\$ 20.2</u>
Financial liabilities:			
Forward contracts	\$ 0.1	\$ —	\$ 0.1

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The following table provides a roll-forward of the asset-backed and other securities classified as Level 3, which are measured at fair value on a recurring basis, for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Beginning balance	\$ 10.6	\$ 11.6	\$ 12.6
Principal paydowns	(0.8)	(1.2)	(0.9)
Change in unrealized gains	3.8	0.3	(0.1)
Net realized gains	(12.2)	(0.1)	—
Ending balance	\$ 1.4	\$ 10.6	\$ 11.6

Assets and liabilities that are disclosed at fair value — Debt and interest-bearing investments are carried at amortized cost; however, the Company estimates the fair value of debt for disclosure purposes. The fair value of debt is estimated using an observable market quotation (Level 2). The following table is a summary of the Company's fair value and carrying value of debt as of December 31:

<i>(Amounts in millions)</i>	Fair Value		Carrying Value	
	2017	2016	2017	2016
Senior secured credit facility	\$ 910.8	\$ 912.5	\$ 914.2	\$ 924.0

The carrying amounts for the Company's cash and cash equivalents, settlement cash and cash equivalents, interest-bearing investments and payment service obligations approximate fair value as of December 31, 2017 and 2016.

The Company records the investments in its defined benefit pension plan ("Pension Plan") trust at fair value. The majority of the Pension Plan's investments are common/collective trusts held by the Pension Plan's trustee. The fair values of the Pension Plan's investments are determined based on the current market values of the underlying assets. See Note 9 — *Pension and Other Benefits* for additional disclosure of investments held by the Pension Plan.

Assets and liabilities measured at fair value on a non-recurring basis — Assets and liabilities that are measured at fair value on a non-recurring basis relate primarily to the Company's property and equipment, goodwill and other intangible assets, which are re-measured only in the event of an impairment. No impairments of property and equipment, goodwill and other intangible assets were recorded during 2017, 2016 and 2015.

Fair value re-measurements are normally based on significant unobservable inputs (Level 3). Tangible and intangible asset fair values are derived using accepted valuation methodologies. If it is determined an impairment has occurred, the carrying value of the asset is reduced to fair value with a corresponding charge to the "Other expenses" line in the Consolidated Statements of Operations.

Note 4 — Investment Portfolio

The Company's portfolio is invested in cash and cash equivalents, interest-bearing investments and available-for-sale investments as described in Note 2 — *Summary of Significant Accounting Policies*. The following table shows the components of the investment portfolio as of December 31:

<i>(Amounts in millions)</i>	2017	2016
Cash	\$ 1,654.5	\$ 1,514.5
Money market securities	5.4	7.7
Cash and cash equivalents ⁽¹⁾	1,659.9	1,522.2
Interest-bearing investments	1,154.2	1,252.1
Available-for-sale investments	7.0	17.8
Total investment portfolio	\$ 2,821.1	\$ 2,792.1

⁽¹⁾ For purposes of the disclosure of the investment portfolio as a whole, the cash and cash equivalents balance includes settlement cash and cash equivalents.

Cash and Cash Equivalents — Cash and cash equivalents consist of interest-bearing deposit accounts, non-interest bearing transaction accounts and money market securities. The Company's money market securities are invested in two funds, each of which is AAA rated and consists of U.S. Treasury bills, notes or other obligations issued or guaranteed by the U.S. government and its agencies, as well as repurchase agreements secured by such instruments.

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Interest-bearing Investments — Interest-bearing investments consist of time deposits and certificates of deposit with maturities of up to 24 months, and are issued from financial institutions rated A- or better as of December 31, 2017.

Available-for-sale Investments — Available-for-sale investments consist of residential mortgage-backed securities and asset-backed and other securities. The following table is a summary of the amortized cost and fair value of available-for-sale investments:

<i>(Amounts in millions)</i>	Amortized Cost	Gross Unrealized Gains	Fair Value
December 31, 2017			
Residential mortgage-backed securities	\$ 5.2	\$ 0.4	\$ 5.6
Asset-backed and other securities	0.2	1.2	1.4
Total	<u>\$ 5.4</u>	<u>\$ 1.6</u>	<u>\$ 7.0</u>
December 31, 2016			
Residential mortgage-backed securities	\$ 6.6	\$ 0.6	\$ 7.2
Asset-backed and other securities	1.0	9.6	10.6
Total	<u>\$ 7.6</u>	<u>\$ 10.2</u>	<u>\$ 17.8</u>

As of December 31, 2017 and 2016, 80% and 40%, respectively, of the fair value of the available-for-sale portfolio were invested in residential mortgage-backed securities issued by U.S. government agencies. These securities have the implicit backing of the U.S. government, and the Company expects to receive full par value upon maturity or pay-down, as well as all interest payments. Included in asset-backed and other securities are collateralized debt obligations backed primarily by high-grade debt, mezzanine equity tranches of collateralized debt obligations and home equity loans, along with private equity investments, as summarized in Note 3 — *Fair Value Measurement*.

Gains and Losses — For the twelve months ended December 31, 2017, the Company recognized \$12.2 million of investment income from the redemption at par value of \$12.7 million of a previously impaired asset-backed security in "Investment revenue" on the Consolidated Statement of Operations. Prior to the redemption, the security had \$0.5 million in book value with \$7.9 million in unrealized gains. As of December 31, 2017 and 2016, net unrealized gains, net of tax of \$2.2 million and \$10.8 million, respectively, were included in the Consolidated Balance Sheets in "Accumulated other comprehensive loss." The Company had nominal unrealized losses in its available-for-sale portfolio as of December 31, 2017 and no unrealized losses in its available-for-sale portfolio as of December 31, 2016. For 2017, 2016, and 2015 the Company had no net realized losses and no other-than-temporary impairments.

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

<i>(Amounts in millions, except percentages)</i>	2017			2016		
	Number of Securities	Fair Value	Percent of Investments	Number of Securities	Fair Value	Percent of Investments
Investment grade	11	\$ 5.6	80%	12	\$ 7.2	40%
Below investment grade	38	1.4	20%	40	10.6	60%
Total	<u>49</u>	<u>\$ 7.0</u>	<u>100%</u>	<u>52</u>	<u>\$ 17.8</u>	<u>100%</u>

Had the Company used the lowest rating from the rating agencies in the information presented above, there would be no change to the classifications as of December 31, 2017 and 2016, respectively.

Contractual Maturities — Actual maturities may differ from contractual maturities as borrowers may have the right to call or prepay obligations, sometimes without call or prepayment penalties. Maturities of residential mortgage-backed and asset-backed and other securities depend on the repayment characteristics and experience of the underlying obligations.

Fair Value Determination — The Company uses various sources of pricing for its fair value estimates of its available-for-sale portfolio. The percentage of the portfolio for which the various pricing sources were used is as follows as of December 31, 2017 and 2016: 93% and 95% used a third-party pricing service and 7% and 5% used broker quotes, respectively.

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Note 5 — Derivative Financial Instruments

The Company uses forward contracts to manage its foreign currency needs and foreign currency exchange risk arising from its assets and liabilities denominated in foreign currencies. While these contracts may mitigate certain foreign currency risk, they are not designated as hedges for accounting purposes. These contracts will result in gains and losses which are reported in the "Transaction and operations support" line item in the Consolidated Statements of Operations. The Company also reports gains and losses from the spread differential between the rate set for its transactions and the actual cost of currency at the time the Company buys or sells in the open market. The "Transaction and operations support" line in the Consolidated Statements of Operations and the "Net cash provided by operating activities" line in the Consolidated Statements of Cash Flows include the following gains related to assets and liabilities denominated in foreign currencies, for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Net realized foreign currency gain (loss)	\$ 21.0	\$ (5.4)	\$ (21.3)
Net (loss) gain from the related forward contracts	(13.5)	23.6	32.7
Net gains from foreign currency transactions and related forward contracts	<u>\$ 7.5</u>	<u>\$ 18.2</u>	<u>\$ 11.4</u>

As of December 31, 2017 and 2016, the Company had \$311.5 million and \$294.5 million, respectively, of outstanding notional amounts relating to its foreign currency forward contracts. As of December 31, 2017 and 2016, the Company reflects the following fair values of derivative forward contract instruments in its Consolidated Balance Sheets:

<i>(Amounts in millions)</i>	Balance Sheet Location	Gross Amount of Recognized Assets		Gross Amount of Offset		Net Amount of Assets Presented in the Consolidated Balance Sheets	
		2017	2016	2017	2016	2017	2016
Forward contracts	Other assets	\$ 0.4	\$ 2.6	\$ (0.2)	\$ (0.2)	\$ 0.2	\$ 2.4

<i>(Amounts in millions)</i>	Balance Sheet Location	Gross Amount of Recognized Liabilities		Gross Amount of Offset		Net Amount of Liabilities Presented in the Consolidated Balance Sheets	
		2017	2016	2017	2016	2017	2016
Forward contracts	Accounts payable and other liabilities	\$ 1.2	\$ 0.3	\$ (0.2)	\$ (0.2)	\$ 1.0	\$ 0.1

The Company's forward contracts are primarily executed with counterparties governed by International Swaps and Derivatives Association agreements that generally include standard netting arrangements. Asset and liability positions from forward contracts and all other foreign exchange transactions with the same counterparty are net settled upon maturity.

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

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Note 6 — Property and Equipment

The following table is a summary of "Property and equipment, net" as of December 31:

<i>(Amounts in millions)</i>	2017	2016
Computer hardware and software	\$ 432.1	\$ 373.3
Signage	71.3	85.0
Equipment at agent locations	59.1	60.5
Office furniture and equipment	29.6	28.0
Leasehold improvements	28.6	24.7
Total property and equipment	620.7	571.5
Accumulated depreciation and amortization	(405.8)	(370.5)
Total property and equipment, net	<u>\$ 214.9</u>	<u>\$ 201.0</u>

Depreciation and amortization expense for property and equipment for 2017, 2016 and 2015 was \$73.0 million, \$76.9 million, and \$63.4 million, respectively.

At December 31, 2017 and 2016, the Company had \$5.1 million and \$3.8 million, respectively, in accrued purchases of property and equipment included in "Accounts payable and other liabilities" in the Consolidated Balance Sheets.

During 2017 and 2015, the Company had nominal losses related to disposal of its property and equipment. During 2016, the Company recognized a loss of \$0.2 million on disposal of signage and equipment at agent locations. The losses were recorded in the "Occupancy, equipment and supplies" line in the Consolidated Statements of Operations.

Note 7 — Goodwill and Intangible Assets

Goodwill — The Company's goodwill balance was \$442.2 million as of December 31, 2017 and 2016, and all relates to the Global Funds Transfer segment. The Company performed an annual assessment of goodwill during the fourth quarter of 2017, 2016 and 2015. No impairments of goodwill were recorded in 2017, 2016 and 2015.

The following table is a summary of the gross goodwill balances and accumulated impairments as of December 31:

<i>(Amounts in millions)</i>	2017		2016	
	Gross Goodwill	Accumulated Impairments	Gross Goodwill	Accumulated Impairments
Global Funds Transfer	\$ 445.4	\$ (3.2)	\$ 445.4	\$ (3.2)

Intangibles — The following table is a summary of intangible assets included in "Other assets" in the Consolidated Balance Sheets as of December 31:

<i>(Amounts in millions)</i>	2017			2016		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Contractual and customer relationships	\$ 10.7	\$ (7.8)	\$ 2.9	\$ 11.1	\$ (6.3)	\$ 4.8
Non-compete agreements	1.0	(0.9)	0.1	1.5	(1.2)	0.3
Developed technology	0.6	(0.3)	0.3	1.1	(0.7)	0.4
Total intangible assets	<u>\$ 12.3</u>	<u>\$ (9.0)</u>	<u>\$ 3.3</u>	<u>\$ 13.7</u>	<u>\$ (8.2)</u>	<u>\$ 5.5</u>

Intangible asset amortization expense for 2017, 2016 and 2015 was \$2.1 million, \$3.0 million and \$2.7 million, respectively. The estimated future intangible asset amortization expense is \$1.5 million, \$0.5 million, \$0.5 million, \$0.5 million and \$0.3 million for 2018, 2019, 2020, 2021 and 2022, respectively.

Note 8 — Debt

The following is a summary of the Company's outstanding debt as of December 31:

	December 31, 2017		December 31, 2016	
	Effective Interest Rate		Effective Interest Rate	
<i>(Amounts in millions, except percentages)</i>				
Senior secured credit facility due 2020	4.94%	\$ 914.2	4.25%	\$ 924.0
Unamortized debt issuance costs and debt discount		(6.1)		(8.8)
Total debt, net		\$ 908.1		\$ 915.2

2013 Credit Agreement — On March 28, 2013, the Company, as borrower, entered into an Amended and Restated Credit Agreement (the "2013 Credit Agreement") with Bank of America, N.A. ("BOA"), as administrative agent, the financial institutions party thereto as lenders and the other agents party thereto. The 2013 Credit Agreement provides for (i) a senior secured five-year revolving credit facility up to an aggregate principal amount of \$125.0 million (the "Revolving Credit Facility") and (ii) a senior secured seven-year term loan facility of \$850.0 million (the "Term Credit Facility"). The Revolving Credit Facility includes a sub-facility that permits the Company to request the issuance of letters of credit up to an aggregate amount of \$50.0 million, with borrowings available for general corporate purposes.

On April 2, 2014, the Company, as borrower, entered into a First Incremental Amendment and Joinder Agreement (the "Incremental Agreement") with BOA, as administrative agent, and various lenders. The Incremental Agreement provided for (a) a tranche under the Term Credit Facility in an aggregate principal amount of \$130.0 million (the "Tranche B-1 Term Loan Facility") to be made available to the Company under the 2013 Credit Agreement, (b) an increase in the Revolving Credit Facility under the 2013 Credit Agreement from \$125.0 million to \$150.0 million and (c) certain other amendments to the 2013 Credit Agreement including, without limitation, (i) amendments to certain of the conditions precedent with respect to these incremental borrowings, (ii) an increase in the maximum secured leverage ratio with which the Company is required to comply as of the last day of each fiscal quarter, and (iii) amendments to permit the Company to borrow up to \$300.0 million under the Term Credit Facility for share repurchases exclusively from affiliates of Thomas H. Lee Partners L.P. ("THL") and Goldman, Sachs & Co. ("Goldman Sachs"). The Company borrowed \$130.0 million under the Tranche B-1 Term Loan Facility on April 2, 2014, and the proceeds were used to fund a portion of the share repurchases from THL reducing the remaining limit for such purchases to \$170.0 million.

On December 12, 2016, the Company entered into Amendment No. 2 to the 2013 Credit Agreement, dated December 12, 2016 (the "2016 Amendment"), with BOA, as administrative agent, and various lenders. The 2016 Amendment includes, but is not limited to, decreasing the aggregate Revolving Credit Facility from \$150.0 million to \$125.0 million from December 12, 2016 to March 27, 2018 (the remainder of the original Revolving Credit Facility term) and increasing the maximum secured leverage ratio, effective the first quarter of 2017. The 2016 Amendment also extended the maturity date of the revolving credit commitments of the extending lenders, which represent commitments of \$85.8 million in the aggregate, from March 28, 2018 to September 28, 2019. This 2016 Amendment was accounted for as a modification of debt in accordance with ASC Topic 470, "Debt."

The 2013 Credit Agreement is secured by substantially all of the non-financial assets of the Company and its material domestic subsidiaries that guarantee the payment and performance of the Company's obligations under the 2013 Credit Agreement.

The Company may elect an interest rate under the 2013 Credit Agreement at each reset period based on the BOA prime bank rate or the Eurodollar rate. The interest rate election may be made individually for the Term Credit Facility and each draw under the Revolving Credit Facility. The interest rate will be either the "alternate base rate" (calculated in part based on the BOA prime rate) plus either 200 or 225 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time) or the Eurodollar rate plus either 300 or 325 basis points (depending on the Company's secured leverage ratio or total leverage ratio, as applicable, at such time). For the years ended December 31, 2017, 2016 and 2015, the Eurodollar rate was the effectively elected primary interest basis. Under the terms of the 2013 Credit Agreement, the minimum interest rate applicable to Eurodollar borrowings under the Term Credit Facility is 100 basis points plus the applicable margins previously referred to in this paragraph. The Company's effective interest rate on the senior secured borrowings increased from 4.25% at December 31, 2016 to 4.94% at December 31, 2017 due to an increase in the Eurodollar rate.

Fees on the daily unused availability under the Revolving Credit Facility are 50 basis points. As of December 31, 2017, the Company had no outstanding letters of credit and no borrowings under the Revolving Credit Facility, leaving \$125.0 million of availability thereunder.

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Debt Covenants and Other Restrictions— Borrowings under the 2013 Credit Agreement are subject to various limitations that restrict the Company's ability to: incur additional indebtedness; create or incur additional liens; effect mergers and consolidations; make certain acquisitions or investments; sell assets or subsidiary stock; pay dividends and other restricted payments; and effect loans, advances and certain other transactions with affiliates. In addition, the Revolving Credit Facility has covenants that place limitations on the use of proceeds from borrowings under the facility.

The terms of our debt agreements place significant limitations on the amount of restricted payments we may make, including dividends on our common stock and our repurchase of our capital stock. Subject to certain customary conditions, we may (i) make restricted payments in an aggregate amount not to exceed \$50.0 million (without regard to a pro forma leverage ratio calculation), (ii) make restricted payments up to a formulaic amount determined based on an incremental build-up of our consolidated net income in future periods (subject to compliance with a maximum pro forma leverage ratio calculation) and (iii) repurchase capital stock from THL and Goldman Sachs in a remaining aggregate amount up to \$170.0 million as discussed above.

The 2013 Credit Agreement contains various financial and non-financial covenants. A violation of these covenants could negatively impact the Company's liquidity by restricting the Company's ability to borrow under the Revolving Credit Facility and/or causing acceleration of amounts due under the credit facilities. The financial covenants in the 2013 Credit Agreement measure leverage, interest coverage and liquidity. Leverage is measured through a senior secured debt ratio calculated as consolidated indebtedness to consolidated EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted for certain items such as net securities gains, stock-based compensation expense, certain legal settlements and asset impairments, among other items, also referred to as adjusted EBITDA. This measure is similar, but not identical, to Adjusted EBITDA (EBITDA adjusted for certain significant items) as discussed in Note 11 — *Stock-Based Compensation*. Interest coverage is calculated as adjusted EBITDA to net cash interest expense.

The Company's assets in excess of payment service obligations used for the asset coverage calculation, which is equal to total cash and cash equivalents and settlement assets less payment service obligations, are \$190.0 million and \$157.2 million as of December 31, 2017 and December 31, 2016, respectively.

The 2013 Credit Agreement also has quarterly financial covenants to maintain the following interest coverage and secured leverage ratios:

	Interest Coverage Minimum Ratio	Secured Leverage Not to Exceed
January 1, 2017 through December 31, 2017	2.25:1	4,250:1
January 1, 2018 through June 30, 2018	2.25:1	4,000:1
July 1, 2018 through December 31, 2018	2.25:1	3,750:1
January 1, 2019 through maturity	2.25:1	3,500:1

At December 31, 2017, the Company was in compliance with its financial covenants: our interest coverage ratio was 6.56 to 1.00 and our secured leverage ratio was 3.308 to 1.00. We continuously monitor our compliance with our debt covenants.

Debt Issuance Costs—The Company presents debt issuance costs as a direct deduction from the carrying amount of the related indebtedness and amortizes these costs over the term of the related debt liability using the effective interest method. Amortization is recorded in "Interest expense" on the Consolidated Statements of Operations.

The Company records debt issuance costs for its Revolving Credit Facility in Other assets on its Consolidated Balance Sheets and related amortization is recorded in "Interest expense" on the Consolidated Statements of Operations. The unamortized costs associated with the Revolving Credit Facility were \$0.7 million and \$1.2 million as of December 31, 2017 and 2016, respectively.

Debt Discount— The Company records debt discount as a deduction from the carrying amount of the related indebtedness on its Consolidated Balance Sheets with the respective debt discount amortization recorded in "Interest expense." In 2017 and 2015, the Company had no write-offs of debt discount and in 2016 the Company had nominal write-offs.

Debt Extinguishment Costs— There were no debt extinguishment costs recognized in 2017 or 2015. In 2016, the Company recognized debt extinguishment costs of \$0.3 million in connection with the Term Credit Facility principal payments and debt repurchase discussed above which are recorded in "Debt extinguishment costs" on the Consolidated Statements of Operations.

Interest Paid in Cash— The Company paid \$41.9 million, \$41.6 million and \$42.1 million of interest in 2017, 2016 and 2015, respectively.

Maturities— At December 31, 2017, debt totaling \$892.1 million will mature in 2020, while debt principal totaling \$22.1 million will be paid quarterly in increments of approximately \$2.5 million through 2020. Any borrowings under the Revolving Credit Facility will mature in 2019.

Note 9 — Pension and Other Benefits

Pension Benefits — The Company's Pension Plan is a frozen, non-contributory funded plan under which no new service or compensation credits are accrued by the plan participants. Cash accumulation accounts continue to be credited with interest credits until participants withdraw their money from the Pension Plan. It is the Company's policy to fund at least the minimum required contribution each year plus additional discretionary amounts as available and necessary to minimize expenses of the plan.

Supplemental Executive Retirement Plans — The Company has obligations under various supplemental executive retirement plans ("SERPs"), which are unfunded non-qualified defined benefit pension plans providing postretirement income to their participants. As of December 31, 2017, all benefit accruals under the SERPs are frozen with the exception of one plan for which service is frozen but future pay increases are reflected for active participants. It is the Company's policy to fund the SERPs as benefits are paid.

The Company's Pension Plan and SERPs are collectively referred to as our "Pension."

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

Actuarial Valuation Assumptions — The measurement date for the Company's Pension and Postretirement Benefits is December 31. The following table is a summary of the weighted-average actuarial assumptions used in calculating net periodic benefit expense (income) and the benefit obligation for the years ended and as of December 31.

	Pension Plan			SERPs			Postretirement Benefits		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Net periodic benefit expense (income):									
Discount rate for benefit obligation	4.05%	4.31%	4.15%	4.11%	4.32%	4.78%	4.30%	4.53%	4.82%
Discount rate for interest cost	3.36%	3.45%	4.15%	3.51%	3.32%	4.78%	3.38%	3.43%	4.82%
Expected return on plan assets	4.52%	4.66%	4.74%	—	—	—	—	—	—
Rate of compensation increase	—	—	—	5.75%	5.75%	5.75%	—	—	—
Medical trend rate:									
Pre-65 initial healthcare cost trend rate	—	—	—	—	—	—	7.00%	6.50%	6.50%
Post-65 initial healthcare cost trend rate	—	—	—	—	—	—	8.25%	7.75%	6.25%
Pre and post-65 ultimate healthcare cost trend rate	—	—	—	—	—	—	4.50%	4.50%	4.50%
Year ultimate healthcare cost trend rate is reached for pre/post-65, respectively	—	—	—	—	—	—	2024/ 2025	2024	2023
Benefit obligation:									
Discount rate	3.58%	4.05%	4.31%	3.65%	4.11%	4.32%	3.72%	4.30%	4.53%
Rate of compensation increase	—	—	—	5.75%	5.75%	5.75%	—	—	—
Medical trend rate:									
Pre-65 initial healthcare cost trend rate	—	—	—	—	—	—	7.75%	7.00%	6.50%
Post-65 initial healthcare cost trend rate	—	—	—	—	—	—	7.75%	8.25%	7.75%
Pre and post-65 ultimate healthcare cost trend rate	—	—	—	—	—	—	4.50%	4.50%	4.50%
Year ultimate healthcare cost trend rate is reached for pre/post-65, respectively	—	—	—	—	—	—	2025/ 2027	2024/ 2025	2024

The Company utilizes a building-block approach in determining the long-term expected rate of return on plan assets. The expected return on plan assets is calculated using a calculated value of plan assets that is determined each year by adjusting the previous year's value by expected returns, benefit payments, and contributions. Asset gains and losses are reflected as equal adjustments over a three-year period. 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.

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Actuarial gains and losses are amortized using the corridor approach, by amortizing the balance exceeding 10% of the greater of the benefit obligation or the fair value of plan assets. The amortization period is primarily based on the average remaining service life of plan participants for the Pension and the average remaining expected life of plan participants for the Postretirement Benefits. The Company estimated the interest cost components utilizing a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows.

Pension Assets — The Company employs a liability-driven investment approach whereby a mix of equity and fixed income securities are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. The investment portfolio contains a diversified blend of equity and fixed income securities. Furthermore, equity securities are diversified across large and small capitalized securities and international securities. Other assets, such as real estate and high yield bonds, are used to further diversify equity allocations. Fixed income securities are primarily invested in a mix of investment grade corporate bonds, government bonds, and a smaller allocation to non-investment grade debt. The Company uses a strategy to determine the allocation of return-seeking assets driven by the Pension Plan's funded ratio. Investment risk is measured and monitored on an ongoing basis, including quarterly investment portfolio reviews and periodic liability measurements.

The Company records its pension assets at fair value as described in Note 3 — *Fair Value Measurement*. The following is a description of the Pension Plan's investments at fair value and valuation methodologies:

- *Common/collective trusts* — The fair values of the underlying funds in the common/collective trusts are valued based on the unit value established for each fund at each valuation date. The unit value of a collective investment fund is calculated by dividing the fund's net asset value on the calculation date by the number of units of the fund that are outstanding on the calculation date, which is derived from observable purchase and redemption activity in the collective investment fund. The Company's common/collective trusts are categorized in Level 2 to the extent that they are readily redeemable at their net asset value. The Company changed the presentation of its common/collective trusts pension assets as of December 31, 2016 to match the December 31, 2017 presentation.
- *Real estate* — The Pension Plan trust holds an investment in a real estate development project that the Company considers to be a Level 3 asset for valuation purposes because it requires the use of unobservable inputs in its fair value measurement. The fair value of this investment represents the estimated fair value of the plan's related ownership percentage in the project based upon an appraisal of the underlying real property as of each balance sheet date. The fund investment strategy for this asset is long-term capital appreciation.

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The following table is a summary of the Pension Plan's financial assets recorded at fair value, by hierarchy level:

<i>(Amounts in millions)</i>	Level 2	Level 3	Total
December 31, 2017			
Common/collective trusts			
Short-term investment fund	\$ 3.3	\$ —	\$ 3.3
Equity securities:			
Large cap	14.7	—	14.7
Small cap	3.4	—	3.4
International	10.1	—	10.1
Fixed income securities	82.2	—	82.2
Real estate	—	5.5	5.5
Total investments in the fair value hierarchy	<u>\$ 113.7</u>	<u>\$ 5.5</u>	<u>\$ 119.2</u>
December 31, 2016			
Common/collective trusts			
Short-term investment fund	\$ 2.0	\$ —	\$ 2.0
Equity securities:			
Large cap	15.9	—	15.9
Small cap	3.9	—	3.9
International	9.3	—	9.3
Fixed income securities	75.5	—	75.5
Real estate	—	5.6	5.6
Total investments in the fair value hierarchy	<u>\$ 106.6</u>	<u>\$ 5.6</u>	<u>\$ 112.2</u>

The Company does not have participant redemption restrictions for its common/collective trust investments. The following table sets forth additional disclosures for the Pension Plans assets fair value estimated using net asset value per share:

<i>(Amounts in millions)</i>	Fair Value	Redemptions Frequency (if currently eligible)	Redemption Notice Period
December 31, 2017	\$ 113.7	Daily	15 Days
December 31, 2016	\$ 106.6	Daily	15 Days

Plan Financial Information — Net periodic benefit expense (income) for the Pension and Postretirement Benefits recorded in the Consolidated Statements of Operations in "Compensation and benefits" includes the following components for the years ended December 31:

<i>(Amounts in millions)</i>	Pension			Postretirement Benefits		
	2017	2016	2015	2017	2016	2015
Settlement charge	\$ —	\$ —	\$ 14.7	\$ —	\$ —	\$ —
Interest cost	6.6	7.0	9.8	—	—	—
Expected return on plan assets	(5.1)	(5.3)	(5.8)	—	—	—
Amortization of net actuarial loss	4.6	5.8	8.7	0.1	0.2	0.2
Amortization of prior service cost (credit)	0.1	0.1	—	(0.4)	(0.6)	(0.6)
Net periodic benefit expense (income)	<u>\$ 6.2</u>	<u>\$ 7.6</u>	<u>\$ 27.4</u>	<u>\$ (0.3)</u>	<u>\$ (0.4)</u>	<u>\$ (0.4)</u>

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The following tables are a summary of the amounts recognized in other comprehensive (loss) income and net periodic benefit expense (income) for the years ended December 31:

<i>(Amounts in millions)</i>	Pension	Postretirement Benefits
2017		
Net actuarial loss	\$ 15.3	\$ —
Amortization of net actuarial loss	(4.6)	(0.1)
Amortization of prior service (cost) credit	(0.1)	0.4
Total recognized in other comprehensive (income) loss	\$ 10.6	\$ 0.3
Total recognized in net periodic benefit expense (income)	6.2	(0.3)
Total recognized in other comprehensive (income) loss and net periodic benefit expense (income)	\$ 16.8	\$ —
2016		
Net actuarial loss (gain)	\$ 3.5	\$ (0.1)
Amortization of net actuarial loss	(5.8)	(0.2)
Amortization of prior service credit	(0.1)	0.6
Total recognized in other comprehensive (income) loss	\$ (2.4)	\$ 0.3
Total recognized in net periodic benefit expense (income)	7.6	(0.4)
Total recognized in other comprehensive (income) loss and net periodic benefit expense (income)	\$ 5.2	\$ (0.1)
2015		
Settlement charge	\$ (14.7)	\$ —
Net actuarial gain	(19.3)	(0.3)
Amortization of net actuarial loss	(8.7)	(0.2)
Amortization of prior service credit	—	0.6
Total recognized in other comprehensive loss	\$ (42.7)	\$ 0.1
Total recognized in net periodic benefit expense (income)	27.4	(0.4)
Total recognized in other comprehensive loss and net periodic benefit expense (income)	\$ (15.3)	\$ (0.3)

The estimated net actuarial loss and prior service (cost) credit for the Pension that will be amortized from "Accumulated other comprehensive loss" into "Net periodic benefit expense (income)" during 2018 is \$7.9 million (\$6.1 million net of tax) and \$0.1 million, respectively. The estimated net actuarial loss and prior service credit for the Postretirement Benefits that will be amortized from "Accumulated other comprehensive loss" into "Net periodic benefit expense (income)" during 2018 is \$0.1 million (\$0.1 million net of tax). There is no estimated prior service credit amortization during 2018 for the Postretirement Benefits.

The following tables are a summary of the benefit obligation and plan assets, changes to the benefit obligation and plan assets, and the unfunded status of the Pension and Postretirement Benefits as of and for the years ended December 31:

<i>(Amounts in millions)</i>	Pension		Postretirement Benefits	
	2017	2016	2017	2016
Change in benefit obligation:				
Benefit obligation at the beginning of the year	\$ 210.4	\$ 213.8	\$ 0.8	\$ 1.0
Interest cost	6.6	7.0	—	—
Actuarial loss (gain)	19.1	4.6	—	(0.1)
Benefits paid	(20.3)	(15.0)	(0.1)	(0.1)
Benefit obligation at the end of the year	\$ 215.8	\$ 210.4	\$ 0.7	\$ 0.8
Change in plan assets:				
Fair value of plan assets at the beginning of the year	\$ 112.2	\$ 107.9	\$ —	\$ —
Actual return on plan assets	8.8	6.1	—	—
Employer contributions	18.5	13.2	0.1	0.1
Benefits paid	(20.3)	(15.0)	(0.1)	(0.1)
Fair value of plan assets at the end of the year	\$ 119.2	\$ 112.2	\$ —	\$ —
Unfunded status at the end of the year	\$ 96.6	\$ 98.2	\$ 0.7	\$ 0.8

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In October 2017, the Society of Actuaries issued updated mortality projection scales. The Company adopted the updated mortality projection scales on its measurement date, which decreased the Pension Plan benefit obligation. In December 2017, the Company reevaluated the population of its SERP participants and determined the white-collar adjusted mortality table provided by the Society of Actuaries to be a better estimate for participants in the plan. Accordingly, the change in estimate resulted in an increase to the SERPs unfunded status. The unfunded status of the Pension Plan was \$22.7 million and \$27.7 million at December 31, 2017 and 2016, respectively, and the unfunded status of the SERPs was \$73.9 million and \$70.5 million at December 31, 2017 and 2016, respectively.

The following table summarizes the components recognized in the Consolidated Balance Sheets relating to the Pension and Postretirement Benefits as of December 31:

	Pension		Postretirement Benefits		Total	
	2017	2016	2017	2016	2017	2016
<i>(Amounts in millions)</i>						
Pension and other postretirement benefits liability	\$ 96.6	\$ 98.2	\$ 0.7	\$ 0.8	\$ 97.3	\$ 99.0
Accumulated other comprehensive loss:						
Net actuarial loss, net of tax	\$ 54.1	\$ 46.5	\$ 0.5	\$ 0.5	\$ 54.6	\$ 47.0
Prior service cost (credit), net of tax	0.2	0.2	—	(0.2)	0.2	—
Total	\$ 54.3	\$ 46.7	\$ 0.5	\$ 0.3	\$ 54.8	\$ 47.0

The following table summarizes the benefit obligation and accumulated benefit obligation for the Pension Plan, SERPs and Postretirement Benefits fair value of plan assets as of December 31:

	Pension Plan		SERPs		Postretirement Benefits	
	2017	2016	2017	2016	2017	2016
<i>(Amounts in millions)</i>						
Benefit obligation	\$ 141.9	\$ 139.9	\$ 73.9	\$ 70.5	\$ 0.7	\$ 0.8
Accumulated benefit obligation	141.9	139.9	73.8	70.2	—	—
Fair value of plan assets	119.2	112.2	—	—	—	—

The following table summarizes the estimated future benefit payments for the Pension and Postretirement Benefits for the years ended December 31:

	2018	2019	2020	2021	2022	2023-2027
<i>(Amounts in millions)</i>						
Pension	\$ 29.5	\$ 15.1	\$ 15.0	\$ 14.7	\$ 14.3	\$ 64.1
Postretirement Benefits	0.1	0.1	0.1	—	—	0.2

Although the Company has no minimum required contribution for the Pension Plan in 2018, we expect to contribute \$8.0 million to the Pension Plan in 2018. The Company will continue to make contributions to the SERPs and the Postretirement Benefits to the extent benefits are paid. Aggregate benefits paid for the unfunded plans are expected to be \$7.0 million in 2018.

Employee Savings Plan — The Company has an employee savings plan that qualifies under Section 401(k) of the Internal Revenue Code of 1986, as amended. Contributions to, and costs of, the 401(k) defined contribution plan totaled \$4.8 million, \$5.1 million and \$4.4 million in 2017, 2016 and 2015, respectively.

International Benefit Plans — The Company's international subsidiaries have certain defined contribution benefit plans. Contributions to, and costs related to, international plans were \$2.8 million, \$2.0 million and \$1.7 million for 2017, 2016 and 2015, respectively.

Note 10 — Stockholders' Deficit

Common Stock — The Company's Amended and Restated Certificate of Incorporation, as amended, provides for the issuance of up to 162,500,000 shares of common stock with a par value of \$0.01. The holders of MoneyGram common stock are entitled to one vote per share on all matters to be voted upon by its stockholders. The holders of common stock have no preemptive, conversion or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. The determination to pay dividends on common stock will be at the discretion of the Board of Directors and will depend on applicable laws and the Company's financial condition, results of operations, cash requirements, prospects and such other factors as the Board of Directors may deem relevant. The Company's ability to declare or pay dividends or distributions to the holders of the Company's common stock is restricted under the Company's 2013 Credit Agreement. No dividends were paid in 2017, 2016 or 2015.

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

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

Treasury Stock — The Board of Directors has authorized the repurchase of a total of 12,000,000 shares. As of December 31, 2017, the Company has repurchased 9,842,509 shares of common stock under this authorization and has remaining authorization to repurchase up to 2,157,491 shares.

The following table is a summary of the Company's authorized, issued and outstanding stock as of December 31:

(Shares in thousands)	D Stock			Common Stock			Treasury Stock
	Authorized	Issued	Outstanding	Authorized	Issued	Outstanding	
January 1, 2015	200	71	71	162,500	58,824	53,090	(5,734)
Stock repurchase	—	—	—	—	—	(49)	(49)
Release for restricted stock units	—	—	—	—	—	171	171
December 31, 2015	200	71	71	162,500	58,824	53,212	(5,612)
Stock repurchase	—	—	—	—	—	(1,565)	(1,565)
Release for restricted stock units	—	—	—	—	—	1,118	1,118
December 31, 2016	200	71	71	162,500	58,824	52,765	(6,059)
Release for restricted stock units and stock options exercised	—	—	—	—	—	1,474	1,474
December 31, 2017	200	71	71	162,500	58,824	54,239	(4,585)

Participation Agreement between the Investors and Wal-Mart Stores, Inc. — THL and Goldman Sachs (collectively, the "Investors") have a Participation Agreement with Wal-Mart Stores, Inc. ("Walmart"), under which the Investors are obligated to pay Walmart certain percentages of any accumulated cash payments received by the Investors in excess of the Investors' original investment in the Company. While the Company is not a party to, and has no obligations to Walmart or additional obligations to the Investors under, the Participation Agreement, the Company must recognize the Participation Agreement in its consolidated financial statements as the Company indirectly benefits from the agreement. Any future payments by the Investors to Walmart may result in an expense that could be material to the Company's financial position or results of operations, but would have no impact on the Company's cash flows. As liquidity events are dependent on many external factors and uncertainties, the Company does not consider a liquidity event to be probable at this time for any investors, and has not recognized any further liability or expense related to the Participation Agreement.

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Accumulated Other Comprehensive Loss — The following table details the components of "Accumulated other comprehensive loss" as of December 31:

<i>(Amounts in millions)</i>	2017	2016
Net unrealized gains on securities classified as available-for-sale, net of tax	\$ 2.2	\$ 10.8
Cumulative foreign currency translation adjustments, net of tax	(10.4)	(19.9)
Pension and Postretirement Benefits adjustments, net of tax	(54.8)	(47.0)
Accumulated other comprehensive loss	<u>\$ (63.0)</u>	<u>\$ (56.1)</u>

The following table is a summary of the changes to "Accumulated other comprehensive loss" by component during 2017, 2016 and 2015:

<i>(Amounts in millions)</i>	Net unrealized gains on securities classified as available-for-sale, net of tax	Cumulative foreign currency translation adjustments, net of tax	Pension and Postretirement Benefits adjustments, net of tax	Total
January 1, 2015	\$ 11.2	\$ (5.4)	\$ (75.4)	\$ (69.6)
Other comprehensive income (loss) before amortization	1.3	(8.1)	12.5	5.7
Amounts reclassified from accumulated other comprehensive loss	(1.4)	—	14.5	13.1
Net current period other comprehensive (loss) income	(0.1)	(8.1)	27.0	18.8
January 1, 2016	11.1	(13.5)	(48.4)	(50.8)
Other comprehensive loss before amortization	—	(6.4)	(2.1)	(8.5)
Amounts reclassified from accumulated other comprehensive loss	(0.3)	—	3.5	3.2
Net current period other comprehensive (loss) income	(0.3)	(6.4)	1.4	(5.3)
December 31, 2016	10.8	(19.9)	(47.0)	(56.1)
Other comprehensive income (loss) before reclassification	3.6	9.5	(10.6)	2.5
Amounts reclassified from accumulated other comprehensive loss	(12.2)	—	2.8	(9.4)
Net current period other comprehensive (loss) income	(8.6)	9.5	(7.8)	(6.9)
December 31, 2017	<u>\$ 2.2</u>	<u>\$ (10.4)</u>	<u>\$ (54.8)</u>	<u>\$ (63.0)</u>

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The following table is a summary of the significant amounts reclassified out of each component of "Accumulated other comprehensive loss" during the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015	Statement of Operations Location
Change in net unrealized gains on securities classified as available-for-sale, before tax	\$ (12.2)	\$ (0.4)	\$ (1.4)	"Investment revenue"
Tax expense (benefit)	—	0.1	—	
Total, net of tax	<u>\$ (12.2)</u>	<u>\$ (0.3)</u>	<u>\$ (1.4)</u>	
Pension and Postretirement Benefits adjustments:				
Amortization of prior service credit	\$ (0.3)	\$ (0.5)	\$ (0.6)	"Compensation and benefits"
Amortization of net actuarial loss	4.7	6.0	8.9	"Compensation and benefits"
Settlement charge	—	—	14.7	"Compensation and benefits"
Total before tax	4.4	5.5	23.0	
Tax benefit, net	(1.6)	(2.0)	(8.5)	
Total, net of tax	<u>\$ 2.8</u>	<u>\$ 3.5</u>	<u>\$ 14.5</u>	
Total reclassified for the period, net of tax	<u>\$ (9.4)</u>	<u>\$ 3.2</u>	<u>\$ 13.1</u>	

Note 11 — Stock-Based Compensation

The MoneyGram International, Inc. 2005 Omnibus Incentive Plan ("2005 Plan") provides for the granting of equity-based compensation awards, including stock options, stock appreciation rights, restricted stock units and restricted stock awards (collectively, "share-based awards") to officers, employees and directors. In May 2015, the Company's stockholders approved an amendment and restatement of the 2005 Plan increasing the aggregate number of shares that may be issued from 12,925,000 to 15,425,000 shares. As of December 31, 2017, the Company has remaining authorization to issue future grants of up to 3,050,592 shares.

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

The following table is a summary of the Company's stock-based compensation expense for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Expense recognized related to stock options	\$ 0.5	\$ 2.8	\$ 4.6
Expense recognized related to restricted stock units	14.0	15.1	15.0
Stock-based compensation expense	<u>\$ 14.5</u>	<u>\$ 17.9</u>	<u>\$ 19.6</u>

Stock Options — Option awards are granted with an exercise price equal to the closing market price of the Company's common stock on the date of grant. All outstanding stock options contain certain forfeiture and non-compete provisions.

There were no options granted in 2017, 2016 or 2015. All options granted in 2014, 2013 and 2012 have a term of 10 years. Prior to the fourth quarter of 2011, options issued were either time based, vesting over a four-year period, or performance based, vesting over a five-year period. All options issued after the fourth quarter of 2011 are time-based, with options granted in the fourth quarter of 2011 through the first part of 2014 vesting over a four-year period, and the remaining options granted in 2014 vesting over a three-year period, in an equal number of shares each year.

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The following table is a summary of the Company's stock option activity for the year ended December 31, 2017:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000,000)
Options outstanding at December 31, 2016	2,485,461	\$ 18.02	4.0 years	\$ —
Exercised	(112,297)	14.44		
Forfeited/Expired	(353,314)	20.85		
Options outstanding at December 31, 2017	2,019,850	\$ 17.72	2.8 years	\$ 0.6
Vested or expected to vest at December 31, 2017	2,019,844	\$ 17.72	2.8 years	\$ 0.6
Options exercisable at December 31, 2017	2,015,249	\$ 17.72	2.8 years	\$ 0.6

The following table is a summary of the Company's stock option compensation information during the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Intrinsic value of options exercised	\$ 0.3	\$ —	\$ —
Cash received from option exercises	\$ 1.6	\$ —	\$ —

As of December 31, 2017, the Company had no unrecognized stock option expense related to outstanding options.

Restricted Stock Units — In February 2017, the Company issued time-based and performance-based restricted stock units. The time-based restricted stock units vest in three equal installments on each anniversary of the grant date. The performance-based restricted stock units are subject to performance conditions that must be satisfied. If such performance conditions are satisfied at the conclusion of a one-year performance period, the performance-based restricted stock units will vest in three equal installments on each anniversary of the grant date. With respect to the performance-based restricted stock units, up to 50% of such awards become eligible to vest over such three year period if a target level of Adjusted EBITDA is achieved for the year ended December 31, 2017. Adjusted EBITDA is EBITDA (earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization) adjusted for certain significant items. The other 50% of the performance-based restricted stock units become eligible to vest over such three year period if a target level of revenue is achieved for the year ended December 31, 2017. The performance-based restricted stock units have a threshold level of performance for each of the target levels. Achievement of the threshold level will result in vesting of 50% of the target levels discussed above. The number of performance-based restricted stock units that will vest for performance achievement between the threshold and target will be determined based on a straight-line interpolation. No performance-based restricted stock units will vest for performance achievement below the thresholds.

During 2016, the Company issued time-based and performance-based restricted stock units. The time-based restricted stock units vest in three equal installments on each anniversary of the grant date. The performance-based restricted stock units are subject to performance conditions that must be satisfied. If such performance conditions are satisfied at the conclusion of a one-year performance period, the performance-based restricted stock units will vest in three equal installments on each anniversary of the grant date. With respect to the performance-based restricted stock units, up to 50% of such awards become eligible to vest over such three year period if a target level of Adjusted EBITDA is achieved for the year ended December 31, 2016. Adjusted EBITDA is EBITDA (earnings before interest, taxes, depreciation and amortization, including agent signing bonus amortization) adjusted for certain significant items. The other 50% of the performance-based restricted stock units become eligible to vest over such three year period if a target level of Digital revenue is achieved for the year ended December 31, 2016. The performance-based restricted stock units have a threshold level of performance for each of the target levels. Achievement of the threshold level will result in vesting of 50% of the target levels discussed above. The number of performance-based restricted stock units that will vest for performance achievement between the threshold and target will be determined based on a straight-line interpolation. No performance-based restricted stock units will vest for performance achievement below the thresholds.

During 2015, the Company issued performance-based restricted stock units, which are subject to a one-year performance period, based on annual Adjusted EBITDA and Digital revenue for the fiscal year 2015. Under the terms of the restricted stock units agreement granted in 2015, the number of restricted stock units that will vest is determined based on the extent to which the performance goals are achieved. Under the terms of the grant, 50% of the restricted stock units granted will vest for threshold performance and 100% of the restricted stock units granted will vest for the achievement of the annual Adjusted EBITDA and Digital revenue at target. Upon achievement of the performance goal, each award vests ratably over a three-year period from the grant date. The number of restricted stock units that will vest for performance achievement between the performance threshold and target will be determined based on a straight-line interpolation. No restricted stock units will vest for performance achievement below the threshold.

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For purposes of determining the fair value of restricted stock units and performance-based restricted stock units, the fair value is calculated based on the stock price at the time of grant. For performance-based restricted stock units, expense is recognized if achievement of the performance goal is deemed probable, with the amount of expense recognized based on the Company's best estimate of the ultimate achievement level. As of December 31, 2017, the Company believes it is probable that it will achieve the performance goals between the threshold and target levels for the 2017 restricted stock units. For grants to employees, expense is recognized in the "Compensation and benefits" line and expense for grants to Directors is recorded in the "Transaction and operations support" line in the Consolidated Statements of Operations using the straight-line method over the vesting period.

The following table is a summary of the Company's restricted stock unit activity for the year ended December 31, 2017:

	Total Shares	Weighted Average Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (\$000,000)
Restricted stock units outstanding at December 31, 2016	4,630,038	\$ 7.68	0.9 years	\$ 54.7
Granted	1,361,986	12.87		
Vested and converted to shares	(2,040,682)	7.61		
Forfeited	(684,430)	12.98		
Restricted stock units outstanding at December 31, 2017	3,266,912	\$ 8.78	0.7 years	\$ 43.1
Restricted stock units vested and outstanding at December 31, 2017	32,680	\$ 6.12		\$ 0.4

The following table is a summary of the Company's restricted stock and restricted stock unit compensation information for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Fair value of restricted stock units vested during the year	\$ 15.5	\$ 15.9	\$ 6.3

As of December 31, 2017, the Company's outstanding restricted stock units had unrecognized compensation expense of \$13.7 million with a remaining weighted-average vesting period of 1.2 years. Unrecognized restricted stock unit expense and the remaining weighted-average vesting period are presented using the Company's current estimate of achievement of performance goals.

Note 12 — Income Taxes

The following table is a summary of the components of income (loss) before income taxes for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
U.S.	\$ (64.1)	\$ 28.7	\$ (46.5)
Foreign	27.5	13.8	16.1
(Loss) income before income taxes	\$ (36.6)	\$ 42.5	\$ (30.4)

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Foreign income consists of income and losses from the Company's international subsidiaries. Most of the Company's wholly-owned subsidiaries recognize revenue based solely on services agreements with the primary U.S. operating subsidiary. The following table is a summary of the income tax expense for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Current:			
Federal	\$ (14.7)	\$ 5.2	\$ 17.7
State	1.6	1.8	(0.5)
Foreign	11.2	12.3	5.0
Current income tax expense	(1.9)	19.3	22.2
Deferred:			
Federal	(4.5)	4.0	21.3
State	0.1	1.3	(0.8)
Foreign	(0.5)	2.0	4.6
Deferred income tax (benefit) expense	(4.9)	7.3	25.1
Income tax (benefit) expense	\$ (6.8)	\$ 26.6	\$ 47.3

As of December 31, 2017, the Company had a tax payable of \$35.4 million recorded in "Accounts payable and other liabilities" and a tax receivable of \$25.7 million recorded in the "Other assets" on the Consolidated Balance Sheets. As of December 31, 2016, the Company had a tax payable of \$27.7 million recorded in "Accounts payable and other liabilities" and a tax receivable of \$4.7 million recorded in the "Other assets" on the Consolidated Balance Sheets.

The following table is a reconciliation of the expected federal income tax (benefit) expense at statutory rates to the actual income tax expense for the years ended in December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Income tax expense (benefit) at statutory federal income tax rate	\$ (12.8)	\$ 14.9	\$ (10.7)
Tax effect of:			
State income tax, net of federal income tax effect	0.2	0.6	(0.6)
Valuation allowance	(3.8)	(0.8)	(1.0)
International taxes	(3.0)	(1.4)	1.1
Net permanent difference	30.2	0.6	1.2
Change in tax reserve	1.9	9.1	(8.8)
Stock-based compensation	(1.5)	3.8	3.4
Estimated impact from the TCJA	(22.8)	—	—
Deferred charge amortization	4.0	—	—
Effect of U.S. Tax Court decision	—	—	64.4
Other	0.8	(0.2)	(1.7)
Income tax (benefit) expense	\$ (6.8)	\$ 26.6	\$ 47.3

In 2017, the Company recognized a tax benefit of \$6.8 million on pre-tax loss of \$36.6 million, primarily due to recently enacted tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "TCJA") as discussed in more detail below and an accrual related to the five-year deferred prosecution agreement (the "DPA") as further discussed in Note 13 — *Commitments and Contingencies*.

In 2016, the Company recognized a tax expense of \$26.6 million on pre-tax income of \$42.5 million, primarily due to a tax settlement reached with the Internal Revenue Service ("IRS") on the matter discussed below and the reversal of tax benefits on share-based compensation.

In 2015, the Company recognized a tax expense of \$47.3 million on pre-tax loss of \$30.4 million, primarily resulting from the decision of the U.S. Tax Court during the first quarter of 2015 related to the IRS matter discussed in more detail below.

On December 22, 2017, the President of the United States signed into law the TCJA. The TCJA, among other things, contains significant changes to U.S. corporate tax laws, including a permanent reduction of the corporate income tax rate, a limitation on the deductibility of business interest expense, limitation of the deduction for certain net operating losses to 80% of current year taxable income, an indefinite net operating loss carryforward, immediate deductions for new investments in certain business assets instead of deductions for depreciation expense over time, modification or repeal of many business deductions and credits (including

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certain foreign tax credits), a shift of the U.S. taxation of multinational corporations from a tax on worldwide income to a modified territorial system (retaining certain existing rules and containing new rules designed to include in the U.S. income tax base certain income generated in non-U.S. territories whether or not that income has been repatriated to the U.S.), a minimum taxing system related to payments deemed to erode the U.S. tax base, and a one-time tax on accumulated offshore earnings held in cash and illiquid assets (with the latter taxed at a lower rate). We continue to examine the impact the TCJA may have on the Company, which could adversely affect our business, financial condition and results of operations.

Although the Company does not consider its earnings in its foreign entities to be permanently reinvested, the deferred tax liability associated with the unremitted earnings of its foreign entities was revised under the TCJA by a one-time deemed mandatory repatriation of post-1986 undistributed foreign subsidiary earnings and profits ("E&P") through the year ended December 31, 2017. The Company made a reasonable estimate for the one-time deemed mandatory repatriation and has recorded a provisional expense related its foreign E&P. The Company had an estimated \$101.6 million of undistributed foreign E&P subject to the deemed mandatory repatriation. After the utilization of foreign tax credits related to undistributed foreign subsidiary E&P and other existing foreign tax credits, the Company expects a net zero liability associated with the deemed mandatory repatriation. As of December 31, 2016, a U.S. deferred tax liability of \$5.2 million was recognized for the unremitted earnings of its foreign entities. However, the Company was able to make reasonable estimates of certain effects and, therefore, has recorded provisional amounts as follows:

- As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the TCJA, the Company revalued its ending net deferred tax liabilities at December 31, 2017 and recognized a provisional \$19.8 million tax benefit in the Company's consolidated statement of income for the year ended December 31, 2017.
- The Company recognized a provisional net \$3.0 million tax benefit for the remeasurement of previously recorded deferred tax assets and liabilities primarily associated with historical earnings in its foreign subsidiaries.
- Subsequent to the enactment of the TCJA, the Company must make an accounting policy election to account for the tax effects of global intangible low-tax income either as a component of income tax expense in the period the tax arises, or as a component of deferred taxes on the related investments in foreign subsidiaries. The Company is currently evaluating these provisions of the TCJA and the related implications and has not finalized its accounting policy election. The Company will finalize its accounting policy election in 2018.

The following table is a summary of the Company's deferred tax assets and liabilities as of December 31:

<i>(Amounts in millions)</i>	2017	2016
Deferred tax assets:		
Basis difference in revalued investments	\$ 61.6	\$ 101.6
Tax loss carryovers	22.3	34.3
Tax credit carryovers	18.0	39.2
Postretirement benefits and other employee benefits	17.1	34.0
Bad debt and other reserves	1.4	4.2
Other	13.2	8.8
Valuation allowance	(75.9)	(124.2)
Total deferred tax assets	<u>57.7</u>	<u>97.9</u>
Deferred tax liability:		
Depreciation and amortization and other	(62.7)	(100.8)
Total deferred tax liability	<u>(62.7)</u>	<u>(100.8)</u>
Net deferred tax liability	<u>\$ (5.0)</u>	<u>\$ (2.9)</u>

As of December 31, 2017, net deferred tax asset positions of \$8.1 million were included in "Other assets" and net deferred tax liability positions of \$13.1 million were included in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. As of December 31, 2016, net deferred tax asset positions of \$4.4 million were reflected in "Other assets" and net deferred tax liability positions of \$7.3 million were included in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. The valuation allowance as of December 31, 2017 and December 31, 2016 relates primarily to basis differences in revalued investments, capital loss carryovers and, to a smaller extent, certain foreign tax loss carryovers.

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The following table is a summary of the amounts and expiration dates of tax loss carry-forwards (not tax effected) and credit carry-forwards as of December 31, 2017:

<i>(Amounts in millions)</i>	Expiration Date	Amount
U.S. capital loss carry-forwards	2018 - 2022	\$ 44.2
U.S. net operating loss carry-forwards	2022 - 2037	\$ 13.8
U.S. tax credit carry-forwards	2024 - 2037	\$ 18.0
U.S. federal minimum tax credit carry-forwards	Indefinite	\$ 17.8

The IRS completed its examination of the Company's consolidated income tax returns for the tax years 2011 through 2013 and issued a Revenue Agent Report ("RAR") in the first quarter of 2015 that included disallowing \$100.0 million of deductions related to payments the Company made to the U.S. Department of Justice ("U.S. DOJ") pursuant to the Deferred Prosecution Agreement. In April 2016, the Company entered into a settlement agreement with the IRS allowing a deduction of \$39.3 million. As of December 31, 2016, the Company had fully settled this matter with \$21.2 million of existing deferred tax assets and \$0.5 million of cash after recognizing an additional \$7.7 million of Income tax expense for the year ended December 31, 2016. The state tax liabilities related to the federal settlement have yet to be settled due to the pending implications of the security losses under litigation.

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

<i>(Amounts in millions)</i>	2017	2016	2015
Beginning balance	\$ 24.2	\$ 30.5	\$ 31.7
Additions based on tax positions related to prior years	0.3	11.2	8.3
Additions based on tax positions related to current year	3.4	4.6	0.2
Settlements with cash or attributes	—	(21.4)	—
Foreign currency translation	0.8	—	—
Reductions for tax positions of prior years and other	—	(0.7)	(9.7)
Ending balance	\$ 28.7	\$ 24.2	\$ 30.5

As of December 31, 2017, 2016 and 2015, the liability for unrecognized tax benefits was \$28.7 million, \$24.2 million and \$30.5 million, respectively, exclusive of interest and penalties. For 2017 and 2016, the net amount of unrecognized tax benefits that if recognized could impact the effective tax rate was \$17.3 million and \$16.7 million, respectively. For 2015, all of the unrecognized tax benefits could impact the effective tax rate if recognized. The increases in 2017 were related to a foreign tax position consistent with 2016. The Company accrues interest and penalties for unrecognized tax benefits through "Income tax expense" in the Consolidated Statements of Operations. The Company recorded \$2.5 million, \$2.4 million and \$1.9 million in interest and penalties in its Consolidated Statements of Operations for the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017 and 2016, the Company had a total of \$8.9 million and \$6.4 million, respectively, accrued for interest and penalties within "Accounts payable and other liabilities." As a result of the Company's litigation related to its securities losses previously discussed, it is possible that there could be a significant decrease to the total amount of unrecognized tax benefits over the next 12 months. However, as of December 31, 2017, it is not possible to reasonably estimate the expected change to the total amount of unrecognized tax positions over the next 12 months.

Note 13 — Commitments and Contingencies

Leases — The Company has various non-cancelable operating leases for buildings, equipment and vehicles and other leases that terminate through 2026. Certain of these leases contain rent holidays and rent escalation clauses based on pre-determined annual rate increases. The Company recognizes rent expense under the straight-line method over the term of the lease. Any difference between the straight-line rent amounts and amounts payable under the leases are recorded as deferred rent in "Accounts payable and other liabilities" in the Consolidated Balance Sheets. Cash or lease incentives received under certain leases are recorded as deferred rent when the incentive is received and amortized as a reduction to rent over the term of the lease using the straight-line method. Incentives received relating to tenant improvements are recognized as a reduction of rent expense under the straight-line method over the term of the lease. Tenant improvements are capitalized as leasehold improvements and depreciated over the shorter of the remaining term of the lease or 10 years. The deferred rent relating to these incentives was an asset of \$0.2 million as of December 31, 2017 and 2016.

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The following table is a summary of rent expense under our leases for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Rent expense	\$ 16.6	\$ 16.4	\$ 17.8
Sublease agreements	(0.3)	—	(1.0)
Rent expense under leases	\$ 16.3	\$ 16.4	\$ 16.8

The following table is a summary of the future minimum rental payments for all non-cancelable leases with an initial term of more than one year at December 31, 2017:

<i>(Amounts in millions)</i>	Future Minimum Lease Payments	
2018	\$	16.3
2019		14.7
2020		12.8
2021		10.2
2022		6.3
Thereafter		4.7
Total	\$	65.0

Letters of Credit — At December 31, 2017, the Company had no outstanding letters of credit. These letters of credit would reduce the amount available under the Revolving Credit Facility.

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

As of December 31, 2017, the liability for minimum commission guarantees was \$1.2 million and the maximum amount that could be paid under the minimum commission guarantees was \$2.1 million over a weighted-average remaining term of 0.6 years. The maximum payment is calculated as the contractually guaranteed minimum commission multiplied by the remaining term of the contract and, therefore, assumes that the agent generates no money transfer transactions during the remainder of its contract. However, under the terms of certain agent contracts, the Company may terminate the contract if the projected or actual volume of transactions falls beneath a contractually specified amount. The Company made no payments on minimum commission guarantees in 2017 and paid \$2.4 million or 80% of the estimated maximum payment in 2016.

Other Commitments — The Company has agreements with certain co-investors to provide funds related to investments in limited partnership interests. As of December 31, 2017, the total amount of unfunded commitments related to these agreements was \$0.3 million.

Legal Proceedings — The matters set forth below are subject to uncertainties and outcomes that are not predictable. The Company accrues for these matters as any resulting losses become probable and can be reasonably estimated. Further, the Company maintains insurance coverage for many claims and litigation matters. In relation to various legal matters, including those described below, the Company had \$0.5 million and \$1.2 million of liability recorded in the "Accounts payable and other liabilities" line in the Consolidated Balance Sheets as of December 31, 2017 and 2016, respectively. A charge of \$0.9 million and \$2.4 million were recorded in the "Transaction and operations support" line in the Consolidated Statements of Operations during 2017 and 2015, respectively, for legal proceedings. A credit of \$0.6 million was recorded in the "Transaction and operations support" line in the Consolidated Statements of Operations during 2016 due to the reversal of certain legal settlement accruals.

Litigation Commenced Against the Company:

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

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Government Investigations

OFAC — In 2015, we initiated an internal investigation to identify any payments processed by the Company that were violations of the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") sanctions regulations. We notified OFAC of the internal investigation, which was conducted in conjunction with the Company's outside counsel. On March 28, 2017, we filed a Voluntary Self-Disclosure with OFAC regarding the findings of our internal investigation. OFAC is currently reviewing the results of the Company's investigation. At this time, it is not possible to determine the outcome of this matter, or the significance, if any, to our business, financial condition, or operations, and we cannot predict when OFAC will conclude their review of our Voluntary Self-Disclosure.

Deferred Prosecution Agreement — In November 2012, we announced that a settlement was reached with the U.S. Attorney's Office for the Middle District of Pennsylvania (the "MDPA") and the U.S. Department of Justice ("U.S. DOJ") relating to the previously disclosed investigation of transactions involving certain of our U.S. and Canadian agents, as well as fraud complaint data and the consumer anti-fraud program, during the period from 2003 to early 2009. In connection with this settlement, we entered into a DPA with the MDPA and U.S. DOJ dated November 8, 2012.

On November 1, 2017, the Company agreed to a stipulation with the MDPA and the DOJ (collectively, the "Government") that the term of the Company's DPA be extended for 90 days to February 6, 2018. On January 31, 2018, the Company agreed with the Government that the term of the DPA be extended for an additional 45 days to March 23, 2018. The purpose of the extension is to provide the Company and the Government additional time to discuss whether the Company is in compliance with the DPA. There can be no assurance that the Company and the Government will continue to be able to negotiate a mutually satisfactory outcome during such 45 day period (or any further short-term extension of the DPA) or that such outcome will not include a further extension of the DPA, financial penalties or additional restrictions on the Company, including a monitorship period beyond the current monitorship that ends on April 30, 2018. Furthermore, there can be no assurance that the Government will not seek any other remedy, including criminal prosecution and financial penalties, in lieu of an extension of the DPA and monitorship.

The Company has recorded an \$85.0 million accrual in connection with a possible resolution of this matter based on the facts and circumstances known at the time. However, the Company is unable to reasonably estimate the ultimate loss and no assurance can be given that future costs and payments made in connection with this matter will not exceed the amount currently recorded or that the government will not also seek to impose non-monetary remedies or penalties.

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

Actions Commenced by the Company:

Tax Litigation — The IRS completed its examination of the Company's consolidated income tax returns through 2013 and issued Notices of Deficiency for 2005-2007 and 2009, and an Examination Report for 2008. The Notices of Deficiency and Examination Report disallow, among other items, approximately \$900.0 million of ordinary deductions on securities losses in the 2007, 2008 and 2009 tax returns. In May 2012 and December 2012, the Company filed petitions in the U.S. Tax Court challenging the 2005-2007 and 2009 Notices of Deficiency, respectively. In 2013, the Company reached a partial settlement with the IRS allowing ordinary loss treatment on \$186.9 million of deductions in dispute. In January 2015, the U.S. Tax Court granted the IRS's motion for summary judgment upholding the remaining adjustments in the Notices of Deficiency. The Company filed a notice of appeal with the U.S. Tax Court on July 27, 2015 for an appeal to the U.S. Court of Appeals for the Fifth Circuit. Oral arguments were held before the Fifth Circuit on June 7, 2016, and on November 15, 2016, the Fifth Circuit vacated the Tax Court's decision and remanded the case to the Tax Court for further proceedings. The Company filed a motion for summary judgment in the Tax Court on May 31, 2017. On August 23, 2017, the IRS filed a motion for summary judgment and its response to the Company's motion for summary judgment.

The January 2015 Tax Court decision was a change in facts which warranted reassessment of the Company's uncertain tax position. Although the Company believes that it has substantive tax law arguments in favor of its position and has appealed the ruling, the reassessment resulted in the Company determining that it is no longer more likely than not that its existing position will be sustained. Accordingly, the Company re-characterized certain deductions relating to securities losses to be capital in nature, rather than ordinary. The Company recorded a full valuation allowance against these losses in the quarter ended March 31, 2015. This change increased "Income tax expense" in the Consolidated Statements of Operations in the quarter ended March 31, 2015 by \$63.7 million. During 2015, the Company made payments to the IRS of \$61.0 million for federal tax payments and associated interest related to the matter. The November 2016 Fifth Circuit decision to remand the case back to the U.S. Tax Court does not change the Company's current assessment regarding the likelihood that these deductions will be sustained. Accordingly, no change in the valuation allowance was made as of December 31, 2017. Pending the outcome of the Tax Court proceeding, the Company may be required to file amended state returns and make additional cash payments of up to \$18.7 million on amounts that have previously been accrued.

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Note 14 — Segment Information

The Company's reporting segments are primarily organized based on the nature of products and services offered and the type of consumer served. The Company has two reporting segments: Global Funds Transfer and Financial Paper Products. The Global Funds Transfer segment provides global money transfer services in more than 200 countries and territories. The Global Funds Transfer segment also provides bill payment services to consumers through substantially all of our money transfer agent and Company-operated locations in the U.S., Canada and Puerto Rico, at certain agent locations in select Caribbean and European countries and through Digital solutions. The Financial Paper Products segment provides money orders to consumers through retail and financial institutions located in the U.S. and Puerto Rico, and provides official check services to financial institutions in the U.S. Walmart is our only agent, for both the Global Funds Transfer segment and the Financial Paper Products segment, that accounts for more than 10% of total revenue. In 2017, 2016 and 2015, Walmart accounted for 17%, 18% and 19% of total revenue, respectively.

The Company's Chief Operating Decision Maker reviews segment operating income and segment operating margin to assess segment performance and allocate resources. Segment accounting policies are the same as those described in Note 2 — *Summary of Significant Accounting Policies*. Investment revenue is allocated to each segment based on the average investable balances generated by that segment's sale of payment instruments during the period.

All operating expenses that have not been classified in the above segments are reported as "Other." These unallocated expenses in 2017 include \$10.8 million of legal expenses, Pension and Postretirement Benefits net periodic benefit expense of \$5.9 million, outsourcing, independent contractor and consultant costs of \$4.5 million, depreciation and amortization expense of \$1.1 million and other net corporate costs of \$5.7 million. Unallocated expenses in 2016 include \$2.6 million of legal expenses, severance and related costs of \$4.7 million, Pension and Postretirement Benefits net periodic benefit expense of \$7.2 million and other net corporate costs of \$12.0 million. Unallocated expenses in 2015 include \$5.2 million of legal expenses, Pension and Postretirement Benefits net periodic benefit expense of \$27.0 million and other net corporate costs of \$2.5 million.

The following table is a summary of the total revenue by segment for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Global Funds Transfer revenue			
Money transfer revenue	\$ 1,421.8	\$ 1,456.2	\$ 1,367.1
Bill payment revenue	86.3	97.5	98.7
Total Global Funds Transfer revenue	1,508.1	1,553.7	1,465.8
Financial Paper Products revenue			
Money order revenue	55.0	50.8	51.0
Official check revenue	39.0	24.8	22.3
Total Financial Paper Products revenue	94.0	75.6	73.3
Other revenue	—	1.1	—
Total revenue	\$ 1,602.1	\$ 1,630.4	\$ 1,539.1

The following table is a summary of the operating income by segment and detail of the (loss) income before income taxes for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Global Funds Transfer operating income	\$ 4.9	\$ 95.8	\$ 31.7
Financial Paper Products operating income	31.8	18.5	17.9
Total segment operating income	36.7	114.3	49.6
Other operating loss	(28.0)	(26.5)	(34.7)
Total operating income	8.7	87.8	14.9
Interest expense	45.3	45.0	45.3
Debt extinguishment costs	—	0.3	—
(Loss) income before income taxes	\$ (36.6)	\$ 42.5	\$ (30.4)

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The following table is a summary of depreciation and amortization expense by segment for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Global Funds Transfer	\$ 66.5	\$ 71.8	\$ 60.4
Financial Paper Products	7.5	7.4	5.5
Other	1.1	0.7	0.2
Total depreciation and amortization	\$ 75.1	\$ 79.9	\$ 66.1

The following table is a summary of capital expenditures by segment for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
Global Funds Transfer	\$ 76.4	\$ 68.2	\$ 70.1
Financial Paper Products	8.5	10.9	30.3
Total capital expenditures	\$ 84.9	\$ 79.1	\$ 100.4

Total assets by segment - Settlement assets, as defined in Note 2 - *Summary of Significant Accounting Policies*, are allocated based on the corresponding payment service obligations that are specifically identified to each reporting segment. Property and equipment is specifically identified to both reporting segments with the exception of certain software, most of which is jointly used and allocated to each segment. There is an immaterial amount of software used for corporate purposes. The net carrying value of goodwill and intangibles all relates to the Global Funds Transfer segment as further summarized in Note 7 - *Goodwill and Intangible Assets*. While the derivatives portfolio is also managed on a consolidated level, each derivative instrument is utilized in a manner that can be identified to the Global Funds Transfer segment. All assets that are not specifically identified or allocated to each reporting segment are reported as "Other." These assets primarily include reported cash and cash equivalents, which are the assets in excess of payment service obligations as further discussed in Note 8 - *Debt*, and various other corporate assets. The following table sets forth assets by segment as of December 31:

<i>(Amounts in millions)</i>	2017	2016
Global Funds Transfer	\$ 2,333.4	\$ 2,213.9
Financial Paper Products	2,229.4	2,198.3
Other	209.7	185.2
Total assets	\$ 4,772.5	\$ 4,597.4

Revenue by geographic area — International revenues are defined as revenues generated from money transfer and bill payment transactions originating in a country other than the U.S. There are no individual countries, other than the U.S., that exceed 10% of total revenues for the years ended December 31, 2017, 2016 and 2015. The following table details total revenue by major geographic area for the years ended December 31:

<i>(Amounts in millions)</i>	2017	2016	2015
U.S.	\$ 854.0	\$ 865.8	\$ 829.7
International	748.1	764.6	709.4
Total revenue	\$ 1,602.1	\$ 1,630.4	\$ 1,539.1

Note 15 — Immaterial Error Correction

2017 Immaterial Error Correction

Subsequent to the issuance of the Company's 2016 financial statements, the Company's management determined that there was an immaterial error with respect to the Pension Plan. Specifically, the error related to the calculation of the Company's prior years' pension obligation. Accordingly, the prior period amounts within the consolidated financial statements and corresponding footnotes have been revised to reflect the correct balances. The adjustment has no impact to "Total liabilities and stockholders' deficit" on the Consolidated Balance Sheets as of December 31, 2016 and "Net cash provided by operating activities" on the Consolidated Statements of Cash Flows for the years ended December 31, 2016 and 2015.

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The effects of the correction on the consolidated financial statements for the years ended December 31, 2016 and 2015 are as follows:

	December 31, 2016			December 31, 2015		
	As Previously Reported	Correction	As Corrected	As Previously Reported	Correction	As Corrected
<i>(Amounts in millions, except per share data)</i>						
CONSOLIDATED BALANCE SHEET						
Pension and other postretirement benefits	\$ 87.6	\$ 11.4	\$ 99.0			
Accounts payable and other liabilities	168.7	(4.2)	164.5			
Total liabilities	\$ 4,805.8	\$ 7.2	\$ 4,813.0			
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT						
Retained loss	\$ (1,247.6)	\$ (5.0)	\$ (1,252.6)	\$ (1,226.8)	\$ (4.6)	\$ (1,231.4)
Accumulated other comprehensive loss	(53.9)	(2.2)	(56.1)	(48.7)	(2.1)	(50.8)
Total stockholders' deficit	\$ (208.4)	\$ (7.2)	\$ (215.6)	\$ (222.8)	\$ (6.7)	\$ (229.5)
CONSOLIDATED STATEMENTS OF OPERATIONS						
Compensation and benefits	\$ 295.1	\$ 0.6	\$ 295.7	\$ 309.1	\$ 1.3	\$ 310.4
Total operating expenses	1,542.0	0.6	1,542.6	1,522.9	1.3	1,524.2
Operating income	88.4	(0.6)	87.8	16.2	(1.3)	14.9
Income tax expense	26.8	(0.2)	26.6	47.8	(0.5)	47.3
Net income (loss)	\$ 16.3	\$ (0.4)	\$ 15.9	\$ (76.9)	\$ (0.8)	\$ (77.7)
EARNINGS (LOSS) PER COMMON SHARE						
Basic	\$ 0.26	\$ —	\$ 0.26	\$ (1.24)	\$ (0.01)	\$ (1.25)
Diluted	\$ 0.25	\$ (0.01)	\$ 0.24	\$ (1.24)	\$ (0.01)	\$ (1.25)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)						
Net change in pension liability due to amortization of prior service credit and net actuarial loss, net of tax	\$ 3.4	\$ 0.1	\$ 3.5	\$ 5.0	\$ 0.2	\$ 5.2
Valuation adjustment for pension and postretirement benefits, net of tax	(1.9)	(0.2)	(2.1)	12.7	(0.2)	12.5
Pension settlement charge, net of tax	—	—	—	8.9	0.4	9.3
Other comprehensive (loss) income	\$ (5.2)	\$ (0.1)	\$ (5.3)	\$ 18.4	\$ 0.4	\$ 18.8
CONSOLIDATED STATEMENTS OF CASH FLOWS						
Non-cash compensation and pension expense	\$ 24.5	\$ 0.6	\$ 25.1	\$ 45.3	\$ 1.3	\$ 46.6
Provision for deferred income taxes	\$ 7.5	\$ (0.2)	\$ 7.3	\$ 25.6	\$ (0.5)	\$ 25.1

2016 Immaterial Error Correction

Prior to the issuance of the Company's 2016 financial statements, the Company's management determined that there was an immaterial error in the historical presentation of the foreign exchange revenue on a net basis. As a result, in 2016, fee and other revenue and Fee and other commissions expense for the years ended 2015 and 2014 were restated from the amounts previously reported to correct the presentation of foreign exchange revenue from a net presentation to a gross presentation in our Consolidated Statements of Operations. The correction was an increase in previously reported Fee and other revenue and Fee and other commissions expense. This correction had no impact on our Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income (Loss), Consolidated Statements of Cash Flows or Consolidated Statements of Stockholders' Deficit. For

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the effects of the correction on the Company's financial statements, refer to the Consolidated Financial Statements and Notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

Note 16 — Quarterly Financial Data (Unaudited)

The following tables are the summation of quarterly (loss) earnings per common share and may not equate to the calculation for the full year as quarterly calculations are performed on a discrete basis. The quarterly financial information for 2016 has been immaterially restated, where applicable. See Note 15 — Immaterial Error Correction for more information on the restatement.

2017 Fiscal Quarters:

(Amounts in millions, except per share data)

	First	Second	Third	Fourth ⁽¹⁾
Total revenue	\$ 386.1	\$ 410.0	\$ 397.8	\$ 408.2
Total operating expenses	364.0	390.2	374.5	464.7
Operating income	22.1	19.8	23.3	(56.5)
Total other expenses, net	10.8	11.2	11.6	11.7
Income (loss) before income taxes	\$ 11.3	\$ 8.6	\$ 11.7	\$ (68.2)
Net income (loss)	\$ 8.8	\$ 6.2	\$ 7.7	\$ (52.5)
Earnings (loss) per common share				
Basic	\$ 0.14	\$ 0.10	\$ 0.12	\$ (0.83)
Diluted	\$ 0.13	\$ 0.09	\$ 0.12	\$ (0.83)

(1) In the fourth quarter of 2017, total operating expenses was impacted by an \$85.0 million accrual related to the DPA.

2016 Fiscal Quarters:

(Amounts in millions, except per share data)

	First			Second			Third			Fourth		
	As Previously Reported	Correction	As Corrected	As Previously Reported	Correction	As Corrected	As Previously Reported	Correction	As Corrected	As Previously Reported	Correction	As Corrected
Total revenue	\$ 387.1	\$ —	\$ 387.1	\$ 414.3	\$ —	\$ 414.3	\$ 412.8	\$ —	\$ 412.8	\$ 416.2	\$ —	\$ 416.2
Total operating expenses	364.0	0.1	364.1	398.1	0.2	398.3	386.6	0.1	386.7	393.3	0.2	393.5
Operating income (loss)	23.1	(0.1)	23.0	16.2	(0.2)	16.0	26.2	(0.1)	26.1	22.9	(0.2)	22.7
Total other expenses, net	11.3	—	11.3	11.2	—	11.2	11.3	—	11.3	11.5	—	11.5
(Loss) income before income taxes	\$ 11.8	\$ (0.1)	\$ 11.7	\$ 5.0	\$ (0.2)	\$ 4.8	\$ 14.9	\$ (0.1)	\$ 14.8	\$ 11.4	\$ (0.2)	\$ 11.2
Net (loss) income	\$ (4.2)	\$ (0.1)	\$ (4.3)	\$ 3.1	\$ (0.1)	\$ 3.0	\$ 10.2	\$ (0.1)	\$ 10.1	\$ 7.2	\$ (0.1)	\$ 7.1
(Loss) earnings per common share												
Basic	\$ (0.07)	\$ —	\$ (0.07)	\$ 0.05	\$ —	\$ 0.05	\$ 0.16	\$ —	\$ 0.16	\$ 0.12	\$ (0.01)	\$ 0.11
Diluted	\$ (0.07)	\$ —	\$ (0.07)	\$ 0.05	\$ —	\$ 0.05	\$ 0.15	\$ —	\$ 0.15	\$ 0.11	\$ —	\$ 0.11

Note 17 — Condensed Consolidating Financial Statements

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

The following information represents Condensed Consolidating Balance Sheets as of December 31, 2017 and 2016, along with Condensed Consolidating Statements of Operations and Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015. The condensed consolidating financial information presents financial information in separate columns for MoneyGram International, Inc. on a Parent-only basis carrying its investment in subsidiaries under the equity method; Guarantors on a combined basis, carrying investments in subsidiaries that are not expected to guarantee the debt (collectively, the "Non-Guarantors") under the equity method; Non-Guarantors on a combined basis; and eliminating entries. The eliminating entries primarily reflect intercompany transactions, such as accounts receivable and payable, fee revenue and commissions expense and the elimination of equity investments and income in subsidiaries.

MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2017

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 1.7	\$ 9.6	\$ 178.7	\$ —	\$ 190.0
Settlement assets	—	3,491.4	265.5	—	3,756.9
Property and equipment, net	—	199.1	15.8	—	214.9
Goodwill	—	315.4	126.8	—	442.2
Other assets	49.5	110.3	200.9	(192.2)	168.5
Equity investments in subsidiaries	813.8	132.4	—	(946.2)	—
Intercompany receivables	—	546.9	—	(546.9)	—
Total assets	\$ 865.0	\$ 4,805.1	\$ 787.7	\$ (1,685.3)	\$ 4,772.5
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY					
Payment service obligations	\$ —	\$ 3,491.4	\$ 265.5	\$ —	\$ 3,756.9
Debt, net	908.1	—	—	—	908.1
Pension and other postretirement benefits	—	97.3	—	—	97.3
Accounts payable and other liabilities	—	402.6	50.9	(198.0)	255.5
Intercompany liabilities	208.0	—	338.9	(546.9)	—
Total liabilities	1,116.1	3,991.3	655.3	(744.9)	5,017.8
Total stockholders' (deficit) equity	(251.1)	813.8	132.4	(940.4)	(245.3)
Total liabilities and stockholders' (deficit) equity	\$ 865.0	\$ 4,805.1	\$ 787.7	\$ (1,685.3)	\$ 4,772.5

MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
REVENUE					
Fee and other revenue	\$ —	\$ 1,293.3	\$ 700.6	\$ (433.0)	\$ 1,560.9
Investment revenue	—	40.2	1.0	—	41.2
Total revenue	—	1,333.5	701.6	(433.0)	1,602.1
EXPENSES					
Fee and other commissions expense	—	556.6	454.6	(247.7)	763.5
Investment commissions expense	—	8.7	—	—	8.7
Total commissions expense	—	565.3	454.6	(247.7)	772.2
Compensation and benefits	—	178.4	99.3	—	277.7
Transaction and operations support	1.7	494.8	88.2	(182.4)	402.3
Occupancy, equipment and supplies	—	50.0	16.1	—	66.1
Depreciation and amortization	—	66.6	28.6	(20.1)	75.1
Total operating expenses	1.7	1,355.1	686.8	(450.2)	1,593.4
OPERATING (LOSS) INCOME	(1.7)	(21.6)	14.8	17.2	8.7
Other expenses					
Interest expense	45.3	—	—	—	45.3
Other	—	(11.4)	—	11.4	—
Total other expenses	45.3	(11.4)	—	11.4	45.3
(Loss) income before income taxes	(47.0)	(10.2)	14.8	5.8	(36.6)
Income tax (benefit) expense	(16.3)	5.5	4.0	—	(6.8)
(Loss) income after income taxes	(30.7)	(15.7)	10.8	5.8	(29.8)
Equity income in subsidiaries	(4.9)	10.8	—	(5.9)	—
NET INCOME	(35.6)	(4.9)	10.8	(0.1)	(29.8)
TOTAL OTHER COMPREHENSIVE (LOSS) INCOME	(6.7)	(6.9)	24.7	(18.0)	(6.9)
COMPREHENSIVE (LOSS) INCOME	\$ (42.3)	\$ (11.8)	\$ 35.5	\$ (18.1)	\$ (36.7)

MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (43.8)	\$ 449.3	\$ (273.0)	\$ —	\$ 132.5
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	—	(76.7)	(6.9)	—	(83.6)
Intercompany investments	—	(40.0)	356.7	(316.7)	—
Dividend from subsidiary guarantors	52.0	—	—	(52.0)	—
Capital contributions to non-guarantors	—	(33.5)	—	33.5	—
Net cash provided by (used in) investing activities	52.0	(150.2)	349.8	(335.2)	(83.6)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Principal payments on debt	(9.8)	—	—	—	(9.8)
Proceeds from exercise of stock options and other	1.7	—	—	—	1.7
Dividend to parent	—	(52.0)	—	52.0	—
Intercompany financings	1.6	(358.3)	40.0	316.7	—
Payments to tax authorities for stock-based compensation	—	(8.0)	—	—	(8.0)
Capital contributions from subsidiary guarantors	—	—	33.5	(33.5)	—
Net cash (used in) provided by financing activities	(6.5)	(418.3)	73.5	335.2	(16.1)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1.7	(119.2)	150.3	—	32.8
CASH AND CASH EQUIVALENTS—Beginning of year	—	128.8	28.4	—	157.2
CASH AND CASH EQUIVALENTS—End of year	\$ 1.7	\$ 9.6	\$ 178.7	\$ —	\$ 190.0

MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2016

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$ —	\$ 128.8	\$ 28.4	\$ —	\$ 157.2
Settlement assets	—	3,504.7	129.6	—	3,634.3
Property and equipment, net	—	184.3	16.7	—	201.0
Goodwill	—	315.3	126.9	—	442.2
Other assets	36.0	146.0	39.4	(58.7)	162.7
Equity investments in subsidiaries	879.1	232.3	—	(1,111.4)	—
Intercompany receivables	—	155.1	51.3	(206.4)	—
Total assets	\$ 915.1	\$ 4,666.5	\$ 392.3	\$ (1,376.5)	\$ 4,597.4
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY					
Payment service obligations	\$ —	\$ 3,525.4	\$ 108.9	\$ —	\$ 3,634.3
Debt, net	915.2	—	—	—	915.2
Pension and other postretirement benefits	—	99.0	—	—	99.0
Accounts payable and other liabilities	1.9	170.2	51.1	(58.7)	164.5
Intercompany liabilities	206.4	—	—	(206.4)	—
Total liabilities	1,123.5	3,794.6	160.0	(265.1)	4,813.0
Total stockholders' (deficit) equity	(208.4)	871.9	232.3	(1,111.4)	(215.6)
Total liabilities and stockholders' (deficit) equity	\$ 915.1	\$ 4,666.5	\$ 392.3	\$ (1,376.5)	\$ 4,597.4

MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE YEAR ENDED DECEMBER 31, 2016

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
REVENUE					
Fee and other revenue	\$ —	\$ 1,569.7	\$ 417.9	\$ (375.2)	\$ 1,612.4
Investment revenue	—	18.0	—	—	18.0
Total revenue	—	1,587.7	417.9	(375.2)	1,630.4
EXPENSES					
Fee and other commissions expense	—	770.7	219.7	(197.3)	793.1
Investment commissions expense	—	2.5	—	—	2.5
Total commissions expense	—	773.2	219.7	(197.3)	795.6
Compensation and benefits	—	196.6	99.1	—	295.7
Transaction and operations support	2.0	427.3	58.1	(177.9)	309.5
Occupancy, equipment and supplies	—	45.7	16.2	—	61.9
Depreciation and amortization	—	67.4	12.5	—	79.9
Total operating expenses	2.0	1,510.2	405.6	(375.2)	1,542.6
OPERATING (LOSS) INCOME	(2.0)	77.5	12.3	—	87.8
Other expenses					
Interest expense	45.0	—	—	—	45.0
Debt extinguishment costs	0.3	—	—	—	0.3
Total other expenses	45.3	—	—	—	45.3
(Loss) income before income taxes	(47.3)	77.5	12.3	—	42.5
Income tax (benefit) expense	(16.5)	46.2	(3.1)	—	26.6
(Loss) income after income taxes	(30.8)	31.3	15.4	—	15.9
Equity income in subsidiaries	47.1	15.4	—	(62.5)	—
NET INCOME	16.3	46.7	15.4	(62.5)	15.9
TOTAL OTHER COMPREHENSIVE LOSS	(5.3)	(5.3)	(34.3)	39.6	(5.3)
COMPREHENSIVE INCOME (LOSS)	\$ 11.0	\$ 41.4	\$ (18.9)	\$ (22.9)	\$ 10.6

MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (43.4)	\$ 142.7	\$ 21.6	\$ —	\$ 120.9
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	—	(74.0)	(8.8)	—	(82.8)
Intercompany investments	—	(12.6)	(58.7)	71.3	—
Dividend from subsidiary guarantors	70.7	—	—	(70.7)	—
Capital contributions to non-guarantors	—	(0.1)	—	0.1	—
Net cash provided by (used in) investing activities	70.7	(86.7)	(67.5)	0.7	(82.8)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Principal payments on debt	(30.3)	—	—	—	(30.3)
Stock repurchases	(11.7)	—	—	—	(11.7)
Dividend to parent	—	(70.7)	—	70.7	—
Intercompany financings	12.6	58.7	—	(71.3)	—
Contingent consideration payment	—	(0.7)	—	—	(0.7)
Payments to tax authorities for stock-based compensation	—	(2.7)	—	—	(2.7)
Capital contributions from subsidiary guarantors	—	—	0.1	(0.1)	—
Net cash (used in) provided by financing activities	(29.4)	(15.4)	0.1	(0.7)	(45.4)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2.1)	40.6	(45.8)	—	(7.3)
CASH AND CASH EQUIVALENTS—Beginning of year	2.1	88.2	74.2	—	164.5
CASH AND CASH EQUIVALENTS—End of year	\$ —	\$ 128.8	\$ 28.4	\$ —	\$ 157.2

MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2015

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
REVENUE					
Fee and other revenue	\$ —	\$ 1,492.1	\$ 419.8	\$ (384.9)	\$ 1,527.0
Investment revenue	—	12.0	0.1	—	12.1
Total revenue	—	1,504.1	419.9	(384.9)	1,539.1
EXPENSES					
Fee and other commissions expense	—	737.2	225.9	(203.3)	759.8
Investment commissions expense	—	0.8	—	—	0.8
Total commissions expense	—	738.0	225.9	(203.3)	760.6
Compensation and benefits	—	213.0	97.4	—	310.4
Transaction and operations support	1.4	451.3	53.8	(181.7)	324.8
Occupancy, equipment and supplies	—	54.7	18.1	(10.5)	62.3
Depreciation and amortization	—	53.5	12.6	—	66.1
Total operating expenses	1.4	1,510.5	407.8	(395.5)	1,524.2
OPERATING (LOSS) INCOME	(1.4)	(6.4)	12.1	10.6	14.9
Other expenses (income)					
Interest expense	45.3	—	—	—	45.3
Other income	—	—	(10.6)	10.6	—
Total other expenses (income), net	45.3	—	(10.6)	10.6	45.3
(Loss) income before income taxes	(46.7)	(6.4)	22.7	—	(30.4)
Income tax (benefit) expense	(16.4)	55.8	7.9	—	47.3
(Loss) income after income taxes	(30.3)	(62.2)	14.8	—	(77.7)
Equity (loss) income in subsidiaries	(46.6)	14.8	—	31.8	—
NET (LOSS) INCOME	(76.9)	(47.4)	14.8	31.8	(77.7)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	18.8	12.2	(20.4)	8.2	18.8
COMPREHENSIVE LOSS	\$ (58.1)	\$ (35.2)	\$ (5.6)	\$ 40.0	\$ (58.9)

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MONEYGRAM INTERNATIONAL, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

<i>(Amounts in millions)</i>	Parent	Subsidiary Guarantors	Non- Guarantors	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (65.7)	\$ 150.1	\$ (50.3)	\$ —	\$ 34.1
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	—	(96.5)	(13.4)	—	(109.9)
Proceeds from disposal of assets	—	0.4	—	—	0.4
Intercompany investments	28.3	21.0	—	(49.3)	—
Dividend from subsidiary guarantors	47.6	—	—	(47.6)	—
Capital contributions to non-guarantors	—	(2.4)	—	2.4	—
Net cash provided by (used in) by investing activities	75.9	(77.5)	(13.4)	(94.5)	(109.5)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Principle payments on debt	(9.8)	—	—	—	(9.8)
Stock repurchases	(0.4)	—	—	—	(0.4)
Intercompany financings	—	(28.3)	(21.0)	49.3	—
Dividend to parent	—	(47.6)	—	47.6	—
Payments to tax authorities for stock-based compensation	—	(0.5)	—	—	(0.5)
Capital contributions from subsidiary guarantors	—	—	2.4	(2.4)	—
Net cash used in financing activities	(10.2)	(76.4)	(18.6)	94.5	(10.7)
NET CHANGE IN CASH AND CASH EQUIVALENTS	—	(3.8)	(82.3)	—	(86.1)
CASH AND CASH EQUIVALENTS—Beginning of year	2.1	92.0	156.5	—	250.6
CASH AND CASH EQUIVALENTS—End of year	\$ 2.1	\$ 88.2	\$ 74.2	\$ —	\$ 164.5

FORM AMENDED AND RESTATED SEVERANCE AGREEMENT

THIS AMENDED AND RESTATED SEVERANCE AGREEMENT (this "Agreement"), dated as of [] (the "Effective Date"), is made by and between MoneyGram International, Inc., a Delaware corporation (together with its parent companies, direct and indirect subsidiaries, successors and permitted assigns under this Agreement, the "Company") and [] ("Executive") and amends the Amended and Restated Severance Agreement, dated [], 2018, by and between the Company and Executive.

WHEREAS, the Company employs Executive as its [];

WHEREAS, Executive's employment with the Company is at-will;

WHEREAS, the Company and Executive previously entered into a Severance Agreement, which was subsequently amended and restated (as amended and restated, the "Original Agreement");

WHEREAS, the Company and Executive desire to amend the Original Agreement in certain respects and to accordingly enter into this Agreement to amend and replace the Original Agreement in its entirety as set forth herein, effective as of the Effective Date; and

WHEREAS, the Company desires to provide Executive additional protections in the event of certain terminations within the twenty-four (24)-month period following the consummation of a Change in Control (as defined below).

NOW, THEREFORE, in consideration of the promises and mutual covenants herein and for other good and valuable consideration, the receipt and sufficiency of which is mutually acknowledged, the parties agree as follows:

1. Definitions.

a. "Cause" shall mean (A) Executive's willful refusal to carry out, in all material respects, the reasonable and lawful directions of the person or persons to whom the Executive reports or the Board that are within Executive's control and consistent with Executive's status with the Company and his or her duties and responsibilities hereunder (except for a failure that is attributable to Executive's illness, injury or Disability) for a period of 10 days following written notice by the Company to Executive of such failure, (B) fraud or material dishonesty in the performance of Executive's duties hereunder, (C) an act or acts on Executive's part constituting (x) a felony under the laws of the United States or any state thereof, (y) a misdemeanor involving moral turpitude or (z) a material violation of federal or state securities laws, (D) an indictment of Executive for a felony under the laws of the United States or any state thereof, (E) Executive's willful misconduct or gross negligence in connection with Executive's duties which could reasonably be expected to be injurious in any material respect to the financial condition or business reputation of the Company as determined in good faith by the Board, (F) Executive's material breach of the Company's Code of Ethics, Always Honest policy or any other code of conduct in effect from time to time to the extent applicable to Executive, and which breach could reasonably be expected to have a material adverse effect on the Company as determined in good faith by the Board, or (G) Executive's breach of the Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement which breach has an adverse effect on the Company.

b. "Change in Control" shall mean (A) a sale, transfer or other conveyance or disposition, in any single transaction or series of transactions, of all or substantially all of the

Company's assets, (B) the transfer of more than 50% of the outstanding securities of the Company, calculated on a fully diluted basis, to an entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act")), or (C) the merger, consolidation reorganization, recapitalization or share exchange of the Company with another entity, in each case in clauses (B) and (C) above, under circumstances in which the holders of the voting power of the outstanding securities of the Company, as the case may be, immediately prior to such transaction, together with such holders' affiliates and related parties, hold less than 50% in voting power of the outstanding securities of the Company or the surviving entity or resulting entity, as the case may be, immediately following such transaction; *provided, however*, that the issuance of securities by the Company shall not, in any event, constitute a Change in Control, and, for the avoidance of doubt, a sale or other transfer or series of transfers of all or any portion of the securities of the Company held by the investors and their affiliates and related parties shall not constitute a Change in Control unless such sale or transfer or series of transfers results in an entity or group (as defined in the Exchange Act) other than the investors and their affiliates and related parties holding more than 50% in voting power of the outstanding securities of the Company.

c. "Disability" shall exist if Executive becomes physically or mentally incapacitated and is therefore unable for a period of six (6) consecutive months or for an aggregate of nine (9) months in any twenty-four (24) consecutive month period to perform Executive's duties. Any question as to the existence of the Disability of Executive as to which Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to Executive and the Company. If Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two physicians shall select a third who shall make such determination in writing. The determination of Disability made in writing to the Company and Executive shall be final and conclusive for all purposes of this Agreement.

d. "Good Reason" shall mean (A) a material reduction in the Participant's position or responsibilities, excluding for this purpose an isolated, insubstantial or inadvertent action not taken in bad faith; (B) a material reduction in the Participant's base salary or target bonus opportunity, if any, except in connection with an across-the-board reduction of not more than 10% applicable to similarly situated employees of the Company, or (C) the reassignment, without the Participant's consent, of the Participant's place of work to a location more than 50 miles from the Participant's place of work on the Effective Date; provided that none of the events described in clauses (A), (B) and (C) shall constitute Good Reason hereunder unless (x) the Participant shall have given written notice to the Company of the Participant's intent to terminate his employment with Good Reason within sixty (60) days following the occurrence of any such event and (y) the Company shall have failed to remedy such event within thirty (30) days of the Company's receipt of such notice.

2. At-Will Employment. Executive's employment is at-will and may be terminated by either Executive or Company at any time and for any reason.

3. Termination by the Company without Cause. If at any time on or after the first anniversary of the date Executive first became an employee of the Company Executive's employment is terminated by the Company without Cause (other than by reason of death or Disability), Executive shall be entitled to receive the following payments, each of which shall at all

times be made so as to satisfy the requirements of Section 409A of the Internal Revenue Code of 1986, as amended:

a. **Salary Severance.** A sum equal to Executive's then current monthly base salary multiplied by twelve, which, subject to Section 6 hereof, shall be payable in equal monthly installments on the last day of each month over the twelve month period following the date of termination of employment and in accordance with the Company's normal payroll practices in effect as of the date of Executive's termination of employment; and

b. **Bonus Severance.** Provided that the Company actually achieves the performance goals for the applicable performance period necessary for participants in the Company's Performance Bonus Plan or any successor plan (the "Bonus Plan") to receive cash bonuses pursuant to the Bonus Plan with respect to such performance period and that such cash bonuses are actually paid, a sum equal to a pro rata portion (based on the period between the beginning of the applicable performance period and the date of termination of Executive's employment) of Executive's cash bonus (up to Executive's cash bonus at target level) under the Bonus Plan payable for the year in which the termination of employment occurs, which, subject to Section 6 hereof, shall be paid in a lump sum payable when such cash bonus under the Bonus Plan is regularly paid to other Bonus Plan participants for such year, and which amount shall in no event exceed a pro rata portion of Executive's annual target incentive opportunity for such year under the Bonus Plan.

4. **Termination without Cause or for Good Reason following a Change in Control.** Notwithstanding anything to the contrary herein, if, within the 24-month period commencing on and immediately following the consummation of a Change in Control, Executive's employment is terminated by the Company without Cause (other than by reason of death or Disability) or by Executive for Good Reason, Executive shall be entitled to receive the following payments, each of which shall at all times be made so as to satisfy the requirements of Section 409A of the Internal Revenue Code of 1986, as amended:

a. **Salary Severance.** A sum equal to Executive's then current monthly base salary multiplied by twelve, which, subject to Section 6 hereof, shall be payable in equal monthly installments on the last day of each month over the twelve month period following the date of termination of employment and in accordance with the Company's normal payroll practices in effect as of the date of Executive's termination of employment;

b. **Bonus Severance.** Provided that the Company actually achieves the performance goals for the applicable performance period necessary for participants in the Bonus Plan to receive cash bonuses pursuant to the Bonus Plan with respect to such performance period and that such cash bonuses are actually paid, a sum equal to a pro rata portion (based on the period between the beginning of the applicable performance period and the date of termination of Executive's employment) of Executive's cash bonus (up to Executive's cash bonus at target level) under the Bonus Plan payable for the year in which the termination of employment occurs, which, subject to Section 6 hereof, shall be paid in a lump sum payable when such cash bonus under the Bonus Plan is regularly paid to other Bonus Plan participants for such year, and which amount shall in no event exceed a pro rata portion of Executive's annual target incentive opportunity for such year under the Bonus Plan;

c. **Incentive Awards.** Each restricted stock unit award and long-term performance-based cash award (including any replacement or continuation awards or awards into

which any such awards are converted into upon or otherwise in connection with the Change in Control) held by Executive on the date of termination shall become immediately vested in full on the date of termination (at 100% of the applicable target level, in the case of any award then subject to performance-based vesting criteria if termination occurs on or prior to the last day of the performance period).

5. Miscellaneous.

a. **Acknowledgement.** Executive acknowledges and agrees that Executive shall not be entitled to any payment or other benefit pursuant to this Agreement in the event Company terminates Executive's employment for Cause or, other than as provided in Section 4 hereof, in the event Executive resigns his or her employment for any reason or in the event of Executive's death or Disability. For the avoidance of doubt, in the event Executive's employment is terminated under the circumstances described in Section 4, Executive shall be entitled to receive the greater of the payments and benefits provided under Section 4 or under Section 3 (but shall not be entitled to receive payments and benefits under both provisions).

b. **Release.** Executive acknowledges and agrees that as a condition precedent to receiving any payments pursuant to this Amended and Restated Severance Agreement, Executive shall have executed, within twenty-one (21) days, or if required for an effective release, forty-five (45) days, following Executive's termination of employment, a waiver and release substantially in the form attached hereto as Exhibit A and the applicable revocation period set forth in such release shall have expired.

c. **No Duplication.** Executive acknowledges and agrees that Executive shall not be entitled to receive any separation payments under any other Company severance or similar policies.

d. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof, to the extent Texas laws are not preempted by the Employee Retirement Income Security Act of 1974.

e. **Severance Pay Plan Statement.** Subject to Section 6 hereof, this Agreement shall be administered and interpreted in accordance with the MoneyGram International, Inc. Severance Pay Plan Statement.

f. **Entire Agreement/Amendments.** This Agreement and the other agreements, plans and documents referenced herein contain the entire understanding of the parties with respect to the provision of any severance rights, payments or benefits by Company to Executive. Without limiting the scope of the preceding sentence, this Agreement shall supersede and replace the Original Agreement, and the Original Agreement is hereby null and void and of no further force and effect. If any provision of any agreement, plan, program, policy, arrangement or other written document between or relating to the Company and Executive conflicts with any provision of this Agreement, the provision of this Agreement shall control and prevail. This Agreement may not be altered, modified, or amended except by written instrument signed by the parties hereto.

g. **No Waiver.** The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

h. Severability. In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions of this Agreement shall not be affected thereby.

i. Survivorship. The respective rights and obligations of the parties hereunder shall survive any termination of Executive's employment to the extent necessary to preserve such rights and obligations.

j. Successors; Binding Agreement. This Agreement shall inure to the benefit of and be binding upon personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

k. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three days after it has been mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below in this Agreement, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

If to the Company:

MoneyGram International, Inc.
2828 N. Harwood, 15th Floor
Dallas, Texas 75201
Attention: Chairman of the Human Resources and Nominating Committee of the Board

If to Executive:

To the most recent address of Executive set forth in the personnel records of the Company.

l. Withholding Taxes. The Company may withhold from any amounts payable under this Agreement such federal, state and local taxes as may be required to be withheld pursuant to any applicable law or regulation.

m. Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

6. Code Section 409A.

a. The parties agree that this Agreement shall be interpreted to comply with or be exempt from Section 409A of the Internal Revenue Code of 1986 and the regulations and guidance promulgated thereunder to the extent applicable (collectively "Code Section 409A"), and all provisions of this Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. In no event whatsoever will the Company be liable for any additional tax, interest or penalties that may be imposed on Executive under Code Section 409A or any damages for failing to comply with Code Section 409A.

b. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits subject to Code Section 409A upon or following a termination of employment unless such

termination is also a "separation from service" within the meaning of Code Section 409A and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." If Executive is deemed on the date of termination to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provision of any benefit that is otherwise considered deferred compensation under Code Section 409A payable on account of a "separation from service," such payment or benefit shall be made or provided at the date which is the earlier of (i) the expiration of the six (6)-month period measured from the date of such "separation from service" of Executive, and (ii) the date of Executive's death (the "Delay Period"). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section 6(b) shall be paid or reimbursed to Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

c. Notwithstanding anything to the contrary contained in this Agreement, all reimbursements for costs and expenses under this Agreement shall be paid in no event later than the end of the calendar year following the calendar year in which Executive incurs such expense. With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Code Section 409A, (i) all such expenses or reimbursements shall be made in any event on or prior to the last day of the taxable year following the taxable year in which such expenses were incurred by Executive, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursements or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year, provided, however, that the foregoing clause (iii) shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period the arrangement is in effect.

d. For purposes of Code Section 409A, Executive's right to receive any installment payments pursuant to this Agreement shall be treated as a right to receive a series of separate and distinct payments.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

MONEYGRAM INTERNATIONAL, INC.

By: _____

Title: _____

EXECUTIVE

Signature: _____

[SIGNATURE PAGE TO THE AMENDED AND RESTATED SEVERANCE AGREEMENT
BETWEEN THE ABOVE-REFERENCED PARTIES]

Exhibit A
RELEASE

This RELEASE ("Release") is dated as of _____ between MoneyGram International, Inc., a Delaware corporation (together with its parent companies, direct and indirect subsidiaries, successors and assigns, the "Company"), and [_____] ("Executive").

WHEREAS, the Company and Executive previously entered into the Amended and Restated Severance Agreement dated [_____] 20[___] (the "Severance Agreement"); and

WHEREAS, Executive's employment with the Company (has been) (will be) terminated effective [_____]; and

WHEREAS, pursuant to the Severance Agreement, Executive is entitled to certain compensation and benefits upon such termination, contingent upon the execution of this Release;

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein and in the Severance Agreement, to which Executive understands and acknowledges he or she may not otherwise be entitled without executing this Release, the Company and Executive agree as follows:

1. Executive, on his or her own behalf and on behalf of his or her heirs, estate and beneficiaries, hereby releases and forever discharges the Company, its parent companies, predecessors, successors, affiliates, subsidiaries, related companies, shareholders, and their respective members, managers, partners, employees, officers, agents, and directors (individually a "Released Party" and collectively the "Released Parties") from the following:
 - a. All claims arising out of or relating to Executive's employment with the Company and/or Executive's separation from that employment.
 - b. All claims arising out of or relating to the statements, actions, or omissions of the Released Parties.
 - c. All claims for any alleged unlawful discrimination, harassment, retaliation or reprisal, or other alleged unlawful practices arising under any federal, state, or local statute, ordinance, or regulation, including without limitation, claims under Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Americans with Disabilities Act of 1990, as amended; the Family and Medical Leave Act of 1993; the Equal Pay Act of 1963; the Worker Adjustment and Retraining Notification Act; the Employee Retirement Income Security Act of 1974; the Fair Credit Reporting Act; the Minnesota Human Rights Act, any other federal, state or local anti-discrimination acts, state wage payment statutes and non-interference or non-retaliation statutes.

- d. All claims for alleged wrongful discharge; breach of contract; breach of implied contract; failure to keep any promise; breach of a covenant of good faith and fair dealing; breach of fiduciary duty; promissory estoppel; Executive's activities, if any, as a "whistleblower"; defamation; infliction of emotional distress; fraud; misrepresentation; negligence; harassment; retaliation or reprisal; constructive discharge; assault; battery; false imprisonment; invasion of privacy; interference with contractual or business relationships; any other wrongful employment practices; and violation of any other principle of common law.
- e. All claims for compensation of any kind, including without limitation, commission payments, bonus payments, vacation pay, expense reimbursements, reimbursement for health and welfare benefits, and perquisites.
- f. All claims for back pay, front pay, reinstatement, other equitable relief, compensatory damages, damages for alleged personal injury, liquidated damages, and punitive damages.
- g. All claims for attorneys' fees, costs, and interest.

2. The Company acknowledges and agrees that Executive does not release any claims that the law does not allow to be waived by private agreement.

3. Executive acknowledges and agrees that even though claims and facts in addition to those now known or believed by him or her to exist may subsequently be discovered, it is his or her intention to fully settle and release all claims he or she may have against the Company and the persons and entities described above, whether known, unknown or suspected.

4. Executive relinquishes any right to future employment with the Company and the Company shall have the right to refuse to re-employ Executive, in each case without liability of Executive or the Company.

5. Executive reaffirms his or her agreement to the Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement to which Executive is a party.

6. Executive acknowledges that he or she has been provided at least twenty-one (21) days to review the Release and has been advised to review it with an attorney of his or her choice and at his or her own expense. In the event Executive elects to sign this Release Agreement prior to this twenty-one (21) day period, he or she agrees that it is a knowing and voluntary waiver of his or her right to wait the full twenty-one (21) days. Executive further understands that he or she has fifteen (15) days after the signing hereof to revoke it by so notifying the Company in writing, such notice to be received by [] within the fifteen (15) day period. Executive further acknowledges that he or she has carefully read this Release, knows and understands its contents and its binding legal effect. Executive acknowledges that by signing this Release, he or she does so of his or her own free will and act and that it is his or her intention that he or she be legally bound by its terms. Executive acknowledges that in deciding whether to sign this Release, he or she has not relied upon any statements made by the Company or its agents. Executive further acknowledges that he or she has not relied on any legal, tax or accounting advice from the Company or its agents in deciding whether to sign this Release.

7. This Release shall be construed and enforced in accordance with, and governed by, the laws of the State of Minnesota, without regard to principles of conflict of laws. If any clause of this Release should ever be determined to be unenforceable, it is agreed that this will not affect the enforceability of any other clause or the remainder of this Release.

IN WITNESS WHEREOF, the parties have executed this Release on the date first above written.

MONEYGRAM INTERNATIONAL, INC.

By: _____
Name: _____
Title: _____

MoneyGram International, Inc.
Non-Employee Director Compensation Arrangements
Revised to be effective as of January 1, 2017

The following compensation program is available to non-employee directors of MoneyGram International, Inc.

1 Retainers and Fees for Non-Employee Directors

2 An annual Board membership retainer of \$100,000 shall be paid to each non-employee director. The retainer shall be made in arrears in four equal installments on the first business day following March 31, June 30, September 30, December 31 (each a "Payable Date").

The Chair of the Audit committee shall receive an additional \$20,000 in cash per year of Chairmanship; payment will be made in arrears in four equal installments on each Payable Date.

The Chair of the Human Resources and Nominating committee shall receive an additional \$20,000 in cash per year of Chairmanship; payment will be made in arrears in four equal installments on each Payable Date.

The Chair of the Compliance and Ethics committee shall receive an additional \$20,000 in cash per year of Chairmanship; payment will be made in arrears in four equal installments on each Payable Date.

Any director serving on two or more of the above-named committees of the Board but not acting as Chair of any such committees shall receive an additional \$10,000 in cash per year of joint service on such committees.

Non-employee directors are also reimbursed for their expenses for each Board or committee meeting attended. To the extent that any taxable reimbursements are provided, they shall be made or provided in accordance with Section 409A of the Internal Revenue Code and the Treasury Regulations thereunder.

3 Equity Awards for Non-Employee Directors (effective as of the 2017 annual meeting)

Under the MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended, each non-employee director, at the annual meeting in May, shall receive a restricted stock unit ("RSU") covering shares of common stock the fair market value of which shall be equal to \$125,000, as determined by the per share closing price of the common stock on the NASDAQ, as reported in the consolidated transaction reporting system, on the date of award of the RSU. RSUs awarded under this program shall be payable in shares.

4 Each RSU shall vest in full, if at all, upon the first anniversary of the date of award of such RSU. If a director voluntarily resigns such director's Board membership prior to the completion of the one year vesting period, then such director's RSU shall be forfeited in whole. Notwithstanding the foregoing, a director's RSUs then outstanding (i.e. granted and not previously forfeited) will vest immediately and in full upon (i) a change in control (as defined in the standard Restricted Stock Unit Award Agreement approved for use under the MoneyGram International, Inc. 2005 Omnibus Incentive Plan) so long as the director remains on the Board through the date immediately prior to the change in control; or (ii) the director ceases Board membership due to death or disability.

5 Proration of Retainer and Equity Awards

With respect to Directors who join the Board during a year, the Board may prorate such Director's retainer and/or equity award as it deems appropriate.

Amendment or Termination

The Board may amend, alter, suspend, discontinue or terminate this program at any time.

Active Subsidiaries of MoneyGram International, Inc. as of December 31, 2017

	Entity	Jurisdiction
1	MoneyGram International, Inc.	Delaware, USA
2	MoneyGram Payment Systems Worldwide, Inc.	Delaware, USA
3	MoneyGram Payment Systems, Inc.	Delaware, USA
4	Ferrum Trust	Delaware, USA
5	MoneyGram International Payment Systems, Inc.	Delaware, USA
6	MoneyGram Payment Systems Canada, Inc.	British Columbia, Canada
7	Travelers Express Company (P.R.), Inc.	Puerto Rico
8	MoneyGram Mexico S.A. de C.V.	Mexico
9	MoneyGram of New York LLC	Delaware
10	MoneyGram International Holdings Limited	United Kingdom
11	MoneyGram International Limited	United Kingdom
12	MIL Overseas Limited	United Kingdom
13	MoneyGram Payment Systems Spain S.A.	Spain
14	MoneyGram Payment Systems Italy S.r.l.	Italy
15	MoneyGram Payment Systems Belgium N.V.	Belgium
16	MoneyGram Payment Systems Netherlands B.V.	Netherlands
17	MPS France S.A.	France
18	MoneyGram Overseas (Pty) Limited	South Africa
19	MIL Overseas Nigeria Limited	Nigeria
20	MoneyGram India Private Limited	India
21	MoneyGram International Pte. Ltd.	Singapore
22	Money Globe Payment Institution S.A.	Greece
23	MoneyGram Payment Systems Brasil LTDA	Brazil
24	MoneyGram Payment Systems Greece S.A.	Greece
25	MoneyGram Payment Systems Ireland Limited	Ireland
26	MoneyGram Payment Systems Malaysia Sdn. Bhd	Malaysia
27	MoneyGram Payment Systems Poland sp. Zoo	Poland
28	MoneyGram Payment Systems South Africa Proprietary Limited	South Africa
29	MTI Money Transfer Limited	United Kingdom
30	PT MoneyGram Payment Systems Indonesia	Indonesia
31	MONEYGRAM TURKEY ÖDEME HİZMETLERİ ANONİM ŞİRKETİ	Turkey
32	MoneyGram Consulting (Shanghai) Co. Ltd.	China
33	MPSG Holdings Limited	United Kingdom
34	MPSG International Limited	United Arab Emirates
35	MPSG Limited	United Kingdom
36	MoneyGram Payment Services GmbH	Switzerland
37	MoneyGram International B.V.	Netherlands
38	MoneyGram International SAS	France
39	MoneyGram International SPRL	Belgium
40	MoneyGram Payment Systems Nevada, LLC	Delaware, USA
41	MoneyGram Payment Systems Hong Kong Limited	Hong Kong

Consent of Independent Registered Public Accounting Firm

The Board of Directors
MoneyGram International, Inc.:

We consent to the incorporation by reference in the registration statements No. 333-204934, No. 333-190257, No. 333-176567, No. 333-159709, No. 333-125122, and No. 333-116976 on Form S-8 of MoneyGram International, Inc. of our reports dated March 16, 2018, with respect to the consolidated balance sheets of MoneyGram International, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), cash flows, and stockholders' deficit for the years ended December 31, 2017 and 2016, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2017, which reports appear in the December 31, 2017 annual report on Form 10-K of the Company.

/s/ KPMG LLP

Dallas, Texas
March 16, 2018

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-176567, No. 333-159709, No. 333-125122, No. 333-116976, No. 333-190257 and No. 333-204934 on Form S-8 of our reports dated March 2, 2016 (March 16, 2017 as to the effects of the 2016 immaterial error correction related to foreign exchange revenue disclosed in Note 15 to the consolidated financial statements; March 16, 2018 as to the effects of the 2017 immaterial error correction related to the pension plan disclosed in Note 15 to the consolidated financial statements and the adoption of ASU 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, discussed in Note 2 to the consolidated financial statements) relating to the consolidated financial statements of MoneyGram International, Inc. and subsidiaries appearing in this Annual Report on Form 10-K of MoneyGram International, Inc. for the year ended December 31, 2017.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
March 16, 2018

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each director whose signature appears below constitutes and appoints Francis Aaron Henry and Paul Beck, and each of them severally, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign MoneyGram International, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

/s/ J. Coley Clark 3/16/2018
J. Coley Clark

/s/ Victor W. Dahir 3/16/2018
Victor W. Dahir

/s/ Antonio O. Garza 3/16/2018
Antonio O. Garza

/s/ Seth W. Lawry 3/16/2018
Seth W. Lawry

/s/ Ganesh B. Rao 3/16/2018
Ganesh B. Rao

/s/ Michael P. Rafferty 3/16/2018
Michael P. Rafferty

/s/ W. Bruce Turner 3/16/2018
W. Bruce Turner

/s/ Peggy Vaughan 3/16/2018
Peggy Vaughan

Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002

I, W. Alexander Holmes, certify that:

1. I have reviewed this Annual Report on Form 10-K of MoneyGram International, Inc. for the fiscal year ended December 31, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2018

/s/ W. Alexander Holmes

W. Alexander Holmes
Chairman and Chief Executive Officer
(Principal Executive Officer)

**Certification Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Lawrence Angelilli, certify that:

1. I have reviewed this Annual Report on Form 10-K of MoneyGram International, Inc. for the fiscal year ended December 31, 2017;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2018

/s/ Lawrence Angelilli

Lawrence Angelilli
Chief Financial Officer
(Principal Financial Officer)

**Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K (the "Report"), of MoneyGram International, Inc. (the "Company") for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, W. Alexander Holmes, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2018

/s/ W. Alexander Holmes

W. Alexander Holmes
Chairman and Chief Executive Officer
(Principal Executive Officer)

**Certification Pursuant to 18 U.S.C. §1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K (the "Report"), of MoneyGram International, Inc. (the "Company") for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Lawrence Angelilli, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 16, 2018

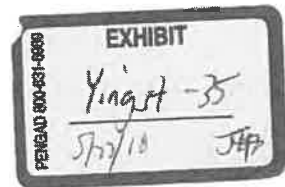
/s/ Lawrence Angelilli

Lawrence Angelilli
Chief Financial Officer
(Principal Financial Officer)

Exhibit N

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

FORM 8-K



CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 29, 2016

MoneyGram International, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-31950
(Commission
File Number)

16-1690064
(I.R.S. Employer
Identification Number)

2828 N. Harwood Street, 15 th Floor
Dallas, Texas
(Address of principal
executive offices)

75201
(Zip code)

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

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On January 29, 2016, MoneyGram Payment Systems, Inc. ("MPSI"), a subsidiary of MoneyGram International, Inc. (the "Company" or "MoneyGram"), and Wal-Mart Stores, Inc. ("Wal-Mart") entered into an Amended and Restated Master Trust Agreement, pursuant to which MPSI will provide certain money transfer services, bill payment services and money order services for customers in Wal-Mart stores located in the United States and Puerto Rico (the "New Agreement"). In addition, under the New Agreement, MPSI will offer money transfer services to Wal-Mart's customers through Wal-Mart's retail website. MPSI previously provided such services for Wal-Mart customers pursuant to a Master Trust Agreement, dated September 28, 2012 and effective April 1, 2013 (as amended, the "Existing Agreement"), with Wal-Mart, which was terminated in its entirety and was replaced and superseded by the New Agreement on February 1, 2016.

The New Agreement has an initial term of three years, commencing on February 1, 2016, and will be subject to automatic successive renewals of one-year terms unless either party gives notice to the other party of its election to terminate the New Agreement at least 180 days prior to the expiration date of the applicable term. The New Agreement is also terminable upon the occurrence of certain events, including a material breach of the New Agreement, insolvency, a good faith belief by a party that the other party violated any applicable laws, certain changes of control of MPSI or the Company and MPSI's inability to offer services in any particular state due to a loss of a business license in such state, subject to certain applicable notice and/or cure periods.

Pursuant to the New Agreement, Wal-Mart will provide MPSI's money transfer services, bill payment services and money order services on a non-exclusive basis, and MPSI will pay Wal-Mart fees and commissions for such services purchased by Wal-Mart's customers. Also, in connection with the services to be provided pursuant to the New Agreement, MPSI has agreed to certain expenditures for marketing, innovation, growth and development initiatives.

The foregoing description of the New Agreement does not purport to be complete and is subject to, and is qualified in its entirety by, the New Agreement, which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

On February 1, 2016, the Company issued a press release announcing the signing of the New Agreement. The press release is attached to this report as Exhibit 99.1 and is incorporated herein by reference.

Item 1.02 Termination of a Material Definitive Agreement.

The disclosure set forth in Item 1.01 above with respect to the New Agreement and the Existing Agreement is incorporated by reference herein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
*10.1	Amended and Restated Master Trust Agreement, dated January 29, 2016, by and between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc.
99.1	Press Release dated February 1, 2016 of MoneyGram International, Inc.

* Confidential information has been omitted from this Exhibit and has been filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2.

SIGNATURES

In accordance with 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 hereunto duly authorized.

MONEYGRAM INTERNATIONAL, INC.

By: /s/ Francis Aaron Henry
Name: Francis Aaron Henry
Title: Executive Vice President, General Counsel
and Secretary

Date: February 1, 2016

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
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99.1	Press Release dated February 1, 2016 of MoneyGram International, Inc.

* Confidential information has been omitted from this Exhibit and has been filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2.



AMENDED AND RESTATED MASTER TRUST AGREEMENT 1

This Amended and Restated Master Trust Agreement (“**Agreement**”) is made by and between MoneyGram Payment Systems, Inc., a Delaware corporation with a place of business at 2828 N. Harwood, Dallas, TX 75201 and Wal-Mart Stores, Inc., with a place of business at 702 SW 8th Street, Bentonville, AR 72716 (collectively, from time to time, referred to as the “**Parties**” and individually as a “**Party**”). The terms of that certain Master Trust Agreement entered into between MoneyGram Payment Systems, Inc. and Wal-Mart Stores, Inc. effective April 1, 2013, as amended, (the “**2013 Agreement**”) and the Amended and Restated Co-Branded Website Agreement between MoneyGram Payment Systems, Inc. and Wal-Mart.com USA, LLC effective August 30, 2011, as amended (“**Co-Branded Website Agreement**”), shall remain in full force and effect until February 1, 2016 (the “**Effective Date**”) at which time the 2013 Agreement and the Co-Branded Website Agreement will terminate in its entirety and shall be replaced and superseded in all respects by this Agreement.

1. **Parties; Appointment and Acceptance; No Sub-Agents; Agent Locations.**

- (a) As used herein, “**Walmart**” means Wal-Mart Stores, Inc. and each of the following Affiliates of Wal-Mart Stores, Inc. but only with respect to Agent Locations owned or operated by such Affiliate or the Co-Branded Website (with respect to Wal-Mart.com USA, LLC): Wal-Mart Stores East, LP; Wal-Mart Louisiana, LLC, Wal-Mart Stores Texas, LLC, Wal-Mart Stores Arkansas, LLC, Wal-Mart Puerto Rico, Inc., and Wal-Mart.com USA, LLC. “**Walmart**” does not include Sam’s Club and “**Agent Locations**” will not include Sam’s Club warehouse locations or Samsclub.com. “**Agreement**” means this Amended and Restated Master Trust Agreement and any related attachment, exhibit, addendum or amendment. “**Affiliate**” means any business-controlling, controlled by or under common control with a Party. “**MoneyGram**” means MoneyGram Payment Systems, Inc.
- (b) MoneyGram hereby appoints Walmart as its limited agent and authorized delegate for the sole purpose of offering and selling the Services, all in accordance with Applicable Law (as defined in Section 3(a)(ii)), this Agreement (including any applicable attachments, collectively, the “**Attachments**”) and the MoneyGram Compliance Policies, the MoneyGram Fraud Policies and MoneyGram’s Anti-Corruption Policy identified in Section 3, as such policies may be updated or amended in writing from time to time; provided, however, MoneyGram will provide Walmart with reasonable written notice of any updates or amendments to the policies at least thirty (30) days prior to the proposed effective date of such updates or amendments and consult with Walmart regarding their implementation. As used herein, “**Services**” shall mean the specific products and services described on the applicable Attachment describing such specific products or services and executed by both MoneyGram and Walmart as such may be amended from time to time. Walmart hereby accepts such appointment. Walmart will not authorize or appoint sub-agents or sub-delegates to provide the Services.

¹ The appearance of [*] denotes confidential information that has been omitted from this Exhibit 10.1 and filed separately with the Securities and Exchange Commission pursuant to a confidential treatment request under Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

- (c) Subject to the terms and conditions of this Agreement, Walmart shall offer and sell the Services at its retail locations in the United States, including Puerto Rico, unless otherwise agreed by MoneyGram in writing, unless prevented to do so at a retail location due to a Force Majeure Event as defined in Section 24(k) herein or unless Walmart suspends or terminates the Services pursuant to Section 9(b) of this Agreement. Each such retail location shall be identified on Attachment D — Authorized Agent Locations (the “**Agent Locations**”) (with such Agent Location representing Walmart’s retail locations in the United States and Puerto Rico that sell merchandise to the general public) as updated from time to time by the Parties. Walmart shall provide notification to MoneyGram to the extent that there are any changes to the Agent Locations (such as through store closures or openings). Walmart agrees to provide the Services during the business hours of the particular Agent Locations and shall specifically sell the Services at such Agent Location’s Money Service Centers, Customer Service Desks and Walmart Devices (as defined in Attachment I — Service Level Agreement), as applicable; provided, however, that Walmart will determine in its sole discretion the location within its stores or Money Service Centers, Customer Service Desks and Walmart Devices from which it will offer the Services. Upon request by MoneyGram, Walmart agrees to notify MoneyGram of the business hours for each Agent Location.
- (d) In the event a Party utilizes the services of a third party service provider in connection with this Agreement or the offer and sale of the Services, such Party shall remain fully responsible for all applicable obligations set forth in this Agreement as well as any acts or omissions of such third party utilized by the Party.
2. **Relationship. “Trust Funds**” are proceeds from the sale of Services including, but not limited to, face amounts of Money Orders and principal amounts originated from Money Transfer Services or Bill Payment Services (in each case and if applicable, and as defined in the applicable Attachment relating to such) and shall not include any commissions, fees, compensation or other amounts. Walmart agrees to hold Trust Funds in trust for MoneyGram. If Trust Funds become commingled with Walmart’s other funds, the total commingled funds are impressed with a trust and shall belong and are payable to MoneyGram to the extent of amounts due MoneyGram from Walmart. During the Term, Walmart shall maintain one or more designated bank accounts to hold the Trust Funds (the “Walmart Account”). Walmart will provide at least sixty (60) days’ notice to MoneyGram before changing the Walmart Account and will not change the Walmart Account until similar arrangements have been made for another Walmart Account.

3. **Legal Compliance .**

(a) General .

(i) Walmart acknowledges and understands that by offering the Services as a limited agent for MoneyGram, it is subject to the supervision, examination, and regulation of any applicable Regulatory Body (as defined hereafter) including those with oversight for money transmission and money services businesses. Walmart represents and warrants that it is in compliance with, and agrees that it will during the Term maintain a compliance program reasonably designed to comply with, Applicable Law, including the state-specific provisions in Attachment E — Multi-State Regulatory Addendum (as updated by MoneyGram from time to time as required by Applicable Law; provided that Walmart has reasonable advance written notice for compliance for such updates in accordance with Section 1(b)). Walmart will conduct its money transmission activities strictly in accordance with any applicable compliance guidelines issued pursuant to Applicable Law. Walmart will display

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

at each Agent Location any signs, decals, and other display and disclosure materials provided to Walmart by MoneyGram that are required to be posted pursuant to any Applicable Law relating to Walmart's offering of the Services. Walmart understands that if Walmart exceeds the authority granted under this Agreement, this Agreement is subject to termination, and Walmart may be subject to further disciplinary actions by the relevant Regulatory Body (as defined below). Walmart acknowledges that it has an independent and ongoing obligation to maintain its compliance program reasonably designed to comply with all Applicable Laws and that it shall only offer the Services in accordance with such program and in accordance with the MoneyGram instructions, policies and procedures in Attachment F — MoneyGram Compliance Policies (" **MoneyGram Compliance Policies** ") as such may be updated in writing from time to time by MoneyGram; provided Walmart has reasonable advance written notice for compliance with such updates in accordance with Section 1(b). Walmart also acknowledges that this obligation is in no way reduced, altered, assigned or transferred by any assistance that may be provided by MoneyGram. In the event of any examination, investigation or review of Walmart or any Agent Location by any Regulatory Body (as defined below) regarding the Services, Walmart shall fully cooperate in accordance with Applicable Law with such Regulatory Body in such examination, investigation or review and, to the extent appropriate, MoneyGram will cooperate with Walmart and provide such support, assistance and documentation as reasonably requested by Walmart. To the extent permitted by Applicable Law, MoneyGram will use commercially reasonable efforts to provide Walmart with advance written notice (which may be provided by email to Walmart's compliance and/or regulatory personnel) if MoneyGram has actual knowledge of any planned review, visit, or examination of any Agent Location by any Regulatory Body in connection with such Regulatory Body's review, investigation or examination of MoneyGram.

(ii) As used in this Agreement, " **Applicable Law** " means (i) any U.S. federal, state, local or other law or statute (which includes the state specific provisions attached as Attachment E); (ii) any rule or regulation issued by a Regulatory Body, including the Financial Crimes Enforcement Network and the Office of Foreign Assets Control of the United States Treasury Department; (iii) any judicial, governmental, or administrative order, judgment, decree or ruling; and (iv) the Network Rules (as defined hereafter), in each case as applicable to either Party, its Affiliates or the subject matter or transactions contemplated by this Agreement; " **Regulatory Body** " means any governmental authority asserting jurisdiction over a Party or its Affiliates, including those with oversight for money transmission and money services businesses; and " **Network Rules** " means the by-laws, operating rules, regulations and guidelines and technical standards promulgated from time to time by any organization that operates computer hardware and software and telecommunications links to enable the interchange, under a common service mark, of electronic fund transfers (including, without limitation, Visa, MasterCard, or NACHA) among the participants in the organization, including the credit card association's Payment Card Industry Data Security Standards.

(b) Anti-Money Laundering Compliance . Upon the Effective Date, Walmart certifies and represents to MoneyGram that it is in compliance with, and covenants that it will, during the Term (as defined hereafter), maintain its compliance with all relevant requirements of Applicable Law relating to anti-money laundering (the " **AML Requirements** ") and the MoneyGram Compliance Policies. The AML Requirements specifically include the Bank Secrecy Act (the " **BSA** "), as amended by the USA Patriot Act and their respective requirements including, but not limited to, the filing of currency transaction reports (" **CTR** "), record-keeping and suspicious activity reporting (" **SAR-MSB** "), measures to identify potentially suspicious activity, including the establishment of a program to monitor and investigate activity that may be consistent with money laundering or other

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

financial crime, registration as a money services business with the U.S. Treasury Department (but only if Walmart is offering products or services, other than the Services, that require such registration), adoption of a written compliance program, designation of an anti-money laundering ("AML") compliance officer, implementation of effective AML training for all appropriate personnel and periodic independent reviews of its AML compliance program. Walmart shall complete and, if applicable, file any forms or reports, including without limitation, CTRs or SAR-MSBs (collectively, the "Compliance Reports") when required by Applicable Law. Walmart agrees to retain and secure all Compliance Reports, in a manner consistent with Applicable Law, for a period of at least five (5) years, or longer as may be required by Applicable Law (the "Retention Period"). Upon termination of this Agreement for any reason, Walmart agrees to preserve any completed Compliance Reports for the required Retention Period, at which point the Compliance Reports shall be properly destroyed in a manner consistent with Applicable Law. At any time during the Term or during the Retention Period, MoneyGram, in its sole discretion, may request Walmart to provide completed Compliance Reports (other than Walmart completed SAR-MSBs or any other Compliance Reports which are not able to be provided pursuant to Applicable Law) to MoneyGram. In addition, to the extent a Party observes activities occurring at the Agent Locations that may be in violation of the AML Requirements (such as patterns and trends in relation to SAR filings), such Party shall share such information (but not the actual SAR-MSB filings) with the other Party upon reasonable request.

- (c) Consumer Fraud and Abuse Prevention. Walmart understands that MoneyGram is committed to preventing the use by anyone of MoneyGram's products and services, including the Services, for fraudulent, abusive or illegal purposes. Walmart acknowledges that MoneyGram has developed, and will continue to develop, various policies, procedures and requirements designed to limit, prevent and deter such fraudulent or abusive transactions and to assist individuals who have been victimized by such fraudulent activity as set forth in Attachment G — MoneyGram Fraud Policies ("MoneyGram Fraud Policies") and as updated from time to time by MoneyGram, provided Walmart has reasonable advance written notice for compliance with such updates in accordance with Section 1(b). Walmart agrees to comply with the MoneyGram Fraud Policies and that at no time may Walmart use the Services for the purpose of committing fraud upon consumers or against MoneyGram including, but not limited to, the deception of individuals through telemarketing or through some other similar plan, program or campaign conducted to induce the purchase of goods or services by use of the telephone or the internet. Walmart further agrees not to knowingly provide any substantial assistance or support to any individual or entities that Walmart knows or reasonably suspects engages in such acts or acts in a manner that may violate the MoneyGram Fraud Policies. As part of the MoneyGram Fraud Policies, Walmart acknowledges that MoneyGram will monitor (i) all transactions conducted by Walmart or conducted at a specific Agent Location; and (ii) feedback or other information received by consumers with regard to transactions that occurred with Walmart or at an Agent Location. Walmart agrees that at any time that it offers the Services it will maintain effective policies, procedures and requirements of its own that are also designed to detect and prevent consumer fraud or abusive transactions.
- (d) Cooperation and Support. Each Party agrees to cooperate reasonably with the other Party and provide reasonable support to the other Party in relation to such Party's performance of the Services in accordance with Applicable Law. Such cooperation and support shall

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

include, but not be limited to, cooperation with investigation of potential suspicious activity, assistance in complying with record-keeping and/or reporting obligations under the AML Requirements, and assistance in obtaining other relevant information and records about the Services offered at the Agent Locations, including information that one Party may not have access to as a result of offering the Services. Each Party acknowledges that, due to the nature of the suspicious activity or the transactions, the other Party may not be able to provide to a Party detailed information relating to such activity or transactions, but will do so when the Party determines it is appropriate under the circumstances to provide such information and providing the information is not prohibited by Applicable Law. Additional actions requested by MoneyGram for Walmart may include following instructions described in the MoneyGram Compliance Policies, the MoneyGram Fraud Policies, the MoneyGram user guides, fraud and money laundering prevention guides, fraud alert memos, correspondence, and various other communications, each as may be updated from time to time, provided Walmart has reasonable advance written notice of such updates in accordance with Section 1(b).

- (e) Remedial Measures . Solely for the purposes of this Section 3(e), MoneyGram shall have sole discretion to determine whether Walmart has breached or violated any of the MoneyGram Compliance Policies, the MoneyGram Fraud Policies the Anti-Corruption Policy (as further described in sub-paragraph (f), or if it suspects any fraudulent, illicit or illegal activity of Walmart or a specific Agent Location. In the event MoneyGram suspects such a breach or violation, or suspects that fraudulent, illicit or illegal activity has been conducted or facilitated by Walmart or has taken place at an Agent Location, Walmart acknowledges that MoneyGram may take one or more of the following actions: (i) imposition of Remedial Measures (as hereinafter defined) identified by MoneyGram or (ii) suspension of Services until MoneyGram determines remedial controls have been implemented by Walmart. During any period of suspension, and to the extent reasonable based on the reason for such suspension, the Parties agree to work together toward resolving the issues that led to the suspension or imposition of Remedial Measures and removing, terminating or revoking any suspension or Remedial Measures. Unless prohibited by Applicable Law, MoneyGram will provide Walmart information surrounding the nature of and details concerning any suspected breach or violation or suspected fraudulent, illicit or illegal activity of Walmart or a specific Agent Location. As used herein, "**Remedial Measures**" include, but are not limited to (1) lowering the threshold at which Walmart or a specific Agent Location will obtain, verify and record customer identification; (2) imposing volume or transactional limits or restrictions to Services that Walmart or the Agent Location may conduct; and (3) requiring MoneyGram review and approval of Services above a certain amount before transactions may be executed by Walmart. This Section 3(e) does not apply to, and MoneyGram's authority to impose Remedial Measures shall not extend to, Walmart's implementation of Information Policies or Walmart's other privacy or information security measures and implementation.
- (f) Anti-Corruption Warranties . Walmart makes the following representations and warranties to MoneyGram with the understanding that MoneyGram is relying on them in the entering of this Agreement, with such representations and warranties being limited in scope only for those activities in which Walmart is acting as MoneyGram's agent and authorized delegate pursuant to this Agreement: (i) Walmart will not make any payment, or transfer anything of value, directly or indirectly (1) to any governmental official or employee (including employees of a governmental corporation or public international

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

organization) or to any political party, party official or candidate for public office (the foregoing, collectively, "Government Official") or (2) to any other person or entity, in either case if such payment or transfer would violate the laws of the country in which made or the laws of the United States; (ii) no Government Official has any legal or beneficial interest, direct or indirect, in any payment to be made by MoneyGram under this Agreement, provided, however, Walmart represents to MoneyGram that the shares or issued bonds or other debt instruments of Walmart and certain Walmart Affiliates are or may be publicly held and that ownership of shares, equity interests, or bonds or other debt instruments issued by Walmart does not constitute a legal or beneficial interest in any payment to be made by MoneyGram under this Agreement; (iii) Walmart has reviewed and agrees to abide by the MoneyGram's Anti-Corruption Policy attached hereto as Attachment H — MoneyGram Anti-Corruption Policies ("MoneyGram Anti-Corruption Policy") and as updated from time to time by MoneyGram, provided that Walmart has reasonable advance written notice for compliance with such updates in accordance with Section 1(b); (iv) Walmart has adopted an anti-corruption policy which at a minimum, prohibits the direct or indirect offer, authorization, or payment of money or anything of value to improperly influence a Government Official, (v) Walmart agrees that if subsequent developments cause the representations and warranties made herein to no longer be accurate or complete, Walmart will immediately so advise MoneyGram; and (vi) Walmart agrees that the agreement is subject to immediate termination in the event that Walmart breaches the representations identified in this paragraph (f).

(g) Compliance Review

(i) Upon at least fourteen (14) days prior written notice, Walmart authorizes MoneyGram to visit Walmart facilities, interview Walmart personnel, and inspect and review Walmart's records, in each case, related to its offering of the Services, including Walmart's compliance, training, customer and transactional records relating to the Services, to determine Walmart's compliance with Applicable Law (including the AML Requirements), the MoneyGram Compliance Policies, the MoneyGram Fraud Policies and MoneyGram's Anti-Corruption Policy (such visit, inspection and review being a "MoneyGram Compliance Review"). Notwithstanding the foregoing, any MoneyGram Compliance Review that pertains to information privacy and security matters, including Walmart's Compliance with Information Policies or privacy or information security legal requirements, may only be conducted upon thirty (30) days' prior written notice and will be limited to relevant Agent Locations. MoneyGram Compliance Reviews shall not include any records or other information with regard to which Walmart owes another party a duty of confidentiality, that are subject to attorney-client privilege, or which Applicable Law would prohibit Walmart from disclosing. Any such MoneyGram Compliance Review being conducted pursuant to this Section 3(g)(i) shall be conducted during Walmart's normal business hours and shall not disrupt Walmart's operations. Unless required more frequently pursuant to Applicable Law, such MoneyGram Compliance Review shall not occur more than once per calendar year. Any such review will be subject to the confidentiality provisions of Section 7.

(ii) Upon at least fourteen (14) days prior written notice, MoneyGram also authorizes Walmart to visit MoneyGram facilities, interview MoneyGram personnel, and inspect and review MoneyGram's records, in each case, relating to Walmart's offering of the Services at the Agent Locations including compliance, training, and transactional records relating to the Services sold at the Agent Locations (such visit, inspection and review being a "Walmart Compliance Review"). Notwithstanding the foregoing, any Walmart Compliance Reviews that pertain to information

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

privacy and security matters, including MoneyGram's compliance with MG Policies or privacy or information security legal requirements, may only be conducted on prior written notice. Walmart Compliance Reviews shall not include any records or other information with regard to which MoneyGram owes another party a duty of confidentiality, that are subject to attorney-client privilege, or which Applicable Law would prohibit MoneyGram from disclosing. Any such Walmart Compliance Review being conducted pursuant to this Section 3(g)(ii) shall be conducted during MoneyGram's normal business hours and shall not disrupt MoneyGram's operations. Unless required more frequently pursuant to Applicable Law, such Walmart Compliance Review shall not occur more than once per calendar year. Any such review will be subject to the confidentiality provisions of Section 7.

(iii) To the extent any customer of Walmart who is also purchasing or involved in the purchase or use of the Services is the subject of a criminal investigation involving money laundering, terrorism, fraud or other financial crime, Walmart shall use commercially reasonable efforts to notify MoneyGram within three (3) days of Walmart's Compliance Department becoming aware of such investigation, so long as such notification is permitted under Applicable Law, unless such incident is deemed critical under Walmart's internal policies and procedures, in which case Walmart shall provide notice of such events within a shorter time frame dictated by the circumstances. When permitted by Applicable Law, Walmart agrees to notify MoneyGram promptly and in writing, no later than thirty (30) days after receipt of any final adverse state or federal examination report or findings, and provide a copy of the report or findings. Any such reports, findings or exams provided hereunder shall be subject to the confidentiality provisions of Section 7. Walmart acknowledges that it is required to conduct an independent review of its AML compliance program to determine its effectiveness. Walmart agrees to provide MoneyGram with a copy of this review (including any responses to the report or reports indicating remedial steps Walmart is required to take to correct or enhance its compliance program) upon reasonable request by MoneyGram. Any such review undertaken by Walmart and any report of such review is subject to the confidentiality provisions of Section 7. Notwithstanding any provision of this Section 3(g), MoneyGram's authority to receive notice of adverse state or federal examination reports or receive copies of Walmart's independent reviews of its compliance shall not extend to any matters pertaining to Information Policies or privacy or information security implementation or compliance.

(h) MoneyGram's Compliance with Law

(i) MoneyGram represents, warrants and covenants to Walmart that it will comply with Applicable Law with respect to the Services provided by MoneyGram and sold or offered by Walmart pursuant to this Agreement and any Attachment relating to specific products and services and executed by the Parties.

(ii) To the extent applicable based on the applicable Service, such compliance with Applicable Law shall include compliance with unclaimed or abandoned property or escheatment requirements related to the particular Service offered under Applicable Law. MoneyGram shall report and remit to each jurisdiction as required by Applicable Law based on the particular Service all unclaimed or abandoned property held, due or owing by MoneyGram and MoneyGram shall be treated, for unclaimed property purposes, as the "holder" of any unclaimed property created in connection with the applicable Services offered.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

(iii) In accordance with the Applicable Laws issued by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC"), MoneyGram shall perform OFAC monitoring, holding and case resolution with respect to the Services provided by MoneyGram and sold or offered by Walmart pursuant to this Agreement and any Attachment, and shall notify Walmart in due course following completion by MoneyGram of the activities set forth in its policies, procedures and requirements for OFAC monitoring, holding and case resolution if such activities result in identifying any customers or beneficiaries as true, positive matches with individuals appearing on OFAC watch lists.

(i) Overriding Principles . Notwithstanding any other provision of this Agreement:

(i) In no event shall either Party or any of its Affiliates be required to take any action, or omit to take any action, that would cause it to violate Applicable Law or cause it to limit its ability to control the occurrence of any fraudulent transactions;

(ii) In no event shall either Party be required to take any action, or omit to take any action, that would cause it to violate the terms of any Business License. As used herein, a "Business License" with respect to MoneyGram, means the terms and conditions of any regulatory approval, charter or license to engage in the money transmission, money order or bill payment businesses or other services held by MoneyGram or any of its Affiliates and with respect to Walmart means the terms and conditions of any regulatory approval, charter or license held by Walmart to engage in its business activities; and

(iii) Each Party will take all reasonable measures to prevent the Services from being used to facilitate money laundering, terrorism, fraud or any other financial crime.

4. **Training** . Walmart shall ensure that it and its employees, representatives, contractors, and the Walmart Affiliates involved in the performance of this Agreement are knowledgeable and have been appropriately trained in the Services, compliance with Applicable Law (including the AML Requirements), and the prevention of money laundering, terrorist financing, fraud or any other financial crime. Walmart shall have written policies to carry this forth and shall properly train its employees, representatives, contractors, and Walmart Affiliates in all these respects and in the MoneyGram Compliance Policies, the MoneyGram Fraud Policies and the MoneyGram Anti-Corruption Policy. MoneyGram shall use commercially reasonable efforts to work with Walmart in providing all necessary training to Walmart, its employees, representatives, contractors, and the Walmart Affiliates involved in the performance of this Agreement, including with respect to the MoneyGram Compliance Policies, the MoneyGram Fraud Policies and the MoneyGram Anti-Corruption Policy. Training of all appropriate personnel shall be conducted at least once a year unless MoneyGram reasonably requests any additional risk-based or supplemental training during the Term. Training by MoneyGram shall be consistent with the past practices between the Parties including telephonic, computer-assisted and/or in-person training methods to Walmart's employees. The Parties shall coordinate with each other and collaborate with regard to the timing, method and manner of any training. There shall be no charge to Walmart associated with such training.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

5. Duty of Care; Liability .

- (a) Walmart will safeguard the Trust Funds and all Supplies (as hereinafter defined) and with respect to such, will exercise the duty of care which a reasonably prudent trustee would undertake with respect to safeguarding and caring for its own cash. Walmart will report to MoneyGram by telephone and confirm in writing by fax, email or other means promptly upon discovery of any lost, stolen, misappropriated, seized or forfeited Trust Funds or Supplies (including money orders and/or DeltaGrams) and shall provide MoneyGram with all other information relating to the event (including serial numbers for blank instruments).
- (b) Walmart is liable to pay to MoneyGram all Trust Funds in all circumstances. Until "good funds" (as that term may be defined under Applicable Law or as otherwise commercially understood) are received by MoneyGram, Walmart is liable for any lost, missing or stolen Trust Funds whether or not Walmart is negligent or at fault and regardless of how the Trust Funds became lost, missing, or stolen.

6. Supplies . Depending on the Services to be offered by Walmart, MoneyGram, in consultation with Walmart, will provide Walmart appropriate automation equipment, including a transaction terminal (the "**Equipment**"), certain proprietary software (the "**MoneyGram Software**"), certain forms, and/or blank instruments (collectively, the Equipment, the MoneyGram Software, forms and blank instruments, may be referred to as the "**Supplies**") for use at the Agent Locations. MoneyGram will deliver the Supplies via commercially reasonable methods and as agreed to by the Parties. Supplies remain the property of MoneyGram and will be returned promptly upon termination of this Agreement (but not later than ten (10) business days after any such termination) or upon written request of MoneyGram. Walmart shall be responsible for ordering additional Supplies as needed from MoneyGram. Unless otherwise agreed to by the Parties in writing due to the nature of the particular Supplies, MoneyGram shall provide the Supplies to Walmart at no cost or expense.

- (a) **MoneyGram Software** . If provided, MoneyGram hereby grants Walmart a royalty-free non-exclusive license to use the MoneyGram Software for providing the Services. Walmart shall not copy or decompile the MoneyGram Software. All aspects of the MoneyGram Software, including without limitation, programs, methods of processing, modifications and improvements shall remain the sole and exclusive property of MoneyGram and shall not be sold, revealed, disclosed or otherwise communicated, directly or indirectly, by Walmart to any third parties. Walmart shall install and utilize new versions of MoneyGram Software as provided and instructed by MoneyGram. At no time during the Term shall Walmart be using a version of the MoneyGram Software that is more than one version behind MoneyGram's latest version of the applicable MoneyGram Software as such versions are provided to Walmart by MoneyGram. The license granted under this Section shall terminate simultaneously with the termination of this Agreement for any reason. MoneyGram hereby represents and warrants to Walmart that it either owns or has the right to license (or sublicense) any MoneyGram Software provided to Walmart pursuant to this Agreement, and that to the best of MoneyGram's knowledge, the MoneyGram Software does not infringe upon the patent, copyright, trademark, trade dress, service marks or any other intellectual property rights of any third person or entity.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

(b) Walmart Software

(i) Walmart agrees to develop, configure and test, certain software (the "Walmart Software") to facilitate Walmart's performance of the Services through MoneyGram's money transfer system and network (including but not limited to the computer system generally referred to as the "MoneyGram Retail Transaction Server") (collectively the money transfer system and network, including the MoneyGram Retail Transaction Server, is referred to as the "MG Money Transfer System"), based on specifications provided by MoneyGram (the "MG Specifications"). MoneyGram will provide consultation to Walmart in connection with Walmart's development, configuration and testing of the Walmart Software. MoneyGram will continue to be the sole owner of the MG Specifications and of any MoneyGram technologies used by Walmart to develop, configure or test the Walmart Software. Walmart shall not use the Walmart Software in production until MoneyGram has (a) approved the Walmart Software for use in connection with the performance of money transfers through the MG Money Transfer System, using such MoneyGram testing procedures as MoneyGram may establish in its sole discretion from time to time, and (b) has issued a written certification to Walmart stating that the testing has been completed and that the Walmart Software is performing in an acceptable manner. MoneyGram agrees to perform the actions set forth in subsections (a) and (b) above in a timely manner. The above approval and certification by MoneyGram does not constitute a warranty or representation of any kind on the part of MoneyGram, and notwithstanding any such approval or certification MoneyGram shall have no responsibility or liability for the Walmart Software or its performance, including any responsibility or liability for any claims that the Walmart Software infringes any patent or intellectual property right of a third party. With regard to connectivity, Walmart shall ensure that the network connection and hardware at Agent Locations used to connect to MoneyGram comply with such specifications as MoneyGram may establish from time to time, provided that MoneyGram provides Walmart with at least thirty days' advance written notice of such specifications or any changes thereto. In addition, Walmart shall permit MoneyGram to review and certify that Walmart's network connection and hardware comply with such specifications, provided that such review and certification will take place at a date and time mutually agreed upon by the Parties and shall not relieve Walmart of its obligation to comply with such specifications.

(ii) MoneyGram may, from time to time, require that Walmart make changes to the Walmart Software for purposes of Walmart's use of the MG Money Transfer System to the extent required to comply with Applicable Law in connection with the Services. MoneyGram will give Walmart at least sixty (60) days written advance notice of any change(s), including providing Walmart with a detailed specification describing the change(s) and the reasons for such requested changes, including the Applicable Law necessitating the change. Walmart agrees, at its own expense, to make change(s) to the Walmart Software and to assist MoneyGram in testing and certification of the change(s) in accordance with the approval, testing and certification requirements set forth in Section 6(b)(i). MoneyGram agrees to continue to support the one (1) level preceding the current release.

(iii) If MoneyGram requests Walmart to make changes to the Walmart Software that are not required to comply with Applicable Law, MoneyGram will provide Walmart with written notice of such changes, including a detailed specification describing the change(s) and the reason(s) for such requested change. The Parties will reasonably cooperate in assessing the feasibility and costs of implementing such proposed modifications, upgrades, enhancements or other changes. If the Parties agree in writing to implement the modifications, upgrades, enhancements or other changes proposed by MoneyGram, Walmart shall be entitled to use.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

subject to MoneyGram's prior consent, the IGD Allowance (as defined in Section N(ii) of Attachment C) for the reasonable costs and expenses in designing and implementing the modification, upgrade, enhancement or other change requested by MoneyGram. Any Dispute relating to the changes requested by MoneyGram will be subject to the dispute resolution provisions of Section 24(c) of this Agreement. MoneyGram agrees to continue to support the one (1) level preceding the current release.

(iv) If Walmart initiates a reasonable change to the Walmart Software after MoneyGram has tested and certified the Walmart Software pursuant to Section 6(b)(i) above, MoneyGram will provide consultation to Walmart in connection with such changes with no additional fee to Walmart. Unless otherwise agreed in writing by MoneyGram, following completion of the changes, the modified Walmart Software shall be subject to the MoneyGram approval, testing and certification requirements set forth in Section 6(b)(i), at no cost to Walmart; provided that MoneyGram shall use commercially reasonable efforts to complete the testing, approval and certification process within ninety (90) days; and provided further that the foregoing shall in no way impair Walmart's ability to use such non-modified Walmart Software in production at its sole discretion. For the avoidance of doubt, unless MoneyGram has agreed otherwise in writing, Walmart will not use the modified Walmart Software in production prior to the successful completion of the MoneyGram testing and approval process, and the issuing by MoneyGram of a certification that the modified Walmart Software performs in an acceptable manner, as provided in Section 6(b)(i).

(v) In the case that change is required in the MoneyGram Money Transfer System to comply with Applicable Law, MoneyGram may be required, at MoneyGram's own expense, to make changes immediately upon Walmart's reasonable request.

(vi) Upon mutual agreement of the Parties, Walmart may use all or any portion of the IDG Allowance (as defined in Section N(iii) of Attachment C – Money Transfer Attachment) to fund costs or expenses relating to the design, development or testing of the Walmart Software.

- (c) Interface. During the Term, Walmart will maintain a fully functional cashier interface with MoneyGram's systems (the "**Interface**"). Such Interface shall be accomplished using the specifications described in MoneyGram's previously delivered AgentConnect Software Development Kit.
- (d) Equipment. Walmart is responsible for any loss or damage to Equipment except for ordinary wear and tear. Walmart may not disassemble the Equipment. Walmart will immediately notify MoneyGram if Equipment is not working and MoneyGram will perform all maintenance at MoneyGram's cost and expense. In the event repair is necessary for the Equipment, MoneyGram will pay costs to ship its Equipment to and from its service center. If Walmart fails to return Equipment within 90 days of notification of non-use or any termination of any applicable portion of this Agreement, Walmart shall pay the replacement cost of such Equipment. Upon MoneyGram's request for Walmart to upgrade its Equipment, Walmart shall return any existing Equipment and will upgrade its Equipment according to MoneyGram's policies and procedures and at MoneyGram's costs and expense.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

(e) Forms.

(i) Services Other Than Branded Money Transfer Services. In consultation with Walmart and subject to Walmart's approval, MoneyGram agrees to author, create and supply to Walmart forms necessary for Walmart to conduct the Services other than the Branded Money Transfer Services (as defined in Attachment C – Money Transfer Attachment) such as money orders (Attachment A) and bill payment services (Attachment B) at the Agent Locations (the "**MoneyGram Forms**"). The MoneyGram Form agreed upon by the Parties as of the Effective Date is attached to this Agreement as Attachment C-1. The Parties agree that the MoneyGram Form may be used to conduct only Services other than Branded Money Transfer Services. Walmart shall be responsible for ordering or otherwise obtaining all such MoneyGram Forms from MoneyGram as needed. MoneyGram hereby represents and warrants to Walmart that all such MoneyGram Forms that MoneyGram provides to Walmart shall comply with Applicable Law. Walmart agrees not to alter, amend or supplement the content of the MoneyGram Forms without MoneyGram's consultation and agreement. Notwithstanding the foregoing, Walmart may submit to MoneyGram alternative forms that it has authored and created for use with regard to the Services other than the Branded Money Transfer Services and to the extent MoneyGram agrees that such forms are used to offer such Services, such forms shall not be included in the above definition of MoneyGram Forms. Walmart agrees to retain and keep safe and confidential all MoneyGram Forms used in connection with the Services other than the Branded Money Transfer Services for a period of no less than five (5) years, or longer as required by any Applicable Law or regulation. Walmart agrees to return or destroy all un-used MoneyGram Forms used in connection with the Services other than the Branded Money Transfer Services and prepared by MoneyGram within ten (10) business days of the termination of this Agreement or applicable Attachment for any reason. At any time during the Term, upon MoneyGram's request and within fifteen (15) business days (unless a shorter time is required pursuant to Applicable Law or pursuant to a request of a Regulatory Body), Walmart shall provide MoneyGram completed forms, or copies thereof, related to the Services provided pursuant to this Agreement, other than Branded Money Transfer Services.

(ii) Branded Money Transfer Services.

- a. MoneyGram and Walmart agree to work together to author the forms necessary for Walmart to conduct the Branded Money Transfer Services at the Agent Locations (the "**Money Transfer Forms**"). The Money Transfer Form agreed upon by the Parties as of the Effective Date is attached to this Agreement as Attachment C-1, and the Parties agree that the Money Transfer Form may be used to conduct Branded Money Transfer Services and other money transfer services unrelated to MoneyGram. Notwithstanding the foregoing, MoneyGram may alter the content and format of any Money Transfer Form upon prior written notice to Walmart of not less than sixty days identifying in reasonable detail the regulatory or compliance reasons for altering the content or form of the Money Transfer Form; provided, however, that if the Money Transfer Form is used to provide other money transfer services not provided through MoneyGram, any alteration of the form or content of the Money Transfer Form proposed by MoneyGram will not be effective unless and until Walmart and the provider of the other money transfer services has agreed to the alterations proposed by MoneyGram except in cases where the alteration by MoneyGram is to comply with a legal or

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

regulatory requirement. In any such case where the alteration is required to comply with legal or regulatory requirements, the alteration will not require the agreement of Walmart or the other service provider to be effective; provided, however, in such instance, Walmart at its election may use a form provided by the other service provider solely with respect to money transfer services provided through such other service provider. Walmart agrees to use only the Money Transfer Forms for the Branded Money Transfer Services.

- b. Walmart agrees to produce and make available at the Agent Locations Money Transfer Forms in sufficient quantity to conduct the Branded Money Transfer Services at the Agent Locations. Walmart is responsible for ensuring that an appropriate Money Transfer Form is completed for each and every Transfer Send conducted at an Agent Location.
- c. MoneyGram agrees to pay to Walmart a quarterly reimbursement to conduct the Money Transfer Services at the Agent Locations (the "**Money Transfer Quarterly Reimbursement**") for the previous calendar quarter [*], which [*] amount may be amended from time-to-time by mutual agreement of the Parties. Walmart shall invoice MoneyGram on a quarterly basis for the Money Transfer Quarterly Reimbursement. MoneyGram will pay the Money Transfer Quarterly Reimbursement to Walmart within sixty days of MoneyGram's receipt of Walmart's invoice.
- d. Walmart agrees to retain and keep safe and confidential all Money Transfer Forms used in connection with the Branded Money Transfer Services for a period of no less than five (5) years, or longer as required by any Applicable Law or regulation. At any time during the Term, upon MoneyGram's request and within fifteen (15) business days (unless a shorter time is required pursuant to Applicable Law or pursuant to a request of the Regulatory Body), Walmart shall provide MoneyGram completed Money Transfer Forms related to the Branded Money Transfer Services or copies thereof.
- (f) Personnel and Space . Walmart, at its own discretion, will furnish personnel and space at the Agent Locations necessary for providing the Services. Walmart agrees to install and maintain at its expense telephone lines, data connections, or such other connections required to communicate to MoneyGram (collectively, the "**Connections**") and support said Services. Walmart agrees to ensure the availability of the Connections and that these Connections will allow secure communications with MoneyGram.
- (g) Service Levels . The MG Money Transfer System and each of MoneyGram's systems connected to Walmart via the Interface shall perform in accordance with the Service Levels (as hereinafter defined) set forth in the Service Level Agreement effective as of the Effective Date, and entered into by the Parties concurrent with the execution of this Agreement and attached hereto as Attachment I — Service Level Agreement (the "**Service Levels**").

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

7. Confidentiality and Privacy .

(a) During the Term, each Party shall keep in confidence the other Party's Confidential Information, using the same degree of care it uses to protect its own confidential or proprietary information, but in any event no less than reasonable care. Each Party also agrees not to use such Confidential Information for any purpose except as contemplated by this Agreement without the other Party's prior written consent, and not to disclose any Confidential Information received by it to any third party. As used herein, "**Confidential Information**" means business or technical information, whether oral, audio, visual, written or other form including without limitation information regarding any Party involved in the Services, the terms and conditions of this Agreement, any proprietary and training materials and any other information that by its nature is considered proprietary and confidential. Confidential Information does not include information (i) which is already known to the other Party when received; (ii) thereafter becomes generally obtainable by a Party other than by breach of this Agreement, or (iii) is required by Applicable Law to be disclosed by such Party, provided that, in the case of this clause, such information remains confidential except to the extent required, and prior written notice of such disclosure has been given to the Party which furnished such information, when legally permissible, and that efforts to cooperate with a lawful effort to contest the disclosure are made. As used herein, "**Personally Identifiable Information**" means any and all information that could identify an individual (including, but not limited to, an individual's name, address, phone number, e-mail address, social security number, account number, or security key). All data regarding consumers and consumer transactions as well as Personally Identifiable Information which Walmart collects solely as a result of offering the Services is the property of MoneyGram and shall be regarded, safeguarded, and maintained as MoneyGram's Confidential Information. The confidentiality obligations under this Section shall survive any termination of this Agreement.

(b) Walmart's Obligations .

(i) Walmart agrees that it has developed, implemented, and will maintain effective information security policies and procedures (the "**Information Policies**"). The Information Policies include administrative, technical and physical safeguards designed to (i) ensure the security and confidentiality of Personally Identifiable Information Walmart collects as a result of offering the Services; (ii) protect against anticipated threats or hazards to the security or integrity of such Personally Identifiable Information; (iii) protect against unauthorized access or use of such Personally Identifiable Information; (iv) ensure the proper disposal of Personally Identifiable Information; and (v) comply with the credit card associations' Payment Card Industry Data Security Standards and Applicable Law.

(ii) Walmart agrees that all personnel handling Personally Identifiable Information are subject to and have been appropriately trained in the implementation of the Information Policies and that it regularly audits and reviews the Information Policies to evaluate their continued effectiveness and determine whether adjustments are necessary in light of the circumstances including, without limitation, changes in technology, customer information systems or threats or hazards to Personally Identifiable Information. If Walmart becomes aware of any unauthorized access to MoneyGram's Confidential Information and/or Personally Identifiable Information held by Walmart, Walmart shall promptly notify MoneyGram of such unauthorized access and take appropriate action to prevent further unauthorized access. Walmart

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

will cooperate with MoneyGram in responding to the incident. The Parties will collaborate to determine whether notice of the unauthorized access must be provided any third party, such as affected individuals and law enforcement. In the event that such unauthorized access was due to Walmart's gross negligence, intentional misconduct or breach of this Agreement, then Walmart will pay the costs of notification and any credit monitoring or protection services as MoneyGram may deem necessary or appropriate.

(c) MoneyGram's Obligations .

(i) MoneyGram represents that it has developed, implemented, and will maintain effective information security policies and procedures (the " **MG Policies** "). MoneyGram represents that the MG Policies include administrative, technical and physical safeguards designed to (a) ensure the security and confidentiality of Personally Identifiable Information provided to it by Walmart or Walmart's customers; (b) protect against anticipated threats or hazards to the security or integrity of such Personally Identifiable Information; (c) protect against unauthorized access or use of such Personally Identifiable Information; (d) ensure of the proper disposal of such Personally Identifiable Information; (e) comply with the credit card association's Payment Card Industry Data Security Standards; and (f) comply with the requirements included in Attachment L — Walmart Information Security Addendum .

(ii) MoneyGram agrees that all personnel handling Personally Identifiable Information are subject to and have been appropriately trained in the implementation of the MG Policies and that it regularly audits and reviews the MG Policies to evaluate their continued effectiveness and determine whether adjustments are necessary in light of the circumstances including, without limitation, changes in technology, customer information systems or threats or hazards to Personally Identifiable Information. If MoneyGram becomes aware of any unauthorized access to Walmart's Confidential Information and/or Personally Identifiable Information held by MoneyGram, MoneyGram shall promptly notify Walmart of such unauthorized access and take appropriate action to prevent further unauthorized access. MoneyGram will cooperate with Walmart in responding to the incident. The Parties will collaborate to determine whether notice of the unauthorized access must be provided to any third party, such as affected individuals and law enforcement. In the event that such unauthorized access was due to MoneyGram's gross negligence, intentional misconduct or breach of this Agreement, then MoneyGram will pay the costs of notification and any credit monitoring or protection services as Walmart may deem necessary or appropriate.

(d) [*]

Proprietary Material; Signage .

(a) "MoneyGram Proprietary Material" means MoneyGram's name, logo, trademarks, service marks, trade secrets, copyrights, patents, programs, processes, and MoneyGram's other intellectual property rights and proprietary materials. Walmart acknowledges that MoneyGram is the owner of all right, title and interest in and to the MoneyGram Proprietary Material. Walmart shall only use the MoneyGram Proprietary Material as approved by MoneyGram in connection with offering the Services under this Agreement. Walmart shall submit for MoneyGram's prior approval all advertising and promotional materials referencing MoneyGram or using MoneyGram Proprietary Material. MoneyGram's approval of such materials shall not be unreasonably withheld. Walmart agrees to immediately discontinue its use of MoneyGram Proprietary Material upon expiration or termination of this Agreement or upon receipt of notice to do so from MoneyGram. Walmart shall, at Walmart's expense, return or destroy, all MoneyGram Proprietary Material within thirty (30) days after receipt of notice or termination.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

- (b) “ **Walmart Proprietary Material** ” means Walmart’s name, logo, trademarks, service marks, trade secrets, and copyrights, patents, programs, processes, and Walmart’s other intellectual property rights and proprietary material. MoneyGram acknowledges that Walmart is the owner of all right, title and interest in and to the Walmart Proprietary Material. MoneyGram shall only use Walmart Proprietary Material as approved by Walmart for the purposes of promoting the Services provided by Walmart. MoneyGram shall submit for Walmart’s prior approval all advertising and promotional materials referencing Walmart or using Walmart’s Proprietary Material. Walmart’s approval of such materials shall not be unreasonably withheld. MoneyGram agrees to immediately discontinue its use of Walmart Proprietary Material upon expiration or termination of this Agreement or upon receipt of notice to do so from Walmart. MoneyGram shall, at MoneyGram’s expense, return all Walmart Proprietary Material within thirty (30) days after receipt of notice or termination. Notwithstanding the foregoing, during the Term MoneyGram may use Walmart Proprietary Material in any MoneyGram listing of agents or locations offering the Services in accordance with Applicable Law.
- (c) Walmart will display any mutually agreed upon signs, displays, and/or decals which contain any MoneyGram Proprietary Material (the “ **Signage** ”) at each of the Agent Locations. The placement and location of Signage will be at Walmart’s sole discretion.

9. Term; Termination .

- (a) This Agreement shall commence at 12:01 a.m. on the “ **Effective Date** ” and shall continue for a period of three (3) years (the “ **Initial Term** ”). Upon expiration of the Initial Term, this Agreement shall be subject to automatic successive renewals of one (1) year terms (each a “ **Renewal Term** ”), unless either Party notifies the other of its election to terminate the Agreement at least one hundred eighty days prior to the expiration of the Initial Term or any Renewal Term. The Initial Term and any Renewal Term may also be collectively referred to as the “ **Term** ”.
- (b) This Agreement may be terminated as follows:
- (i) The terminating Party reasonably and in good faith determines that the other Party has either (1) materially breached or (2) committed any negligent or willful act or omission relating to any material provision of this Agreement (including any material provision of any Attachment) and has failed to cure such breach, act or omission within thirty (30) days (except in the case of a Party’s breach of any undisputed remittance obligations, which shall be deemed a material breach and must be cured within two (2) business days of such breach) of receipt of written notice thereof from the terminating Party, and the terminating Party elects to terminate the Agreement by sending a written notice of termination, specifying a termination date in accordance with the notice provisions set forth in this Agreement. Notwithstanding the foregoing, to the extent that a Party’s failure to remit under an applicable Attachment is caused by technical issues experienced by either Party, the Parties agree to work in good faith to resolve such issues and MoneyGram will not exercise its termination right under this Section (b)(i) while the Parties are working on resolving such issues; or
- (ii) By either Party if the other Party (i) becomes insolvent; or (ii) fails to pay its debts or perform its obligations in the ordinary course of business as they mature; or (iii) becomes the subject of any voluntary or involuntary proceeding in bankruptcy, liquidation, dissolution, receivership, attachment or composition for the benefit of creditors and such proceeding is not dismissed within thirty (30) days after the commencement of such proceeding, by providing written notice thereof to the other Party containing a specific termination date; or

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

(iii) By either Party if such Party believes in good faith that the other Party has violated any Applicable Law and has failed to cease such violations within thirty (30) days of receipt of written notice by the terminating party; or

(iv) By either Party upon thirty days' written notice if there is a Change of Control of the other Party.

(v) If at any time during the Term MoneyGram shall be prohibited from offering the Services by a Regulatory Body through the loss or forfeiture of a Business License or other order entered by a Regulatory Body in any particular State in which there are Agent Locations, and can no longer offer or sell Services in such State for the lesser of (i) a period of at least thirty (30) days after the exhaustion of any findings, hearings and appeals or (ii) ninety (90) days, then Walmart shall be entitled to terminate this Agreement upon ten (10) days prior written notice to MoneyGram. Notwithstanding the foregoing, to the extent Walmart's actions, inactions or omissions contributed toward MoneyGram's inability to offer the Services in the particular State, Walmart shall not be entitled to exercise the termination right described in this Section 9(b)(vi).

(vi) If the performance by MoneyGram of its respective non-monetary obligations under this Agreement is materially delayed, prevented or impeded (in whole or in part by a Force Majeure Event (as hereinafter defined)), MoneyGram shall immediately implement its BCDR Plan set forth in Section 24(j), and if the Force Majeure Event continues for a period of more than one hundred twenty (120) days after such implementation, Walmart shall have the right to terminate this Agreement while the Force Majeure Event continues by providing written notice to MoneyGram, such termination to be effective on the date specified in the notice of termination.

(vii) By Walmart in accordance with Attachment I-Service Level Agreement.

(viii) Walmart may immediately suspend the Services, in whole or in part and at all or any Agent Locations, upon the occurrence of any event involving MoneyGram that Walmart determines, in its reasonable discretion, elevates the legal or regulatory compliance risk for Walmart in continuing to provide the Services. The Parties agree to work together toward resolving the issues that led to the suspension of the Services and, upon the mutual agreement of the Parties, resuming the Services. If such issues cannot be resolved to the reasonable satisfaction of Walmart within thirty (30) days of Walmart's written notice of the suspension of the Services, Walmart may terminate the Services, in whole or in part and at all or any Agent Locations, upon written notice to MoneyGram.

(c) Upon expiration or termination of this Agreement for any reason the Parties agree that:

(i) Each Party shall immediately remit all amounts owed by such Party to the other (including without limitation, Walmart's remittance of any outstanding Trust Funds owed to MoneyGram);

(ii) Neither Party shall be released from any obligation that accrued prior to the date of such termination, including the obligation of a Party to pay the other Party for any and all obligations incurred under this Agreement;

(iii) Walmart shall promptly (but not later than ten (10) business days after such termination) remove or return to MoneyGram, as applicable, any remaining Supplies from all Agent Locations; and

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

(iv) MoneyGram shall promptly remove Walmart Proprietary Materials from any and all listings indicating Walmart offers and sells the Services at Agent Locations.

- Additional Locations** . If during the Term Walmart acquires additional retail businesses or opens any additional retail locations in the United States or Puerto Rico, Walmart will cause such retail businesses or retail locations to provide the Services within 90 days after such acquisition or opening, subject to MoneyGram's approval, which approval shall be in MoneyGram's reasonable discretion. Walmart agrees to keep MoneyGram informed from time to time of all of Walmart's retail stores, retail businesses and retail locations and to amend Attachment D — Authorized Agent Locations as appropriate to accommodate the addition of such retail businesses or retail locations.
11. **Release of Information** . During the Term, and only to the extent Walmart is no longer publicly traded and such financial information is not readily available, Walmart agrees to provide regularly prepared consolidated financial statements (audited, if applicable) within thirty (30) days of such statements being prepared. In addition, Walmart shall provide all other relevant information and documentation satisfactory to MoneyGram at MoneyGram's request. Any financial statements or other non-public information provided by Walmart pursuant to this Section 11 will constitute and will be treated by MoneyGram as Confidential Information of Walmart subject to Section 7 of this Agreement.
12. **Solicitation of Personnel** . During the term of this Agreement and for a period of one (1) year following termination or expiration thereof, MoneyGram shall not, directly or indirectly, solicit for hiring any Walmart employees, personnel or contractors who perform any material aspects of this Agreement. The Parties agree that a response by an individual to an advertisement or job posting generally available to the public does not constitute a violation of this Section 12.
13. **Accounting; Audit** .
- (a) MoneyGram shall, during the Term and until the later of (a) six (6) months after any termination of this Agreement, or (b) such date on which all amounts due and owing by Walmart to MoneyGram have been paid in full, have the right, upon thirty (30) days' written notice to Walmart, to audit and inspect Walmart's books and records relating to the Services and Walmart's compliance with this Agreement. Such audit shall only occur during normal business hours, shall be as least disruptive as possible, and may occur once per calendar year. Walmart will pay immediately (by cashier's check, certified check, or bank wire) all Trust Funds due MoneyGram as a result of any such audit and take immediate steps to ensure compliance with this Agreement.
- (b) Walmart shall, during the Term and until the later of (a) six (6) months after any termination of this Agreement, or (b) such date on which all amounts due and owing by MoneyGram to Walmart have been paid in full, have the right, upon thirty (30) days' written notice to MoneyGram, to audit and inspect MoneyGram's books and records relating to the Services and MoneyGram's compliance with this Agreement. Such audit shall only occur during normal business hours, shall be as least disruptive as possible, and may occur once per calendar year. MoneyGram will pay immediately (by cashier's check, certified check, or bank wire) all amounts due Walmart as a result of any such audit and take immediate steps to ensure compliance with this Agreement.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

14. **Security Agreement** . Walmart grants to MoneyGram a continuing security interest in the Trust Funds, Walmart's cash that MoneyGram may hold at any time, Walmart's rights under this Agreement, and all records relating to and all proceeds of all of the foregoing. This security interest secures all obligations of Walmart to MoneyGram. Any default by Walmart under this Agreement is a default under this security agreement. MoneyGram has all rights of a secured party under the Uniform Commercial Code. [*] If one of the conditions in the preceding sentence is satisfied, Walmart authorizes MoneyGram to take action necessary or appropriate to perfect or maintain its security interest, including the filing a financing and continuation statements and amendments thereto. MoneyGram satisfies its duty to exercise reasonable care in the custody of cash collateral by maintaining the cash collateral on deposit with a financial institution and retaining any income earned thereon.

15. **Limitation of Liability** .

IN NO EVENT WILL THE LIABILITY OF WALMART OR MONEYGRAM TO THE OTHER PARTY, TO ANY OF THE AFFILIATES OF ANY OF THEM, OR ANY THIRD PARTY, OR ARISING FROM OR RELATING TO THIS AGREEMENT (WHETHER IN CONTRACT, TORT, EQUITY OR OTHERWISE) EXCEED [*] IN THE AGGREGATE; PROVIDED, HOWEVER, THE FOREGOING LIMITATION SHALL NOT APPLY TO (A) A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER THE AGREEMENT; (B) WALMART'S LIABILITY FOR TRUST FUNDS OR NET PAYABLE AMOUNTS (AS DEFINED IN THE APPLICABLE ATTACHMENTS) DUE TO MONEYGRAM; (C) MONEYGRAM'S LIABILITY FOR NET PAYABLE AMOUNTS (AS DEFINED IN THE APPLICABLE ATTACHMENTS) DUE TO WALMART; (D) MONEYGRAM'S LIABILITY FOR ANY FEES, COMMISSIONS OR COMPENSATION DUE TO WALMART FOR THE SERVICES, INCLUDING WITHOUT LIMITATION FEES PAYABLE TO WALMART UNDER ATTACHMENT A – MONEY ORDER ATTACHMENT, THE BP COMMISSION AND ANY OTHER AMOUNTS DUE WALMART UNDER ATTACHMENT B – BILL PAYMENT SERVICE ATTACHMENT, AND THE MT COMMISSION AND ANY OTHER AMOUNTS DUE WALMART UNDER ATTACHMENT C – MONEY TRANSFER ATTACHMENT; (E) LIABILITY INCURRED TO A THIRD PARTY DUE SOLELY TO THE OTHER PARTY'S BREACH OF ITS OBLIGATIONS UNDER SECTION 3 (LEGAL COMPLIANCE); (F) A PARTY'S LIABILITY FOR FRAUD; (G) MONEYGRAM'S OBLIGATIONS FOR LIQUIDATED DAMAGES OR SERVICE LEVEL CREDITS UNDER ATTACHMENT I – SERVICE LEVEL AGREEMENT; AND (H) MONEYGRAM'S LIABILITY FOR A DATA INCIDENT (AS DEFINED IN ATTACHMENT L – WALMART INFORMATION SECURITY ADDENDUM).

.. **Indemnification**

- (a) Walmart will reimburse, defend, indemnify and hold harmless MoneyGram against all third party losses, claims, demands, actions, suits, proceedings, judgments or government investigations, including costs, expenses, and reasonable attorneys' fees, with interest, incurred by MoneyGram as a result, in whole or part, of (i) Walmart's breach of the Agreement, including any noncompliance with Applicable Law by Walmart unless such noncompliance resulted from reliance on directions provided by MoneyGram or reliance on any policies of MoneyGram (including the MoneyGram Compliance Policies, the MoneyGram Fraud Policies and MoneyGram Anti-Corruption Policies) or unless such noncompliance relates to a claim that Walmart has failed or is failing to comply with any state provision of Applicable Law regarding the commingling of funds, (ii) Walmart's acts or omissions in performing the Services, and (iii) any infringement of any patent or other intellectual property right of any third party resulting from the use of the Walmart Software or relating to the Walmart Content (as defined in Section 6(a) of the Attachment M – Co-Branded Website Addendum). Walmart's indemnification obligations shall survive any termination of this Agreement.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

- (b) MoneyGram will reimburse, defend, indemnify and hold harmless Walmart against all third party losses, claims, demands, actions, suits, proceedings, judgments or government investigations, including costs, expenses and reasonable attorneys' fees, with interest, incurred by Walmart as a result, in whole or in part, of (i) MoneyGram's breach of the Agreement, including any non-compliance with Applicable Law by MoneyGram in connection with the Services, (ii) MoneyGram's acts or omissions in performing the Services, (iii) any claim that the MoneyGram Software or the MG Money Transfer System, or Walmart's use of the MoneyGram Software or MG Money Transfer System, as authorized by MoneyGram in connection with this Agreement and any Attachment, violated or infringed upon any patent or other intellectual property or proprietary rights of any third party, or (iv) any claim that Walmart has failed or is failing to comply with any state provision of Applicable Law regarding the commingling of funds. MoneyGram's indemnification obligations shall survive the termination of this Agreement.
- (c) Notice. If a Party receives notice of any third party claims for which indemnification may be available under this Agreement (the "**Indemnified Party**"), the Indemnified Party must promptly notify the other Party (the "**Indemnifying Party**") in writing of the third party claim, including, if possible, the amount or estimate of the amount of claimed liability arising from it as follows: the Indemnified Party shall use its commercially reasonable efforts to provide written notice to the Indemnifying Party no later than fifteen (15) days after receipt by the Indemnified Party in the event a suit or action has commenced, or thirty (30) days under all other circumstances; provided, however, that the failure to give such written notice shall not relieve an Indemnifying Party of its obligation to indemnify except to the extent the Indemnifying Party is materially prejudiced by such failure.
- (d) Right to Defend Third Party Claims; Coordination of Defense. (i) Unless the Indemnified Party exercises its right under Section 16(d)(iii), the Indemnifying Party shall defend any such third party claim at its expense and in the name of the Indemnified Party and shall select the counsel for the defense of such third party claim as approved by the Indemnified Party, such approval not to be unreasonably withheld, conditioned or delayed, and shall reasonably cooperate with the Indemnified Party in the conduct of the defense against such third party claim. (ii) The Indemnified Party may participate, at its own expense, in such defense and in any settlement discussions directly or through counsel of its choice on a monitoring, non-controlling basis. (iii) The Indemnified Party may elect to defend such claim at the Indemnifying Party's expense and with full control immediately to the extent that the Indemnifying Party does not fulfill its obligations to defend the Indemnified Party in accordance with Section 16. The Parties agree to cooperate in good faith to coordinate the defense of any third party claim that may give rise to indemnification obligations of more than one (1) party or that may include allegations that are not subject to indemnification.
- (e) Notwithstanding the foregoing, the Indemnifying Party shall not have the right to defend any such third party claim if: (i) it refuses to acknowledge fully its obligations to the Indemnified Party (but only as to the obligations specific to the Indemnifying Party in the event a third party claim gives rise to indemnification obligations of more than one party); (ii) it contests (in whole or in part), its indemnification obligations (but only as to the obligations specific to the Indemnifying Party in the event a third party claim gives rise to indemnification obligations of more than one (1) party); (iii) it fails to employ appropriate counsel approved by the Indemnified Party to assume the defense of such third party claim; (iv) the Indemnified Party reasonably determines that there are issues

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

which could raise possible conflicts of interest between the Indemnifying Party and the Indemnified Party or that the Indemnified Party has claims or defenses that are separate from or in addition to the claims or defenses of the Indemnifying Party; or (v) such third party claim seeks an injunction, cease and desist order, or other equitable relief against the Indemnified Party. In each such case described in clauses (i) – (v) above, the Indemnified Party shall have the right to direct the defense of the third party claim and retain its own counsel, and the Indemnifying Party shall pay the cost of such defense, including reasonable attorneys' fees and expenses.

- (f) **Settlement of Third Party Claims** . The Indemnifying Party may, upon prior written notice to and consultation with, the Indemnified Party, compromise or enter into a settlement agreement that involves solely the payment of money by the Indemnifying Party, if (i) such settlement includes a complete, unconditional, irrevocable release of the Indemnified Party with respect to such claim, and (ii) in the good faith judgment of the Indemnified Party, such settlement is not likely to establish a precedential custom or practice adverse to the continuing business interests of the Indemnified Party.
- (g) **Indemnification Payments** . Amounts owing under this Section 16 shall be paid promptly upon written demand for indemnification containing in reasonable detail the facts giving rise to such liability.

17. **Reports** . MoneyGram shall periodically provide Walmart with access to reports and/or other appropriate documentation (the " **Service Reports** ") relating to Walmart's provision of Services (including Service Reports generated from the Equipment). Such Service Reports are presumed correct unless Walmart notifies MoneyGram in writing of an error within ninety (90) days after the date of the Service Report. Upon expiration of such ninety (90) day period, Walmart shall have the burden of proving any error in such Service Reports.

18. **Representations and Warranties** .

- (a) Walmart warrants and represents the following: (a) Walmart's entering into this Agreement is not a breach of any other agreement to which Walmart is a party or by which Walmart is bound; (b) each person who signs below for Walmart personally represents that he or she has the authority to bind the entity; (c) the execution, delivery, and performance by Walmart of this Agreement has been duly authorized and is within Walmart's corporate powers; (d) Walmart is in good standing under the laws of the state of its formation or organization, and all states in which Services are offered; (e) Walmart has obtained, and will maintain throughout the Term, all Business Licenses necessary to operate Walmart's business in accordance with Applicable Law; and (f) Walmart is not entering into this Agreement with the intention of engaging in fraudulent activities by offering the Services on its own or through a third party.
- (b) MoneyGram warrants and represents the following: (a) MoneyGram's entering into this Agreement is not a breach of any other agreement to which MoneyGram is a party or by which MoneyGram is bound; (b) each person who signs below for MoneyGram personally represents that he or she has the authority to bind the entity; (c) the execution, delivery, and performance by MoneyGram of this Agreement has been duly authorized and is within MoneyGram's corporate powers; (d) MoneyGram is in good standing under the laws of the state of its formation or organization, and all states in which Services are offered; (e) MoneyGram has obtained, and will maintain throughout the Term, its Business Licenses necessary to operate MoneyGram's business in accordance with

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

Applicable Law including appointment of Walmart as its limited agent and authorized delegate pursuant to Section 1(b); and (f) to the best of MoneyGram's knowledge, the Supplies, the MG Money Transfer System and the MoneyGram Software do not infringe upon the patent, copyright, trademark, trade dress, service marks or any other intellectual property rights of any third person or entity.

19. Insurance.

- (a) MoneyGram during the Term and for five years after the termination or expiration of this Agreement shall maintain in force, at its sole expense, at a minimum, the insurance coverages described below. Any exceptions must be approved by Walmart:
- (i) commercial general liability insurance with a minimum combined single limit of \$1,000,000 per occurrence;
 - (ii) crime insurance policy in a minimum amount of \$10,000,000 per loss;
 - (iii) privacy/network security (cyber)/professional liability coverage providing protection against liability for privacy breaches including liability arising from the loss or disclosure of Confidential Information in a minimum amount of \$10,000,000; and
 - (iv) umbrella liability coverage in a minimum amount of \$10,000,000.
- (b) All insurance policies that MoneyGram is required to carry pursuant to this Section 19 shall be primary as to MoneyGram's negligence and non-contributing with respect to any other insurance or self-insurance Walmart or its affiliates may maintain. Upon request by Walmart, MoneyGram shall cause its insurers or insurance broker to issue to Walmart certificates of insurance evidencing that the coverages and policy endorsements required under this Agreement are in effect, not to exceed two requests per calendar year.

- 20. Notices .** All notices required or permitted under this Agreement must be in writing and shall be effective upon the earliest of (a) personal service; (b) three (3) business days after being sent by certified U.S. mail, return receipt requested; or (c) the next business day if sent by overnight courier within the United States.

Notices to MoneyGram should be sent to:

MoneyGram Payment Systems, Inc.
Attention: Legal Department
1550 Utica Avenue South, Suite 100
Minneapolis, MN 55416.

With a copy to:

MoneyGram Payment Systems, Inc.
Attention: Senior Vice President of Walmart Relationship
5417 Pinnacle Point Drive
Suite 400 Rogers, AR 72758

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

Notices to Walmart should be sent to:

Wal-Mart Stores, Inc.
Attention: Senior Vice President, Walmart Services
702 SW 8th Street
Bentonville, AR 72716

With a copy to:

Wal-Mart Stores, Inc.
Attention: Legal Department, Corporate Division
702 SW 8th Street
Bentonville, AR 72716

21. **Settlement; Remittance** . Any and all amounts due MoneyGram, and the remittance method and schedule for all Trust Funds, shall be set forth on the applicable Attachments relating to the origination of such Trust Funds, depending on the applicable Service.
22. **Assignment** . Neither Party may assign this Agreement or any of its rights hereunder, by operation of law or otherwise, to any person without the prior written consent of the other Party. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, successors, assigns and personal representatives.
23. **Independent Contractors** . Walmart and MoneyGram are acting hereunder as independent contractors. MoneyGram shall not be considered or deemed to be an agent, employee, joint venture or partner of Walmart. MoneyGram's personnel shall not be considered employees of Walmart, shall not be entitled to any benefits that Walmart grants its employees and have no authority to act or purport to act on Walmart's behalf. If any federal, state or local government agency, any court or any other applicable entity determines that any such personnel of MoneyGram is an employee of Walmart for any purpose, MoneyGram shall indemnify, defend and hold harmless Walmart, its officers and directors from all liabilities, costs and expenses (including, but not limited to, reasonable attorneys' fees) associated with such determination. MoneyGram shall be responsible for the conduct of its personnel. Neither Walmart nor MoneyGram has the right, and shall not seek, to exercise any control over the other Party. Each Party shall be solely responsible for hiring, firing, promoting, demoting, rates of pay, paying, taxes, benefits and other terms and conditions in regard to its own personnel.

4.1. **General Provisions** .

- (a) **Instructions** . Walmart agrees to follow all of MoneyGram's reasonable written instructions relating to the offering of the Services pursuant to this Agreement. MoneyGram may change the instructions from time to time upon advance written notice to Walmart and shall provide Walmart a reasonable time to comply with any changed or updated instructions in accordance with Section 1(b).
- (b) **Governing Law** . This Agreement shall be interpreted and construed in accordance with the laws of the State of Delaware, without giving effect to its conflict of law rules.
- (c) **Dispute Resolution** . If any controversy arises from or relates to this Agreement or the performance or breach thereof (each a "**Dispute**"), the Parties shall make an effort to negotiate a resolution in accordance with this Section. If either Party declares that a

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

Dispute exists, the parties agree to use their reasonable efforts and to attempt in good faith to resolve the Dispute promptly by negotiations between the designated representatives having authority to settle the Dispute. Either Party may give the other party written notice of any Dispute not resolved in the normal course of business (" **Notice of Dispute** "). Within thirty (30) days after receipt of the Notice of Dispute by the receiving Party, the receiving Party shall submit to the other a written response which shall include a statement of such Party's position. Within ninety (90) days following receipt of such Notice of Dispute the Parties shall meet at a mutually acceptable time and place and thereafter as often as they reasonably deem necessary, to attempt to resolve the Dispute. In the event that these business-oriented negotiations are unsuccessful in resolving a Dispute, the parties shall escalate the Dispute first to the highest ranking officer of the Party who shall have operational responsibility for the Services. Nothing in this Section 24(c) is intended to preclude or restrict any Party from seeking injunctive relief to enjoin a breach of Section 7 of this Agreement, Attachment L or any other provision of this Agreement the breach of which may reasonably result in irreparable injury to the non-breaching party and for which the non-breaching party may not have an adequate remedy at law.

- (d) Notice of Certain Events . To the extent allowed by Applicable Law, each Party shall give notice to the other Party as soon as reasonably practicable of the (i) initiation of any bankruptcy action by or against such Party; (ii) any Change of Control (as defined below) of such Party; (iii) the appointment of a receiver, trustee, or similar officer of any property of the such Party; (iv) the initiation of any action attempting to revoke or suspend any of such Party's Business Licenses by any Regulatory Body having authority over such Party; or (v) any default (or notice of default) by a Party under any material agreement to such Party's business or any agreement relating to the borrowing of money (including any loan agreement, credit agreement or promissory note). As used herein, a " **Change of Control** " means and is deemed to have occurred when (x) another person or entity (the " **Acquirer** ") acquires voting stock of a Party in an aggregate amount so as to enable the Acquirer to exercise more than fifty percent (50%) (such applicable percentage herein called the " **Control Percentage** ") of the voting power of such Party; (y) an Acquirer acquires all or substantially all of the assets of a Party; or (z) a merger or consolidation occurs to which a Party is a party, and the voting stock of the Party outstanding immediately prior to consummation of such merger or consolidation is converted into cash or securities possessing less than the applicable Control Percentage of the voting power of the surviving corporation. Notwithstanding the foregoing, the acquisition of or beneficial ownership by the descendants of Samuel M. Walton or such descendant's spouse, the estate of Helen Walton or any entity under the control of such persons of more than 50% of the voting securities of Walmart will not constitute a Change of Control.
- (e) Waiver of Jury Trial . MONEYGRAM AND WALMART IRREVOCABLY WAIVE ALL RIGHTS TO A TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING THIS AGREEMENT.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

- (f) Severability; Waiver . If any provision of this Agreement is determined to be invalid or unenforceable to any extent by a court of competent jurisdiction, the remainder of the Agreement shall remain valid and enforceable to the fullest extent permitted by law. Waiver of any term or condition of this Agreement by either Party hereto either expressly or by implication shall not constitute a modification of the Agreement and shall not prevent that Party from again enforcing such term or condition in the future with respect to subsequent events. No failure on the part of either Party hereto to exercise any right of termination hereunder shall be construed to prejudice any subsequent right of termination.
- (g) No Third Party Beneficiary . This Agreement will not confer any rights, benefits or remedies upon any person other than the Parties to this Agreement.
- (h) Entire Agreement; Amendment; Counterparts . This Agreement reflects the entire agreement among the Parties with respect to the subject matter hereof. All exhibits, Attachments are expressly made part of this Agreement as though completely set forth herein. Each Party acknowledges and agrees that each and every provision of this Agreement, including the Recitals and any "whereas" clause, is contractual in nature and binding on the Parties. All reference to this Agreement shall be deemed to refer and include this Agreement and Attachments. This Agreement supersedes any and all other oral or written agreements made relating to the subject matter hereof, including, after February 1, 2016, the 2013 Agreement and the Co-Branded Website Agreement, and the 2013 Agreement and Co-Branded Website Agreement are terminated as of the Effective Date. No amendment, alteration or modification of this Agreement shall be effective unless it is in writing and is signed by duly authorized representatives of each Party. This Agreement may be executed by the Parties in counterparts, which taken together shall form one legal instrument.
- (i) Remedies; Injunctive Relief . All rights and remedies set forth in this Agreement are cumulative and non-exclusive, and each Party further retains all other statutory and common law remedies provided by law. Each of the Parties acknowledges and agrees that the other Party would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the Parties agrees that the other Party is entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement in any action instituted in any court of the United States or any state having jurisdiction over the Parties and the matter, in addition to any other remedy to which it may be entitled, at law or in equity.
- (j) Business Continuity Plan . Each Party will implement and maintain business continuity and disaster recovery plans ("**BCDR Plan**") applicable to its business and the activities associated with this Agreement, and consistent with best industry practices. In the event of a business continuity and disaster recovery event that materially affects a Party's ability to perform under this Agreement or the occurrence of a Force Majeure Event (as defined in Section 24(k) of this Agreement, the affected Party will immediately notify the other Party, implement its BCDR Plan, if appropriate, and will work with the other Party to address the event as soon as possible consistent with the Party's BCRD Plan.

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

- (k) **Force Majeure** . Subject to Section 9(b) of this Agreement, neither Party shall be liable to the other Party for delays in the execution or completion of its non-monetary obligations under this Agreement if such delay is caused by the occurrence of any contingency beyond its control, or beyond the control of its suppliers, including, but not limited to wars, insurrections, riots, or other acts of civil disobedience, acts of the public enemy, failure or delay in transportation, act of any government or agency or subdivision of any government or agency, judicial action, strikes or other labor disputes, accidents, fire, explosion, flood or storm, or other acts of God, shortage of labor, fuel, materials and machinery or other unforeseeable causes beyond its control (each such event, a “**Force Majeure Event**”), provided that prompt written notice of such delay is provided, and that performance resumes following the cessation of the cause of the delay.
- (l) **Taxes** . Any sales, use, gross receipt or other similar taxes or fees imposed on charges collected from the customer by Walmart for the Services must be collected and remitted by Walmart.
- (m) **Survival** . The representations, warranties, covenants, indemnities and other agreements of the Parties stated or implied by their terms to survive in this Agreement and the Parties’ obligations hereunder shall survive the execution and delivery and the termination or expiration of this Agreement.
- (n) **Late Payment** . Any payment of Trust Funds not made when due will bear interest until paid at the annual rate of one percent above the prime rate for the date the payment was due to MoneyGram. “**Prime rate**” means the prime rate published by the Wall Street Journal for corporate loans. MoneyGram’s right to charge interest in this paragraph shall not: (i) limit MoneyGram’s ability to exercise all rights and remedies under this Agreement, including but not limited to terminating the Agreement, and; (ii) relieve Walmart from any liability for breach of the Agreement.
- (o) **Order of Precedence** . This Agreement and the Attachments contain the base terms that govern the relationship between MoneyGram and Walmart. In the event any provision of any Attachment conflicts or is inconsistent with a provision of this Agreement, the provision of such Attachments shall control.
- (p) **Further Assurances** . Each Party agrees that it shall, from and after the date of this Agreement, execute and deliver such other documents and take such other actions as may reasonably be requested to effect the transactions contemplated hereunder.
- (q) **Interpretation** . The Parties acknowledge that they have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement. Unless the context requires otherwise, all words used in this Agreement in the singular number shall extend to and include the plural, all words in the plural number shall extend to and include the singular and all words in any gender shall extend to and include all genders.

[Signature Page to Amended and Restated Master Trust Agreement attached]

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

The parties have caused this Amended and Restated Master Trust Agreement to be executed by their duly authorized representatives as of the Effective Date.

WALMART:

Wal-Mart Stores, Inc.

By: /s/ Daniel J. Eckert

Printed Name: Daniel J. Eckert

Title: Senior Vice President

Signature Date: January 29, 2016

MONEYGRAM:

MoneyGram Payment Systems, Inc.

By: /s/ W. Alexander Holmes

Printed Name: W. Alexander Holmes

Title: CEO

Signature Date: January 29, 2016

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

List of Attachments

ATTACHMENT A	MONEY ORDER ATTACHMENT
ATTACHMENT B	BILL PAYMENT ATTACHMENT
ATTACHMENT C	MONEY TRANSFER ATTACHMENT
ATTACHMENT D	AUTHORIZED AGENT LOCATIONS
ATTACHMENT E	MULTI-STATE REGULATORY ADDENDUM
ATTACHMENT F	MONEYGRAM COMPLIANCE POLICIES
ATTACHMENT G	MONEYGRAM FRAUD POLICIES
ATTACHMENT H	MONEYGRAM ANTI-CORRUPTION POLICIES
ATTACHMENT I	SERVICE LEVEL AGREEMENT
ATTACHMENT J	[*]
ATTACHMENT K	RESERVED
ATTACHMENT L	WALMART INFORMATION SECURITY ADDENDUM
ATTACHMENT M	CO-BRANDED WEBSITE ADDENDUM

[*] Please refer to footnote 1 on page 1 of this Exhibit 10.1.

Attachment A



MONEY ORDER ATTACHMENT

- A. Authorization; Incorporation; Certain Definitions** . Pursuant to this Money Order Attachment by and between Walmart and MoneyGram (the “ **Money Order Attachment** ”). MoneyGram hereby authorizes Walmart to sell, and Walmart hereby agrees to sell, MoneyGram’s money orders (the “ **Money Orders** ”) at each Agent Location. This Money Order Attachment is a part of and incorporated into that certain Amended and Restated Master Trust Agreement, effective February 1, 2016 between Walmart and MoneyGram (the “ **Agreement** ”). Terms used and not defined in this Money Order Attachment are as defined in the Agreement.
- B. Money Order Supplies and Equipment** . As part of the Supplies, MoneyGram shall also supply Walmart with (i) an electronic money order dispenser and (ii) blank Money Orders. MoneyGram may deliver blank Money Orders to Walmart by whatever means it deems commercially reasonable and appropriate and Walmart authorizes its agents, employees, or representatives to receive and issue receipts for Walmart’s blank Money Orders.
- C. Sale of Money Orders** . Walmart’s acceptance of any form of payment for Money Orders is at Walmart’s sole and exclusive risk. As part of its sale of Money Orders pursuant to this Money Order Attachment, Walmart agrees not to issue a Money Order for more than the maximum amount allowed by MoneyGram. As of the date of this Money Order Attachment, such limit is \$1,000 per Money Order. In addition, until otherwise agreed, Walmart shall have the right to issue Money Orders payable to its vendors in face amounts of up to but not exceeding \$9,999.99 per Money Order. Walmart is authorized to use Money Orders for its own or its Affiliate’s obligations for payments to store vendors, on an as-needed basis. MoneyGram may in its reasonable discretion from time to time limit the number or dollar amount of Money Orders that Walmart may sell, provided that MoneyGram provides written notice to Walmart not less than fourteen (14) days prior to the effective date of such limitation, unless such limitation is being imposed based on issues associated with compliance with Applicable Law or fraud, as further described in the Agreement. Walmart agrees to suspend selling Money Orders immediately upon written or verbal notice from MoneyGram, such verbal notice to be confirmed in writing. Walmart agrees to imprint Money Orders with care so that they are not easy to alter and alterations are easily detectable. MoneyGram consents to Walmart’s acceptance of PIN-debit cards (“ **Cards** ”) in addition to cash as a form of payment for Money Orders, such acceptance being at Walmart’s sole and exclusive risk. Walmart agrees that it is liable to MoneyGram for the Trust Funds related to any Money Orders sold by Walmart, regardless of whether Walmart ultimately receives good funds from the consumer.
- D. Liability - Money Orders** . MoneyGram may be liable under the law to pay any Money Orders issued or sold by Walmart, as such Money Orders are drafts drawn by MoneyGram on MoneyGram, when they are presented for payment. MoneyGram will in good faith determine whether it is liable for payment of a Money Order. Where MoneyGram determines that it is legally obligated to pay a Money Order that was issued or sold by Walmart, Walmart will be liable to remit to MoneyGram the Trust Funds associated with such Money Order. MoneyGram will maintain funds sufficient to pay Money Orders drawn on MoneyGram and validly presented for payment, and will defend, indemnify and hold Walmart harmless from and against any claims or demands for payment on Money Orders in accordance with the indemnification provisions of

[*] Please refer to footnote on page 1 of this Exhibit 10.1.

the Agreement, provided that Walmart has remitted Trust Funds associated with the applicable Money Order to MoneyGram. In the event any Money Orders are lost, stolen, misappropriated, seized or forfeited from Walmart, Walmart shall remain liable for such Money Orders. MoneyGram shall assume all responsibility for raised or counterfeited Money Orders sold or issued by Walmart pursuant to this Money Order Attachment unless such raising or counterfeiting was due to an act or omission of Walmart, its agent or its employees. It is not MoneyGram's general practice to stop payment of Money Orders at Walmart's request: if MoneyGram stops payment at Walmart's request, Walmart will indemnify MoneyGram in accordance with the indemnification provisions of the Agreement as to any claim arising from that action, whether or not the Money Order is paid.

- E. Fees .** During the Term the Parties will pay the fees to each other specified in the Fee Schedule(s) attached to this Money Order Attachment. Walmart shall be solely responsible for establishing and collecting any fees to be charged to consumers for Money Orders.
- F. Remittance Schedule - Money Orders .** Walmart agrees to remit to MoneyGram all Trust Funds associated with Money Orders sold and any other fees as provided in this Agreement to MoneyGram, Monday through Friday (except for bank holidays), by bank wire for the previous day's sales. Remittance will be made on Monday for the previous Friday, Saturday and Sunday sales. MoneyGram shall provide Walmart with an adjustment file for previous day's sales by 7:00 am Central Time, provided Walmart has provided the end of day sales file to MoneyGram in a timely manner. When a remittance day falls on a bank holiday, Walmart will remit on the banking day after the holiday.
- G. Term/Termination.**
- (i) This Money Order Attachment shall commence on the Effective Date and continue for the Term of the Agreement, unless the Agreement is terminated prior to the end of the Term in accordance with Section 9 of the Agreement.
- (ii) The terms of this Money Order Attachment may continue during the Tail Period if requested by Walmart, and the Agreement was not terminated early by MoneyGram pursuant to Section 9(b)(i), (ii), (iii), or (iv) of the Agreement, and the terms of this Money Order Attachment shall continue in full force and effect during such Tail Period. For purposes of clarity, the Tail Period shall be included in the definition of the Term. As used herein, the "Tail Period" shall mean the period commencing on the date the Term is to expire and shall end on the earliest of:
- (1) the date on which Walmart notifies MoneyGram that Walmart desires for the Tail Period to end;
 - (2) the date on which the Parties have entered into a new or replacement Money Order Attachment that supersedes the prior Money Order Attachment; or
 - (3) Six (6) months from the date the Tail Period commenced.
- (iii) Walmart agrees to cooperate with MoneyGram during the Walmart Post Termination Transition Period. As used herein, the "Walmart Post Termination Transition Period" shall commence on the effective date of any termination of this Money Order Attachment and shall end ninety (90) days thereafter.
- H.** Walmart shall use various security measures, log-ins and passwords in connection with the Equipment and Interface in the sale of the Money Orders. Such security measures, log-ins and passwords may be referred to hereafter as the "**Money Order Security Measures**". It is

[*] Please refer to footnote on page 1 of this Exhibit 10.1.

Walmart's obligation to ensure that the Money Order Security Measures are kept confidential and secure. Walmart agrees to take all commercially reasonable precautions necessary to prevent disclosure of Walmart's Money Order Security Measures and access to the Money Orders by unauthorized persons and will promptly notify MoneyGram if Walmart knows or reasonably suspects that Walmart's Money Order Security Measures have been compromised or otherwise disclosed. Walmart shall be liable for all use or misuse of Walmart's Money Order Security Measures, unless such misuse is the result of the acts, errors or omissions of MoneyGram, its employees, agents or representatives. The Parties shall assist each other in investigating the circumstances of any misuse of the Money Order Security Measures.

- I. The Parties agree to work in good faith to transition Walmart's sale of Money Orders pursuant to this Money Order Attachment to Walmart's Point of Contact Service Data System within twelve (12) months of the Effective Date of the Agreement. The Parties agree that up to [*] of the IGD Allowance set forth in Section N of Attachment C – Money Transfer Attachment – may be spent on the transition. The Parties further agree that such transition shall not affect any the terms set forth herein.
- J. **Marketing Fund** . During each calendar year of the Term, MoneyGram agrees to allocate an amount equal to [*] for each Money Order sold by Walmart for placement into a marketing fund to promote the Services offered by Walmart in the Agent Locations (the "Marketing Fund"). The Marketing Fund shall be held by MoneyGram and the funds therein used for promotions as determined by Walmart in its sole discretion, such promotions to feature Money Orders or other products and services sold within the Walmart Money Centers within Agent Locations, so long as such other products and services are not competitive with the Services sold by Walmart. Within fifteen (15) days after the end of each calendar month, MoneyGram shall allocate the Marketing Fund related to Money Orders sold in such calendar month to the Marketing Fund. For example, if in a given calendar month Walmart sold [*] Money Orders, the amount of [*] would be allocated into the Marketing Fund. MoneyGram shall provide Walmart with monthly reports on the Marketing Fund, which shall include without limitation, the balance of such account at the beginning and end of such month and a summary of account activity, including amounts spent for specific marketing in such month. If any amounts from the preceding calendar year remain in the Marketing Fund on the January 31 of the subsequent calendar year, such amount may be carried over to such next calendar year and used during the first calendar quarter of such subsequent calendar year or disbursed to Walmart at Walmart's option and request. Upon termination of this Agreement, MoneyGram shall disburse any remaining amount of the Marketing Fund to Walmart within thirty (30) days of the effective date of termination.

*1 Please refer to footnote on page 1 of this Exhibit 10.1.

**FEE SCHEDULE TO
MONEY ORDER ATTACHMENT**

- Walmart will pay MoneyGram a Money Order Fee in the amount of [*] per Money Order issued by Walmart.
- MoneyGram will pay Walmart the following fees on a monthly basis: [*]

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[*] Please refer to footnote on page 1 of this Exhibit 10.1.

Exhibit O

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SUPREME COURT OF THE UNITED STATES

DELAWARE,

Plaintiff,

vs.

ARKANSAS, et al.,

Defendants.

CONFIDENTIAL

Deposition of

KATE PETRICK

As a corporate designee

Pursuant to Rule 30(b)(6) for the

Deposition of MoneyGram Payment Systems, Inc.

Tuesday, June 5, 2018

10:00 a.m.

Reporter:

Barbara J. Carey

Registered Professional Reporter

GOLKOW LITIGATION SERVICES

877.370.3377 ph | 917.591.5672 fax

Deps@golkow.com

1 Q. Okay. What does that entail?

2 A. It entails gathering the appropriate checks to
3 be escheated based on the abandonment period. We then put
4 together a report. Usually, there's a paper form that
5 needs to be filled out with information about the company
6 and the types of property we are escheating. It is taking
7 the data that we receive, put it into some sort of form,
8 whether paper, electronic, and putting that all together,
9 coming up with a total amount, and requesting that money
10 from our AP department, and then filing with the state.

11 Q. Okay. Let's start with the last thing you
12 said.

13 What's the AP department?

14 A. Accounts payable.

15 Q. Okay. And you said you filed a report to the
16 state.

17 And what state do you refer to?

18 A. It depends on the product.

19 Q. What does that mean?

20 A. It means there's the types of items that we
21 have, money orders, official checks based on the rules.
22 Money orders are escheated to the state where they're
23 sold. So money orders, we'd get them in the state order,
24 and we put the data together and file them with the

1 applicable state.

2 For the official checks, those are -- we file
3 them with the -- our state of incorporation because we do
4 not have any owner information, the owner's unknown, and
5 so we file those with Delaware, our state of
6 incorporation.

7 We have other types of property, such as
8 accounts payable checks, payroll checks. Those, based on
9 the payee and their address, that they would escheat to
10 that -- that state.

11 Q. And we'll review some documents to go over
12 that process a little bit more in detail.

13 A. Uh-huh.

14 Q. This is a little sort of table setting. I'll
15 ask you to put a pin on some of that. All right.

16 Does your team -- and I think you said it's a
17 team of three, with yourself -- are you the only three
18 that are working on this process, this filing escheatment
19 report process?

20 A. Yes.

21 Q. Do you consult with any other departments to
22 put together your reports?

23 A. Yes, we get reports from different
24 departments.

1 Q. Okay. Do you agree with me that those are
2 official check products of MoneyGram?

3 MR. RATO: Object to form. You can
4 answer.

5 MR. TALIAFERRO: Join.

6 A. I can tell you that the only one I have -- the
7 financial institution money order, I'm not sure which -- I
8 don't know if that's an official check, but the others I
9 believe are.

10 BY MS. AHUMADA:

11 Q. Okay. Let's go through these one at a time.

12 For the teller's check, where does MoneyGram
13 escheat a teller's check that's been abandoned?

14 A. Delaware, our state of incorporation.

15 Q. Next one. How about a cashier's check; what's
16 the escheatment process with regard to cashier's check?

17 A. That is not MoneyGram's check; it is the
18 financial institution's check, and we do not escheat
19 those.

20 Q. Next item, agent check.

21 Do you see that?

22 A. Yes.

23 Q. Where are agent checks escheated to?

24 A. Delaware, our state of incorporation.

1 Q. Next, agent check money order.

2 Do you know where those are escheated to?

3 A. They are escheated to the state where they

4 were sold.

5 Q. Do you know where financial institution money

6 orders are escheated to?

7 A. They would be escheated to the state where

8 they were sold.

9 Q. And earlier, we talked about something called

10 a "retail money order."

11 Do you recall that?

12 A. Yes, they --

13 Q. And where are -- sorry. And actually, you

14 know what? I tripped on your answer, and I apologize.

15 MR. RATO: No, just let her finish the

16 question. Go ahead.

17 BY MS. AHUMADA:

18 Q. So with regard to the retail money order,

19 where are these escheated to?

20 A. The state that they were sold.

21 Q. With -- I'm sorry, with the exception of

22 cashier's check, is it your department that does and

23 handles the escheatment process with regard to the other

24 instruments that are listed on here?

1 teller's check.

2 Q. Right. We covered that. The next is "Agent
3 Check Money Order."

4 Do you get instruments, for purposes of
5 escheatment, that are called, for example, a "personal
6 money order"?

7 A. No, all we get is a listing of the money
8 orders and their code.

9 Q. Okay. Same thing on the next line. Do you
10 see it falls under "Financial Institution," and there's a
11 document -- or excuse me, an instrument called an
12 "international money order."

13 Do you see that?

14 A. Yes.

15 Q. Are you familiar with that instrument?

16 A. It would come to us as a money order. What it
17 has on it, we don't -- we don't see that. We just know
18 they're money orders.

19 Q. Okay. All right. So you had said previously,
20 you testified that a teller's check is escheated to
21 Delaware; is that right?

22 A. Yes.

23 Q. How did MoneyGram come to the conclusion that
24 it's to be escheated to Delaware?

1 MR. RATO: I would just caution the
2 witness, obviously, to the extent that lawyers were
3 involved, that's fine, but not to discuss -- to the extent
4 you were involved in discussions or aware of the content
5 of discussions with MoneyGram's attorneys, that you not
6 disclose the content of those discussions.

7 The fact of them, if there are, is fine.

8 A. Management worked with attorneys, and
9 decisions were given to us how to proceed.

10 BY MS. AHUMADA:

11 Q. When you say "management," are you part of
12 that management?

13 A. No.

14 Q. Okay. So who encompasses management?

15 A. It was lawyers in the legal department.

16 Q. Did they explain to you the basis for the
17 decision to escheat to Delaware?

18 MR. RATO: Objection, and I would
19 instruct the witness not to answer, even if they did.

20 You can answer "yes" or "no."

21 BY MS. AHUMADA:

22 Q. Did they instruct you to escheat to Delaware?

23 A. Yes.

24 Q. Okay. And did they relay to you any basis for

1 report"?

2 A. I believe it to be the unclaimed property
3 report.

4 Q. Okay. And I think, earlier, you had told us
5 that teller's checks were escheated to Delaware; is that
6 right?

7 A. Yes.

8 Q. And the basis for that escheatment to Delaware
9 was, I think you had said, because it was incorporated in
10 Delaware; is that right?

11 A. That's our state of incorporation, yes.

12 Q. Okay. If MoneyGram had the information of who
13 the owner was of the teller's check, do you know if that
14 would change the analysis?

15 MR. RATO: Objection to the form to the
16 extent it calls for a legal conclusion. Objection to form
17 because it's outside the scope of the witness' testimony,
18 but you can answer.

19 MR. TALIAFERRO: Join.

20 A. I believe it would.

21 BY MS. AHUMADA:

22 Q. And how would it change?

23 MR. RATO: Same objections. You can
24 answer.

1 A. I believe that if we had the names and
2 addresses for the payees of these checks, then it's my
3 understanding from our lawyers that it would go to that
4 state of the -- of the payee.

5 BY MS. AHUMADA:

6 Q. Does MoneyGram -- and again, this is your
7 department, escheatment process; correct?

8 A. Yes.

9 Q. So when I say "MoneyGram" and I say "you," I
10 mean MoneyGram. It's one in the same; right?

11 A. Yep.

12 Q. So does MoneyGram seek out owner information
13 from, for example, a teller's check?

14 MR. RATO: Objection to the form;
15 outside the scope of the witness' testimony. You can
16 answer the question.

17 MR. TALIAFERRO: Join.

18 A. No, not that I'm aware of.

19 MR. RATO: Also, just for the record, I
20 would caution the witness, to the extent you are shown a
21 document that says something and asks if you learned the
22 thing that is in the document from lawyers, that's a
23 perfectly fine question. To the extent that there are
24 other things that are not in the document that you've

1 Q. Okay. So where are the agent checks here
2 being escheated to?

3 A. We escheat them to Delaware, our state of
4 incorporation.

5 Q. Okay. And the same question; do you have
6 holder -- excuse me, owner information on an agent check?
7 Is that something MoneyGram collects?

8 A. No.

9 Q. Okay. Do you know if your financial
10 institution customers have that information?

11 A. I don't know.

12 Q. Okay. Do you know what the difference is
13 between an agent check where the holder, it says here, is
14 MoneyGram versus the teller's check where the document --
15 the previous page stated that the holder is MoneyGram and
16 the financial institution.

17 Do you know why there's that distinction
18 there?

19 MR. RATO: Objection to the form. You
20 can answer if you know.

21 A. I don't know.

22 BY MS. AHUMADA:

23 Q. You would agree with me that both of those
24 instruments are titled "Official Checks" by MoneyGram; is

1 be reported as unclaimed property.

2 Q. Okay. And what was the change?

3 A. The change was to report the teller's check to
4 Delaware, our state of incorporation, where previously, we
5 had escheated the teller's check to the state in which it
6 was sold or the financial institution's incorporation
7 state, if we knew it.

8 Q. And were you part of that decision-making
9 process?

10 A. No.

11 Q. Do you know who was?

12 A. Lawyers and outside lawyers.

13 Q. Okay. Were you consulted in any which with
14 regard to this process, this decision?

15 A. Not consulted, no.

16 Q. Were you in any meetings with regard -- with
17 regard to this change?

18 MR. RATO: Before or after the change,
19 just to clarify?

20 BY MS. AHUMADA:

21 Q. To lead to the change, excuse me?

22 A. I don't recall.

23 Q. Okay. And then, did you receive any training
24 with regard to what was change in policy?

1 A. Training? What do you mean by "training"?

2 Q. Training; any new education, any new
3 information from MoneyGram? Training.

4 A. No.

5 Q. So how did you get information from
6 MoneyGram -- oh, let me start over.

7 Did you get information from MoneyGram that
8 there was this change in policy?

9 A. Yes.

10 Q. How did you receive that information?

11 A. From our lawyers.

12 Q. Okay. And besides the lawyers, were there any
13 other discussions with MoneyGram personnel with regard to
14 this new process change for you?

15 A. For the unclaimed property?

16 Q. Uh-huh.

17 A. I'm not aware of any.

18 Q. Okay. And how did it affect your day-to-day
19 operations, if at all?

20 A. We just needed to change where we were going
21 to escheat the teller's check.

22 Q. Did your systems have to be updated in any
23 way?

24 A. They did -- they did need to make some system

1 changes so that we would now be reporting to Delaware, our
2 state of incorporation, versus the other way.

3 Q. Okay. And what kind of changes were made to
4 your system?

5 A. I don't know exactly how they did it;
6 programmers. I don't know.

7 Q. Do you know if MoneyGram had any
8 communications with the State of Delaware with regard to
9 this new change in process?

10 A. I don't recall any.

11 Q. Were you made aware of any at the time?

12 A. None that I know of.

13 Q. Would you have been made aware of any
14 communications with the State of Delaware?

15 MR. RATO: Object to form. You can
16 answer.

17 A. Perhaps. I don't know. To let me know that
18 we were going to make that change, that's what I was told
19 about it.

20 BY MS. AHUMADA:

21 Q. And by whom?

22 A. The lawyers.

23 Q. For who?

24 A. MoneyGram. MoneyGram's lawyers.

1 answer.

2 A. Corporations.

3 BY MS. AHUMADA:

4 Q. Okay. Go to page 7. Do you see, at the top
5 there, it says, "Electronic Reporting."

6 Do you report electronically -- you,
7 MoneyGram?

8 A. Yes.

9 Q. And do you see on that first sentence there,
10 it says, "Holders are required to electronically file
11 reports, in NAUPA format, when the owner count is greater
12 than 10."

13 Do you know what NAUPA is?

14 A. Yes.

15 Q. Okay. And what is that?

16 A. National Association of Unclaimed Property
17 Administrators.

18 Q. Okay. And do you know what the NAUPA format
19 means?

20 A. It's a certain format that they created many
21 years ago of where you put the different pieces of
22 information.

23 Q. And when you say "they created," who created
24 it?

1 Do you understand what is meant by
2 "Relationship Codes" and "Owner Codes" that's listed
3 there?

4 A. Owner codes, for sure. Relationship codes,
5 no.

6 Q. Do you have to input information that relates
7 to relationship codes when you're reporting to Delaware?

8 MR. RATO: Object to form. Are we
9 limiting it to official checks or --

10 MS. AHUMADA: Anything. Broad.

11 MR. RATO: Go ahead.

12 A. Pretty much, all -- you know, the checks, the
13 money orders. We don't know the owners, so it's reported
14 as unknown, and we don't -- we don't check the
15 relationship codes for -- in the format.

16 BY MS. AHUMADA:

17 Q. Okay. If you go to page 12 of the document,
18 do you see, at the top, it says, "NAUPA Property Type
19 Codes with Applicable Dormancy Periods"?

20 A. Yes.

21 Q. Okay. Are you familiar with the codes here?

22 A. Yes. Yes.

23 Q. Okay. Do you use these codes when you're
24 reporting to Delaware?

1 A. Yes.

2 Q. Okay. I'd ask to you look to -- well,
3 actually, let me ask a general question.

4 Do you get any information from NAUPA of what
5 these individual codes mean apart from under "Property
6 Type"?

7 Do you get anything else related to the
8 definitions?

9 A. Not that I recall.

10 Q. Do you know if Delaware provides you with any
11 definitions with regard to these codes?

12 A. I don't recall right at this moment.

13 Q. Okay. So are you -- and again, "you" I mean
14 MoneyGram. When you're reporting to Delaware, is it your
15 discretion which of these codes you're going to use?

16 A. We select the code that matches our property
17 types for a property that we are escheating.

18 Q. Okay. Do you remember, earlier, we were
19 looking at the different names of allowed; for example, we
20 had teller's checks, allowed names for a teller's check?

21 Do you remember that chart that we looked at?

22 A. Oh, yes.

23 Q. And do you remember we looked at one called a
24 "treasurer's check"? Do you remember we talked about

1 CK01, or would you go to CK04?

2 MR. RATO: Objection to form; misstates
3 the testimony. She testified they don't escheat cashier's
4 checks.

5 BY MS. AHUMADA:

6 Q. Okay. What about, remember, we said under the
7 teller's check, there's also a treasurer's?

8 A. Yes.

9 Q. So again, let's say you get a teller's check.
10 What would you code that under here?

11 A. CK15.

12 Q. And what is CK15?

13 A. Other outstanding official checks.

14 Q. What about if it was a treasurer's check that
15 was under that teller's check?

16 A. We just get a product -- product type. We
17 don't get the names that are listed on the checks. So we
18 get -- for teller's check, it's an 016.

19 Q. Okay. And but -- just to clarify, a CK16 is
20 not the same as your product 16; right?

21 A. It is not.

22 Q. All right. Right. Okay. So when Delaware
23 gets a report that says CK15 and it's an instrument that
24 was actually being sold as a treasurer's check, Delaware

1 would have no information that it was actually labeled a
2 treasurer's check; is that right?

3 A. Right.

4 Q. They would just know that it's CK15?

5 A. Right.

6 Q. Okay. Does MoneyGram escheat its, for
7 example, payroll checks?

8 A. Yes.

9 Q. Okay. And does your office handle that,
10 escheatment of payroll checks?

11 A. Yes.

12 Q. Okay. How do you code a payroll check?

13 A. MS01.

14 Q. Can you repeat that?

15 A. MS01; wages, payroll and salary.

16 Q. Okay. Do you know of any states that have
17 payroll checks -- well, let me -- do you escheat to the
18 State of New York?

19 A. Yes.

20 Q. Are you familiar with their coding system?

21 A. Yes.

22 Q. Okay. Are you aware whether or not payroll
23 checks from New York are to be escheated under CK15?

24 A. I don't recall.

1 Q. Okay. And --

2 A. It's not like the state comes and says, "You
3 have to use this for this."

4 Q. Do the states, including Delaware, give you
5 information of what these property types mean?

6 A. Looks like this.

7 Q. This is all you get?

8 A. I'm sorry, it looks like page 12 of
9 Petrick 45.

10 Q. Uh-huh.

11 A. And we select the ones that match up to the
12 payrolls, money orders, and CK15 for other outstanding.
13 Actually, that one was -- the lawyers went through this
14 for that one, and they said that we should use the CK15.

15 Q. What about CK13, vendors checks; do you use
16 that code, ever?

17 A. Yes.

18 Q. What are vendors checks, to you?

19 A. Accounts payable checks.

20 Q. What is an accounts payable check?

21 A. It's a check that MoneyGram has issued and it
22 hasn't been cashed.

23 Q. Okay.

24 A. So we report it under a vendor check.

1 gas stations and convenience stores, but as well as banks;
2 right?

3 A. Yes.

4 Q. Now, what role does the selling entity have in
5 reporting unclaimed retail money orders?

6 A. Nothing.

7 MR. RATO: Objection to the form.

8 Can we just clarify, when you -- when you say
9 "selling entity," do you mean the agent? I mean, because
10 retail money order could be MoneyGram, and I just --

11 MR. DISHER: Sure. Yeah, thank you.

12 Let's clarify that, then.

13 BY MR. DISHER:

14 Q. So what role does the selling agent play in
15 the reporting of unclaimed retail money orders?

16 A. Nothing.

17 Q. All right. Okay. Retail money orders are
18 reported to the state of purchase?

19 A. Correct.

20 Q. And agent check money orders are reported to
21 the state of purchase?

22 A. Correct.

23 Q. So how was the decision made to report
24 unclaimed agent check money orders to the state of

1 purchase?

2 A. It was -- it was provided to me. The
3 information was provided to me within the lawyers that
4 made that decision.

5 Q. Okay. You don't have anything additional to
6 add about why that decision was made or how that decision
7 was made?

8 A. No.

9 Q. All right. Unclaimed agent checks are
10 reported to the state of MoneyGram's incorporation;
11 right?

12 A. Which one? Agent -- agent check money orders?

13 Q. No, just -- yeah, let me repeat the question.
14 Unclaimed agent checks are reported to the
15 state of incorporation from MoneyGram?

16 A. Correct.

17 Q. How was the decision made to report unclaimed
18 agent checks to the state of incorporation? How was that
19 decision made?

20 MR. RATO: Objection to the form; asked
21 and answered. You can answer.

22 A. It was the attorneys and outside counsel.
23 They -- they went that way, and then they let us know how
24 to report them.

1 BY MR. DISHER:

2 Q. Okay. And you don't have any additional
3 information to add on how that decision was made?

4 A. No.

5 Q. Okay. Same question with teller's checks; how
6 was the decision made to report unclaimed teller's checks
7 to the state of incorporation?

8 MR. RATO: Same objection. You can
9 answer.

10 A. Same answer; our attorneys and outside counsel
11 reviewed all that and then told us how to report them.

12 BY MR. DISHER:

13 Q. Okay. Did you play a role in any of those
14 decisions?

15 A. No. I mean, they may have talked to me, but I
16 was not part of the decision-making. They might have just
17 asked me how things work, like you've asked me, and that's
18 how they -- you know, they just asked a few questions.
19 That's all.

20 Q. Okay. All right. Let me ask a more pointed
21 question:

22 Do you know why MoneyGram treats unclaimed
23 agent checks different from how it treats unclaimed agent
24 check money orders?

1 just call the next one 54?

2 MR. RATO: Just leave it in.

3 (Whereupon, Exhibit 55 was marked.)

4 BY MR. O'KORN:

5 Q. So it's a -- referring you to what's been
6 marked Petrick Exhibit 55, I'm going to refer you to
7 page 2.

8 MR. RATO: Sorry, the number's on the
9 top. Sorry.

10 BY MR. O'KORN:

11 Q. Does this page look familiar to you?

12 A. Yes.

13 Q. So there's been some earlier -- there was
14 earlier back-and-forth about what NAUPA code MoneyGram
15 utilizes to report unclaimed agent check money orders. I
16 recall your testimony was that the code that would be used
17 would be CK07.

18 Is that true?

19 A. It is. In the Tracker system, though, they
20 have a CK77, and we use that one for our money orders, but
21 the Tracker system wouldn't always run a report by using
22 that code, so we would use the CK07 just to get the report
23 to be created.

24 Q. So let me ask you this -- and I know I'm

1 referring you to the NAUPA code used for these products,
2 which includes agent check money order. It says CK77.

3 When MoneyGram reports unclaimed agent check
4 money orders to a particular state, does it use the code
5 CK07, or does it use the code CK77?

6 A. Like I said, we use CK77. Sometimes the
7 Tracker system won't print a report by using that code.
8 It says there's nothing there. So then, when we put in
9 the CK07, it will print the report.

10 Q. So -- and I don't have something to show you,
11 but let -- let me follow up on that.

12 If a given state gets a report from MoneyGram
13 and MoneyGram is reporting retail -- unclaimed retail
14 money orders, what code would be in there? So retail, is
15 it CK07?

16 A. Yes.

17 Q. So how about when -- when a state gets a
18 report from MoneyGram that lists unclaimed agent check
19 money orders, do you know, would the code be used -- would
20 it be CK07 or CK77?

21 A. Well, I'd have to -- I'd have to review it. I
22 don't remember, only because it's a funny thing with
23 trying to run the report between the two different codes.
24 And just recently, I believe they came up with another

1 code under CK07 for nonbank money orders.

2 Q. So is there -- I know I'm asking you to
3 speculate, and it may draw an objection, but if a state
4 gets a report from MoneyGram that has -- that lists an
5 amount of money with a code CK07, is it your testimony
6 that that could include unclaimed retail money orders and
7 agent check money orders?

8 A. I don't know. I'm sorry, one more time.

9 Q. Yes. Why don't you just read it back? Or
10 I'll ask it again.

11 So when a given state gets an unclaimed
12 property report from MoneyGram and there's an amount next
13 to the code CK07, could that amount include, not only
14 unclaimed retail money orders, but also agent check money
15 orders?

16 A. No, because they're separate reports.

17 Q. And that's --

18 A. They're two different -- they're two different
19 systems. The retail money orders are on the money order
20 system, and the agent check money orders are from the
21 official check system.

22 Q. That brings me to another question. I want
23 to -- we talked about MoneyGram International and
24 MoneyGram Payment Systems, Incorporated.

1 an unclaimed property report, she could use one of the
2 resources that states make available to it?

3 A. Yes.

4 Q. Are you aware of any situation where MoneyGram
5 has asked or needed to ask a state about which NAUPA code
6 to use for a given property site?

7 A. Not recently. I may have, you know, before,
8 but I don't recall asking about the NAUPA codes.

9 Q. And Mr. O'Korn asked you a number of questions
10 about CK77. And at one time, CK77 was the NAUPA code for
11 nonbank money orders; is that correct?

12 A. Yes.

13 Q. Do you have an understanding that, as part of
14 periodic revisions, NAUPA is moving away from that CK77
15 code?

16 A. Yes, I've seen that. I believe I saw a new
17 code under CK07, something after it. I believe, yes, I
18 believe I've seen that.

19 Q. And when your unclaimed property procedures
20 guide referenced CK07, is it possible that that referred
21 to the NAUPA code that was in effect when those procedures
22 were drafted?

23 MR. RATO: Object to form. You said

24 CK07?

1 BY MR. TALIAFERRO:

2 Q. CK77, excuse me.

3 A. Oh. Can you repeat that one more time?

4 Q. So when your procedures from 2006 reference
5 CK77, is it possible that that was the code in effect in
6 2006 for money orders?

7 A. For nonbank, yes.

8 Q. And do you -- strike that question.

9 When NAUPA recommends revisions to the
10 property type codes, is it your understanding that a state
11 can accept or reject NAUPA's recommendation?

12 A. I don't know.

13 Q. Okay. Have you seen a situation where NAUPA
14 advises to begin using a certain code but an individual
15 state will tell you to continue using an order code?

16 A. We've had a couple states telling us to use a
17 certain code for one of our products that we would not
18 have used; like, for money transfer, use this one instead
19 of what you were using.

20 Q. And some of that discussion about money
21 transfer related to whether you should use money order
22 code or some other code; is that right?

23 A. Well, not the codes so much. The code for
24 money transfer has been from a miscellaneous to some other

1 but you can answer the question to the extent you know.

2 MR. TALIAFERRO: This is inside the
3 scope of Questions 3 and 4, Topics 3 and 4, and I'm laying
4 a foundation for the question that I wanted to ask about
5 the unclaimed property reporting procedures.

6 BY MR. TALIAFERRO:

7 Q. Would you turn to the back of the first money
8 order listed there? And do you see under "Service
9 Charge," it says, "\$1.50 per month from the date of
10 purchase not to exceed \$126 in total"?

11 A. Yes, I see that.

12 Q. Does \$126 sound correct to you for the current
13 maximum service charge on a money order?

14 MS. AHUMADA: Objection to form.

15 A. Yes.

16 BY MR. TALIAFERRO:

17 Q. Now is seven years a typical dormancy period
18 for money orders?

19 MR. RATO: Objection; form, but you can
20 answer.

21 A. Yes.

22 BY MR. TALIAFERRO:

23 Q. Do you know any states that have a longer or
24 shorter period than seven years for money orders?

1 MR. RATO: I object only to the scope, I
2 should say, but you can answer the question to the extent
3 you can.

4 A. The service charge is assessed in Month 13,
5 but it is deducted from the date of purchase.

6 BY MR. TALIAFERRO:

7 Q. Oh, I understand that. Thank you for that
8 clarification.

9 So does that mean that, in Month 13, 12 months
10 of service charges are assessed --

11 A. Yes.

12 Q. -- in Month 13?

13 A. Yes.

14 Q. And then, one month of service charge in every
15 month thereafter?

16 A. Yes.

17 Q. Is it correct, then, that in a state with the
18 a seven-year dormancy period, any money order in the
19 amount of less than \$126 is consumed by the service charge
20 before the item becomes dormant?

21 MS. AHUMADA: Objection; form.

22 MR. RATO: Objection to form. You can
23 answer.

24 A. Yes.

1 BY MR. TALIAFERRO:

2 Q. In terms of number of items, do you know if
3 more dormant teller's checks and agent checks are filed,
4 CK15, in a given year, or more money order, CK07?

5 MR. DISHER: Objection; form.

6 A. I'm guessing. I'm going to say money orders.

7 BY MR. TALIAFERRO:

8 Q. And do you know, on a dollar value, whether
9 the dollar value of teller's checks and agent checks,
10 YK15, is more or less than the dollar value of money
11 orders CK07?

12 MR. DISHER: Object to form.

13 A. More.

14 BY MR. TALIAFERRO:

15 Q. CK15 is more?

16 A. Yes.

17 Q. Could you turn -- now we're going back to the
18 procedures here. Could you turn to pages 4925 and 4926?
19 I'm going to ask you about Steps 32 and 33.

20 Could you describe for me what is -- what is
21 being done in those two steps, Steps 32 and 33?

22 A. We're validating that the service charge is
23 accurate.

24 Q. And how do you validate that the service

1 A. This is the money transfer. Laura Lane.

2 Q. And does Laura Lane still work for MoneyGram?

3 A. No. She also worked with a lawyer from the
4 MoneyGram -- yeah, MoneyGram Company, Gerald Popovsky.

5 Q. When you say "the MoneyGram Company" --

6 A. I'm sorry, when we acquired them, they had
7 their own set of attorneys, and so Laura worked with Gerry
8 to come up with the rule we have here.

9 Q. Do you know if an equivalent opinion was ever
10 issued for the decision to escheat teller's checks to the
11 state of incorporation rather than the state -- sorry,
12 strike that question.

13 Do you know if an equivalent opinion was ever
14 issued for the decision to escheat teller's checks to
15 MoneyGram's state of incorporation rather than the state
16 of incorporation of the financial institution?

17 MR. DISHER: Objection; form.

18 MR. RATO: I would instruct the witness
19 not to disclose anything, but you can --

20 BY MR. TALIAFERRO:

21 Q. I don't want to know anything about the
22 details of it, but I just want to know if you've ever seen
23 an equivalent opinion?

24 A. Yes.

1 Q. And who authored that opinion?

2 A. Outside -- outside counsel.

3 Q. Do you remember the name of the outside
4 counsel?

5 A. There could have been -- there may be one or
6 two of them, and I can't remember which one it was.

7 Q. Could you give me both names, please?

8 A. Curt Forslund. The second one we didn't use
9 very long. I can't think of his name right off the top of
10 my head.

11 Q. Do you know who what law firm Mr. Forslund
12 worked for?

13 A. He worked for Gray Plant Mooty Mooty &
14 Bennett. Gray Plant will work.

15 MS. MOSELEY: That's a good name,
16 actually.

17 BY MR. TALIAFERRO:

18 Q. That's a great name.

19 Do you know if he worked here in the
20 Twin Cities?

21 A. Yes.

22 Q. I was making some notes as Mr. Disher was
23 talking and that's caused me to go back.

24 Could you flip back to page 4903? It's very

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CERTIFICATE

I, Barbara J. Carey, a Registered Professional Reporter and Notary Public for Anoka County, Minnesota hereby certify that I reported the Deposition of Kate Petrick, on the 5th day of June, 2018, in Minneapolis, Minnesota, and that the witness was by me first duly sworn to tell the whole truth;

That the testimony was transcribed under my direction and is a true record of the testimony of the witness;

That I am not a relative or employee or attorney or counsel of any of the parties or a relative or employee of such attorney or counsel;

That I am not financially interested in the action and have no contract with the parties, attorneys, or persons with an interest in the action that affects or has a substantial tendency to affect my impartiality;

That the right to read and sign the deposition by the witness was not waived;

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of June, 2018.

Barbara J. Carey
Registered Professional Reporter
Notary Public


ACKNOWLEDGMENT OF DEPONENT

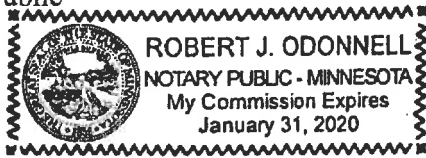
I, Kate Petrick, do hereby certify that I have read the foregoing pages, and that the same is a correct transcription of the answers given by me to the questions therein propounded, except for the corrections and changes in form or substance noted in the attached errata sheet.

Dated: July 13, 2018


Kate Petrick

Subscribed and sworn to before me this 13 day of July, 2018


Notary Public



ERRATA SHEET

NAME OF CASE: Delaware v. Arkansas, et al.
Supreme Court of the United States

DEPOSITION: Kate Petrick. June 5, 2018

PAGE	LINE	FROM	TO	REASON
71	5	providence	provenance	Transcription error
81	14	date	state	Transcription error
107	1	pseudo-generous	sui generis	Transcription error
107	2	providence	provenance	Transcription error
124	5	bill of refunds	biller refunds	Transcription error
124	7	Bill of refunds	Biller refunds	Transcription error
125	7	bill of refunds	Biller refunds	Transcription error
127	21	1231	12/31	Clarification
129	9	cheating	escheating	Transcription error
169	8	auctioning	offering	Transcription error
178	4	teller, agent, check	teller check, agent check	Clarification
236	2	My Grade O	Mike Rato's	Transcription error
239	14	Anita	Eva	Transcription error
251	10	YK15	CK15	Typographical error


Kate Petrick

Exhibit P

Filed Under Seal

Exhibit Q

Filed Under Seal

Exhibit R

How to Get Paper Reports and Electronic Files for Agent Checks and Teller Checks

Agent Checks and Teller Checks

By rule, if the names and addresses of the owners of checks are unknown, they are reported to the holder's state of incorporation. We do not have the names and addresses for the owners of agent checks and teller checks. Therefore, these two products are reported to MoneyGram's state of incorporation—Delaware. The reports created in Tracker will combine the agent check and teller check products. The NAUPA code used for these products is CK15.

The unclaimed property report for Delaware is due to the state annually on March 1. Run these reports around February 1 to allow time to prepare the report.

How to Get Paper Reports for Agent Check Money Orders and Money Transfer Checks

Paper—Agent Check Money Orders and Money Transfer Checks

By federal rule, if the names and addresses of the owners of money orders are unknown, they are reported to the state in which they were issued. We do not have the names and addresses for the owners of agent check money orders and money transfer checks. Therefore, these two products are reported to the state in which they were issued. Since the money transfer check is part of the money transfer process, we treat money transfer checks as money orders for unclaimed property purposes. The reports created in Tracker will combine the agent check money order and money transfer check products. The NAUPA code used for these products is CK77.

The example used in the following procedure is Montana, which allows paper reporting.

Exhibit S

SUPREME COURT OF THE UNITED STATES

DELAWARE, *Plaintiff*,

v.

Nos. 220145 & 220146 (Consolidated)

ARKANSAS, *et al.*, *Defendants*

September 24, 2018

EXPERT REPORT OF CLAYTON P. GILLETTE

I, Clayton P. Gillette, provide this Expert Report in order to assist the Court in its resolution of this matter.

1. I am currently the Max E. Greenberg Professor of Contract Law at New York University School of Law, where I have taught courses in commercial law (including payment systems), contracts, and state and local government law.

2. I have authored or co-authored numerous articles, texts, and newsletters, and have lectured in the area of payment systems on subjects including the use of checks and other negotiable instruments. The audiences for my publications and lectures have included academics, law students, practicing attorneys, and banking professionals.

3. Prior to joining the faculty of New York University School of Law in 2000, I was the Perre Bowen Professor of Law at the University of Virginia School of Law (1992-2000). From 1997 to 2000, I was also the John V. Ray Research Professor at the University of Virginia Law School, and from 1993 to 1996 I was the Caddell and Conwell Research Professor at the University of Virginia Law School. From 1978 until 1984, I was an Associate Professor of Law, and from 1984 until 1992 a Professor

of Law at the Boston University School of Law. From 1988 until 1992, I was the Harry Elwood Warren Scholar in Municipal Law at the Boston University School of Law. I served as Associate Dean of the Boston University School of Law from 1990-1992. I later served as Vice Dean of New York University School of Law from 2004 to 2007. From 1976 until 1978, I was associated with the New York City law firm of Cleary, Gottlieb, Steen & Hamilton, where a significant amount of my practice involved commercial and contract law and commercial litigation, including issues related to payments law and negotiable instruments.

4. I have provided expert testimony or consulting advice on matters of contract and commercial law, including payments issues, in arbitrations or litigation in Argentina, Australia, Austria, Canada, England, Germany, Israel, Jersey (Channel Islands), New Zealand, Sweden, and Singapore, as well as in the United States.

5. My curriculum vitae is attached hereto as Appendix A. My curriculum vitae contains a list of all the publications which I have authored within the previous ten years, as well as a list of all cases in which I have testified at trial or by deposition in the previous four years.

6. I have been retained in this matter by the States of Arkansas, California, Texas, and Wisconsin on behalf of the Defendant States (excluding Pennsylvania) to provide my opinion on various issues relating to the nature of certain products offered by MoneyGram. In particular, I have been asked to provide my opinion on the extent to which those products should be treated as falling within

the types of instruments governed by the Disposition of Abandoned Money Orders and Traveler's Checks Act, 12 U.S.C. § 2501 *et seq.* (the "Federal Disposition Act"). I am being paid \$800 per hour for my work on this case.

7. In this Report, I will initially describe the characteristics of traveler's checks and money orders. I will explain how money orders and traveler's checks constitute prepaid items that are purchased to make payments to third parties and with respect to which sellers typically do not maintain information concerning the purchaser. I will then describe the products that are offered by MoneyGram and that are at issue in this litigation. I will indicate how, as a functional and contractual matter, those products raise the same recordkeeping issues concerning the residence of purchaser and place of purchase that Congress considered when it developed the escheatment rules of 12 U.S.C. § 2503. Finally, I will discuss potential meanings for the phrase "third party bank check" and whether any of those meanings encompass the relevant MoneyGram instruments.

8. In preparing this Report, I have reviewed: the pleadings filed in these consolidated cases; the deposition transcripts of Eva Yingst and Kate Petrick, and all the exhibits attached to those transcripts; the text of the Federal Disposition Act and Revised Code of Washington § 63.29.010, and the legislative history of those statutes; a memorandum sent from Treasury Services Group to various State Unclaimed Property Administrators, containing the Bates numbering ALF00006603-ALF00006608; and an email from Caroline Cross to Michael Rato dated October 12, 2015, containing the Bates numbering MG0002494-MG0002496.

I. Characteristics of Traveler's Checks and Money Orders as Instruments.

9. An instrument generally falls within the scope of 12 U.S.C. § 2503 if it is a money order, traveler's check, or "other similar written instrument."¹ Therefore, as an initial matter, it is useful to understand the characteristics of a traveler's check and a money order to determine whether a particular instrument qualifies as one of those instruments, or is "similar" to those instruments.

10. A traveler's check is defined by both practice and the Uniform Commercial Code as an instrument that is payable on demand, is drawn on or payable at or through a bank, is designated by the term traveler's check or substantially similar term, and requires, as a condition of payment, a countersignature by the person whose specimen signature appears on the instrument. U.C.C. § 3-104(i). A traveler's check may be issued by a financial institution or a non-financial institution, and the issuer may or may not be the same party that sells it.² The seller typically acts as the agent of the issuer where the two are not the same. A purchaser of a traveler's check typically pays the face amount of the traveler's check, plus any fee, directly to the seller. If the seller is not the issuer who produces the traveler's check, the seller will remit the face amount of the traveler's check to the issuer. At the time of sale, the purchaser signs the traveler's check. When the purchaser uses the

¹ The statute imposes additional requirements in subsections (1)-(3).

² Under the Uniform Commercial Code, an "issuer" is the "maker or drawer of an instrument," and "issue" consists of "the first delivery of an instrument by the maker or drawer . . . for the purpose of giving rights on the instrument to any person." U.C.C. §§ 3-105(a), (c). In the case of a money order or traveler's check, the seller of the item may be different from the issuer.

traveler's check to pay for an item or service or to deposit it in an account, the purchaser signs the traveler's check a second time. This allows the transferee of the traveler's check to compare the specimen signature with the second signature and receive assurances that the purchaser is the rightful holder of the traveler's check. The traveler's check is then processed through banking channels and is paid by the issuer or paying agent. Because the traveler's check has been prepaid by the purchaser, the purchaser who transfers the traveler's check to a payee typically is not aware of whether or when the traveler's check has been presented for payment. Similarly, issuers typically do not retain information about the residence of the purchaser of the traveler's check. The issuer, might, however, have information concerning the place of purchase of the traveler's check. The funds that have been paid by the purchaser remain with the issuer until the traveler's check is ultimately presented for payment or until the passage of a period of time which, under various state laws, is sufficient to require that these funds be turned over to the state government. The fact that the issuer who holds the funds represented by an abandoned traveler's check does not retain residence information concerning the purchaser, but may have information concerning the place of purchase, motivated Congress to use those factors when it sought to create an equitable distribution of the proceeds of abandoned traveler's checks through the Federal Disposition Act. *See Disposition of Abandoned Money Orders and Traveler's Checks, Sen. Report No. 93-505 (November 15, 1973) (hereinafter S. Rep. No. 93-505).*

11. A money order is a prepaid draft, or payment order, that the seller provides to a purchaser in a specified amount that is typically imprinted on the face of the instrument. A money order frequently serves as a substitute for a personal check from an individual's bank account. The term "money order" traditionally comprises related but different forms of payment. Some money orders, sometimes referred to as "personal money orders," are sold by banks or merchants. They consist of orders that are drawn by the issuer or the purchaser and bear a machine-impressed face amount. That type of money order may be a check (if it is drawn on a bank). See UCC § 3-104(f). In these cases, the money order essentially serves as a checking account on which one deposit has been made and one check (the money order itself) can be drawn. In the case of a personal money order, no bank signs the instrument at the time of its sale. Thus, any drawee bank has liability on the money order only when it has been accepted.

12. Other money orders, sometimes referred to as "bank money orders," are sold and issued by banks and are drawn and signed by the issuing bank. They may be drawn either on the issuing bank or on another bank. Thus, these money orders may also constitute cashier's checks (checks drawn by a bank on itself) or teller's checks (checks drawn by a bank on another bank). See U.C.C. § 3-104 cmt. 4; *Bank of Niles v. American State Bank*, 303 N.E.2d 186 (Ill. App. Ct. 1973).

13. Notwithstanding their differences, purchase and processing of bank and personal money orders is essentially similar. Like a traveler's check, a money order is typically issued to a purchaser who pays the face amount of the money order plus

any fee to the seller, whether that seller is a financial institution or not. The seller may or may not be the same as the issuer of the money order. Where the seller is not the same as the issuer, the seller will remit the face amount of the money order to the issuer. Because the money order has been prepaid by the purchaser, the purchaser who transfers the money order to a payee typically is not aware of whether or when the money order has been presented for payment. Similarly, sellers of money orders or holders of funds represented by abandoned money orders would not have information about the residence of the purchaser of the money order or about who owned it at any given point in time. Similarly, issuers would not have information about the payee of the money order or about who owned it at any given point in time. The issuer, might, however, have information concerning the place of purchase of the money order. As in the case of a traveler's check, the funds that have been paid by the purchaser remain with the issuer until the money order is ultimately presented for payment or until the passage of a period of time which, under various state laws, is sufficient to require that these funds be turned over to the state government. The fact that the issuer who holds the funds represented by an abandoned money order does not retain residence information concerning the purchaser, but may have information concerning the place of purchase, motivated Congress to use those factors when it sought to create an equitable distribution of the proceeds of abandoned money orders through the Federal Disposition Act. *See* Sen. Report No. 93-505.

II. Characteristics of MoneyGram Instruments.

14. I understand that MoneyGram offers its customers four different products relevant to this litigation: Retail Money Orders and three products sold pursuant to its Official Check program. MoneyGram labels those Official Check products “Agent Check Money Orders,” “Agent Checks,” and “Teller’s Checks.”

15. I understand that the last three of these products are processed on the same MoneyGram platform, the Official Check platform. Dep. of Eva Yingst (“Yingst”) at 84; Yingst Ex. 13 at 29 (stating that Primelink Official Checks Operating Instructions apply to Agent Check Money Orders, Agent Checks, and Teller’s Checks, as well as to cashier’s checks, the last of which are not involved in this litigation).

A. MoneyGram Retail Money Orders.

16. A MoneyGram Retail Money Order is issued through entities that contract with MoneyGram to sell money orders to purchasers. Those entities, which can be financial institutions or nonfinancial institutions (such as retailers), serve as agents for MoneyGram for the purpose of selling MoneyGram Retail Money Orders. The purchaser of the Retail Money Order pays the seller the face amount of the instrument, plus any fee. The Retail Money Order may also be subject to a service charge. The Retail Money Order states that it is both issued and drawn by MoneyGram and that it is “payable through” a bank. As may be the case with the traditional “personal money order” (see Paragraphs 11-13, *supra*) no bank signs the MoneyGram Retail Money Order at the time of its sale. At the time of sale, the selling agent prints the amount of the Retail Money Order using equipment and/or a form

provided by MoneyGram. The selling agent also remits the face amount of the Retail Money Order to MoneyGram. I understand that remittance occurs by the selling agent depositing the funds into its bank account and MoneyGram withdrawing the amount from the agent's bank account through an automated clearing house process. MoneyGram deposits funds remitted to it from the sale of its various instruments into a commingled fund. See Yingst at 54-56, 108-109, 115-116, 153, 363-364. The purchaser signs the Retail Money Order on purchase. The signature line indicates that the purchaser is signing "for drawer," so that the purchaser is serving as MoneyGram's agent for purposes of making MoneyGram an issuer, because an instrument must be signed by, or on behalf of a drawer, in order to become a negotiable instrument. See *Smith v. Farmers Union Mut. Ins. Co.*, 260 P.3d 163, 172 (Mont. 2011). The Retail Money Order also includes terms on the back that relate to service charges and the limited recourse that a holder of the instrument may have against MoneyGram. Typically, MoneyGram Retail Money Orders are not issued in amounts in excess of \$1,000. Yingst at 58-59. When a MoneyGram Retail Money Order is presented for payment to the "payable through" bank, that bank pays the face amount of the Retail Money Order; MoneyGram provides funds in the amount of the presented items to that bank from MoneyGram's commingled fund containing the proceeds of the sale of its instruments and in accordance with a contract between MoneyGram and the clearing bank. MoneyGram's forms include a serial number and a customer or agent ID that permits MoneyGram to track its Retail Money Orders and determine the location where the Retail Money Order was sold. Yingst at 57,

264-265. MoneyGram, however, does not have information about the specific purchaser. Yingst at 57.

B. MoneyGram “Agent Check Money Orders.”

17. A MoneyGram Agent Check Money Order is issued through financial institutions that contract with MoneyGram to sell these instruments. The selling bank is designated as “agent for MoneyGram,” and MoneyGram is designated as the drawer of the Agent Check Money Order. See Yingst Ex. 4 (ex. E); Yingst Ex. 8. The purchaser of the Agent Check Money Order pays the seller the face amount of the instrument, plus any fee. While the purchaser of a MoneyGram Retail Money Order may pay with cash, the purchaser of the Agent Check Money Order will often be a customer of the financial institution from which the instrument is purchased, so that the face amount of the instrument plus any fee may be debited from the purchaser’s account at that institution. MoneyGram Agent Check Money Orders may also be sold in face amounts greater than those available on MoneyGram Retail Money Orders.³ The purchaser will sign the Agent Check Money Order on purchase. The signature line indicates that the purchaser is signing “for drawer,” so that the purchaser is serving as MoneyGram’s agent for purposes of making MoneyGram an issuer, because an instrument must be signed by, or on behalf of a drawer, in order to become a negotiable instrument. Neither the financial institution that sells the Agent Check Money Order nor the bank designated as drawee signs the Agent Check Money Order

³ I understand that MoneyGram’s cap on the value of Retail Money Orders is an internal requirement imposed by the company.

at the time of issuance. *See, e.g., Yingst Ex. 8.* Thus, the Agent Check Money Order qualifies as a personal money order and may be so designated on its face.

18. An Agent Check Money Order states that it is drawn on a specific bank. In fact, however, I understand that the bank designated as the drawee is actually a clearing bank, rather than a bank that holds a pre-existing deposit for MoneyGram. *Yingst at 97-98.* When a MoneyGram Agent Check Money Order is presented for payment to the “drawee” bank, MoneyGram provides funds in the amount of the presented items to that bank in accordance with a contract between those two institutions. *Yingst at 82-85, 117-118.* Thus, the functions that the clearing banks and MoneyGram play with respect to the processing of Agent Check Money Orders are the same as the functions that it plays with respect to MoneyGram Agent Checks and Teller’s Checks, which are also issued through its Official Check platform. *See Yingst Exs. 13, 16.*

19. Agent Check Money Orders are issued through MoneyGram’s Official Check platform rather than through MoneyGram’s Retail Money Order program. Thus, the seller of a MoneyGram Agent Check Money Order is obligated to report to MoneyGram information concerning the instrument within a day of when it is sold. That information includes serial number, dollar amount, date of issuance, and account number or customer ID with MoneyGram, the last of which may indicate the location where the instrument was purchased. *Yingst at 209-210, 267; Yingst Ex. 13 at 6.* The required information does not include information about the specific purchaser.

C. MoneyGram “Agent Checks.”

20. A MoneyGram Agent Check is issued through financial institutions that contract with MoneyGram to sell these instruments. As in the case of Retail Money Orders, Agent Check Money Orders, and Teller’s Checks, the financial institution sells Agent Checks to its customers and may charge its customer a fee. The Agent Check form designates MoneyGram as the “drawer” and the financial institution as “agent for MoneyGram.” Because MoneyGram’s financial institution customer is only an agent on these instruments and is designated as such, that financial institution is not liable on an Agent Check. Another bank is designated as the “drawee.” As in the case of MoneyGram Agent Check Money Orders and Teller’s Checks, the bank that is designated as the “drawee” serves as a clearing bank. MoneyGram holds the funds that are sent to it by the selling financial institution until the item is presented for payment to the clearing bank. When a MoneyGram Agent Check is presented for payment to the “drawee” bank, MoneyGram provides funds in the amount of the presented items to that bank in accordance with a contract between those two institutions. Agent Checks are often used to pay obligations of the financial institution designated as agent. Yingst at 168-169. Funds represented by Agent Checks do not have next-day availability under the federal Expedited Funds Availability Act. See 12 U.S.C. § 4002(a)(2)(F). I understand that MoneyGram created this instrument to help its financial institution customers minimize their reserves under Federal Reserve Board Regulation D. Yingst Ex. 13 at 31.

21. MoneyGram Agent Checks are processed through MoneyGram's Official Check program systems. Thus, MoneyGram's customer is obligated to report to MoneyGram information concerning the instrument within a day of when it is sold. That information includes serial number, dollar amount, date of issuance, and account number or customer ID with MoneyGram, the last of which may indicate the location where the instrument was purchased. Yingst at 209-210, 267. The required information does not include information about the specific purchaser.

22. A MoneyGram customer who has elected to use both MoneyGram Agent Checks and Agent Check Money Orders may choose to treat an Agent Check as an Agent Check Money Order. See Yingst Ex.14 clause 3, Ex. 15 clause 3. That demonstrates that the two instruments do not have significant operational differences, though the instrument would have to bear the appropriate money order language to serve as an Agent Check Money Order. See Yingst at 249-251.

D. MoneyGram "Teller's Checks."

23. A MoneyGram Teller's Check is issued through financial institutions that contract with MoneyGram to sell these instruments. The Teller's Check form designates MoneyGram as the "issuer" and the selling financial institution as the "drawer." Another bank is designated as the "drawee." Teller's Checks are typically issued to customers of the selling financial institution that contracts with MoneyGram. When the financial institution sells the Teller's Check to its customer, it typically debits its customer's account and sends the amount of the Teller's Check to MoneyGram. As in the case of Retail Money Orders, Agent Check Money Orders,

and Agent Checks, the financial institution may charge its customer a fee for the Teller's Check. Alternatively, the financial institution may use a MoneyGram Teller's Check to pay its own obligations. Yingst at 139. As in the case of MoneyGram Agent Checks, the bank that is designated as the "drawee" serves as a clearing bank. MoneyGram holds the funds that are sent to it by the selling bank until the item is presented for payment to the clearing bank. Yingst at 156. When a MoneyGram Teller's Check is presented for payment to the "drawee" bank, MoneyGram provides funds in the amount of the presented items to that bank in accordance with a contract between those two institutions. Unlike the case of Agent Check Money Orders and Agent Checks, funds represented by Teller's Checks may have "next business day availability" under the federal Expedited Funds Availability Act. *See* 12 U.S.C. § 4002(a)(2)(F). The depositor of funds that have next-day availability has access to those funds, i.e., can withdraw them as a matter of right, on the first business day following the banking day of deposit. Types of deposits eligible for next-day availability include cash, United States Treasury checks, and cashier's checks and teller's checks where those instruments have been deposited in person into an account held by the payee of the check. Instruments that do not have next-day availability may not be available to the depositor for a longer period of time, generally extending up to five business days following the banking day of deposit. *See* 12 C.F.R. § 229.12.

24. MoneyGram Teller's Checks are processed through MoneyGram's Official Check program systems. Thus, MoneyGram's customer is obligated to report to MoneyGram information concerning the instrument within a day of when it is sold.

That information includes serial number, dollar amount, date of issuance, and account number or customer ID with MoneyGram, the last of which may indicate the location where the instrument was purchased. Yingst at 209-210, 267. The required information does not include information about the specific purchaser.

25. A MoneyGram customer who elects to use either MoneyGram Teller's Checks or Agent Checks typically makes the decision based on whether it prefers to have an item that has next-day availability rather than because of any operational or processing differences. Yingst at 255.

III. For Purposes of 12 U.S.C. § 2503, MoneyGram Teller's Checks and Agent Checks Share the Relevant Characteristics of Money Orders and Traveler's Checks, as well as MoneyGram Retail Money Orders and Agent Check Money Orders.

26. The provisions of 12 U.S.C. § 2503 apply to any "money order, traveler's check, or other similar written instrument (other than a third party bank check) on which a banking or financial organization or a business association is directly liable." I understand that MoneyGram escheats Retail Money Orders to the states in which the Retail Money Orders were purchased pursuant to that statute. Likewise, MoneyGram escheats Agent Check Money Orders sold through its Official Check Program to the states in which the Agent Check Money Orders were purchased pursuant to that statute. In my opinion, the products that MoneyGram labels as Agent Checks and Teller's Checks sold through its Official Check program share the same relevant characteristics as Retail Money Orders and Agent Check Money Orders for the purposes of the Federal Disposition Act.

27. In determining whether MoneyGram Agent Checks and Teller's Checks share the same relevant characteristics as traveler's checks or money orders more generally, I consider the similarities between traveler's checks and money orders that make them subject to the statute. For example, different types of instruments may be similar with respect to the purposes for which they are used or the process of issuance, but not similar with respect to the amounts in which they are typically issued or with respect to the ability of the purchaser of the instrument to stop payment.

28. MoneyGram Agent Checks and Teller's Checks are issued through a similar process as traveler's checks and money orders. In each case, the purchaser obtains the instrument by prepaying the seller the amount in which the instrument is issued plus any fee. In turn, in each case if the seller of the instrument is different from the issuer (as is true for MoneyGram instruments and some traveler's checks and money orders), the seller remits the face amount of the instrument to the issuer and provides information concerning the sale to the issuer. That information includes the date of sale, the amount, the serial number of the instrument, and the seller identification, which may include location of sale information. It does not include customer information.

29. In addition, MoneyGram Agent Checks and Teller's Checks are similar to traveler's checks and money orders in that MoneyGram is unaware of the identity or specific address of the purchaser, just as the non-seller issuer of a traveler's check or money order would generally be unaware of the identity of the purchaser. *See*

Deposition of Kate Petrick (“Petrick”) at 208. The purchaser, in turn, is unaware of when or whether a traveler’s check, money order, or MoneyGram instrument is presented for payment; that is because the purchaser has prepaid for all such instruments and the account that that is debited when the instrument is presented for payment is not an account of the purchaser.

30. MoneyGram Agent Checks and Teller’s Checks are also similar to traveler’s checks and money orders in the sense that, like the latter products, they are typically used in place of a personal check. That may be because the purchaser is a person who does not have a personal checking account or because the payee of the check prefers the security of receiving an instrument on which a bank or well-known business association is liable.

31. Primarily, however, MoneyGram Agent Checks and Teller’s Checks are similar to traveler’s checks and money orders for purposes of 12 U.S.C. § 2503 because those MoneyGram instruments are “similar” in respect of the characteristics of instruments with which Congress was concerned when it enacted the Federal Disposition Act.

32. The allocation of funds represented by abandoned instruments under 12 U.S.C. § 2503 depends on the information on the holder’s books and records concerning the state in which the instrument was purchased. If the holder’s books and records reveal that information, funds representing abandoned instruments escheat to the state of purchase. Only if that information is not available on the books or records of the financial organization or business association that is the holder of

those proceeds is that entity entitled to escheat the funds represented by abandoned instruments to its state of incorporation.

33. Congress made the place of purchase the determining factor based on its findings that the books and records of banking and financial organizations and business associations engaged in issuing and selling money orders and traveler's checks do not, as a matter of business practice, show the last known addresses of purchasers of such instruments, but that a substantial majority of such purchasers reside in the states where such instruments are purchased. 12 U.S.C. §§ 2501(1), (2). Congress further found and declared that the states wherein the purchasers of money orders and traveler's checks reside should, as a matter of equity among the several states, be entitled to the proceeds of such instruments in the event of abandonment, and that the failure to distribute the proceeds of such instruments to the states entitled thereto created a burden on interstate commerce. 12 U.S.C. §§ 2501(3), (4). Finally, Congress found that, because most purchasers reside in the state of purchase of such instruments, the cost of maintaining and retrieving addresses of purchasers of these instruments in order to achieve the proper equitable distribution of proceeds in the event of abandonment would constitute an additional burden on interstate commerce. 12 U.S.C. § 2501(5).

34. In light of these Congressional findings and purposes, the relevant characteristics of an instrument for purposes of 12 U.S.C. § 2503 involve not only similarities to money orders and traveler's checks in issuance or use, but also similarities with respect to whether sellers and holders of funds generated by the sale

of the instruments, as a matter of business practice, are likely to retain or report the addresses of the purchasers or any other information about the purchasers and thus are in a position to effect the equitable distribution of those proceeds that Congress desired. In addition, given Congress's presumption that the purchasers of money orders and traveler's checks are residents of the state in which the instrument is purchased, a "similar instrument" would also be likely to have been purchased in the purchaser's state of residence.

35. That is consistent with the legislative history of the Federal Disposition Act. The Report of the Senate Committee that analyzed and proposed the bill that became that Act contains a letter from Arthur Burns, then-Chair of the Federal Reserve Board. Chairman Burns recognized that the objective of the bill was to correct what he called the "obvious inequity" of allowing escheat of proceeds represented by money orders and traveler's checks to the debtor's corporate domicile in the event that the creditor's (purchaser's) address was unknown. The inequity arose in the case of money orders and traveler's checks because the holders of funds in those transactions typically did not record the address of the creditor (purchaser). Indeed, Chairman Burns recommended changing the initial bill from making escheat depend on the state of issuance to the state of purchase. He noted that, at least in the case of traveler's checks, the instruments were sold by banks locally although most of them were "issued" by a few organizations and banks. Thus, the equitable distribution of abandoned proceeds would be frustrated if the state of incorporation of the "issuing" entity, rather than the state of purchase, could receive the unclaimed

proceeds of traveler's checks. Chairman Burns's proposed amendment to the statutory language, therefore, was intended to ensure that escheat of prepaid instruments, the sale of which generated funds held until the instrument was presented for payment, should occur to the state of purchase, as long as the holder of the proceeds of the instrument had information about that location within its records.

36. MoneyGram Teller's Checks and Agent Checks are similar to traveler's checks and money orders in that each of these instruments is "purchased" by a remitter from a financial or business association rather than issued by a customer from the customer's personal checking account. As I have indicated above, as a matter of business practice, the contractual arrangements between MoneyGram and its customers who sell Agent Checks and Teller's Checks require the customers to report to MoneyGram information concerning those instruments within one day of their sale. As I have also noted above, the required information may allow MoneyGram to determine the location of purchase. But MoneyGram does not receive the address of the purchaser or any other information about the purchaser.

37. I understand that MoneyGram currently escheats funds represented by abandoned Agent Check Money Orders to the state of purchase. Because MoneyGram's contractual arrangements with its financial institution customers provide that Agent Check Money Orders are governed by the same operational rules that apply to Agent Checks and Teller's Checks, the same information is reported to MoneyGram with respect to each of these products. Moreover, each of these products is issued through the similar process of prepayment by purchasers in amounts

imprinted on the face of the instruments, and remission of those amounts to MoneyGram, which holds the funds in the same commingled investment account until the instruments are presented for payment or until escheat to the state is required. The fact that MoneyGram has sufficient information to escheat funds represented by abandoned Agent Check Money Orders to the state of purchase suggests that it has similar information and capacity with respect to its Agent Checks and Teller's Checks. Thus, MoneyGram Agent Checks and Teller's Checks share the same relevant characteristics as its Agent Check Money Orders for purposes of 12 U.S.C. § 2503.

38. Indeed, I understand that, although MoneyGram currently escheats funds represented by abandoned Agent Check Money Orders to the state of purchase, it escheats funds represented by abandoned Agent Checks to the State of Delaware. As I have noted above, MoneyGram Agent Check Money Orders are interchangeable with MoneyGram Agent Checks at the election of the selling bank if that bank has contracted with MoneyGram to sell both instruments. The primary distinctions between these instruments—which, again, similarly consist of prepaid instruments for which MoneyGram holds the funds generated by purchase—involves the designation as a “money order” on the form where the institution prefers to use an Agent Check Money Order. There does not appear to be any difference at all between the two with respect to the capacity of MoneyGram to detect the location at which the instrument was purchased. Nor does there appear to be any material difference in the function of these instruments from a perspective of their use for payments or from

their use as negotiable instruments. The interchangeability of Agent Check Money Orders and Agent Checks thus also indicates that the two are “similar” for purposes of 12 U.S.C. § 2503.

39. In addition, given the presumption that Congress created based on its findings that money orders and traveler’s checks were purchased in the purchaser’s state of residence, I note that MoneyGram has stated that funds used to purchase one of its Teller’s Checks will tend to be taken from the purchaser’s bank account. *See Yingst* at 138. It is a reasonable assumption that the purchaser of a MoneyGram Teller’s Check maintains its bank account from which the funds for the instrument will be drawn in the purchaser’s state of residence. I conclude, therefore, that the Congressional presumption is equally appropriate for MoneyGram Teller’s Checks.

40. MoneyGram has also stated that financial institutions typically issue MoneyGram Agent Check Money Orders only to their own customers and that payment for MoneyGram Agent Check Money Orders sold by a financial institution will tend to be made from the purchaser’s account at the financial institution. *See Yingst* at 90, 119. Again, it is a reasonable assumption that the purchaser of a MoneyGram Agent Check Money Order maintains its bank account from which the funds for the instrument will be drawn in the purchaser’s state of residence. I conclude, therefore, that the Congressional presumption is equally appropriate for MoneyGram Agent Check Money Orders.

41. Moreover, as I have noted above, MoneyGram Agent Checks are interchangeable with MoneyGram Agent Check Money Orders. *See supra*

Paragraphs 22, 38; Yingst at 238-239, 251, 254-255. I assume, therefore, that financial institutions also typically issue MoneyGram Agent Checks only to their own customers and that payment for MoneyGram Agent Checks sold by a financial institution will tend to be made from the purchaser's account at the financial institution. Again, it is a reasonable assumption that the purchaser of a MoneyGram Agent Check maintains its bank account from which the funds for the instrument will be drawn in the purchaser's state of residence. I conclude, therefore, that the Congressional presumption is equally appropriate for MoneyGram Agent Checks.

42. Thus, consistent with Congress's findings that states wherein the purchasers of money orders and traveler's checks reside were entitled to the proceeds of those abandoned instruments, and that the states of purchase were likely to be the states of purchaser residence, I conclude that instruments about which MoneyGram obtains and retains the records of purchase as a matter of business practice share the same relevant characteristics as traveler's checks and money orders for the purposes of the Federal Disposition Act. In addition, given the place of purchase information that MoneyGram receives as a result of its contractual arrangements and business practices, in my opinion MoneyGram Agent Checks and Teller's Checks share the same relevant characteristics as traveler's checks and money orders for the purposes of the Federal Disposition Act.

43. MoneyGram Teller's Checks are dissimilar from its Agent Checks in that a bank is designated as the drawer on the former, while MoneyGram is designated as the drawer on the latter. Teller's Checks also vary from Agent Checks

in that the former are subject to Regulation D of the Federal Reserve Board, while the latter are not. Finally, as I have noted above, Teller's Checks are different from Agent Checks and Agent Check Money Orders in that only Teller's Checks are subject to next-day availability. But, in my opinion, none of these distinctions implicate whether, or the way in which, information concerning the purchase is conveyed to MoneyGram. For example, while next-day availability may cause purchasers or payees of Teller's Checks to favor them over Agent Checks, next-day availability is not an important distinction for purposes of the Federal Disposition Act. Next-day availability affects only the timing of the use of funds by a depositor, not the information concerning the purchaser or the place of purchase on which Congress focused. Indeed, the Federal Disposition Act was enacted prior to the Expedited Funds Availability Act, so next-day availability could not have been a factor on which Congress was defining "similar written instrument[s]" under the Federal Disposition Act.

44. In addition, consistent with Congress's findings regarding the typical case with respect to the sellers or issuers of traveler's checks and money orders, MoneyGram does not collect information on the residence of purchasers of its Retail Money Orders, Agent Check Money Orders, Agent Checks, or Teller's Checks. Indeed, obtaining that information with respect to MoneyGram instruments would require MoneyGram or its financial institution customer to incur the very costs of maintaining and retrieving addresses of purchasers that Congress indicated it did not want issuers or sellers of traveler's checks to incur. As Congress stated in 12

U.S.C. § 2501, it incorporated the presumption that place of purchase was the place of the purchaser's residence because a requirement of recording and maintaining the purchaser's residence would impose costs that burden interstate commerce.

IV. MoneyGram Teller's Checks and Agent Checks are not "Third Party Bank Checks" for Purposes of the Federal Disposition Act.

45. The requirements of 12 U.S.C. § 2503 do not apply to a "third party bank check." The term "third party bank check" is not defined in the statute. In my opinion, the term has no clear meaning and is not widely used in the law or practice of payment systems. There are a few potential meanings that I describe below. However, none of those potential meanings of the term apply to MoneyGram Agent Checks or Teller's Checks given those instruments' characteristics.

46. The legislative history of the Federal Disposition Act, which is quite sparse, does not provide significant guidance on the meaning of the term "third party bank check." The original version of the bill that became 12 U.S.C. § 2503 did not contain the exception for "third party bank checks." The Report of the Senate Committee that reviewed the bill added the relevant language. It apparently did so because the General Counsel of the Treasury issued a letter of November 1, 1973 in which he contended that

The introductory language of section 2 could be interpreted to cover third party payment bank checks since it refers to a "money order, traveler's check, or similar written instrument on which a bank or financial organization or business association is directly liable." It is recommended that this ambiguity be cured by defining these terms to exclude third party payment bank checks.

S. Rep. No. 93-505 at 5.

47. The letter from the General Counsel did not further indicate what he meant by “third party payment bank checks” or why it was problematic to include them within the bill that became 12 U.S.C. § 2503. Nor did the Report of the Senate Committee elaborate on the language in the letter. The Report of the Senate Committee noted only that it had “adopted the technical suggestions of the Department of the Treasury.” S. Rep. No. 93-505 at 6. It is noteworthy, moreover, that whatever the General Counsel of the Treasury meant when he proposed to exclude a “third party payment bank check” from the Federal Disposition Act, the language inserted into the statute was, in fact, different, i.e., “third party bank check.”

48. I am aware of only one judicial decision that has construed the term “third party bank check.” That case, *U.S. v. Thwaites Place Associates*, 548 F. Supp. 94 (S.D.N.Y. 1982), involved the auction of foreclosed property by the United States Marshal. The terms of the auction required the successful bidder to pay by cash or certified check made payable to U.S. Treasury or the U.S. Marshal. A bidder sought to pay with two “bank checks” that were payable to another person and that the bidder desired to have indorsed to the U.S. Treasury or the U.S. Marshal. Consistent with business usage, the court equated “bank check” with a check “issued by a bank.” 584 F. Supp. at 97. Throughout the opinion, the court refers interchangeably to the bank checks at issue as “third party checks,” “a doubly indorsed check,” and “third party bank checks.” Thus, the court used the term “third party bank check” to mean

a check drawn that the original payee transfers to another payee and that happens to be a bank check.

49. In my opinion, the use of the term “third party bank check” in the *Thwaites Place Associates* case to mean a bank check (a check issued by a bank and drawn on a bank) that has been indorsed by the original payee to a new indorsee is the most natural reading of “third party bank check.” The phrase “third party check” is a common term that refers to a check that has been indorsed by the original payee and transferred to a third party. This terminology was used at the time of the enactment of the Federal Disposition Act. *See, e.g., Von Gohren v. Pacific Nat. Bank of Washington*, 505 P.2d 467 (Wash. Ct. App. 1973).

50. A “bank check” is commonly understood to mean a check that is both drawn on a bank and by a bank. If the drawer and drawee are the same bank, the bank check is a cashier’s check. If the drawer and the drawee are different banks, then the bank check is a teller’s check.

51. The term “bank check” has also been used more generally to mean any check drawn on a bank, including checks drawn on personal or business checking accounts. *See, e.g., JOHN EDSON BRADY, THE LAW OF BANK CHECKS 1-6* (2d ed. 1926).

52. Indeed, the edition of Brady’s treatise on *The Law of Bank Checks* (a leading treatise on payment systems since its first edition in 1916) that was current at the time that the Federal Disposition Act was enacted specifically noted that “the term ‘bank check’ as used in this volume is, unless the context specifies otherwise, interchangeable with the term ‘check’ and does not necessarily denote a direct bank

obligation, such as a cashier's check, certified check, or bank draft." HENRY J. BAILEY, THE LAW OF BANK CHECKS 1 n.1 (4th ed. 1969). It is plausible that the author retained this usage because the treatise he was editing had wide acceptance and retaining the existing title may have had value, even if the term "bank check" to refer to any check drawn on a bank had become redundant. But the footnote would have been unnecessary unless the term "bank check" would otherwise have been understood to refer only to checks on which a bank was directly liable.

53. Because a "third party check" was commonly understood in the 1970s to refer to a check indorsed by the payee to another person, and a "bank check" was commonly understood to refer to a check drawn by and on a bank, in the absence of a clear alternative definition, it is natural to conclude that a third party bank check is a check drawn by and on a bank, but that the original payee has indorsed to another person.

54. It is plausible that "third party bank check" as used in 12 U.S.C. § 2503 means a personal check, that is, any personal draft drawn on a bank. While, as I have noted above, that construction may entail some redundancy, it is an apt description of a personal check in that all checks have three parties, a drawer, a payee, and a drawee, and Congress may have been attempting to distinguish between drafts drawn on banks and drafts (such as documentary drafts, which may be drafts that a seller of commodities draws on a buyer) not drawn on banks. Congress might, for example, have wanted to exempt from otherwise applicable escheatment rules

personal checks that the drawer had issued but that had not been presented for payment.⁴

55. Alternatively, the term “third party bank check” could mean any check indorsed by the original payee to a new indorsee, i.e., any check indorsed over to a “third party,” regardless of whether it was a bank check.

56. In my opinion, other sources provide very little information about the meaning that Congress may intended when it used the term “third party bank check.”

57. A statute of the State of Washington contains the language “third party bank check” and provides a definition of that term. *See* Wash. Rev. Code 63.29.010(17). That provision defines a “third party bank check” as “any instrument drawn against a customer’s account with a banking organization or financial organization on which the banking organization or financial organization is only secondarily liable.” To my knowledge, there have been no cases construing the statutory definition since its enactment in 1983.

58. In my opinion, the Washington statutory definition of “third party bank check” provides little assistance in construing the same term under 12 U.S.C. § 2503. Not only does the statute post-date the enactment of 12 U.S.C. § 2503, but the Washington definition is confusing, if not self-contradictory. The Washington definition appears to apply when a relevant banking organization is a drawee,

⁴ While this construction may be thought to be unlikely since the statute refers to instruments that have been “purchased,” and one does not think of personal checks as being purchased, it is worthwhile to recall that the earlier version of the bill that became the Federal Disposition Act used the term “issued” rather than “purchased.” It is plausible that when Congress added the exception for “third party bank checks” and also substituted “purchased” for “issued,” it failed to consider the anomaly created by the simultaneous changes.

because it applies when the relevant instrument is “drawn against” a customer’s account with such an organization. But it also applies only when the financial organization is only “secondarily liable” on the instrument. That language, which dates from 1983, appears to incorporate the provisions of Article 3 of the Uniform Commercial Code that were in effect prior to promulgation of the revision of Article 3 in 1990. The pre-revision version, in effect in Washington in 1983, defined a “secondary party” as “a drawer or indorser.” *See* Pre-Revision U.C.C. § 3-102(1)(d) (1972). Those parties were deemed to be “secondarily liable” because a draft, such as a check, is supposed to be paid by the drawee, not by the drawer or indorser. Only on dishonor of the draft by the drawee is there a right against the drawer or indorser. *See id.* §§ 3-413, 3-414. However, the drawee itself is not “secondarily liable.” Indeed, the drawee is not liable on an instrument at all until it “accepts” the instrument. *Id.* §§ 3-409(1), 3-410. At that point the drawee becomes primarily liable on the instrument. In other words, a bank acting solely as drawee has either primary liability or no liability; it cannot be secondarily liable.

59. Revised Article 3 eliminated the language of secondary liability. Nevertheless, it retained the concepts inherent in that language. Drawees do not have liability until they accept an item, and drawers have liability only when the drawee dishonors the instrument. *See* U.C.C. § 3-408, 3-414. Thus, the scenario described in the Washington statute, i.e., that there is a banking organization that 1) is the drawee (because the relevant instrument must be “drawn against a customer’s account with” the banking organization), and 2) is “only secondarily liable” will not

actually occur. As a result, the definition in the Washington statute of a “third party bank check” as an instrument drawn on a financial institution on which that institution is only secondarily liable does not make sense and cannot be assumed to reflect what Congress meant when it used the term in a statute a decade earlier.

60. It is, of course, possible that a banking organization could be a drawer as well and thus have secondary liability even though it is also a drawee. That would be the case if the banking organization issues a cashier’s check drawn on itself. But that case seems to be outside the scope of the Washington statute. That statute defines a “third party bank check” in terms of an instrument that is 1) drawn on a banking organization, where 2) that banking organization is “only” secondarily liable. In the case of a cashier’s check, the issuing bank is generally liable for the amount of the instrument according to its terms when issued. It would not be “only” secondarily liable. *See* U.C.C. § 3-412. As a result, I admit to confusion concerning the meaning and scope of the Washington definition of “third party bank check” and do not find it useful for purposes of construing 12 U.S.C. § 2503. I have reviewed the legislative history of the Washington statute and have not found anything therein that affects my analysis.

61. I understand that Delaware has previously argued that the most natural reading of the term “third party bank check,” i.e., a check that is a bank check and that has been indorsed by the payee to a new indorsee, is not the definition that should apply to 12 U.S.C. § 2503. That is because, according to Delaware, the objective of that statute is to allocate the escheatment of funds in a manner that takes

into account the information that is likely available to the holder of the funds concerning the escheated instrument. Delaware contends that the holder would not have information about whether a check, bank check or otherwise, has been transferred by the original payee. The holder would only obtain that information once the check was presented for payment, at which time the check is no longer unclaimed. Thus, Delaware contends that reading the term “third party bank check” in accordance with what, in my opinion, is its most natural reading, would be inconsistent with the statute’s purpose.

62. I am not persuaded by Delaware’s argument, primarily because, as I have indicated above, there is no alternative obvious or rational interpretation. Moreover, I reiterate that the language of 12 U.S.C. § 2503 varies from language in the letter that the Senate Committee purported to be implementing, i.e., “third party payment bank check,” a term for which I have found no allusion or interpretation in any judicial decision or legislation. Thus, it is plausible that Congress was, in fact, simply misguided in its use of language in the statute and/or was unclear about its own intentions.

63. I understand that Delaware has also contended that “third party bank check” means a teller’s check. In my opinion, this is incorrect. If what Congress meant by excluding a “third party bank check” was to exclude a teller’s check from the reach of 12 U.S.C. § 2503, one would think that Congress would have used a more specific and familiar term to accomplish that purpose. Both the term “teller’s check” and “bank draft” were commonly understood in 1973 to mean a draft drawn by one

financial institution on another institution. *See, e.g., Perry v. West*, 266 A.2d 849 (N.H. 1970) (stating that a “bank draft” is a draft drawn by one bank upon its deposits at another bank); *Manhattan Imported Cars, Inc. v. Dime Sav. Bank of New York*, 355 N.Y.S.2d 356 (N.Y. App. Term 1st Dept. 1972); *Levin v. Union National Bank of Westminster*, 168 A.2d 889 (Md. 1961); HENRY J. BAILEY, *THE LAW OF BANK CHECKS* 34, 405-406 (4th ed. 1969).

64. Moreover, there would be little reason for Congress to have excluded teller’s checks from 12 U.S.C. § 2503. Because banks can be issuers or holders of funds who are liable for escheatment on traveler’s checks or money orders, which clearly are included in 12 U.S.C. § 2503, it would make little sense to exclude other instruments, such as teller’s checks, solely on the grounds that banks are liable on them.

65. As I have noted above, the Congressional purpose of the Federal Disposition Act is set forth in 12 U.S.C. § 2501. That provision indicates that the purpose of the Act was to create an equitable allocation of the abandoned proceeds of instruments such as traveler’s checks and money orders, taking into account 1) that the books and records of banking and financial organizations and business associations that issue and sell those instruments typically do not show the last known addresses of purchasers of such instruments, and 2) a presumption that a substantial majority of purchasers of such instruments reside in the states where such instruments are purchased.

66. I have noted above that the purpose of the Federal Disposition Act is relevant to determining what are the relevant characteristics of an instrument that would subject it to 12 U.S.C. § 2503. In my opinion, those characteristics are also relevant to resolve the ambiguity in the definition of a “third party bank check” that is excluded from the escheatment provisions of the statute. That is, the term “third party bank check” does not make sense to the extent that it excludes from 12 U.S.C. § 2503 escheatment rules instruments for which the holders of abandoned funds maintain “place of purchase” information in their records as a matter of business practice. That is because those are the very types of instruments for which Congress desired to make this legislation applicable to ensure equitable distribution of abandoned proceeds.

A. MoneyGram Instruments Designated as Agent Checks Are Not Third Party Bank Checks, Even Accepting Delaware’s Previously Articulated Definition of the Term.

67. Even if “third party bank check” did mean a teller’s check, the instruments issued by MoneyGram do not necessarily qualify as teller’s checks. Delaware defines a teller’s check as a check that is “drawn by a bank (i) on another bank, or (ii) payable at or through a bank.” See E-mail from Caroline Cross to Michael Rato (Oct. 12, 2015, MG0002494-MG0002496). That is also the definition of a teller’s check in the Uniform Commercial Code. See UCC § 3-104(h).

68. In my opinion, MoneyGram Agent Checks are not bank checks at all and certainly are not teller’s checks (which are a type of bank check, as described above). Therefore, they cannot be “third party bank checks” for purposes of 12 U.S.C. § 2503.

I reach that conclusion because Agent Checks denominate MoneyGram as the “drawer” of the check, and MoneyGram is not a bank. On some specimens, the preprinted specimens designate the party in the upper left hand corner, typically reserved for the name of the drawer, as “agent,” presumably as agent for MoneyGram. Thus, these checks do not even nominally designate a bank as a drawer. As MoneyGram’s contract with its financial institution customers states, “Financial Institution is not a party to Agent Checks even though its name may appear on the Agent Checks.” Yingst Ex. 15 clause 3. Again, in my opinion, at the time that the Federal Disposition Act was enacted, the common understanding of a bank check was that it was a check drawn by a bank on a bank.

69. Where a MoneyGram Agent Check designates the selling bank as an “agent,” that agent bank bears no drawer liability on the check, even if the designated agent is a bank. That is because the agent bank purports to be signing in a representative capacity as agent and the check shows unambiguously that it is made on behalf of MoneyGram, the principal, who is identified on the instrument. In such a situation, UCC § 3-402(b)(1) provides that the agent bears no liability on the instrument. *See also* Yingst at 164-166. Thus, the true drawer of the Agent Check, both nominally and functionally, is MoneyGram. Because Agent Checks are not drawn by a bank at all, they represent the clearest examples of instruments created by MoneyGram that do not qualify as teller’s checks or bank checks because they indicate clearly that the drawer is not a bank.

B. MoneyGram Instruments Designated as Teller's Checks Are Not Third Party Bank Checks, Even Accepting Delaware's Previously Articulated Definition of the Term.

70. Instruments designated by MoneyGram as a "Teller's Check" also should not be considered as "third party bank checks" for purposes of 12 U.S.C. § 2503, even assuming for the sake of argument that teller's checks were for some reason excluded from the statute as "third party bank checks." MoneyGram Teller's Checks designate a bank as a drawee, designate a bank as a drawer, and designate MoneyGram as the "issuer." *See, e.g.,* Yingst Ex. 6. Under the Uniform Commercial Code, however, an "issuer" is also a drawer of a check. There is no difference between the two terms for purposes of a check. *See* UCC § 3-105(c) ("Issuer' applies to issued and unissued instruments and means a maker or drawer of an instrument."). As a consequence, there are two drawers on MoneyGram Teller's Checks, one of which is a bank and one of which is not a bank.

71. I have not discovered any cases that deal with the issue of whether a check that has two drawers, one of which is a bank and one of which is not, can qualify as a bank check or as a teller's check. In my opinion, it should not be so considered at least with respect to Teller's Checks that are drawn by MoneyGram.

72. I reach that conclusion because as a functional matter, the nominal drawer bank with respect to such instruments serves solely as an agent for MoneyGram. Indeed, the contract between MoneyGram and its financial institution customers recites that "MoneyGram hereby appoints Financial Institution as its limited agent and authorized delegate for the sole purpose of using and selling the

Products as set forth in this Agreement; and Financial Institution hereby accepts this appointment.” Yingst Ex. 15 clause 5. The “Products” under that agreement include any Agent Checks, Agent Check Money Orders, cashier’s checks and Teller’s Checks that the financial institution has elected to have provided by MoneyGram. Yingst Ex. 15 clause 2.

73. In addition, examination of the functional manner in which MoneyGram “Teller’s Checks” operate indicates that the nominal “drawer” bank is acting as an agent of MoneyGram rather than in the traditional role of a bank drawer. Traditionally, the bank designated as the “drawer” of a teller’s check maintains an account with the drawee bank, and that account is debited when the drawee pays a check drawn from the account of the drawer. Alternatively, a teller’s check may be drawn on a nonbank, but be payable at or through a bank. In the latter case, that bank typically collects the amount of the teller’s check from the drawer bank.

74. MoneyGram Teller’s Checks work very differently. The selling institution that is denominated as the “drawer” on the Teller’s Check sends to MoneyGram the funds that are received in return for the Teller’s Check. When the payee on the Teller’s Check deposits it into the payee’s account, the depositary bank forwards the check to the bank denominated as the drawee on the check. That bank, however, does not debit an account of the bank denominated as the drawer on the instrument. Instead, the nominal drawee is MoneyGram’s clearing bank, which pays the item. MoneyGram provides funds in the amount of the presented items to the clearing bank in accordance with a contract between those two institutions. Thus,

once the nominal “drawer” issues the instrument, it plays no role whatsoever in the check collection, payment, or escheatment process.

75. This agency relationship is made clear in the contracts between MoneyGram and the financial institutions that sell its Teller’s Checks. Under those contracts, a financial institution that sells a MoneyGram Teller’s Check holds the funds received in exchange for those items in trust for MoneyGram until it sends the funds to MoneyGram. *See* Yingst Ex. 15 clause 7(A). Unlike the typical case of a teller’s check, therefore, the funds received by the seller of a MoneyGram Teller’s Check do not become general funds of the financial institution that sells the instrument.

76. In addition, under its contract with its financial institution customers, MoneyGram, not the financial institution, maintains copies of both sides of a check that has been presented for payment. Yingst Ex. 15 clause 18. MoneyGram, not the financial institution, is responsible for unclaimed property related to MoneyGram instruments other than cashier’s checks. Yingst Ex. 15 clause 19. The financial institution agrees broadly to follow “all of MoneyGram’s reasonable instructions relating to this agreement,” and MoneyGram “may change the instructions from time to time.” Yingst Ex. 15 clause 31 (A).

77. The effect of those provisions is to transform the nominal drawer on a MoneyGram Teller’s Check into an agent of MoneyGram that essentially plays no role other than to sell checks on behalf of MoneyGram and send the proceeds to MoneyGram. Thus, as a functional matter, MoneyGram Teller’s Checks operate

identically to MoneyGram instruments denominated as Agent Checks and Agent Check Money Orders. The relationships between MoneyGram and its financial institution customers are governed by the same contractual provisions with respect to both Agent Checks and Teller's Checks. In both cases, a customer of the seller of the instrument purchases the instrument from the seller bank, not from MoneyGram. In both cases, the seller remits the proceeds of the sale to MoneyGram and conveys to MoneyGram the information relevant to its purchase. Prior to the time that the funds are transferred to MoneyGram the seller of both instruments holds those funds in trust for MoneyGram. In both cases, the seller of the instrument has no further responsibilities towards the instrument once it has been sold and the proceeds have been remitted to MoneyGram.

78. As I have noted above, MoneyGram Agent Checks cannot be considered to be bank checks or teller's checks, even if the latter qualify for the exclusion in 12 U.S.C. § 2503. In my opinion, the same conclusion should apply to MoneyGram Teller's Checks in which the nominal drawer is the functional equivalent of the designated agent financial institution on a MoneyGram Agent Check.

79. The fact that a bank is the nominal drawer on a MoneyGram Teller's Check may have significance in some settings. For example, I understand that funds represented by a MoneyGram instrument designated as a "Teller's Check" may have next-day availability under Regulation CC of the Federal Reserve Board, while funds represented by a MoneyGram instrument designated as an "Agent Check" may not. Additionally, a bank that is the nominal drawee of a Teller's Check may have to

account for the item under Federal Reserve Board Regulation D. I offer no opinion on those issues. But in my opinion, the fact that a bank is nominally designated as drawer on an instrument drawn on another bank and designated as a teller's check does not necessarily mean that the check qualifies as a "third party bank check" for purposes of 12 U.S.C. § 2503, even if other teller's checks qualify for that term. That is because the purpose of 12 U.S.C. § 2503 is to ensure equitable allocation of the funds attributable to abandoned items in accordance with information about the state of purchase. If, as an operational matter, that information is not held by the seller of the teller's check who is designated as the nominal drawer, but is held by MoneyGram, then excluding the instrument from the allocation rules of 12 U.S.C. § 2503—notwithstanding MoneyGram's possession of the relevant purchase information—defeats the objectives for which Congress enacted the Federal Disposition Act.

80. Nor do MoneyGram Teller's Checks operate like traditional teller's checks from the drawee's perspective. The nominal drawee serves solely as a clearing bank for obligations assumed by MoneyGram. Nor does the nominal drawee of the MoneyGram instrument, the clearing bank, pay a MoneyGram instrument by debiting a nominal drawer's account. *See* Yingst at 53-55. Instead, the clearing bank pays the Federal Reserve or a presenting bank for the item and MoneyGram separately provides funds relating to payment of the Teller's Checks directly to the clearing bank. Yingst at 279. Indeed, in documents generated by MoneyGram to explain its role in Teller's Check and Agent Check transactions to employees and

potential bank customers, MoneyGram holds itself out as the “drawee” on such items and refers to the clearing bank only parenthetically. *See Yingst Ex. 16; Yingst at 231-233.* In other words, although MoneyGram Teller’s Checks offered under its official program nominally designate a financial institution drawer and drawee, as a functional matter MoneyGram plays both those roles.

A handwritten signature in black ink, appearing to read "Clayton P. Gillette". The signature is stylized and cursive.

Dated: September 24, 2018

Clayton P. Gillette

Appendix A

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Max E. Greenberg Professor of Contract Law, New York University School of Law, 2002 – Present (teaching Contracts, Domestic and International Sales Law, Payment Systems, Local Government Law); Vice Dean (2004 – 2007).

Professor of Law, New York University School of Law, 2000-2002.

Perre Bowen Professor of Law, University of Virginia School of Law, 1992-2000.

John V. Ray Research Professor, University of Virginia School of Law, 1997-2000.

Caddell and Conwell Research Professor, University of Virginia School of Law, 1993-1996.

Professor of Law, Boston University School of Law, 1984-1992.

Associate Dean, Boston University School of Law, 1990-92.

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Associate Professor of Law, Boston University School of Law, 1978-1984.

Associate, Cleary, Gottlieb, Steen & Hamilton, New York City, 1976-78.

Law Clerk, Hon. J. Edward Lumbard, United States Court of Appeals, 1975-76.

Education

University of Michigan School of Law, J.D. magna cum laude, 1975.

Amherst College, B.A. magna cum laude, 1972.

Major Publications

Books

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Consultant, *Textron Financial Corp. and Land Finance Company* (negotiability by contract, special indorsements) 2003.

Consultant, Independence Plaza Tenants Association (testimony before New York City Council concerning validity of conversion protection bill) 2003.

Consultant and Expert Witness, *Bank of Oklahoma v. Safeway Inc.* (expert report with respect to liability on altered check) 2002-2003.

Consultant, State of Connecticut with regard to contracts between Enron Corporation and Connecticut Resource Recovery Authority, 2002-2003.

Consultant, City of Spokane, Litigation involving River Park Square Development, 2001-2003.

Consultant, Digital Commerce Committee, 2001-2002 (representation in NCCUSL hearings on

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Expert Witness, *Enfield Family Dental v. Webster Bank*, (affidavit testimony; check fraud) 2001.

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Speaker, Section on State and Local Government, Association of American Law Schools, 2000.

Expert Witness, *County of Orange, California v. McGraw-Hill, Inc.* (deposition testimony) 1998-99.

Consultant and Expert Witness (trial testimony), *Washington Electric Cooperative, Inc. v. MMWEC* (contract validity) 1997-98.

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Consultant and Expert Witness, *North Orange County Community College District v. LeBoeuf, Lamb, Greene & MacRae* (role of bond counsel) 1997-98.

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Speaker on State Law Developments, National Association of Bond Lawyers, Bond Attorneys Workshop, 1992-97, 2000-2004.

National Association of Bond Lawyers, Special Committee on Securities Law and Disclosure, 1993-94.

Reporter, ABA-TIPS Task Force on Initiatives and Referenda, 1991-1993.

Consultant, Administrative Conference of the United States, Federal Agency Valuations of Human Life, 1987-88.

Consultant and Expert Witness (deposition testimony), *In re New York City Housing Development Corporation Bond Redemption Litigation*, 1988.

Consultant and Expert Witness (trial testimony), Vermont Department of Public Service, *Vermont Dept. of Public Service v. MMWEC*, 1986.

Consultant and Expert Witness, *Chemical Bank v. WPPSS* and related federal securities litigation, (deposition testimony) 1982-85; 1988.

Member, ABA Subcommittee on Municipal Securities, Project on Role of Counsel in State and Local Government Securities, 1984-86.

Consultant, Plaintiffs' Management Committee, *In re "Agent Orange" Products Liability Litigation*, 1983-87.

Consultant, City of Boston, 1981.

Panelist, Practising Law Institute Seminars on Municipal Finance Law, 1980-92.

Exhibit T

SUPREME COURT OF THE UNITED STATES

DELAWARE, *Plaintiff,*

v.

Nos. 220145 & 220146 (Consolidated)

ARKANSAS, *et al., Defendants.*

October 24, 2018

REBUTTAL EXPERT REPORT OF CLAYTON P. GILLETTE

I, Clayton P. Gillette, provide this Rebuttal Report under Federal Rule of Civil Procedure 26(a)(2)(D)(ii) to assist the Court in its resolution of this matter and to respond to some of the contentions made in the Expert Report of Ronald Mann dated September 19, 2018 (the “Mann Report”).

1. Professor Mann’s first stated opinion is that “[n]either a bank nor MoneyGram is directly liable,” within the meaning of 12 U.S.C. § 2503, “on the MoneyGram official checks or MoneyGram money orders” evaluated in his report. (Mann Rep. ¶ 19(a).) This conclusion is based on his contention that the term “directly liable” as used in that statute is derived from the liability scheme for parties to negotiable instruments under Articles 3 and 4 of the Uniform Commercial Code (the “UCC”). (*See, e.g.*, Mann Rep. ¶¶ 22-28.) I disagree with that assumption. Professor Mann offers no support for his argument that “direct liability” is defined by, or has any particular meaning within, the UCC’s liability scheme. Indeed, the

term "directly liable" is not found with respect to the liability of drawers, indorsers, or drawees on instruments anywhere in Article 3 or in the Official Comments thereto.¹ Because the term "directly liability" is not utilized or defined in the relevant portions of the text of the UCC or applicable case law, and because equating the term with "unconditional liability" is inconsistent with the stated objectives of Federal Disposition Act,² I disagree with Professor Mann's conclusions that flow from what I view as this erroneous assumption.

2. Professor Mann notes that liability for parties on most check and check-like instruments under the UCC is conditional. Drawers are generally not liable on instruments until the instruments have been dishonored; drawees are generally not liable on instruments until the drawees have accepted them. The one exception involves a cashier's check, which Professor Mann notes imposes unconditional liability on the drawer/drawee on issuance. I do not dispute Professor Mann's statement of these basic principles of the liabilities of parties to instruments.

3. The UCC's liability scheme for parties to instruments, however, is not (and was not at the time of the enactment of the Federal Disposition Act) predicated on anything commonly called "direct liability" or "indirect liability." Nor were those terms used in the UCC to indicate conditional or unconditional liability. Instead, the

¹ Official Comment 4 to § 3-605 to the UCC uses the term "directly liable" in the context of guarantor liability, which is a completely distinct concept from the issue of liability on instruments on which Professor Mann bases his opinion.

² As I did in my initial report, I use the term "Federal Disposition Act" to refer to the Disposition of Abandoned Money Orders and Traveler's Checks Act, 12 U.S.C. § 2501, *et seq.*

principle of indirect liability described by Professor Mann was expressed by calling drawers "secondary parties," based on the understanding that they were liable only if the drawee dishonored an instrument. Pre-Revision U.C.C. § 3-102(1)(d) (1972) (defining "secondary party" as a drawer or indorser). Although the term "primarily liable" was not used with respect to drawees within the definitions of the UCC, both commentators and courts used the term to refer to the liability of those who were liable on issuance, such as issuers of cashier's checks, or drawees that had accepted checks and thus satisfied any condition to liability on the instrument. With rare exceptions, courts and commentators did not use the phrase "direct liability" as a synonym for "primary liability" in that context.³ When courts and commentators did use the term "direct liability" with respect to check-like instruments during the period when the Federal Disposition Act was being considered, they were addressing issues other than the liability of drawers, indorsers, or drawees on the instrument. For example, courts sometimes used the phrase "direct liability" when addressing whether a depository or collecting bank that transferred a check bearing a forged

³ I am aware of occasional, though infrequent, uses of the term "directly liable" in the manner used by Professor Mann. For example, in *Ward v. Federal Kemper Insurance Comany*, 489 A.2d 91 (Md. Ct. Spec. App. 1985), the court noted: "When the drawer draws a check on the drawee and delivers the check to the payee, the check ordinarily is regarded as only a conditional payment of the underlying obligation. . . . Until those conditions are met, no one is directly liable on the check itself. . . ." *Id.* at 95. I have also found pre-UCC cases that refer to certification of a check as a process that renders the certifying bank "directly liable" to the holder. *See, e.g., Gray v. First Nat'l Bank of Birmingham*, 80 So. 2d 528, 530 (Ala. 1955); *Dawson v. Nat'l Bank of Greenville*, 144 S.E. 833 (N.C. 1928). Because these cases constitute rare, if not unique, uses of the terms as used by Professor Mann or are not UCC cases at all, they do not affect my conclusion that the term "directly liable" lacks any specific or well-understood meaning within the UCC liability scheme.

indorsement was "directly liable" to the drawer. *See, e.g., Allied Concord Fin. Corp. v. Bank of America*, 80 Cal. Rptr. 622 (Cal. Ct. App. 1969); HENRY J. BAILEY, *THE LAW OF BANK CHECKS* 201 n.90 (4th ed. 1969). Other cases using the term involved the issue of whether a depository or collecting bank could become "directly liable" to a payee where the bank acted in bad faith. *See, e.g., Knesz v. Central Jersey Bank & Tr. Co.*, 477 A.2d 806 (N.J. 1984). Those issues involve liability under theories such as conversion for payment of a check under improper circumstances rather than the liability that a party to a check bears by virtue of its role on the check itself.

4. In contrast to the absence of the term "direct liability," during the period when the Federal Disposition Act was enacted, courts and commentators consistently referred to the liability of drawees who had accepted checks, so that any condition to liability had been satisfied, and to issuers of cashier's checks as being "primarily liable." *See, e.g.,* HENRY J. BAILEY, *THE LAW OF BANK CHECKS* 218 (4th ed. 1969) ("A person primarily liable is one who by the terms of the instrument is absolutely required to pay it; that is, the maker of a note or the acceptor of a draft or bill of exchange. A bank certifying a check becomes primarily liable and presentment is not necessary to charge the bank."); *Tepper By and Through Michelson v. Citizens Fed. Sav. & Loan Ass'n*, 448 So.2d 1138, 1140 (Fla. Dist. Ct. App. 1984) ("The act of accepting the instrument renders the drawee primarily liable as an acceptor. . . . A cashier's check is a check on which the issuing bank acts as both the drawer and the drawee. Its own act of issuance renders the bank a drawee who has accepted the draft; thus the issuing bank becomes primarily liable as an acceptor.") (citing J. White and

R. Summers, *Uniform Commercial Code* § 17-5 (2d ed. 1980)); *Society Nat'l Bank of Cleveland v. Capital Nat'l Bank*, 281 N.E.2d 563 (Ohio Ct. App. 1972) ("In issuing the cashier's checks, [issuing bank], rather than [remitter], became primarily liable on them."); *Santos v. First Nat'l State Bank of New Jersey*, 451 A.2d 401 (N.J. Super. Ct. App. Div. 1982) ("Timely presentment for payment is necessary to charge parties who are secondarily liable on an instrument. *N.J.S.A.* 12A:3-501. . . . However, presentment is not required to charge parties primarily liable, such as the maker of a note, acceptor of a draft, or a bank that certifies a check. . . . 3 *Anderson, Uniform Commercial Code* (2 ed. 1971)"); see also *Hackett v. Broadway Nat'l Bank*, 570 S.W.2d 184 (Tex. Civ. App. 1978) (dishonor of check satisfied conditions to drawer liability and thus rendered drawer "primarily liable").⁴

5. As I have noted above, courts and commentators who discussed the UCC at the time of the enactment of the Federal Disposition Act referred to parties to checks whose liability was subject to the satisfaction of conditions were referred to as "secondarily liable," not as parties with "indirect liability." See, e.g., HENRY J. BAILEY, *THE LAW OF BANK CHECKS* 218 (4th ed. 1969) ("On the other hand, the Code declares that, unless excused, presentment is necessary to charge secondary parties to an instrument such as the drawer and any indorser of a check."); *Tepper By and Through*

⁴ Some courts erroneously described the drawer as "primarily liable." See, e.g., *Shotts v. Pardi*, 483 S.W.2d 879, 881 (Tex. Civ. App. 1972) ("A drawer of a check is primarily liable. An indorser is secondarily liable."). Nevertheless, the important point is that even those courts used language of "primary" and "secondary" liability to describe the liability of parties on checks. They did not use the language of "direct" or "indirect" liability.

Michelson, 448 So.2d at 1140 (“The drawer, on the other hand, is only secondarily liable on the instrument, in that there are conditions precedent to liability. W. Hawkland, *Commercial Paper* 52 (2d ed. 1979).”).

6. When Article 3 of the UCC was revised in 1990, the terminology of “secondary” liability to define the responsibility of parties to the check was eliminated. But as with the prior version, revised Article 3 did not define (or otherwise refer to) the conditional or unconditional liability of parties to instruments as “direct” or “indirect.” Instead, Official Comment 4 to revised § 3-414 was changed to state: “The liability of the drawer of an unaccepted draft is treated as a primary liability. Under former Section 3-102(1)(d) the term ‘secondary liability’ was used to refer to a drawer or indorser. The quoted term is not used in revised Article 3.”

7. Professor Mann, however, equates unconditional liability under the UCC with the phrase “directly liable” as it is used in 12 U.S.C. § 2503. Similarly, he implies that those parties to instruments who have only conditional liability as set forth above must have “indirect liability,” and thus are outside the scope of 12 U.S.C. § 2503. For the reasons set forth above, it is my opinion that Professor Mann’s attempt to equate these terms is not supported by the UCC.

8. It is not surprising that Congress did not use either the terms or concepts of party liability under the UCC when it drafted 12 U.S.C. § 2503. The plain language of 12 U.S.C. § 2501 reveals that Congress was interested in the entirely different issue of equitably reporting and remitting the proceeds of certain unclaimed instruments. *See* 12 U.S.C. § 2501(3) (“[T]he States wherein the purchasers of money

orders and traveler's checks reside should, as a matter of equity among the several States, be entitled to the proceeds of such instruments in the event of abandonment."). Whether parties to instruments bear conditional or unconditional liability for payment of those instruments under the UCC is irrelevant to that objective. And stated above in Paragraph 3, the UCC does not equate direct liability with unconditional liability in any event.

9. There are additional reasons to reject the contention that Congress's use of the term "direct liability" in 12 U.S.C. § 2503 was derived from the UCC's liability scheme for parties to negotiable instruments. First, Professor Mann agrees that MoneyGram retail money orders and MoneyGram agent check money orders have no party who is "directly liable" as he uses the term. *See Mann Report* at ¶¶ 19(a), 38. Yet a money order was the quintessential instrument identified by Congress to exemplify the kind of instruments that it wanted covered by 12 U.S.C. § 2503. Thus, under Professor Mann's definition of the term "directly liable," Congress, according to Professor Mann, included only other instruments on which there was unconditional "direct," liability, even though Congress's primary example of a covered instrument did not possess that characteristic.

10. Second, given the clear and uncontroversial rationale of the Federal Disposition Act of ensuring equitable distribution of the proceeds from unclaimed property where 1) a holder's records allow identification of the location of purchase, and 2) it is appropriate to presume that the location of purchase is the location of the purchaser's residence, Professor Mann offers no explanation as to why Congress

would have applied the statute to cashier's checks, but not to teller's checks or other MoneyGram instruments as to which relevant records similarly exist and the Congressional presumption is similarly appropriate.

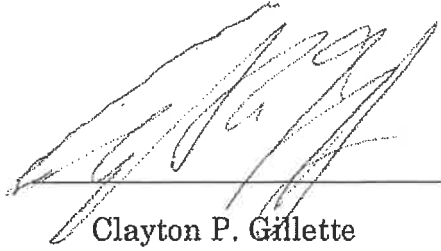
11. Professor Mann provides only one example—a cashier's check—of an instrument on which a party is “directly liable” under his definition of the term. (Mann Rep. ¶¶ 20, 28.) But if a cashier's check were the only instrument subject to the statute other than money orders and traveler's checks, then the statute would have been drafted quite differently. In the first instance, it would have been sufficient to say that covered instruments were “a money order, traveler's check, or a draft drawn by the drawer on itself.” There would have been no need to speak in terms of an “other similar written instrument (other than a third party bank check)” In the second instance, since a cashier's check is necessarily drawn on a bank, there would have been no need to speak of an instrument “on which a banking or financial organization or a business association is directly liable.” A business association could not be “directly liable” on an instrument as Professor Mann has defined it, since only a cashier's check qualifies, and a “business association” could not be the issuer or drawee of a cashier's check. *See* U.C.C. § 3-104(g) (defining a “cashier's check” as “a draft to which the drawer and drawee are the same *bank* or branches of the same *bank*”) (emphasis added). Thus, it makes sense to assume that the addition of the term “business association” was intended to capture situations in which a business association was a party to an instrument in some other capacity, such as being the drawer of the instrument – even though that meant the business association would

only be conditionally liable. It would have been unnecessary to use term "business association" to capture the situation in which a business association was the issuer of a traveler's check. The phrase "traveler's check" itself would have accomplished that, since a significant majority of traveler's checks were issued by business associations at the time. *See* Disposition of Abandoned Money Orders and Traveler's Checks, Sen. Report No. 93-505 at 3 (November 15, 1973) ("[T]here are five organizations supplying (issuing) most of the output of the travelers' check industry The largest organization, American Express, accounts for about two-thirds of the industry total; two nonbanking subsidiaries of large bank holding companies each control almost 15 per cent of that total. . . .").

12. If one did believe that Congress intended the applicability of 12 U.S.C. § 2503 to turn on principles of party liability under the UCC, it would have been anomalous for Congress to have distinguished between cashier's checks and teller's checks. Although, as a technical matter, cashier's checks do carry unconditional liability and teller's checks do not, the ultimate liability of issuers of both those instruments is equivalent. That is, both issuers of both cashier's checks and teller's checks bear exceptional and identical consequences in the event that they are wrongfully dishonored by the issuer of the cashier's check or the drawer of a teller's check. *See* U.C.C. § 3-411. That is because these instruments are typically viewed as being supported by the credit of a bank and failure to pay each would undermine confidence in checks issued by banks. Given their fungible objectives in commerce

and identical treatment in this regard, there is no clear reason for Congress to have distinguished between them for unclaimed property purposes.

Dated: October 24, 2018



Clayton P. Gillette

Exhibit U

1 SUPREME COURT OF THE UNITED STATES

2

3 Nos. 220145 & 220146 (Consolidated)

4 -----x

5 DELAWARE,

6 Plaintiff,

7 -against-

8 ARKANSAS, et al.,

9 Defendants.

10 -----x

11

12

13 VIDEOTAPED DEPOSITION

14 OF

15 CLAYTON P. GILLETTE

16 New York, New York

17 Wednesday, November 28, 2018

18

19

20

21

22

23 Reported by

24 Roberta Caiola

25

1 check dated 11-14-18, marked for 11:26
2 identification.) 11:26
3 BY MR. TALIAFERRO: 11:26
4 Q. Professor Gillette, I've handed you 11:27
5 Exhibit 139. Do you have that in front of you? 11:27
6 A. I do. 11:27
7 Q. This is a purchase record for an 11:27
8 American Express traveler's check. I'll 11:27
9 represent that it was a purchase made by an 11:27
10 associate in my law office on November 14, 2018. 11:27
11 Do you see that date recorded there? 11:27
12 A. I do. 11:27
13 Q. And on the right-hand side, if you turn 11:27
14 it at a 90-degree angle to the page, there's a 11:27
15 statement that says, "American Express copy 11:27
16 return with daily settlement." Do you see that? 11:27
17 A. I do. 11:27
18 Q. And do you see -- turning the page back 11:27
19 upright. Do you see lines for name, address, 11:27
20 city, state and zip code? 11:28
21 A. I do. 11:28
22 Q. You said that you've purchased a 11:28
23 traveler's check, but you didn't recall when the 11:28
24 last time that was, is that correct? 11:28
25 A. Yes. 11:28

1 Q. Do you recall filling out your name, 11:28
2 address, city and state when you purchased a 11:28
3 traveler's check? 11:28

4 A. I don't recall one way or the other. 11:28

5 Q. Do you have any reason to dispute that 11:28
6 my associate was asked to fill out her name, 11:28
7 address, city and state when she purchased these 11:28
8 traveler's checks on November 14, 2018? 11:28

9 MR. DISHER: Objection, foundation. 11:28

10 A. I do not. 11:28

11 Q. This document, at least as it sits 11:28
12 before you today, contains a statement that this 11:29
13 is American Express's copy and it should be 11:29
14 returned with the daily settlement, is that 11:29
15 correct? 11:29

16 MR. DISHER: Same objection. 11:29

17 A. I see those words on the -- on the form 11:29
18 you've given me. 11:29

19 Q. You mentioned your common understanding 11:29
20 of traveler's checks earlier. Do you have an 11:29
21 understanding of what is necessary to be provided 11:29
22 to American Express to make a claim for a stolen 11:29
23 traveler's check? 11:29

24 A. I am confident that the form would have 11:29
25 to be filled out. I do not know whether it would 11:30

1 have to be notarized or otherwise sworn. 11:30

2 Q. Does your common understanding include 11:30
3 a common understanding that a person who claims 11:30
4 to have had a traveler's check stolen needs to 11:30
5 demonstrate that they were the same person that 11:30
6 purchased the traveler's check? 11:30

7 A. I would imagine that would be the case. 11:30

8 Q. Do you have a common understanding of 11:30
9 what information would be needed to demonstrate 11:30
10 that the person who claims they have a traveler's 11:30
11 check stolen is the same person that purchased 11:30
12 the traveler's check? 11:30

13 A. My understanding would be you would 11:30
14 have to have some form of identification that 11:30
15 identified you as the purchaser of the traveler's 11:30
16 check. 11:31

17 Q. And that identification would have to 11:31
18 be tied to some record of American Express that 11:31
19 matches the identification that you provided, 11:31
20 correct? 11:31

21 A. I would expect that to be the case. 11:31

22 (Exhibit 140, Congressional Record - 11:31
23 Senate, dated May 29, 1973, marked for 11:32
24 identification.) 11:31

25 (Exhibit 141, Congressional Record - 11:31

1 anywhere in Article 3 or in the comments 15:27
2 thereto." 15:27

3 And that's -- I don't know if I'd call 15:27
4 that an opinion, but that's one of the statements 15:27
5 that you analyzed in this rebuttal report and the 15:27
6 implications thereof, right? 15:28

7 A. Yes. 15:28

8 Q. Then you go on to say that, because 15:28
9 directly liable is not utilized or defined in the 15:28
10 relevant portions of the text of the UCC or 15:28
11 applicable case law, and because equating the 15:28
12 term with unconditional liability is inconsistent 15:28
13 with the stated objectives of the Federal 15:28
14 Disposition Act, you disagree with Professor 15:28
15 Mann's conclusion that flow from the erroneous 15:28
16 assumption. 15:28

17 What is the assumption that you're 15:28
18 referring to there? 15:28

19 A. The assumption that the term, direct 15:28
20 liability, in the FDA draws its meaning from the 15:28
21 liability scheme of the UCC. 15:28

22 Q. Do the two statements that we've 15:28
23 discussed from your rebuttal report fairly 15:29
24 summarize the opinions expressed in this report 15:29
25 as a whole? 15:29

1 MR. DISHER: Objection, the report 15:29
2 speaks for itself. Objection, vague. 15:29
3 A. I think so. I think it states the 15:29
4 predicate for everything that follows. 15:29
5 Q. It states the predicate for the 15:29
6 analysis that follows in the rest of the report, 15:29
7 right? 15:29
8 A. I believe so. 15:29
9 Q. Now, I don't see -- I just want to make 15:29
10 sure I understand. I don't see in this report an 15:29
11 opinion about what you think the term directly 15:29
12 liable means in the Federal Disposition Act, is 15:29
13 that correct? 15:29
14 A. That is correct. 15:29
15 Q. So you express no opinion about what 15:29
16 the term directly liable means in the Federal 15:29
17 Disposition Act, correct? 15:29
18 A. In this report, I express no opinion 15:29
19 about what the term actually means. Again, I do 15:30
20 not purport to be an expert on the FDA, and I'm 15:30
21 not here to interpret it. 15:30
22 Q. Let's look at footnote 3 of your 15:30
23 report. How did you identify the cases 15:30
24 referenced in footnote 3 of your report? 15:30
25 A. I did a Westlaw search for the term 15:30

1 CERTIFICATE

2 STATE OF NEW YORK)

3) ss.

4 COUNTY OF NEW YORK)

5 I, Roberta Caiola, a Shorthand Reporter
6 and Notary Public within and for the State of New
7 York, do hereby certify:

8 That CLAYTON P. GILLETTE, the witness
9 whose deposition is hereinbefore set forth, was
10 duly sworn by me and that such deposition is a
11 true record of the testimony given by such
12 witness.

13 Before completion of the deposition, review
14 of the transcript () was () was not
15 requested;. If requested, any changes made by
16 the deponent (and provided to the reporter)
17 during the period allowed are appended hereto.

18 I further certify that I am not related
19 to any of the parties to this action by blood or
20 marriage and that I am in no way interested in
21 the outcome of this matter.

22 In Witness Whereof, I have hereunto set
23 my hand on this date, ~~December 18~~, 2018.

24

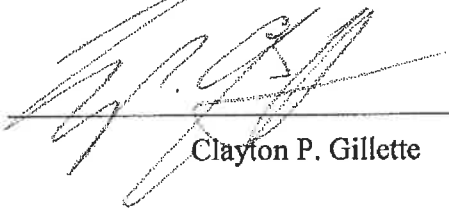
25


ROBERTA CAIOLA

DECLARATION

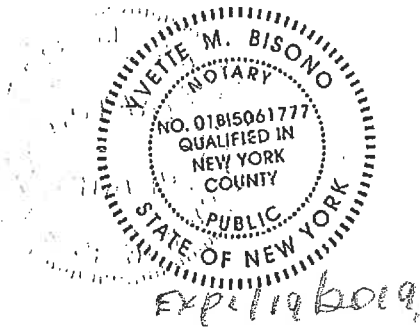
I hereby certify that having been first duly sworn to testify to the truth, I gave the above testimony.

I FURTHER CERTIFY that, except for the corrections and changes in form or substance noted on the attached errata sheet, the foregoing transcript is a true and correct transcript of the testimony given by me at the time and place specified hereinbefore.


Clayton P. Gillette

Subscribed and sworn to before me
this 15th day of January 2019


NOTARY PUBLIC



ERRATA SHEET

NAME OF CASE: DELAWARE V. ARKANSAS

DATE OF DEPOSITION: Wednesday, November 28, 2018

NAME OF WITNESS: CLAYTON P. GILLETTE

<u>PAGE</u>	<u>LINE</u>	<u>FROM</u>	<u>TO</u>
23	24	"Govern to Form a"	"Governance Reform and the"
38	17	"the"	"any"
46	19	"with"	"about"
84	24	"of potential"	"or potential"
94	3	"drawn"	"drawn on"
102	11	"checks"	"check"
126	6	"payee"	"drawee"
137	3	"purchase conveyed"	"purchase is conveyed"
143	20	"parties possess"	"parties who possess"
162	17-18	"it is – so is an"	"if it is, it is an"
184	21	"with"	omit "with"
186	6-7	"liability scheme of Article 3 of the UCC would be direct liability,"	"liability of the drawee bank would be"
190	20	"Article 2"	"the article"
195	15	"either"	"neither"
198	8	"secure"	"secured"
207	24	"endorsement is honorable"	"indorser is not liable"

Exhibit V

THE MONEY GRAM:

PENGAD 800-601-6889

EXHIBIT

136

11-2818

TELEGRAPHIC MONEY ORDER.

WALLACE BUSINESS FORMS, INC.

YOU CAN SEND
A MESSAGE
WITH YOUR
MONEY
Only
A FEW CENTS
MORE

WESTERN UNION TELEGRAPHIC MONEY ORDER

WU 72A (R1-57)

THE FASTEST
AND SAFEST
WAY TO SEND
OR RECEIVE
MONEY

Send the following Money Order subject to conditions below and on back hereof, which are hereby agreed to:

ACCTG. INFR.	CHECK	OFFICE	DATE AND FILING TIME	AMT.	
H6	PD	RIVERHEAD	51568 2P EDST	250	00
				CHRG.	4 00
				TOLLS	96
				TAX	04
				TOTAL	256 40

DO NOT WRITE ABOVE THIS LINE

PAY AMOUNT: Two hundred and fifty /100 DOLLARS \$ (250)
TO: Mr. Herbert S. Levitt Ad 2A
ADDRESS: 120 East 92 Street, New York City
SENDER'S NAME: Hunter Levitt

DELIVER THE FOLLOWING MESSAGE WITH THE MONEY:
This is the last time. Absolutely the last time.

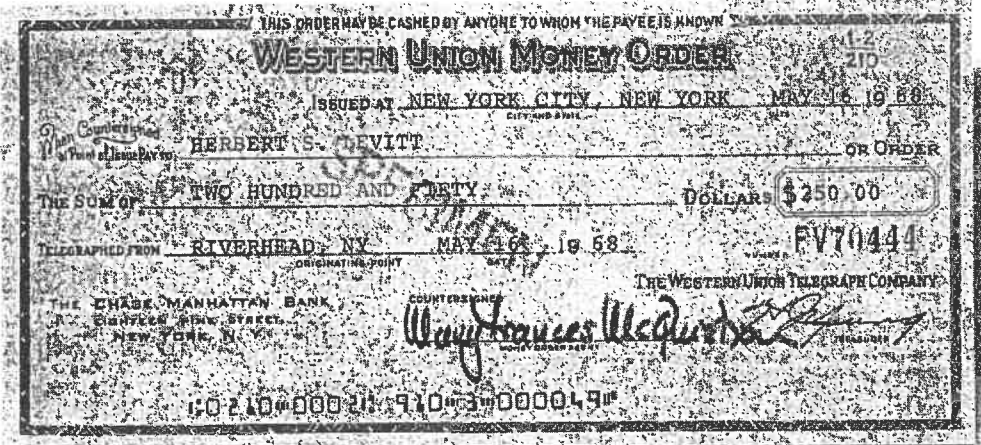
Unless signed below the Telegraph Company is directed to pay this money order at my risk to such person as its agent's agent believes to be the person named above, personal identification being required for cashing.

Hunter G. Levitt

Hunter Lisle Levitt
226 Dune Road, Westhampton, N.Y.
516-285-3582

Information for test question:

How to answer a cry for help.
Fast.



Choose between this or cash.
It's good anywhere. With identification.

Money is a popular commodity. And we at Western Union are happy to say that we're in a position to hand it out. Yours, however, not ours.

This is not to say that we advocate either of us throwing it around loosely.

You may have, for example, a salesman on Bleached Bones Mesa who gets caught short. Or who needs an advance. Or who's missed a pay check. Or one of your executives may be in Paris or Montevideo or Tokyo. And suddenly poor.

What you do to help these people is this. Fill out the money order form you see on the opposite page. You can keep a stack of them in your office. Send it and the money to one of our offices near you. If you have a tieline or credit with us, you can arrange to send money anywhere without even leaving your office. Our receiving office either delivers the funds or notifies your people as soon as the money arrives. After they've identified themselves, they'll get the cash or a check, which any bank will cash upon identification.

This is an old service. It was born in 1870. And has been going great ever since. Which certainly says something about money.



Western Union isn't just a lot of fast talk.

SPMO 30 (7/68)

WU000022

Exhibit W

THE WESTERN UNION TELEGRAPH COMPANY
 INCORPORATED
MONEY ORDER MESSAGE

EXHIBIT
 137
 11-28-18

NUMBER	CHECK	OFFICE FROM	DATE AND FILING TIME
--------	-------	-------------	----------------------

MOD

PRINTED IN U. S. A.

NOT TO BE TRANSMITTED

(Sig.) MOD TIME

SENDER'S ADDRESS

TELEPHONE NUMBER

In writing your Money-Order please follow this **SAMPLE** form

THE WESTERN UNION TELEGRAPH COMPANY
MONEY ORDER
 72-A
 A. N. WILLIAMS, PRESIDENT

AMT.	
CHGS.	
TOLLS	
TAX	
TOTAL	

ACCTG. INFM.

SENDING DATA

Send the following money order subject to conditions below and on back hereof which are agreed to:

MOD

CHECK OFFICE: Boston Mass. TIME FILED: Sept 12th 1944 DATE

AMOUNT	<u>TWENTY</u> DOLLARS AND <u>no</u> CENTS
PAY TO	<u>MISS MARY JANE DOE</u>
STREET ADDRESS	<u>1234 MAIN ST</u>
DESTINATION AND SENDER	<u>DETROIT MICH</u> <u>FATHER</u>
MESSAGE TO BE DELIVERED WITH MONEY ORDER:	<u>Glad to assist letter follows</u>

© Unless signed below the Telegraph Company is directed to pay this money order at my risk to such person as its paying agent believes to be the above named payee, personal identification being waived.

John J. Doe
 3421 Steele St. CO. 5-1246
 ADDRESS TELEPHONE NUMBER

Information for test question: Mother's maiden name Smith

Exhibit X

RULES

INTRODUCTION

The Western Union Money Order Service comprehends the following:

Domestic Money Orders
Shopping and Purchase Orders
Gift Orders
Foreign Money Orders

The following instructions bring up to date all existing rules and conditions of the money-order service as of September 1, 1939, and supersede all previous rules and instructions in conflict therewith.

For rules governing money orders to

Offices in the United States, Canada, Miquelon	
Island and Newfoundland see paragraphs	1 to 266
Ships at Sea	20
Alaska, Yukon and N.W.T., " "	267 to 273
Mexico " "	274 to 286
All Other Countries " "	287 to 335
Detailed index to rules on pages	65 to 68

DOMESTIC MONEY ORDERS

(Orders to points in the United States, Canada, Miquelon Island and Newfoundland)

SECTION I

MONEY ORDER OFFICES DEFINED

Money Order Office:

1. An office authorized to accept or pay money orders, or both, according to its classification. Offices classified as A are direct offices. Offices classified as B or X (mostly in Canada) are indirect offices. Places classified as BA, BNK and NB are indirect agencies or points. These classifications are defined in the following paragraphs:

Direct Office, class A:

2. An office which sends and receives money orders direct to and from all other direct offices. The limit within which such offices are authorized to pay, refund or release to an indirect office or agency, on any single money order without special authority from the general manager, is \$2,000. See Section IX for instructions covering acceptance and payment of all orders in excess of payment limitation.

Indirect Office, class B:

3. An office which sends and receives money orders through the designated direct office to which it is assigned.

Indirect Office, class X:

4. Same as class B, except that X offices are railroad express money-order stations limited to handling orders not in excess of \$50 unless otherwise indicated. At the time of printing this book all B and X offices are located in Canada and Minnesota on the lines of the Canadian National Telegraphs. Where the symbol # is shown in connection with an X office, orders in excess of \$50 may be handled through a local BNK station via the same direct office as shown in parentheses after the name of the X office.

BA Point:

5. A point at which money orders are accepted and paid by a local bank. Service is confined to banking hours. There are a few places where agencies other than banks have been established and for convenience they are also designated as BA, with the agents' closing hours shown in brackets after the names of such places in the list of offices. Money orders to and from a BA point are handled through the direct office to which it is assigned.

BNK Point:

6. A point at which outgoing money orders are not accepted, but incoming money orders are paid by a local bank on the request of a correspondent bank located at the direct office to which the BNK station is assigned. Service is confined to banking hours.

To illustrate:—In the case of a money order destined to Branchville, N. J., (a BNK point assigned to New York City) the money-order message should be addressed to "MOD NEWYORK, NY." On receipt of the message at New York, New York delivers a properly prepared order, form 3130 (see Fig. 9, in the back of this book), and a draft, form 2738 (See Fig. 10), to a bank in New York which in turn telegraphs its correspondent bank in Branchville to pay the amount of the order to the payee. The Branchville bank notifies the payee by messenger, telephone or mail, to call at its office for the money. Banks generally will not deliver drafts, but make payments in cash at their own establishments.

7. Some banks at BNK points in the United States collect a small fee, not over 50 cents, from the payee for their services. Depositors of money orders payable at BNK points should be so informed and told that if such a fee is actually charged, we will refund it on application.

NB Point:

8. A point at which there are no local paying facilities. Money orders are paid by a nearby direct office, either by having the payee call at such office or by mailing the money-order draft to him.

State Agency:

9. A direct office assigned to receive all money orders destined to locations in a state within the United States that are not given in the list of money-order offices, Tariff Book, or latest Tariff Circular. Orders for such points may be accepted and forwarded to the state-agency office, which by means of atlases or otherwise will determine through which money-order office the order can be paid. A list of state-agency offices is contained on pages II and III in the front part of this book.

10. Senders of money orders destined to BA, BNK or NB

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points and to unlisted points should be informed of the special conditions applying to such orders and that the same promptness of service is not to be expected as on orders paid by direct offices. Sticker, form 3870, should be attached to the sender's receipt, form 4178, in such cases.

11. Managers shall keep their superintendents informed of any changes, additions or improved methods of handling money orders to places in their vicinity, for publishing in supplemental tariffs.

SECTION II

OFFICE HOURS AND HOLIDAYS

Offices Open Daily:

12. Provision shall be made at all independent Western Union direct offices for the acceptance and payment of money orders on Sundays and holidays as well as on business days.

Office Hours:

13. Where the closing hour of an A or B office is shown in brackets in the list of offices, it indicates the hour up to which money orders will be paid at that office on business days. Where no closing time is shown it may be assumed that the service is available to 6 P. M. On Sundays and holidays the service will be in operation during the hours the office is open for the handling of telegraph business. The foregoing also applies to A and B offices in Canada. At railroad money-order offices designated "(RR)" and at X offices, while conditions vary, the service is available at least during the day agent's office hours. The service at BA and BNK points is confined to banking hours unless otherwise indicated.

HOLIDAYS—UNITED STATES:

14. The following list of holidays on which banks are closed in various states is here given as information, in connection with orders payable through BA or BNK points:

January 1. New Year's Day: In all the states and the District of Columbia.

January 8. Anniversary of the Battle of New Orleans: In Louisiana.

January 19. Lee's Birthday: In Alabama, Arkansas, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee and Virginia.

February 12. Lincoln's Birthday: In Alabama, California, Colorado, Connecticut, Delaware, Florida, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana (New Orleans Parish), Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Tennessee, Utah, Washington, West Virginia and Wyoming.

February (First Friday after first day). Arbor Day: In most counties of Arizona. (See those listed under the April observance.)

February 14. Admission Day: In Arizona.

February 22. Washington's Birthday: In all states and the District of Columbia.

Shrove Tuesday: In Alabama, Florida and Louisiana.

March 2. Anniversary of Texan Independence: In Texas.

March 25. Maryland Day: In Maryland.

Good Friday: In Connecticut, Delaware, Florida, Louisiana, Maryland, Minnesota, New Jersey, Pennsylvania and Tennessee.

April (First Friday after first day). Arbor Day: In Arizona counties—Apache, Coconino, Mohave, Navajo and Yavapai.

April 13. Thomas Jefferson's Birthday: In Alabama.

April 15. Arbor Day: In Utah.

April 19. Patriot's Day: In Maine and Massachusetts.

April 21. Anniversary of the Battle of San Jacinto: In Texas.

April 22. Arbor Day: In Nebraska.

April (Last Thursday). Fast Day: In New Hampshire.

April 26. Confederate Memorial Day: In Alabama, Florida, Georgia and Mississippi.

April (One day of the last week). Arbor Day: In Wyoming.

May (Second Friday). Arbor Day: In Rhode Island.

May 10. Confederate Memorial Day: In North Carolina and South Carolina.

May 20. Anniversary of the Signing of the Mecklenburg Declaration of Independence: In North Carolina.

May 30. Decoration Day: In the District of Columbia and in all the states except Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee.

June 3. Jefferson Davis' Birthday: In Alabama, Arkansas, Florida, Georgia, Mississippi, South Carolina, Texas and Virginia. Observed in Louisiana and Tennessee as "Confederate Memorial Day."

June 15. Pioneer Day: In Idaho.

June 17. Bunker Hill Day: In Massachusetts (vicinity of Boston).

June 20. West Virginia Day: In West Virginia.

July 4. Independence Day: In all the states and the District of Columbia.

July 13. General Bedford Forrest's Birthday. In Tennessee.

August 1. Colorado Day: In Colorado.

August 16. Bennington Battle Day: In Vermont.

September (First Monday). Labor Day: In all the states and the District of Columbia.

September 9. Admission Day: In California.

September 12. Defender's Day: In Maryland.

October 12. Columbus Day: In Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, Texas, Utah, Vermont, Washington and West Virginia.

October 31. Admission Day: In Nevada.

November 1. All Saints' Day: In Louisiana.

November 11. Armistice Day: In all the states except Indiana, Kansas, Michigan, New Hampshire, Wisconsin and the District of Columbia. In Nevada by Governor's proclamation.

November (First Tuesday after first Monday. Election years). General Election Day: In all the states except Kentucky, Illinois, Maine, Massachusetts, Mississippi, Ohio, Vermont, Utah and the District of Columbia. In Illinois it is a legal holiday in Chicago, Springfield, East St. Louis, Galesburg, Danville, Cairo and Rockford. In Ohio it is a holiday from 12:00 to 5:30 P. M.

November. Thanksgiving Day: In all states and the District of Columbia.

December 25. Christmas Day: In all the states and the District of Columbia.

HOLIDAYS—DOMINION OF CANADA:

January 1. New Year's Day.

January 6. Epiphany: In Quebec.

Good Friday.

Easter Monday.

May 10. Arbor Day: In Alberta and Saskatchewan.

May 24. Empire Day (Victoria Day).

June 3. King's Birthday.

July 1. Dominion Day.

August (First Monday). Toronto Civic Holiday.

September (First Monday). Labor Day.

November (First Monday). Thanksgiving Day.

November 11. Armistice Day.

December 8. Immaculate Conception: In Quebec.

December 25. Christmas Day.

HOLIDAYS—NEWFOUNDLAND:

January 1. New Year's Day.

February 13. Substitute for St. Andrew's Day.

Good Friday.

April 23. St. George's Day.

May 24. Empire Day.

June 24. St. John's Day.

July 1. Commemoration Day.

November 11. Armistice Day.

December 25. Christmas Day.

SECTION III MONEY ORDER APPLICATIONS

Application Blank:

15. The sender should fill out and sign the application, form 72-H. Employes should render all necessary assistance to the sender. The proper method of preparing this form is shown as Figure 1, back of book.

Addresses:

16. The full given name and surname of the person to whom the money is to be sent (the payee) should be written on the application whenever the name is known; when the full given name is not known the initials will be sufficient. If the order is to a woman the prefix "Mrs." or "Miss" should be given, if possible. Money orders to national, state, county or city officials or to officials of business firms, may be accepted payable to the official's office or to his official title, as: "State Auditor, Columbus, Ohio," etc., "Treasurer, John Doe & Co." etc.

17. Money orders may be accepted payable to the same payee at alternative addresses in the same city or town, or to one of two or more payees at the same address. The preference of payment in the latter case will be to the first named payee, failing which, payment will be made to the second named payee, etc. For orders payable jointly to more than one payee, see paragraph 151.

18. Whenever possible, a specific street address should be given. However, if the sender believes the payee to be well known at the paying office, the words "Well Known" may be inserted in lieu of a specific address. In the case of an order sent in response to a message sent by the payee from the paying office, "An Ans" followed by the date of request, should be used in lieu of an address if the sender is unable to give a specific address. The words "Will Call" also may be used in lieu of a specific address if the sender wishes this to be done. (See notes under paragraph 129.) The address "Care of Western Union" should be used only in money orders to employes of the company.

19. The immigration authorities require that in all money orders payable at Ellis Island, N. Y., or other immigrant ports, the name of the ship on which the payee arrived must be given.

20. All money orders payable to passengers in care of steamship companies should contain the name of the ship on which the passenger is arriving or sailing. Money orders payable to passengers on board ships at sea are handled by most steamship companies on the Atlantic and Pacific seaboards. Such an order should be made payable to the steamship company at the principal port with supplemental message directing payment be made to the payee by radio, less charges. These charges average about three dollars per order and will be deducted from the principal. The telegraph company's charge is for a domestic money order and the supplemental message. Orders will be cancelled if the steamship company is unable or unwilling to handle. The following wording for such supplemental messages is suggested:

(a) "RADIO JOHN DOE SS QUEENMARY LESS CHARGES"

(b) "RADIO JOHN DOE SS QUEENMARY LESS CHARGES MESSAGE MEET YOU CHICAGO WEDNESDAY FOURTEENTH."

Note: The extra words in the message for the payee would increase the radio charges to be deducted from the principal.

Money Orders Covering Amounts to Be Deposited In Banks:

21. Money orders payable to banks for deposit to the credit of the sender or some other person shall carry a brief wording immediately following the bank's name, for example: "First National Bank credit John Doe," or "Deposit account Richard Roe," or some similar phrase, to indicate to whose credit the money is to be placed. Where the sender specifically requests that cash be deposited, instead of our draft, in the payee bank, the words "Pay in Cash" shall be shown after the payee's name, for example: "First National Bank pay in cash credit John Doe" etc. As these instructions form a part of the money order they shall not be charged for. The words "Pay in Cash" would not be required on orders des-

igned to BA or BNK points. The supplementary message privilege must be employed to convey other information from the sender to the bank, and paid for at the additional-word rate. For procedure in paying such money orders see paragraph 119.

Amount to Be Sent:

22. The amount (or principal) of the order must be written out in words in the body of the application. If the sender himself has not so written the amount, the counter attendant must do so for him. To enter the amount in figures only is insufficient.

Supplementary Messages:

23. The sender may include in his application a business or personal message to the payee. Such communications will be delivered with the money order. Messages may be sent in orders to all destinations, except to BNK points in Canada. Rates for the supplementary message and other details are shown in paragraph 56.

24. Money orders containing supplementary messages of an urgent character, particularly those relating to serious illness or death, or to stock, grain or other market orders, should be accepted only at senders' risk of delay because of the necessity of handling money orders through routine channels.

25. Patrons indicating in a supplementary message the amount of money being transferred, should be dissuaded from doing so on account of the danger that the disclosure of the amount to an unauthorized person may facilitate the perpetration of a fraud.

Identification Provisions:

26. Money orders may carry the sender's choice of either of the following degrees of identification of the payee: (a) "caution" identification or (b) "vigilant" identification.

(a) "Caution" identification will require the payee to present documentary evidence of identity satisfactory to the paying employe. This identity may be established by means of letters or other identifying documents.

(b) "Vigilant" identification will require the payee to call at our office with some locally known responsible person who can identify him personally,—failing which the payee must bring such other evidence as will serve to establish his identity beyond question.

27. The availability of these two types of identification must be explained to the sender in order that he may intelligently make his choice. (See paragraphs 31 to 34 inclusive, about use of test questions.)

28. The difficulties of establishing personal identification when small amounts are involved should be pointed out to the sender. However, when amounts in excess of \$200 are being sent, employees should refer to the protection which a personal identification affords, when such identification is practicable.

29. All money orders filed on regular applications will be sent "caution" unless the sender signs the clause on the application to the effect that the payee is to furnish identification of a "vigilant" nature.

30. When a money order not written on the regular application is filed by one other than the sender, receiving clerks shall telephone the sender for his instructions regarding identification requirements if the sender has not clearly stated his choice. If the sender cannot be communicated with, and the person who delivered the order has no authority to select the identification to be required, the remittance shall be sent under vigilant identification.

Test Questions:

31. In the case of either a caution or vigilant order (except orders destined to BNK points in Canada) an additional safeguard is provided by asking the sender for some information which the payee should know and an imposter would not know. This information is inserted in the money-order message in order that a question calling for the correct answer may be put by the paying office to the person representing himself to be the payee. Such information may be, for example: "Mother's maiden name Clark," or "Birthday December 25" or "Firm code address, Middlesex," etc. Test questions not exceeding four words may be transmitted without extra charge.

32. It is strongly urged that this type of identification be used when money is being sent in response to a telegraphic

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or telephonic request for funds or when there is other reasonable belief that ordinary identification alone will be insufficient. The use of test questions suggested by the party asking for money should be a warning to use some different question which the sender may select.

33. Especially in the case of orders bearing the address "An ans _____," "Will Call," or in care of a hotel, it is the duty of employes to see that patrons are informed of the importance of this safeguard. When in such cases the sender refuses to include a test question, the notation "TQR" (test question refused) shall be written in the space provided in the application, and as a marginal note on the original money-order message, but this marginal note shall not be transmitted.

34. Test questions may be included in orders to all offices and points except that they must not be included in orders to BNK points in Canada.

Signature of the Applicant:

35. Either given names or nicknames may be used as signature by the sender for transmission purposes. However, the sender's full name, address and telephone number shall also be written on the application form for future reference. The sender's address may be transmitted, if desired, and charged for at the additional-word rate as defined in paragraph 56.

36. If the sender should insist on having an order transmitted without the sender's name, the words "No sig" shall be transmitted in place of the name of the sender.

37. When the money order is filed by a person acting for the sender, such person shall make out the application and shall sign the sender's name thereto with his own name beneath it, thus:

William Caldwell
by Phillip J. Brown.

Acceptance of the Application:

38. On receiving the application from the sender, the counter attendant shall—

Immediately stamp or write the name of office, time and date in the spaces provided on the application;

Compute the money-order charge and tolls;
Enter in the spaces provided on the application the amount of the principal, the money-order charge, telegraph tolls and total;

Collect the total amount from the sender;
Give sender receipt on form 4178;
Carefully prepare order for transmission without delay.

For over-night orders mark "NT" before the words "Telegraph Tolls" in the upper right-hand block on the application.

39. To prevent delays and complaints caused by errors due to misreading poorly written applications, counter attendants should carefully read and understand every letter filled in on the application before the sender leaves the counter.

40. Senders of money orders to BA, BNK or NB points and to places reached through state-agency offices, shall be given the information provided for in paragraph 10, and sticker, form 3870, shall be attached to the receipt.

41. Although every reasonable effort will be made to comply with the wishes of patrons in the matter of the delivery of money orders, counter attendants shall be careful to make no promise that orders will be either delivered or paid at a definite time.

42. When an order is offered on a Sunday or holiday, destined to an office which is likely to have limited Sunday or holiday hours, the sender shall be informed that payment may be delayed, depending on the hours of the paying office.

43. When a money order payable at an office having late night hours is filed so late at night that it will not reach its destination until midnight or later, the sender shall be asked whether he wishes to have the payment made that night or to have it held until the following morning. If immediate payment is desired, then add the words "Pay tonight" in the address. If payment on the following morning is intended the sender shall be given benefit of the over-night rates. Whenever senders specify a time for delivery or payment of orders, the words, for example, "Deliver 10 AM" or "Pay before noon" shall be included in the address without extra charge.

44. If the patron requests that he be notified when payment of his order is completed, the words "Report Payment" shall be placed on the application after the payee's address. These words shall be charged for at the additional-word rate and the sender informed that the report of payment will be

made by collect telegram for which the maximum charge will be for a 10-word telegram. All requests for "Report Payment" should initiate with the patron.

45. If the sender desires to change the name or address of the payee, or the identification requirement, after the message has been transmitted, such reasonable changes may be made on his written request without extra charge. In cases where the payee's name is changed a copy of the service message shall be sent to the division auditor with the money-order applications for the day. The sent copy shall be attached to the original MOD message for record purposes. See paragraph 218 about correcting errors made by employes by service messages.

Accounting for Money Order Applications:

46. Money order principal, charges and tolls covering all money orders accepted for transmission, including those received from assigned BA points (see par. 171) shall be entered on Cash Record, form 2566-E, which, together with the applications, shall accompany and support the amounts accounted for on daily report, form 1688.

47. The accounting center or main office shall list all applications for the main and branch offices, and for BA points (see par. 171) on form 3550-A or adding machine tape which, together with the applications, shall be forwarded at designated intervals to the division auditor. The applications shall not be numbered except at divisional and designated large district offices.

48. Railroad offices authorized to accept money orders shall list applications on form 3550-A at the close of each day and mail them direct to the Western Union division auditor. The principal, charges and tolls shall be accounted for on form 4-B, daily. The applications shall not be numbered.

SECTION IV

ACCEPTANCE OF MONEY ORDERS BY TELEPHONE

49. In general, money orders offered over the telephone may not be accepted, not only because the office would not have the money in hand as the money-order regulations require, but because there is grave risk of fraud. Nevertheless, there are instances where manufacturing and other responsible concerns are located at some distance from the office and not in a position to arrange for money orders over our counter in the ordinary way without difficulty and delay. Where such situations exist and the concerns are of undoubted financial responsibility, telephonic orders may be accepted as an accommodation to the senders, on the following conditions:

(a) Except as described in paragraph (c) below, managers have no authority to accept and close such transactions, with any patron, on their own responsibility. They must report all cases to their superintendent, with advice of the circumstances, particularly the financial standing of the concern involved, for authorization.

(b) If all the conditions are satisfactory, superintendents may, in individual cases, authorize the acceptance of telephoned orders for amounts in keeping with the known financial responsibility of the sender in which case the managers shall see that settlement is received in every instance not later than the following morning.

(c) In the case of money orders for less than \$300 offered by telephone by a concern known to be responsible, managers may accept and forward the order, subsequently reporting the case through proper channels for approval. Settlement must be received not later than the following morning.

(d) In cases where there are likely to be recurring telephonic orders, the attention of the senders should be called to the risk of impersonation and a distinct understanding had that the company is not to be responsible for such risks. At the same time the necessary safeguards for checking the authenticity of each such order should not be neglected.

(e) Regardless of any other check against imposition that may be arranged, cashiers or managers must call up the senders a few minutes after any telephonic order is received and before the order is actually forwarded, and secure a confirmation of the transaction, as a further safeguard against frauds.

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50. If a money order is offered by telephone by a person or concern whose financial standing is not satisfactorily established, it may nevertheless be accepted, provided the sender will instruct a bank in the town where the telegraph office is located to give the telegraph company the money or a credit slip to cover the money order. In such a case the money order will not be sent until the money or credit slip is received from the bank.

SECTION V

RATES FOR MONEY ORDERS BETWEEN POINTS IN THE UNITED STATES

51. The term "Money Order Charges," as used in these instructions, represents the telegraph company's compensation for handling the transaction, as distinguished from the tolls for the transmission of the money-order message which are designated "Telegraph Tolls."

Total Charges: (For Shopping Orders and Gift Orders, read sections XXII and XXIII.)

52. The total charge for domestic money orders destined to points within the United States is composed of two elements: (1) the "Money Order Charge," and (2) the "Telegraph Tolls," including the tolls on any supplementary message sent with the order, and other-line tolls, if any.

Money Order Charges:

53. The money-order charge is based solely on the amount of money or principal to be sent. The money-order charges between points in the United States are as follows:

For orders of	
\$25.00 or less	25c
\$25.01 to \$50.00	35c
\$50.01 to \$75.00	60c
\$75.01 to \$100.00	85c

Each additional \$100 or fraction thereof to and including \$3,000

Each additional \$100 or fraction thereof over \$3,000

Any fractional part of a dollar in the principal will be counted as one dollar.

Example:

The money-order charge on an order for \$175.00 is 85c for \$100 plus 25c for the additional \$75, or a total of \$1.10.

For \$3,500.00 the money-order charge is 85c for \$100 plus 25c for each additional \$100 up to \$3,000 plus 20c for each \$100 in excess of \$3,000, or a total of \$9.10.

Telegraph Tolls:

54. The telegraph tolls equal the tolls on a 15-word telegram to the point of destination, and in the case of a money order filed at any time before 2 A.M. and not to be paid until the next day the telegraph tolls equal the tolls on an overnight telegram of 25 words or less to the point of destination, in both cases including other-line charges, if any. The tolls are not affected by the amount of the money order.

55. The telegraph tolls on orders payable at points not shown in the Tariff Book will be the state rate on a 15-word telegram or a 25-word overnight telegram, as the case may be, to the state of destination. If the rate sheet shows more than one rate under the state rates, the highest one shall be charged.

56. When a money order is accompanied by a personal or business communication to the payee, the telegraph tolls will be composed of (a) the usual tolls on a 15-word telegram, plus (b) the additional-word rate for each word of the supplementary message counted in accordance with rule 4 of the rules and regulations in the Tariff Book. Free answer phrases, e.g., "Via Western Union," etc., are permissible in money orders. When a money order filed at any time before 2 A.M. but not payable until the next day is accompanied by a personal or business communication to the payee, the telegraph tolls will be composed of (a) the tolls on an overnight telegram of 25 words or less, plus (b) the overnight telegram additional-word rate for the number of words contained in the supplementary message.

Example:

The telegraph tolls on an order requiring twelve words for its transmission when accompanied by a supplementary message of three words would be on a basis of fifteen words, or a

total of eighteen words. On an order requiring eighteen words for its transmission with a supplementary message of five words, the tolls would be on a basis of fifteen words plus five, or twenty words. For an over-night order requiring twelve words and containing five words supplementary message, the tolls would be for a 30-word over-night telegram.

57. Counter attendants should be particularly careful to observe whether there are any "other line" charges on money orders destined to BA, BNK or NB points.

58. A complete table of money-order fees on orders to \$3,000 is given on the back cover of this book.

SECTION VI

RATES FOR MONEY ORDERS BETWEEN THE UNITED STATES AND POINTS IN CANADA, NEWFOUNDLAND AND MIQUELON ISLAND

Money Order Charges:

59. The following charges are applicable on such money orders:

For amounts of	
\$25.00 or less	25c
\$25.01 to \$500.00	1% of the principal
\$500.01 to \$1,000	1% of first \$500 plus ½ of 1% of the amount in excess of \$500
Over \$1,000	1% of the first \$500 plus ½ of 1% of the second \$500 plus ¼ of 1% of any amount in excess of \$1,000.

Note—See paragraph 62 for exchange rates, if any.

Fractional parts of a dollar in the principal will be counted as one dollar.

Example:

The money order charge on an order of \$1,800 is	
1% of the first \$500	\$5.00
½ of 1% of the second \$500	2.50
¼ of 1% of \$800	2.00

Total \$9.50

Telegraph Tolls:

60. The telegraph tolls on such money orders are as follows:

(a) Between the United States and Canada, equal to twice the tolls on a 10-word day-rate telegram to destination. (Over-night rates do not apply to orders destined to Canada).

(b) Between the United States and Newfoundland and Miquelon Island, equal to the tolls on a 15-word day-rate or night-rate telegram, as the case may be, to destination.

(c) Between Miquelon Island and Canada, equal to twice the tolls on a 10-word day-rate telegram to destination.

(d) From Newfoundland to Canada, equal to the tolls on a 15-word day-rate telegram to destination.

The telegraph tolls on a money order from Canada to Newfoundland are equal to twice the tolls on a 10-word day-rate telegram.

61. The tolls for supplementary messages are the usual additional-word rates between the originating and paying points.

Money Exchange Rates:

62. Due to the exchange fluctuations between United States currency and that of Canada, a sum of money deposited in the United States to be sent to Canada, Newfoundland or Miquelon Island is not always equal to a like number of Canadian dollars at destination. The Canadian currency may be at a discount or at a premium. However, unless otherwise informed, orders for Canada, Newfoundland and Miquelon Island may be accepted at par in amounts of \$1,000 or less. Orders in excess of \$1,000 for the above places shall be referred by wire to the general manager who will quote any existing small fractional rate of exchange to be applied. Orders to Newfoundland and Miquelon Island are paid in either Canadian or local funds, usually the equivalent of Canadian currency values.

63. The application, form 72-H, shall be prepared as usual showing the amount in Canadian dollars which the sender desires paid at destination. That amount will be considered as the principal on which the money-order charge

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is based and the cipher money word prepared accordingly. Any exchange authorized, whether discount or premium, will be shown on the application blank as illustrated in paragraph 64. The sender's receipt shall be for the actual amount deposited in United States currency, but carry the notation, "To be paid by dollars Canadian funds." Before mailing applications to the division auditor, or local bookkeeping bureau, the amount of discount or premium allowed shall be noted on the money-order message after transmission. When such orders are cancelled the refund draft shall be drawn for the amount of United States dollars originally deposited.

64. The following illustrations show how the exchange shall be entered in the upper right-hand corner of the application blank by Western Union offices:

WHEN CANADIAN CURRENCY IS AT A DISCOUNT OF 2%:

Cipher message to be prepared and sent for this amount (for example)

Amount \$ 1,800.00
 Less disc 2% 36.00
 Form 72 H

AMOUNT	1,764.00
MONEY ORDER CHARGE	9.50
TELEGRAPH TOLLS	1.20*
TOTAL	1,774.70

Offices to collect and account for these amounts:

*Assuming 10-word rate to be 60 cents. (If order destined to Newfoundland or Miquelon Island, the 15-word rate basis would apply.)

WHEN CANADIAN CURRENCY IS AT A PREMIUM OF 1%:

Cipher message to be prepared and sent for this amount (for example)

Amount \$ 1,800.00
 Plus premium 1% 18.00
 Form 72 H

AMOUNT	1,818.00
MONEY ORDER CHARGE	9.50
TELEGRAPH TOLLS	1.20*
TOTAL	1,828.70

Offices to collect and account for these amounts:

*Assuming 10-word rate to be 60 cents. (If order destined to Newfoundland or Miquelon Island, the 15-word rate basis would apply.)

65. Usually the sender desires to send a specific amount of money payable in Canadian funds at destination. The above examples are prepared on that assumption and it will be noted that where a discount existed the patron received a credit of 2% of \$1800 or \$36, and where a premium existed he was charged 1% of \$1800 or \$18. However, in case it is desired to send the Canadian equivalent of a designated amount of United States dollars and, for example, the discount rate is 5%, subtract 5% from 100% and consider that 95% equals the United States dollars. Then divide 95 into the number of United States dollars to determine the number of Canadian dollars to send; for example, \$50 divided by 95 equals \$52.63 Canadian equivalent. If the exchange rate should be at 5% premium, then add 5% to 100% and consider that 105% equals the United States dollars. \$50 divided by 105 equals \$47.62 Canadian equivalent.

SECTION VII

COLLECTION OF PRINCIPAL AND CHARGES

66. No money order shall be sent until the principal, money-order charges and tolls have been paid, except as specified in paragraph 49. In the case of responsible charge-account customers the money-order charges and tolls, but never the principal, may be charged to the account of the sender if he so desires. Money Order Charge Slip, form 3990, giving the billing data may be used for the purpose. No money order shall be sent free of charge.

67. Only currency, post office money orders, express company money orders, travelers cheques, cashier's checks of a local bank, certified checks drawn on a local bank or uncertified checks drawn on a local bank as limited in paragraph 69, shall be accepted in support of money orders. Checks on out-of-town banks shall not be accepted.

68. The sender of a money order shall be required either to have his check certified at the bank himself before its acceptance by us, or to specifically authorize us to have it certified in his behalf. In the latter case a record of this authorization shall be noted on the application. Except as so authorized by the sender, or except as specially authorized by the superintendent, offices shall not obtain certification of customers' checks.

69. Divisional offices may accept from concerns and individuals positively known to be reliable and responsible, uncertified checks on local banks not exceeding \$300 in the case of a single order. Uncertified checks in excess of this amount and within limits authorized by the general manager may be accepted upon the personal authority of the superintendent, or of a qualified member of his supervisory staff authorized by him to pass upon such checks. District offices may similarly accept uncertified checks from responsible senders within limits authorized by the district superintendent. Railroad money-order offices may accept such checks in amounts not exceeding one hundred dollars. Note here the limit specially authorized for your office, if any:

(Office stamp) \$ Amount (Date)

Remarks:

70. A bank cashier's check is equivalent to a certified check and it is not the practice of banks to certify their own checks. However, it should be borne in mind that such checks are only as good as the institutions which issue them.

71. Generally, all checks accepted from senders in payment of money orders shall be drawn to the order of the telegraph company, but checks drawn to the order of the sender, or to the order of another firm or individual and properly endorsed to the telegraph company, may be accepted, provided the sender is personally known to be responsible and reliable, and the payee and the amount of the check are verified by inquiry of the drawer, (in the case of a cashier's check by inquiry of the issuing bank) and, if presented by a person other than the payee, the genuineness of the endorsements is verified by inquiry of the original payee of the check.

72. Before accepting a certified check, whether drawn to the order of the telegraph company or of any one else;

(a) Ascertain from the bank whether the check was certified, giving amount and signature;

(b) Ascertain from the person signing the check whether it was made to the order of the payee whose name appears on it and in the amount shown by it;

(c) In the case of such a check drawn to the order of a firm or individual other than the telegraph company and presented by a person other than the payee of the check, verify the genuineness of the endorsements by inquiry of the original payee of the check, as provided in paragraph 71.

73. When a check requiring verification is presented at a time when the bank officials and other persons from whom the verification has to be obtained cannot be reached, the sender shall be informed that it will be necessary to withhold transmission of the order until the check can be confirmed, unless otherwise authorized by the general manager in special and exceptional cases.

74. Checks and currency in large amounts shall be immediately deposited to the credit of the company, even though the regular deposit for the day may already have been made.

SECTION VIII
 SENDER'S RECEIPT

75. The sender of a money order will be given a receipt, form 4173, containing the information provided for therein

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and bearing the same date as the application. (See Fig. 2, back of book.)

76. The sender's receipt shall be prepared in ink or with indelible pencil, or typewritten, excepting that the employee's signature shall be hand written.

77. Senders' receipts for orders destined to BA, BNK, NB or unlisted points handled by state agencies, shall have sticker, form 3870, affixed to the upper left corner. (See Fig. 3, back of book.)

SECTION IX

EXCESS MONEY ORDERS

78. Money orders may be accepted in amounts within such limits as are from time to time established by separate instructions. The term "excess" applies only to orders for amounts in excess of \$2,000.

79. Direct offices shall not pay, or release to an indirect point reporting to them, an order for an amount in excess of the payment limitation of \$2,000 without first having received specific authority from their general manager. Therefore, the acceptance of excess orders at direct offices, or the receipt of excess orders from indirect places reporting to them, shall immediately be reported by telegraph to the general manager of the paying division (also to the general manager of the originating division per paragraphs 87 and 88). The names of the divisions and location of general managers' headquarters are shown on pages II and III. The report shall contain:

- (a) Payee's name (including street address, if any, when destined to large cities having branch offices).
- (b) Destination (if destined to BA, BNK, NB or other indirect point, include "Via....." direct office);
- (c) Amount of order expressed in plain language;
- (d) Originating point, only when an indirect point of origin is involved.

For example:

SVC
 GEN MGR OMAHA NEBR
 EXCESS RICHARD ROE BONFILS MO VIA
 STLOUIS FOUR THOUS
 MOD MEMPHIS TENN SEPT 11

80. On receipt of such notification the general manager of the paying division will authorize the direct office of destination to make payment.

81. Excess orders destined to those places in the list of offices followed by the name of an adjacent division in parenthesis, e.g., (East.) (Met.) (Sou.) (Lake) (Cent.) (Gulf) or (Pac.) shall be reported to the general manager of such division. Location of each division's general manager is shown on page III in the front part of this book. Excess orders destined to an indirect point shall be reported to the general manager of the State where the direct office assigned for the indirect point is located. The order shall not be released to the indirect point by the assigned direct office until the general manager's authorization is received.

82. Excess orders received by a state agency and re-routed to another direct office for handling shall be reported by the state agency to the general manager so he may change his records and again authorize payment. If the new direct office is in another division, that general manager shall be notified direct so he may authorize payment, but in such cases the local-division general manager shall also be informed of the re-routing.

83. Direct offices shall report the acceptance of excess orders for C. N. T. points in Canada to the Treasurer, Canadian National Telegraphs, Toronto, Ontario. Excess orders from C. N. T. offices to Western Union offices will be reported by the C. N. T. treasurer to the general manager of the paying division and the latter will authorize payment.

84. Excess orders for Alaska and Yukon, via Seattle, shall be reported to the general manager at San Francisco, Calif. Excess orders for Newfoundland and Miquelon Island shall be reported to the general manager, Eastern Division, New York City. Outbound excess orders from Newfoundland and Miquelon Island will be reported directly to the general manager of the paying division, also to the Eastern Division general manager including only the description required in paragraph 79, a, b, c and d.

85. Excess orders to or from Mexico shall be reported as directed in paragraph 281.

86. Foreign money orders in excess of \$2,000 sent via New York City or San Francisco shall be reported to the Metropolitan or Pacific Division general managers respectively, as outlined in paragraph 296.

87. The acceptance of each excess order and the kind of funds received by direct offices shall also be reported at once to their general manager, including the same description required in paragraph 79, a, b, c and d, for example:

SVC
 GEN MGR ATLANTA GA
 EXCESS RICHARD ROE BONFILS MO VIA
 STLOUIS FOUR THOUS CASHR'S CK FIRST
 NATL BANK VERIFIED

MOD MEMPHIS TENN SEPT 11

88. Excess orders received from an indirect point shall be similarly reported by the assigned direct office to its general manager. However, since the kind of funds received is not known, the direct office shall indicate the method of settlement with the BA or other indirect agency. (See paragraphs 166 to 170.)

89. When an office receives an excess order and does not within a reasonable time receive authority from its general manager to make payment, it shall send a message to him in accordance with the following example:

SVC
 GEN MGR SANFRANCISCO CALIF
 RUSH AUTHY EXCESS J W SMITH THIRTY FIVE
 HND FM BOISE IDA

MOD LOSANGELES CALIF SEPT 11

Likewise, an office shall inform its general manager if the excess order is not received within thirty minutes after payment is authorized.

90. When an excess order is forwarded, cancelled or re-routed the paying-division general manager shall be notified so the payment or refund may be authorized. Likewise, the local-division general manager shall be notified of the occurrence. Following are examples of messages to general managers reporting (a) forwarded, (b) cancelled or (c) re-routed excess orders:

(a) SVC
 GEN MGR OMAHA NEBR
 EXCESS 11 DALLAS TEX R B STANARD FIVE
 THOUS FWDED KANS CITY

MOD STPAUL MINN SEPT 12

(Forwarding and paying offices both located in Central Division.)

(b) SVC
 GEN MGR CHICAGO ILL
 EXCESS 11 WILLIAM BAKER TWENTY TWO HND
 FROM AURORA ILL CANCELLED
 MOD STLOUIS MO SEPT 14

(Same notice to be sent general manager, Central Division at Omaha.)

(c) SVC
 GEN MGR OMAHA NEBR
 EXCESS MEMPHIS TENN RICHARD ROE BON-
 FILS MO FOUR THOUS REROUTED STCHARLES
 MO

MOD STLOUIS MO SEPT 11

(Re-routing and paying office both in Central Division.)

SECTION X
 CIPHER CODE

91. All money-order offices including agencies at BA points are furnished with a cipher code designated as "Cipher C" card. This code card contains what are known as "money" words. The money word or words shall occupy the first position in the money-order message.

92. The money words are used in all money-order messages to express amounts of whole dollars. When the exact amount is given in the code, use the money word shown for that amount. When the exact amount is not given in the code and is \$10,000 or less, use the code words for the even thousands, the even hundreds for \$200 and over, and for remainders under \$200, the money word for the exact amount. For example:

\$ 167 Use the money word for 167
 267 " " " words. " 200 and 67
 1,167 " " " " " 1000 and 167
 1,267 " " " " " 1000, 200 and 67

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(a) In amounts of \$11,000 or more, the thousands are expressed by using the money word of 1000, preceded by the code word for the amount by which 1000 is to be multiplied to indicate the number of thousands.

For example:

\$11,000—Use the money word for 11 followed by the money word for 1000, to indicate $11 \times 1000 = 11,000$.

(b) Amounts over \$11,000, when not in even thousands are expressed as shown by the following example:

\$11,167—Use the money words for 11 and 1000 and 167 ($11 \times 1000 + 167 = 11,167$).

\$24,267—Use the money words for 24 and 1000 and 200 and 67 ($24 \times 1000 + 200 + 67 = 24,267$).

93. Money words shall not be used for cents. Cents are to be written out in the message in plain language following the money words expressing the dollars.

94. Money-order offices will obtain code cards from their district superintendent (or general manager). BA points will receive code cards and instructions from the direct office to which they are assigned. The furnishing of code cards or code words by one office to another, otherwise than herein indicated, is positively forbidden. Any request for the code cards or for the meaning of a code word must be refused and the facts in such case immediately reported to the superintendent.

95. The code cards are strictly confidential. They must be kept out of sight, carefully guarded, and made accessible only to bonded employees authorized to use them in the performance of the service.

Type of Identification:

96. The type of identification required is shown in the money-order message by inserting immediately after the money word, the word "to" in the case of a caution order, and the abbreviation "vig" in the case of a vigilant order.

Multiple Money Orders:

97. To authenticate a second money order between the same parties, on the same day and for the same amount, the words "Second Order" shall be placed immediately before the money word, and in case of further orders between the same parties the same day for the same amount, "Third Order," "Fourth Order," etc.

SECTION XI MONEY ORDER MESSAGE

98. After a money order has been accepted and paid for and the receipt given to the sender, the money-order message shall be prepared on plain white or salmon colored paper for transmission as follows:

MOD Message Parts:

99. The parts of the money-order (MOD) message shall be written in the following order (typewritten, if practicable):

(a) Check—to be placed at top of blank after compiling MOD message. Count words in message the same as in any land-line telegram and show the result in the check followed by the designation "MOD," or "NT MOD" in the case of over-night orders. The designation "MOD" is not to be transmitted except by railroad offices or wire-operated branch offices.

(b) Place from, date and filing time. Show office call if sent from a branch office. The filing time is the exact time when the application was filed by the sender.

(c) Address of message—"MOD" followed by name of direct office to which order is to be sent. (Orders destined to other-line points not listed in this book or Tariff Circular shall be forwarded to the "Via" office shown in the Tariff Book if the latter is a money-order office, otherwise send the order to the state-agency office. See paragraphs 9 and 10.)

(d) Money word or words—shall be typed or printed.

(e) Kind of identification—"to" for caution or "vig" for vigilant. All orders shall be considered and sent as "caution" orders unless the sender has signed the clause on the application which requires the payee to furnish identification of a "vigilant" nature. (See pars. 27 and 30.)

(f) Payee's name.

(g) Test question, if any.

(h) Payee's address—house number, street, etc.

(i) Destination of order—if other than a direct office.

(j) Delivery instructions, if any, (or Report Delivery).

(k) Sender's name. In those infrequent cases where the sender's address is to be transmitted, it shall be counted and charged for at the additional-word rate.

(l) Supplementary message, if any. (Where necessary to avoid sender's name becoming a part of the message use QUOTE and UNQUOTE. No extra charge.)

(m) Signature—"MOD."

(n) Time message is released for transmission.

Note: The abbreviation "fm" shall be inserted between the names of payee and sender when they are not separated by a test question, street address or other required information.

100. The following example illustrates a money-order message in which the above enumerated elements would appear if they were all required in connection with a single money order: (The small letters under the word groups correspond with the designations of the message parts given in paragraph 99 and are given merely to facilitate illustration. They do not appear on the message blank).

24 MOD

(a)
WK CHICAGO ILL SEPT 6 1939 1001P
(b)

MOD

ST LOUIS MO

(c) GALOP FIFTY CENTS	TO	MISS VERA LEA
(d) SISTERS NAME MARY	(e) 315	(f) WEST WALNUT ST
(g) BOURBON MO	(j) DELR 9 AM	(h) ANNE DURHAM
(i) COME AT ONCE		(k)

MOD
(m)

1006P
(n)

Note: Bourbon, Mo., is a BA point assigned to the St. Louis direct office.

A shorter form of money order might read as follows:

DYNAMO	VIG	ACME MFG CO	FM
(d) H C BROWN	(e)	(f)	
(k)			

101. The sender's name, address and telephone number, as given on the application, shall be entered in the lower left hand corner of the MOD message.

102. Each MOD message shall be carefully compared with the application and the coded amount verified with the decoding card before the message is released for transmission.

103. Sent MOD messages shall be filed with other sent messages of the day or as may be otherwise instructed.

SECTION XII PAYMENT OF MONEY ORDERS

Procedure on Receipt of Money Order Message:

104. When a money-order message reaches the paying office, the money words, any supplementary message, the word "Gift" in case of a gift order or the overnight symbol "NT" in the check, shall be blocked off by drawing a rectangular box around each such group of words and exercising care to avoid omitting any of them. Payment of the order shall be made in accordance with the instructions contained in this section. If the indicators "to" or "vig" which should follow the money word, are omitted, or if the order in other respects appears to be irregular, payment should be deferred until correction or confirmation is obtained from the originating office by service message.

105. Direct offices must not pay or release to an indirect point, an order for an amount in excess of the payment limitation of \$2,000 before receiving authority from their general manager. Special attention shall be given to see that the message from the general manager is in agreement with the money-order message as to the amount and payee's name. (See section IX.)

106. After the message has been deciphered and there are

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no apparent errors, the money-order draft shall be prepared (preferably by typewriter with black record ribbon) but not countersigned. Overnight orders shall similarly be examined and prepared for disposition the following morning.

107. Other forms to be prepared at the same time and according to circumstance, are as follows:

- Form 3300-C—Transmittal form to accompany draft when delivered or mailed to payee; also to contain supplementary message, if any;
- " 3306 —Sticker to be attached to money-order draft in appropriate cases;
- " 75-C —Notice to a payee of a caution order;
- " 75-V —Notice to a payee of a vigilant order;
- " 3766-O—Envelope, only to be used for delivery of drafts, including supplementary messages, if any.

The Money Order Draft:

108. Before preparing the draft, form 2738, make sure that the money order is not a gift order.

109. A money-order draft must be made out for every money order. If the draft is not delivered or mailed to the payee, it shall, on proper endorsement by the payee and satisfactory evidence of identity, be cashed. If the payee prefers to receive the draft he shall be required to receipt for it on a route record, form 87-C. See paragraph 144 about cashing all drafts for \$10 or less.

110. All care must be exercised in the preparation of drafts. In particular, the amount as written in figures must be plainly legible and agree with the amount as written in words. The amount of the draft (in writing and in figures) and the amount in the MOD message shall be carefully compared before payment is made. It is also necessary to verify in the draft the name of the city and state at which the order originated. Branch offices will enter their office call as a prefix to the name of the paying office. Drafts spoiled in the course of preparation shall be marked VOID and the treasurer's and counter-signatures torn off, then attached to the back of the MOD message. For further details in the proper preparation of drafts, see Fig. 4, back of book. Drafts issued in payment of "Forwarded" orders shall show, in addition to the originating office, the name of the first forwarding office. These precautions are necessary to prevent errors in payment and to facilitate accounting work.

111. Although the draft should be made out on receipt of the MOD message, it should not be countersigned until the draft is to be cashed or ready for delivery.

112. In the absence of the employe regularly authorized to countersign money orders, a draft to be retained by the payee may be signed by a bonded employe especially appointed and authorized by the manager for the purpose. When the draft is to be cashed by such authorized employe it can be countersigned by the money-order agent after his return to the office on his verification of the draft with the MOD message and scrutiny of the identification data. Employes shall not countersign drafts in blank for use during their absence.

113. A sticker, form 3306, shall be attached to the upper left-hand corner of all drafts to be mailed, or delivered to payees in residential districts. (See Fig. 5, back of book.)

Transmittal Form 3300-C:

114. This form is to accompany the delivery or mailing of all money-order drafts to the payee. Any supplementary message is to be placed on the lines provided. If there is no supplementary message, the words "and included the following message:" should be crossed out. The form shall also be used to deliver supplementary messages when payment is made over the counter. (See Fig. 6, back of book.)

Money Order Notice Forms 75-C or 75-V:

115. A notice shall be prepared only where it is desired to have the payee call at the office for payment. Form 75-C shall be prepared for a caution order and form 75-V for a vigilant order. The wire number shall be used as the delivery number. The supplementary message shall be placed on the lines provided on the forms, but if the information contained in the supplementary message is such that it might assist an imposter, the message shall be omitted from the notice form. If there is no supplementary message, the words "with the following message:" shall be crossed out. Either form of notice shall be delivered in a regular tele-

gram envelope, form 1529-OA. (See Figs. 7 and 8, back of book.)

116. If the payee does not call in twenty-four hours, a duplicate notice bearing the words "Second Notice" shall be delivered. If delivery cannot be made because of faulty address or other reason, the originating point shall be notified by service message so the sender may provide a better address. The order should not be cancelled until after the 72-hour period or on request of the sending office.

Delivery of Money Orders:

117. While the telegraph company's obligation is to pay money orders in cash, cash payments must necessarily be confined to those made over the counter. However, money-order drafts may be delivered in all instances where this will tend to make the service more attractive and when the circumstances are such that delivery of drafts can safely be made. Drafts in payment of vigilant money orders shall not be delivered except as provided in the following paragraph.

Money Orders to Business Firms:

118. Money orders payable to well-known and responsible concerns and individuals, where identification and cash payment would manifestly be unnecessary, may, where practicable, be paid by draft enclosed with form 3300-C in envelope, form 3766-O, and delivered by messenger. Such deliveries may be made regardless of the amount of the order or whether the order is caution or vigilant. The messenger should be instructed to deliver the draft to some responsible employe of the firm. No receipt need be taken from such payees when in the judgment of the local manager their standing and responsibility makes it unnecessary. Whenever practicable to do so, the delivery should be made by the messenger frequently assigned to the delivery of messages to that office and who, therefore, is more or less acquainted with the employes who regularly handle that firm's telegrams.

Money Orders to Banks for Credit of Depositors:

119. When money is sent to a bank by telegraph for the credit of the sender or of someone else, it is the sender's purpose that it will at once become available as a credit, which may be drawn upon immediately, and it is our obligation to make the payment in such a way that this is accomplished. This may be done by any of the three methods described in the following instructions, according to the bank's disposition in such matters, as known to the manager from observation or ascertained by him on inquiry:

(a) When it is known that the payee bank will accept our money-order draft as immediate credit, a draft payable to the bank, with the addition of such words as are necessary to indicate to whose credit the money is deposited, for example: "Columbus State Bank Credit John Doe," or "Credit Account of John Doe," or other similar expression, in accordance with the money-order message, shall be delivered to the bank.

(b) If it is known that the payee bank will not accept our money-order draft in its ordinary form for immediate credit, on account of the delay in obtaining its money on drafts drawn on a distant city, but will accept for immediate credit a local draft, the words "Payable at (name of our local depository and city) if desired" shall be typed or stamped in the blank space above the name of the fiscal-agency bank in the lower left hand corner of the money-order draft. (This method will not be necessary at division headquarters cities since our drafts are equivalent to local checks on the fiscal-agency bank.)

(c) If it is known that the payee bank will not accept either our draft in its ordinary form or a draft over-typed or over-stamped for local payment, as provided in paragraph (b), but requires actual cash in order to give immediate credit, the manager is authorized to make the money-order draft payable to his official order, viz.: "Richard Roe, Manager, Western Union Telegraph Co." The original paying information as taken from the money-order message shall be written on the blank line below the words "Amount Sent From" in the lower left hand corner of the draft, for example: "Cashed for Columbus State Bank, credit John Doe." The draft shall then be cashed from funds on hand or at the local Western Union depository. Duplicate deposit slips covering

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the deposit shall be prepared and the cash deposited in the payee bank to the credit of the person named in the money-order message. The duplicate deposit slip bearing the bank's acknowledgment shall be attached to the received MOD message.

Caution Money Orders to Residential Districts:

120. Caution money orders destined to residential sections shall be handled as follows unless there appears to be some good reason why a notice should be delivered instead of the draft:

(a) The money-order draft with a sticker, form 3806, affixed and a properly prepared form 3300-C, showing the wire number above the payee's name, shall be enclosed in a money-order envelope, form 3766-O. (This envelope must not under any circumstances be used for any other purpose than that of delivering drafts and the accompanying forms 3300-C.) The money-order clerk will then hand it to the delivery clerk to be routed out as a two-star delivery. At the same time he shall endorse on the money-order message the time when the draft is handed to the delivery clerk.

(b) The delivery clerk will prepare route record, form 87-C, using the wire number as the delivery number. The time routed out shall be stamped on form 87-C.

(c) Money orders shall be given for delivery only to experienced messengers. The messenger shall be instructed to deliver the envelope containing the draft to the addressee personally who shall receipt for it. For procedure in case the money-order message contains a test question, see paragraph (d) below. Should the messenger be unable to effect delivery to the payee personally, he shall leave a notice, form 66-A, changed by drawing a line through the word "Telegram" and writing above it the words "Money Order," also placing an "X" in the last block to indicate disposition made of the order. The envelope containing the money order shall then be returned to the office and the route record endorsed in the same manner as prescribed for undelivered telegrams.

(d) When the money order contains a test question, the money-order clerk shall write the test question on the back of envelope, form 3766-O, and then write the answer on a separate slip of paper, and hand both to the delivery clerk. Before delivering the draft, the messenger shall ask the payee the question and if answered correctly he will then require the payee to write the answer under the question. The draft and form 3300-C shall then be delivered to the payee, and the envelope with the answer written on it shall be returned to the office, to be filed with the MOD message. If the payee has not answered the question correctly, the messenger will explain his inability to deliver the money order under the circumstances and shall deliver, instead, a properly prepared notice, form 66-A. He will then return the envelope containing the draft and form 3300-C to the delivery clerk giving him all particulars of the attempted identification.

(e) Undelivered money orders shall be handed to the money-order clerk, with an explanation for non-delivery, for further disposition. The draft and form 3300-C shall be attached to the MOD message.

Caution Money Orders for Hotel Guests:

121. In the case of caution orders for moderate amounts addressed to individuals in care of responsible hotels, the draft and form 3300-C may in the judgment of the manager be delivered to the hotel clerk if the payee is registered, unless the money order contains a test question, in which case form 75-C shall be delivered to the hotel and the payee required to call at the office for payment. If the payee is not registered, a notice marked "Money Order," shall be left. A receipt on a route record shall be obtained from the hotel clerk for all drafts delivered.

Delivery of Caution Money Order Notice, Form 75-C:

122. Whenever for any reason it is unsafe or undesirable to deliver the draft in payment of a caution money order, form 75-C shall be delivered to the payee and the payee required to come to the office for the money.

Delivery of Vigilant Money Order Notice, Form 75-V:

123. In the case of all vigilant orders, excepting those to well known concerns and individuals mentioned in para-

graph 118, a form 75-V will be prepared and sent to the addressee to call at the office for payment of the order.

Telephonic Delivery of Money Order Notice:

124. When delivery by messenger is impracticable or the conditions are such that the time consumed by messenger delivery would defeat or impair the purpose of the order, the notice may be delivered by telephone to the payee personally. It is, however, preferable to make delivery of the draft in the case of a caution order whenever possible.

Delivery of Cash on Money Orders in Special Cases:

125. Orders to payees in hospitals, police stations and jails usually require payment in cash, and managers should arrange for the delivery of cash in these cases. Such cash payments shall be handled only by bonded employes and under close supervision. Cash and draft shall be sent out together and the cash paid to the payee after he has been properly identified and has endorsed the draft and returned it to the employe making the payment. For cash deliveries to banks see instructions in paragraph 119 (c).

Delivery of Supplementary Messages:

126. The delivery of supplementary messages should generally be as described in the foregoing paragraphs. When the money-order notice is delivered by telephone, the supplementary message may be read to the payee personally, provided it conveys no information that would aid an imposter. The telephoned message shall be confirmed by its delivery on form 3300-C at the time of the payment of the order.

127. Whenever a money order is accompanied by a supplementary message which calls for a reply, and the draft is delivered to the payee, the standard answer sticker, form 2477-D, shall be affixed to the message transmittal, form 3300-C, and the envelope marked or rubber stamped "Get Answer."

Identification for Money Orders:

128. The class of the order (caution or vigilant) shall always be verified by reference to the word "to" or "vig" in the money-order message before identification or payment is attempted.

129. Addresses such as "Care Western Union," "Will Call," "An Ans.," "Care of (Hotel)," etc., are frequently used by impostors, and paying clerks should be specially on guard in the matter of identification in all such cases. The back of the message should be endorsed with a description of the payee noting particularly any special distinguishing marks. (See paragraph 132.)

130. The sending of a telegram requesting money should never in itself be considered sufficient evidence of identity.

131. When a payee calls to receive payment of a money order, he shall immediately and without a moment's hesitation be asked: "What is your full name and address, please?" Any sign of hesitation, marked nervousness or confusion as well as any subsequent contradiction of his first statement or evasive and unsatisfactory answers to questions designed to establish identity, should be the signal for an unusual degree of caution in the matter of identification.

132. When identification has been difficult to establish, but payment finally seems warranted, money-order clerks should particularly observe the payee and note a distinctive description of him on the back of the MOD message, for use if a fraud should subsequently be developed. For noting the description of payee, observe the following:

Apparent age,
Height,
Weight,
Color of hair,
Color of eyes,
Distinctive marks,
Complexion,
Dress.

Care must be taken not to antagonize or offend the person claiming payment. Clerks must call upon the manager to assist in doubtful cases.

Caution Identification:

133. Caution money orders do not require personal identification, but all care and prudence shall be exercised to establish the payee's identity to the reasonable satisfaction of

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the paying clerk. Identity will be ascertained by means of presented letters, documents, licenses and information respecting the order. A full and complete record shall be made on the money-order message of all documents, licenses and letters and other evidences of identity offered by the payee. Envelopes offered as evidence shall be retained, if practicable, and filed with the MOD message. When the envelope cannot be procured a record of the post-mark and return address shall be endorsed on the money-order message. One receipted bill from a hotel, garage or other local concern should not be accepted as the sole documentary evidence of identity since they may be easily obtained in any desired name. Likewise, possession of a single license, club or business card, Social Security registered number, etc., are not conclusive evidence of the holder's identity, but may form an important adjunct to other papers, letters monogrammed jewelry or clothing offered as identification.

134. The inability of the payee to produce documentary or other tangible evidence of identity does not necessarily preclude payment—particularly in the case of women payees who frequently have difficulty in producing such evidence—provided the paying clerk has no reason to suspect that the person applying for payment is other than the payee named in the order.

Vigilant Identification:

135. If the person applying for the payment of a vigilant money order is not personally known to the paying clerk he should be identified by some reputable person who is known at the paying office. If personal identification cannot be procured, the greatest care shall be exercised to ascertain that the payee is not only in possession of the facts concerning the order, but also of thoroughly convincing documentary evidence of identity in the way of letters and other papers which should be carefully examined before payment is made.

136. The person undertaking to identify the payee should be known to the paying clerk, be a reputable member of the community and understand what personal identification means and should be known as one who would not undertake such identification unless he knew whereof he spoke. Persons engaged in such occupations as bus drivers, restaurant employes, barbers, proprietors of the lower-class hotels, etc., frequently attempt identification as an accommodation without actual knowledge of the real identity of the person involved; such identifications are to be received with reserve.

137. Casual acquaintanceship, or a mere introduction, does not qualify the party to identify the payee. The mere fact that John Doe, the payee, brings in Richard Roe, who is known to the paying clerk, and that Richard Roe says "This man is Mr. Doe," is not a complete identification. Aside from the fact that no identification should be accepted on the basis of "this is MR. Doe" (the identification of John Doe is required), the test of the value of the identification is whether the person who is identifying John Doe merely knows him by that name, or whether he knows that he is in fact, John Doe. This distinction is most important.

138. Usually the inadequacy of the identification can be exposed by adroit questioning of the identifying party as to the nature and period of his knowledge of the payee. The questions asked naturally would be along the following lines:

- (a) "How long have you known Mr. John Doe?"
- (b) "Where did you last see him before this and when?"
- (c) "Does your knowledge as to the identity of this gentleman permit you to state positively that he is Mr. John Doe and not merely known to you by that name?"

The person identifying a payee generally does so in good faith, but under the impression that, since the payee, who may be an impostor, is known to him by a certain name, he consequently knows him to be that person, which of course is not by any means necessarily the case. This important point in connection with identification should constantly be borne in mind by employes charged with the duty of paying money orders.

139. In paying either a caution or vigilant money order, care should be exercised to see that the evidence produced as identification shows payee's initials and name identical with those shown in the money-order message. Any discrepancies should be confirmed with the sending office before payment is made. The endorsement on a draft must be identical with the name on the face of the draft.

Test Questions:

140. Where the money-order message contains information to be used for a test question, it is desirable that all other required identification be obtained before the test question is tactfully asked. The person representing himself as the payee shall readily and correctly answer the test question. If this information has been, for example: "Mother's maiden name Clark," or "Birthday December 25" or "Firm code name Middlesex," the question to be asked the person representing himself as the payee, will be: "As a matter of further identification the sender has requested that we ask you for the maiden name of your mother," or "the date of your birthday," or "your firm's code name." The paying clerk shall indicate on the MOD message if the payee properly answered the test question.

141. If the payee cannot readily answer the question or questions, payment of the order shall be withheld and the originating office shall be asked to supply a personal description of the payee and to give any other information that may aid in establishing his identity.

Payment at the Counter:

142. When payment is made over the counter, the fact that the person claiming to be the payee offers to accept a draft instead of cash does not remove the necessity of requiring identification in the same manner as if payment were made in cash.

143. When a draft is to be endorsed by a person who cannot write, he or she shall be required to sign by making his or her mark. The mark shall be witnessed by a person other than the employe making the payment. For example:

His
William + Thompson
Mark
Witnessed by
John Smith

The witness, in this case John Smith, shall be required to write the name of William Thompson, and then to subscribe his own name after seeing William Thompson make his mark.

144. In the case of any money order it is the intent that the payee shall receive the amount in cash, if cash is preferred, without delay or trouble. Therefore the draft drawn in favor of the payee, after proper identification and endorsement of the draft by him, will be cashed by the paying office unless the payee otherwise requests. No other receipt than his endorsement is required. It is incumbent on offices to provide themselves with funds for such cash payment. If the draft is preferred to the cash, the payee's receipt shall be taken on a route record, form 87-C which shall be attached to the MOD message. All money orders for \$10 or less delivered over the counter should be paid in cash. Requests by strangers for drafts for such small amounts instead of the cash should be denied. Drafts for small amounts may be delivered to business concerns and individuals of known standing.

145. When a money order is to be paid and the paying office is without sufficient funds for the purpose, it shall either procure the cash or give every assistance to the payee in having the money-order draft cashed.

146. When desired, payments may be made by two or more drafts in the following manner: The necessary number of drafts will be drawn in the amounts desired and numbered in the upper left corner as follows: "No. 1 of 3," "No. 2 of 3," "No. 3 of 3," etc., according to the number of drafts desired. One or more of the drafts may be cashed for the payee if he desires, but a receipt shall be taken on a delivery sheet for the rest of the drafts, using the draft numbers as the delivery receipt numbers.

147. If payment is made by an employe other than the one who prepared the draft, the employe making the payment will be held responsible for verifying the amount of the draft by comparing it with the MOD message and decoding sheet, before payment.

148. Initials of the employe preparing the draft, time prepared, draft number, amount of payment (or refund), date, time paid, by whom and the evidence of identity on which the payment was made, should be recorded on the face of the MOD message. The following form is suggested:

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Prepared by Time
 Dft. No. \$
 Date Paid Time
 By Identification:

Strict observance of this requirement is important to provide a proper record of the handling of the order and to avoid duplicate payments.

149. The paid orders shall be kept in a separate file, in date order and alphabetically arranged by payee's names. The file shall be treated as confidential and never be made accessible to employes or others who are not authorized to de-code MOD messages. These messages are to be destroyed after a period of one year.

Payment to Payee's Agent:

150. (a) If the payee is a well-known and responsible concern or individual, payment may be made to an authorized agent by a draft in favor of the payee or the draft may be cashed, provided that there has been previously placed on file a written order authorizing this particular method of making payment. The order shall bear the duly authenticated signature of the payee and shall also contain the name of the agent authorized to receive payments and to endorse drafts, together with a sample of the agent's signature as it will appear in such endorsements. The order shall state that it is to continue in force until rescinded in writing.

(b) If the payee be a corporation, the order shall be signed by its president or treasurer. The agent will be required to endorse the name of the payee on the draft, and to write his own name, preceded by the word "By," under the name of the payee. If the draft is not cashed the agent shall receipt for it on a route record.

(c) When a written order purporting to be signed by the payee is presented by another person the draft may be delivered to the bearer of the order, provided he is known to the paying office, or upon positive identification and establishment of his responsibility. Ordinarily it is preferable to send a responsible employe to make delivery of the order personally to the payee, upon proper identification.

Payment to Two or More Payees:

151. Orders payable to more than one payee require careful handling. Notices, drafts and forms 3300-C, must be jointly addressed as indicated in the order. When cashing such drafts each payee shall produce the necessary degree of identification and each shall endorse the draft, without exception.

Payments on Sundays and Holidays:

152. Drafts covering payments made on Sundays and holidays that are to be cashed by the paying office shall bear the date on which they are drawn; but when the draft is to be negotiated by the payee and the payee objects to accepting a draft on a Sunday or holiday, the draft shall be given the date of the next succeeding business day.

153. To meet difficulties that may be experienced after banking hours and on Sundays and holidays in providing funds for the payment of orders in cash, managers at offices where arrangements can be made for safeguarding the money (refer Commercial Bulletin 35) may, with the approval of their district superintendent or general manager, carry on hand as "Money Order Advance" a sufficient amount of money to meet reasonable money-order requirements. The money-order advance fund will be kept replenished by cashing the drafts from revenue funds on hand. In cases of necessity managers may replenish their "advance" by cashing paid drafts at the revenue depository bank after adding their own official endorsement after that of the payees. At offices where the "advance" is insufficient to meet the daily average money-order requirements, requests for an increase should be forwarded through established channels to the district superintendent or general manager.

154. When an order, payable at a BA or BNK point reaches the direct office after banking hours or on Sundays or holidays, the draft may be mailed directly to the payee rather than forwarded through the bank if in the judgment of the direct office no delay or other impairment of the service will result. Ordinarily, vigilant orders or those containing test questions, should not be mailed. Direct offices

should record for their own use the hours of payment at the BA points assigned to their office.

Mailing Drafts to Payees:

155. Money-order drafts may be mailed to the payee at any address, if he so requests and properly identifies himself according to the class of the money order. If the request is made in writing, the written request shall be attached to the MOD message. If it is made orally, it shall be endorsed on the money-order message by the paying office.

Cashing of Drafts Drawn by Other Offices:

156. A draft drawn by another office and presented for payment or endorsement shall be carefully scrutinized for any evidences of irregularity or departure from the normal form of preparing a genuine draft. The draft must be confirmed with the office of issue by telegraph, or by telephone if it is a local office, before being cashed or endorsed. The payee must in all cases be properly identified according to the class of the money order, as ascertained from the office which issued the draft. After cashing such drafts the employe shall write his initials and describe the evidence of identity produced by the payee on the back of the draft.

157. Fraudulent drafts shall be confiscated and the facts immediately reported by telegraph to the superintendent for investigation.

Duplicate Drafts Issued to Replace Lost or Stolen Drafts:

158. As a matter of protection in the event of a money-order draft being lost or stolen, after being delivered or mailed to the payee, the manager of the issuing office should immediately wire his superintendent a complete description of the draft in order that payment may be stopped through the general manager. Notifying the local banks not to pay the draft is proper but not sufficient. If the payee reports loss of a draft to other than the issuing office the latter shall be notified at once to arrange the stop payment order, also to put it on guard should any other office wire about the genuineness of the draft perhaps in possession of the impostor.

159. In the case of a lost or stolen draft, a duplicate shall not be issued until the particulars have been reported to the superintendent and his authority received to issue a duplicate. In such cases a duplicate may be issued provided an indemnity agreement in the following form, with satisfactory sureties, if sureties are required, is received from the payee:

**THE WESTERN UNION TELEGRAPH COMPANY
 INDEMNITY AGREEMENT**

19.....
 In consideration of the issuance by The Western Union Telegraph Company to of draft No. for \$..... on the

..... Bank, in place of a similar draft No. on the same bank for the same amount, to the same payee, dated, which has been mislaid, lost, stolen or destroyed, we hereby severally and jointly promise and agree to at all times indemnify and save harmless The Western Union Telegraph Company from and against any and all claims, actions and suits, whether groundless or otherwise, and from and against any and all liabilities, losses, damages, costs, charges, counsel fees and other expenses of every nature and character by reason of said original draft or the issuance of a duplicate in lieu thereof; that the parties signing this agreement, their heirs, legal representatives or successors or any of them shall in case said original draft be found or come into the hands or power of any of them, deliver or cause the same to be delivered to The Western Union Telegraph Company for cancellation.

..... (Payee)
 Address
 (Surety)
 Address
 (Surety)
 Address

160. In the foregoing form space is provided for three signatures. The first signature line is for the signature of the payee of the draft; the second and third signature lines

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are for the signatures of sureties, if circumstances require sureties. If the payee is an individual or concern of known financial standing and is undoubtedly good for the amount of the draft, the signature of the payee of the draft will be sufficient. If there is any doubt at all of the payee's financial responsibility for the amount involved, the signatures of two sureties or of a surety company, should be required in addition to that of the payee.

SECTION XIII

MONEY ORDERS TO AND FROM BA POINTS AND TO BNK AND NB POINTS

Instructions at BA Points:

161. BA agents have special instructions, form 2280-F, concerning the acceptance and payment of Western Union money orders, which is furnished them as a handy guide for handling the service. They are also supplied with application blanks and the book of Money Order Rules and List of Offices.

Money Order Messages Received from BA Points:

162. When a money order is filed with the agent at a BA point, the cipher message sent by the agent shall be addressed to MOD at the direct office to which the BA point is assigned. The direct office shall scrutinize the text and code words for proper form and then resend the message to the paying office without changing the place from or the date. MOD shall be substituted as the signature in place of the signature of the agent.

Payment of Money Orders at BA Points:

163. On receipt of a money-order message directing payment at a BA point, the direct office to which the BA point of destination is assigned shall resend the message, retaining the original "MOD" check, place from and date and addressing the resent message to the agent at the BA point of destination. If received after closing hours of the BA point, or on Sundays or holidays, the draft may be mailed directly to the payee as directed in paragraph 154. The requirement that the message shall be resent with the original "MOD" check cancels the instructions in Rule 12 (n) in the Tariff Book that such messages shall be checked SVC.

Compensation to BA Agents:

164. On money orders to or from direct money-order offices and NB points in the United States, the compensation of the BA agent is one-half of the money-order charge (but no part of the tolls) with a minimum payment of 25 cents for each order. On orders to or from BA or BNK points in the United States the compensation of the BA agent is one-quarter of the money-order charge (but no part of the tolls) with a minimum payment of 13 cents for each money order.

165. The compensation of the BA agent on money orders to foreign countries including Alaska, Canada, Mexico, Newfoundland and Miquelon Island, is one-quarter of the money-order charge (but no part of the tolls) with a minimum payment of 25 cents for each order, and on orders from foreign countries one-quarter of one per cent of the principal, with a minimum payment of 25 cents for each order.

Settlements with BA Agents:

166. Settlements between BA agents and the telegraph company shall be made daily, unless the agent objects to a daily settlement, in which case arrangements may be made for settlements at convenient intervals of not more than one week.

167. If daily settlements can be arranged, the direct office shall prepare a separate money-order draft in favor of the agent for the amount of principal plus commission to cover each order paid by the agent. The name of the payee of the order shall be shown on the draft after the originating point. The drafts shall be mailed to the agent at the close of each business day. No receipts, and no commission vouchers will be required from the agent. The agent shall mail to the direct office daily its remittance, preferably in the form of a draft drawn on a bank in the city where the direct office is located, with the applications, form 72-II, to cover its total collections of principals, money-order charges and telegraph tolls, less the agent's commission. The amount of this "BA commission" shall be taken credit for on a blank line of the current day's form 1688. Then the net amount due from the

agent shall be carried as a part of the "Balance" on form 1688 until settlement has been received. Prepare dummy applications to cover each order as directed in paragraph 171.

168. Where the agent is averse to making daily settlements, arrangements may be made for gross settlements at convenient intervals of not more than one week. In such a case, the direct office shall prepare a separate money-order draft to the order of the agent covering the amount of principal and commission for each money order paid by the bank, as indicated in paragraph 167, but the drafts shall be held by the direct office until settlement is due under the specific arrangement with the agent. The agent shall remit the total amount taken in for principals and total charges, less commission, at the end of the period agreed on. The direct office will carry the principal, charges and tolls as "Balance" on the current form 1688 until settlement has been received.

169. In cases where the agent specially desires to make net settlements, the direct office shall obtain from the general manager special instructions concurred in by the division auditor.

170. At offices where settlements with BA agents through the medium of sight drafts are effective, the instructions in the preceding paragraphs may be modified accordingly.

Accounting for Applications from BA Points:

171. A dummy application so marked shall be prepared by the direct office for each order originating with a BA agency, to support the current day's accounts. When the original application is received from the agent the name of the direct office shall be entered near the date line in addition to the name of the BA point and original date. These originals shall be sent to the division auditor, tabbed "Original," for use in replacing the dummy copy.

Payment of Money Orders Addressed to BNK Points:

172. On receipt of a MOD message directing payment at a BNK point, the direct office to which the BNK point is assigned will prepare a draft, form 2738, payable to the local forwarding bank for the amount of the principal of the money order plus the bank's commission. In no event should a separate draft be issued to cover bank commissions. The name and address of the payee of the order shall be written on the blank line in the lower left-hand corner of the draft as follows:

"For (name of payee) at (name of BNK point)." (See Fig. 10, back of book.)

If received after closing hours of the BNK point, or on Sundays or holidays, the draft may be mailed directly to the payee as directed in paragraph 154.

173. Prepare advice to Forwarding Bank, form 3130, and deliver to the forwarding bank together with the draft. The words "Upon positive identification" shall be shown after the payee's address in the case of a vigilant order. The words "Waive identification" shall be used in the case of a caution order. Show the time this form is prepared near the date line. (See Fig. 9, back of book.)

174. Information contained in the MOD message as a basis for a test question shall be inserted on form 3130 after the name of the payee of the order and before his address. For example:

"Notify and pay Milton Boswell, eldest son 9 years, Garland, Tex."

Note: It is important that the bank's message contains the words, "Notify and pay" in order that there will be no misunderstanding by the distant bank.

175. The message from the forwarding bank to its correspondent bank at the BNK point shall be counted and checked "MOD" in the same manner as a regular money-order message. This supersedes instructions in Rule 12 (n) of the Tariff Book that such a message shall be checked "DH Co." The message shall not contain reference to any other business.

Compensation to Forwarding Banks for Money Orders to BNK Points:

176. The compensation to forwarding banks for money orders to BNK points shall be one-half of the money-order charge (but no part of the tolls) on orders from direct offices in the United States, with a minimum payment of 25 cents for each order, and one-quarter of the money-order charge (but no part of the tolls) on orders from BA points in the United States, with a minimum payment of 13 cents for each order.

177. The compensation to forwarding banks for money orders to BNK points originating in foreign countries shall

be one-quarter of one per cent of the principal, with a minimum payment of 25 cents for each order.

Payment at NB Points:

178. When the payee is located at a point distant from or not easily accessible to the paying office, thereby involving possible expense and inconvenience on his part in coming to the paying office, the payee should be notified that unless he advises to the contrary a draft will be sent by the next mail and the payment should be made accordingly. Form 3300-C should accompany the draft.

Forwarding, Cancellation and Refund of BA and BNK Money Orders:

179. For instructions concerning the forwarding, cancellation and refund of BA and BNK money orders, see Section XIV, Forwarding Money Orders; Section XV, Cancellations, and Section XVI, Refunds.

SECTION XIV FORWARDED MONEY ORDERS

180. Money orders which are undelivered because the payee has left town, and his present whereabouts are ascertained, may be forwarded to another paying office within the United States without extra charge. Such orders may also be so forwarded at the request of the payee. When the sender requests an order be forwarded to another paying office he shall be charged the tolls on a 15-word telegram between the original destination and the final destination. In the latter case, the sent copy of the service message shall be attached to the original MOD message for record purposes and a copy of the message shall be sent to the division auditor with the money-order applications.

181. No money order shall be treated as a forwarded order from a point within the United States to a point in Canada or any other foreign country. Such orders shall be reported undelivered or cancelled.

182. The request to forward a money order may be made at the original paying office by the payee in writing after being properly identified, or from a distant point by paid message or otherwise, before the expiration of the 72-hour cancellation limit. (See par. 186)

183. No order shall be forwarded at the payee's request after expiration of the 72-hour cancellation limit without instructions from the originating office.

184. Forwarded orders will be dated and checked according to Tariff Book Rule 8, for example, "18 3 ex MOD," etc. The "via" shown in the date will indicate that the order is a forwarded one. Erase all reference to the decoded amount on such messages before sending them to the operating room.

185. If the order is in excess of \$2,000 the forwarding office will notify the general manager of the paying office as well as his own general manager, according to Section IX of these rules, specifically stating that a forwarded money order is involved.

186. When an order is forwarded without the knowledge of the sender the originating office shall be so notified by service message. The originating office shall notify the sender, make suitable record on the original MOD message and include the message of advice to the division auditor with the money-order applications.

Preparation of the Draft:

187. The final paying office shall prepare the draft to show the originating point, "via" office and date. Also the payee shall be identified according to the requirements of the original order.

188. Forwarded money orders to be sent to BA or BNK points shall be handled as usual by the assigned direct office. If an other-line charge should be involved the actual amount of such charges shall be deducted from the principal before the order is resent or released to the indirect point. In such cases the amount of forwarding charges deducted and the amount of bank's commission added shall be noted in the lower left-hand corner of the draft as follows: "Fwdg. tolls..... Comm." From this information the division auditor will be able to make the necessary accounting.

189. If a forwarded order is unpaid at the end of the usual 72-hour cancellation period calculated from the original date on the message, the final direct paying office shall cancel the order direct to the office of origin.

SECTION XV CANCELLATIONS

Cancellation by Paying Office:

190. Money orders that remain unpaid at the expiration of seventy-two hours from receipt, exclusive of Sundays and holidays, shall be cancelled (except as noted below) and the originating office so notified by service message, stating the reasons for cancellation.

191. Money orders payable at Ellis Island, N. Y., and other immigration ports, and orders payable to officers and members of the crews of the United States naval vessels, will be held for five days instead of 72 hours, before being cancelled.

192. The word "Cancelled" shall be written or stamped across the face of the money-order message, and the draft marked VOID and the treasurer's and counter-signatures torn off. The carbon copy of the cancellation message, the original MOD message and the draft shall be attached together and filed away to prevent the possibility of subsequent payment.

193. Notices of cancellation will be sent by wire from BA agencies, and by local methods from BNK forwarding banks, to their direct office which will immediately wire the originating office. The direct office will prepare a form 72-H headed "Refund from Forwarding Bank" showing amount of principal, attach a copy of his cancellation message and charge the amount in the current day's principals. If necessary, credit may be taken as "Balance" on form 1688 pending settlement from BA agencies.

194. A cancelled money order may not be restored for payment unless authority has been obtained from the originating office. (See par. 198)

195. In the case of underpayments, or non-payments due to failures in transmission, developed after the expiration of 72 hours, the sender should be consulted for his instructions as to disposition of the principal before payment of the order is attempted.

Cancellation by Sender:

196. Cancellation of an order before the expiration of 72 hours may be attempted by the originating office on the request of the sender. Under no circumstances shall the principal be refunded before cancellation is actually received from the office of destination.

197. On receipt from the originating office of notice to cancel, the paying office shall promptly cancel the order, providing it has not already been paid. If the order has been paid the originating office shall be so notified by service message. If the paying office has already sent a cancellation notice, it shall inform the originating office of the fact, giving the date of the previous cancellation message which will avoid a possible double cancellation.

Restoration of Order by Sender:

198. On receipt of a cancellation notice, the sender may by a request in writing and the payment of tolls for a 10-word telegram to the paying office, restore the order for a further period of not more than 72 hours (or not more than five days in the case of orders at Ellis Island, or other immigration ports, or to members of the crews of United States naval vessels). Account for such message tolls as money-order tolls.

SECTION XVI REFUNDS

Refunds to Sender:

199. Refunds shall not be made before the receipt of a cancellation notice from the paying office. A service message stating that the paying office has been unable to locate the payee or that payment cannot be made for any other reason is not in itself a cancellation notice, but serves merely to enable the originating office to notify the sender (use form 4022) so that he may recheck the details on his application for any possible error or give further instructions concerning the disposition of the money order. (See Fig. 11, back of book.)

200. On receipt of a cancellation notice from the paying office, the sending office shall immediately and invariably refer to the original MOD message to learn whether refund has already been made, or whether any attached service messages affect the refund. Finally, the cancellation message

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shall also be attached to the original MOD message to complete the record and filed with the current day's received MOD messages. A skeleton copy of the sent MOD message showing the date refund was made shall be placed in the original day's file.

201. The money-order charges and tolls on all orders will be retained unless the service is shown to have been defective, in which case managers are authorized to refund the total charges. Such refunds shall be made from the office petty cash and not by draft. (See par. 210)

202. Before refunding cancelled orders in excess of \$2,000, authority must be received from the general manager. (See Sec. IX)

203. When a refund is in order, a draft shall be prepared to the order of the sender for the principal of the order. (See paragraph 63 about refunding Canadian orders on which foreign exchange has been figured.) A description of the order shall be shown on the blank line beneath the words "Amount Sent From," for example: "Refund money order to Miss Marion Smith, Pittsburgh, Penn." This draft shall then be mailed to the sender with a form 4022, bearing an added notation, for example, "Refund of \$ is enclosed herewith." A line should then be drawn through the words promising refund at a later time. In the case of orders filed by business firms, nearby senders or at small offices, delivery may be made by messenger in the discretion of the manager. (See Figs. 12 and 13, back of book.) The original message cancelling the order shall be endorsed "Draft No. mailed (or delivered) to sender (date)."

204. If the draft is presented for payment, care must be taken to identify the sender before it is cashed. The presentation of the receipt, form 4178, is not always sufficient identification.

205. All claims for refund of the principal where fraud or payments to impostors are involved will be referred to the district superintendent or general manager, as the case may be.

Refunds to Employees:

206. In cases of true emergency the telegraph tolls only may be refunded on money orders sent by employees. No abatement of the money-order charge may be made. A voucher for the amount of the refund shall be prepared and signed by the employee and must bear the manager's or superintendent's approval, as the case may be. Such refunds must be restricted to emergency cases of a personal or domestic nature.

Undelivered Refund Drafts:

207. If for any reason a refund draft cannot be delivered to the sender, the draft shall be marked "VOID" and the treasurer's and counter-signatures torn off, then mailed to the division auditor together with form 4022 and any other particulars relating to the inability to make the refund. In case the sender is subsequently located, the refund may be made as authorized in paragraphs 208 and 209.

Refunding Limitations—Six Months:

208. Subject to the conditions mentioned in the foregoing paragraphs, managers are authorized to refund cancelled money orders at any time within six months from date of filing.

209. Applications for refund of orders after six months from date of filing will be referred to the district superintendent or general manager, as the case may be, who in turn will ascertain from the division auditor whether there is any evidence of previous payment or refund and will instruct the office accordingly.

SECTION XVII DISBURSEMENTS

210. Disbursements in connection with the money-order service such as payments of other-line tolls, refunds of money-order charges and telegraph tolls, shall be paid in the same manner as other disbursements of the office. In no case shall they be made by money-order draft.

SECTION XVIII COMPLAINTS AND CLAIMS

211. Internal correspondence relating to service complaints will be conducted directly between the offices concerned, in-

cluding C.N.T. offices in Canada. Inquiries to division auditors must give full description of the order about which information is desired.

212. Claims for damages or refund of principal on account of improper payment will be referred to the district superintendent or general manager, as the case may be, for instructions.

213. The titles "Manager" or "MOD" should not be used as signatures in telegraphic communications to the public. Such communications shall be in the name of the company.

214. For general instructions concerning the handling of complaints and claims read Commercial Bulletin 31, appendix 1.

Attachments, Garnishments and Legal Processes:

215. (a) Report the service of all attachments, garnishments or other legal processes in any legal proceedings affecting a money order, immediately by telegraph to the district superintendent and otherwise comply fully with Rule 53 (Summons and Other Legal Processes), of the Tariff Book.

(b) Withhold payment of the money order and do not authorize refund until the court proceedings are concluded and specific instructions are received from the district superintendent.

(c) Give immediate written notice to the payee that such process has been served, adding a reasonable description of its nature and conclude the notice with these words: "You are likewise notified to take such steps as you may be advised to protect such interest as you may have in said money order or the proceeds thereof." Wire a brief description of the process to the sending office with request that the sender be similarly notified including the quoted notice in this paragraph.

SECTION XIX

MONEY ORDER STATIONERY

Obtaining Money Order Stationery:

216. Direct offices will obtain money-order draft books by direct request on their general manager. Immediately on receipt of a new supply of blank drafts the name of the office shall be stamped on the date line of every draft in the book. (Branch offices will include their office call.) Code cards will be furnished by the general manager. Other stationery will be obtained on periodic requisitions in the usual way. Direct offices will supply indirect offices and agencies under their jurisdiction.

Care of Money Order Records and Supplies:

217. Managers should frequently assure themselves that all money-order draft books and code cards are kept closely guarded and made accessible only to authorized employees and that all such supplies are on hand and accounted for. Should these prove to be missing at any time, the fact shall be reported at once to the district superintendent or general manager, as the case may be, and immediate steps taken to recover them. Managers and money-order employees are accountable for all draft books, code cards and the safe filing of received MOD messages. Spoiled drafts should be plainly marked VOID, the treasurer's and counter-signatures torn off and the voided draft attached to the MOD message. Such drafts should never be destroyed.

SECTION XX SERVICE MESSAGES

218. Errors made by employees that become evident after a MOD message is completely transmitted shall be corrected by service message and not by transmitting a duplicate and corrected copy. (See Example No. 12 in this section. Also refer to paragraph 45 concerning correction of errors for senders.)

219. Money-order service messages shall be checked and transmitted as "SVC" and be addressed to and signed by "MOD." In other respects they must follow the same form as the standard service message. Care must be taken not to confuse service messages with bona fide incoming orders.

220. Service messages concerning orders received from distant branch offices shall be addressed, for example: "MOD B Denver, Colo." Branch offices shall similarly include their office call in the signature of service messages. When the initial service message concerning an order originates with

MONEY ORDER SERVICE

the office at which the order was filed, the payee's address shall be given in the message to facilitate terminal handling. After a reply is received from the distant office, subsequent service messages may omit the payee's address.

221. The following examples illustrate the more frequently occurring types of service messages:

REQUESTING CORRECTION OF AMOUNT

Example No. 1

(The amount of the order shall not be changed after the MOD message has been sent, except by the sending office.)

SVC
MOD WX PHILADELPHIA PENN
RACEY SMITH CLAIMED INCORRECT AMT
MOD H PITTSBURGH PENN SEPT 4

Example No. 2

(Reply—assuming wrong money word used)

SVC
MOD H PITTSBURGH PENN
OUR RACEY SMITH SHLD READ RANCH RPT
RANCH
MOD WX PHILADELPHIA PENN SEPT 4

Example No. 3

SVC
MOD WX PHILADELPHIA PENN
AMBER FIFTY CENTS SMITH RPT MONEY WORD
MOD H PITTSBURGH PENN SEPT 4

Example No. 4

(Reply—assuming error in transmitting money word)

SVC
MOD H PITTSBURGH PENN
OUR AMBLE FIFTY CENTS SMITH RPT
AMBLE FIFTY CENTS
MOD WX PHILADELPHIA PENN SEPT 4

REPORTING NON-DELIVERY

Example No. 5

SVC
MOD WX PHILADELPHIA PENN
RANCH MISS MARY SMITH
278 EAST LIBERTY ST UNKN } as the case
NSA } may be
NSN }
MOD H PITTSBURGH SEPT 4

REQUESTING CORRECTION OF NAME

Example No. 6

SVC
MOD WX PHILADELPHIA PENN
RANCH MISS MARY SMITH CLAIMED BY MISS
MARION SMITH
MOD H PITTSBURGH PENN SEPT 4

CORRECTING NAME

Example No. 7

SVC
MOD H PITTSBURGH PENN
OUR RANCH SHLD READ MISS MARION SMITH
MOD WX PHILADELPHIA PENN SEPT 4

CHANGING FROM VIGILANT TO CAUTION

Example No. 8

SVC
MOD H PITTSBURGH PENN
OUR WAXER SMITH MK CAUTION
MOD WX PHILADELPHIA PENN SEPT 4

CANCELLING THE MONEY ORDER

Example No. 9

SVC
MOD WX PHILADELPHIA PENN
RANCH 4 MISS MARION SMITH 278 EAST LIBERTY
ST FM SMITH

CANCELLED

UNABLE IDENTIFY
UNABLE LOCATE
REFUSED ACCEPT
FAILED CALL
YR REQUEST

as the case
may be

MOD H PITTSBURGH PENN SEPT 7

REQUESTING AUTHORITY TO RESTORE AN ORDER

Example No. 10

SVC
MOD WX PHILADELPHIA PENN
RANCH 4 MISS MARION SMITH FM SMITH CAN
YOU RESTORE
MOD H PITTSBURGH PENN SEPT 7

RESTORING ORDER

Example No. 11

(Ordinarily paid for by sender. See pars. 194 and 198)

SVC
MOD H PITTSBURGH PENN
OUR RANCH 4 MISS MARION SMITH
RESTORE AND PAY
MOD WX PHILADELPHIA PENN SEPT 7

DUPLICATING THE ORDER

Example No. 12

(No money-order message shall be duplicated without incorporating in it that it is a duplicate message.)

SVC
MOD PITTSBURGH PENN
HW DUP OUR 4 IF NOT PREVIOUSLY RECD
TREAT AS OGNL AND PAY QUOTE RANCH
TO MISS MARION SMITH MOTHER'S
MAIDEN NAME NELSON 278 EAST LIBERTY
ST WILLIAM J SMITH FOR EXPENSES
RETURN SOON AS POSSIBLE UNQUOTE
MOD WX PHILADELPHIA PENN SEPT 5

Note: If duplicate has been requested the message should read:
"HW DUP OUR 4 QUOTE (INSERT FULL MESSAGE)
UNQUOTE."

SECTION XXI

SHOPPING ORDER SERVICE

(Including Purchase Orders)

222. Shopping orders to effect the purchase of small designated gifts or commodities such as books, candy, cigars, flowers, fruit, hosiery, or other articles the cost of which is known and of baseball, football, glove contest, railroad, steamship, and theatre tickets, to be delivered to persons at distant points, may be accepted for all direct money-order offices in the United States and Newfoundland, except those followed by the designation "(RR)" which are railroad money-order offices where the shopping-order service has not been established. Orders to purchase contraband goods of any sort shall not be accepted. The service is not extended to Canada. The purchase and delivery of gifts can often be arranged through the company's correspondents in many foreign countries of the world and specific requests for such service should be referred to "MOD, CD New York City" for advice, rates, etc.

Supplementary Message or Card:

223. Supplementary messages or wording for a card to accompany the gift or article, may be included with the order and charged for at the additional-word rate or as further described in paragraph 226. Messages selected from The Perfect Gift booklet or lists of fixed-text telegrams may be included without extra charge by using the same symbols and numbers as employed for gift orders. Such messages, symbols or wording for cards shall be shown after the recipient's name and address in the MOD messages. Unless some message or wording for a card is transmitted each purchase will have a card enclosed headed "Western Union Shopping Service" and reading "From (sender's name)."

MONEY ORDER SERVICE

Applications:

224. The application for shopping-order service will be made preferably on form 4183, or on form 72-H. The order shall be made payable to "Western Union" and the application shall specify the article to be purchased, to whom it is to be delivered, street address and the message or card to be delivered with it, if any. Ask the sender if the article purchased may be delivered by the dealer in the regular way at destination. If that method of delivery is not satisfactory delivery may be directed by Western Union messenger without extra cost by including the words "MSGR DELY" (Messenger Delivery) in the MOD message after description of the article to be purchased and before the addressee's name. (This does not apply to theatre ticket reservations handled under Commercial Bulletin 97, by certain offices, or to airplane reservations handled under Commercial Bulletin 99.) The method of preparing the application is shown in Fig. 14, in back of book.

225. The sender may specify the dealer with whom the order is to be placed, otherwise the distant-office manager will use his best judgment. In no case will the telegraph company assume liability for the quantity or quality of the material purchased, or for its delivery, when delivery is made by the dealer or through any agency other than the Western Union, or in case the telegraph company is for any reason unable to effect delivery.

Rates:

226. The money-order charges and tolls for shopping orders are the same as for regular money orders for the same amount of principal. Where desirable, the overnight money-order rates may be applied. Wording for cards or messages to accompany the purchased article shall be charged for at the additional-word rates, except that messages selected from The Perfect Gift booklet or lists of fixed-text telegrams may be so used without extra charge. Supplementary messages falling in the category of "sender's own composition messages" as described in the last sentence of paragraph 253(b) pertaining to gift orders are similarly charged for when included in shopping orders.

227. Following are examples of shopping-order messages as prepared for transmission:

Ticket for Steamship Passage:

20 MOD
U BOSTON MASS SEPT 11 1939 505PM
MOD
NEWYORK NY
(Money word) TO WESTERNUNION FROM
WILLIAM ROWAN PURCHASE TICKET EASTERN
STEAMSHIP LINE TO BOSTON MSGR DELY
GEORGE JOHNSON 5 WEST ST
MOD
508PM

Theatre Ticket Purchase:

20 MOD
QUINCY ILL SEPT 11 1939 6PM
MOD
CHICAGO ILL
(Money word) TO WESTERNUNION FROM
ROBERT JONES PURCHASE AND LEAVE IN
BOX OFFICE TWO ORCHESTRA TICKETS
SATURDAY NIGHT PERFORMANCE
BLACKSTONE THEATRE
MOD
604PM

Article to Be Purchased:

29 MOD
B DENVER COLO SEPT 5 1939 1050AM
MOD
PUEBLO COLO
(Money word) TO WESTERNUNION FROM
TOM PURCHASE WILSON BROS FIVE
POUNDS PAGE AND SHAW SPECIAL
BONBONS TO MISS JOAN ROGERS
2845 GRAND AVE CARD MANY HAPPY
RETURNS OF THE DAY
MOD
1052AM

(Tolls on above example would be for 21 words—fifteen

words for the order and the six underscored words which are considered as the supplementary message.)

Cancelling A Shopping Order:

SVC
MOD U BOSTON MASS
(Money word) WESTERNUNION CANCELLED
GEORGE JOHNSON DECLINED ACCEPT
TKT
MOD WM NEWYORK NY SEPT 11 8PM

Procedure at Destination:

228. On receipt of the order at destination, a draft shall be drawn to the manager's official order, viz: "Richard Roe, Manager, Western Union Telegraph Company" and endorsed by him as a means of providing the requisite cash. Such drafts will show the originating point and date of the order in the space provided, and shall be cashed preferably from funds on hand, or at the Western Union depository, or they may be endorsed to the order of the merchant or others from whom the purchase is made. A receipted bill must be obtained for every purchase and filed with the received MOD message.

229. If the order contains a message for the recipient that is obviously in the nature of a telegram, the message shall be typed on a form 3300-C after changing the words "The money order paid you herewith," to read, for example: "The railroad ticket delivered you herewith, etc." Where the character of the article to be purchased and the accompanying message indicate that the article is intended as a gift, the supplementary message should be neatly typed in the form of a telegram on a telegram blank unless it is manifestly intended for a special occasion, such as a birthday, Christmas, Easter, Mother's Day, Valentine's Day, etc., when it should be typed on the appropriate special blank. Ordinarily our own messengers should deliver articles when accompanied by a message on form 3300-C or on a telegram blank. If the supplementary wording is intended for a card to be delivered with books, candy, fruit, etc., such wording shall be neatly written on a small white card captioned, "Western Union Shopping Service" and followed by the sender's name and enclosed with the article.

230. Unless the words "MSGR DELY" appear before the addressee's name, the article purchased shall be delivered by the dealer, if such delivery will be made the same day and in other respects satisfactorily accomplish the object of the order. Otherwise delivery shall be made by Western Union messenger without extra charge.

231. To safeguard senders of money for the purchase of railroad, steamship or similar tickets against cash redemption by the persons to whom they are delivered, or by others, the railroad and steamship agents shall be requested to endorse the tickets "Refund only to The Western Union Telegraph Company" or the manager shall do so himself, by writing the words on the back of the original ticket or tickets purchased.

232. When a railroad, steamship or other ticket is redeemed, or an article purchased is returned to the dealer, and the order is to be cancelled with the originating office, the refund of the principal shall, after the amount has actually been returned, be covered by an application blank headed "Returned Shopping Order Principal." The application shall show date of return of principal, amount of principal, name of person to whom ticket or other article was to be delivered, name of sender, date and place where order was originally filed. The amount of the refund shall be charged as money-order principal on the current day's form 1688 and the other cancelled in the usual way.

Purchase Orders:

233. In cases where the patron desires to purchase a gift or other article at a distant place but does not know the exact local price for the quantity or quality of the specific article, the telegraph company will undertake to make the purchase and report the amount expended. This branch of the shopping service will be known as a purchase order. The service is effective at all offices handling shopping orders, and with the following exceptions the same rules apply.

234. Senders will be required to deposit an amount estimated to cover the principal, charges and tolls, subject to adjustment when the exact amount is determined. The amount deposited may be entered temporarily above the right-hand box on the application. A money-order receipt will be given for the deposit. After the purchase order

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has been sent, the application and deposit shall be kept together in the cash drawer but not accounted for until the exact amount is known.

Rates:

235. The rates for purchase orders are the same as for shopping orders, plus an additional charge of twenty-five cents for the return report of the amount expended.

Applications:

236. Purchase orders shall be recorded on an application blank, form 4183 or 72-H, showing the following information:

- (a) Office of origin and date;
- (b) Payable to "Western Union" and destination;
- (c) Amount of principal to be filled in after advice is received from the distant office;
- (d) Description of the article to be purchased, delivery instructions, if any, and recipient's name and address, followed by any supplementary message or wording for a card to accompany the article;
- (e) Sender's name, followed by his signature (if different) and address.

It is requisite that the article be described on the application and in the MOD message with sufficient fullness to identify the precise article wanted. The sender may if he so elects designate the store or merchant from whom the purchase is to be made. See examples of purchase-order MOD messages in paragraph 241.

237. It is specifically not intended that free inquiries will be made of distant offices to ascertain the cost or availability of an article before the purchase order is sent. Where there is doubt about the cost of an article and the sender wishes to limit the amount to be expended on his account, the advice, viz: "Nine dollars deposited" or "Limit nine dollars" shall be shown in the MOD message after description of the article.

Adjustment with Sender:

238. When the distant office reports the amount expended the application shall be completed by filling in the "Amount" line and the upper right-hand box, and striking out the previously recorded deposit. The order shall then be accounted for on form 2566-E. Where the transaction is to be billed, Money Order Charge Slip, form 3990, giving the billing data may be used for the purpose. Unexpended amounts will be promptly refunded in cash or by money-order draft, whichever method is most economical. If an additional amount is due because the purchase, plus charges and tolls, exceeded the deposit, it should be collected from the sender and a receipt issued for the added amount. Usually any necessary advices to the sender can be given by telephone, or by written report on form 4022 suitably changed to apply. If the order is not completed during the receiving employee's tour of duty the application and deposit shall be turned over to his successor with full information to enable the latter to properly conclude the transaction with the sender.

239. When unexpended amounts are refunded in cash the sender's receipt shall be taken on a voucher which should be retained in the office for future reference. When money-order drafts are used for the purpose a description of the order should be shown after "Amount Sent From," for example, "Refund Pur. Order Nov. 21st to Mrs. H. K. Scott, Omaha, Nebr." In the latter case the amount deposited to cover the purchase shall be shown in the upper right-hand box and on the "Amount" line of the application form and accounted for as the principal. For information of the accounting department a marginal notation shall be written along top of the application, for example, "Purchase Order \$7.50—Draft Refund \$1.50."

Cancellations:

240. If for any reason the purchase order cannot be executed by the distant office, a prompt explanation shall be sent to the originating point by service message cancelling the order unless re-established by further advice from the originating office. If cancelled, the latter office will refund the deposit and charges (including the 25 cents extra charge) but retain the tolls on the order and any supplementary message, which shall be accounted for as "Money Order Tolls." Since no amount will have been transmitted in the case of a cancelled purchase order the sender's money or check shall be returned and our receipt either taken up or the sender required to sign a voucher in the case of cash

refund. The cancelled application, service message and voucher will be filed for future reference. Where desirable the refund of principal and charges on cancelled orders may be made by money-order draft prepared as described in the preceding paragraph. However, in these cases the application form shall show the principal, charges and tolls in the upper right-hand box and a marginal notation, for example, "Principal and charges \$_____ refunded by draft." Under these circumstances the principal, charges and tolls shall be accounted for and the application listed and included with those sent to the division auditor or accounting center.

241. Following are examples of purchase-order messages as prepared for transmission:

PURCHASE ORDER (Stating amount deposited or limited)

27 MOD
Y CHICAGO ILL NOV 21 1939 10AM

MOD
OMAHA NEBR
PURCHASE FOR HARRY SIX PAIRS SIZE
EIGHT HALF BEIGE SHEER (or service
weight) SILK HOSE NINE DOLLARS DE-
POSITED (or limit nine dollars) MSGR DELY
TO MRS H K SCOTT 614 FAIRVIEW AVE
PG 85

MOD
1003AM

SERVICE MESSAGE (Giving cost of article purchased)

SVC

MOD B CHICAGO ILL
PURCHASE MRS H K SCOTT SPENT SEVEN
DOLLARS FIFTY CENTS
MOD OMAHA NEBR NOV 21 1150AM

PURCHASE ORDER (Amount not stated)

25 MOD
G OMAHA NEBR NOV 21 1939 10AM

MOD
NEW YORK CITY
PURCHASE FOR WELLS SIMON AND LUD-
LOW THREE VOLUMES NEW EDITION
PERKINS INCOME TAX LAW THEORIES
DOE PUB CO EXPRESS COLLECT TO 1225
WORLD BLDG OMAHA

MOD
1003AM

SERVICE MESSAGE (Giving cost of article purchased)

SVC

MOD G OMAHA NEBR
PURCHASE WELLS SIMON AND LUDLOW
SPENT TWENTY FOUR DOLLARS
MOD SA NEWYORK NOV 21 1150AM

SERVICE MESSAGE (Cancelling order)

SVC

MOD G OMAHA NEBR
PURCHASE WELLS SIMON AND LUDLOW
CANCELLED NEW EDITION NOT AVAIL-
ABLE UNTIL DEC 20
MOD SA NEWYORK NOV 21 1130AM

Procedure at Destination:

242. Purchase orders shall be handled expeditiously and the sending office promptly notified by service message of the amount expended including postage or express charges when articles are so shipped. The amount shall be stated in plain language and not coded. The nature of this service demands a prompt report since the sender will be disposed to judge the speed of handling by the elapsed time until any balance due him is returned.

243. Much depends on the discrimination and intelligence used in making purchases. Ordinarily, in the larger offices, some employe known to possess shopping sense above the average should wherever possible be charged with the responsibility of making all purchases. In the smaller cities, managers will personally make the purchases if there is no qualified subordinate. In some cases orders can be efficiently placed by telephone and in others store buying

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will be required. Delivery of supplementary messages or cards shall be made as directed in paragraph 229.

244. Funds for executing purchase orders will be obtained by issuing a money-order draft to the order of the manager as directed in paragraph 228. Where necessary to shop for the article before the cost is known it may be bought with cash and the merchant's receipt obtained for future reference. Then the draft as above mentioned shall be drawn to reimburse the expenditure made from cash on hand. If the cost of the article is determined before the purchase is made, the draft may be endorsed on the reverse side by the manager to the order of the merchant. In other words, the money-order draft for a purchase order must always be drawn to the manager's official order.

SECTION XXII
GIFT ORDER SERVICE

245. The gift-order service is intended to enable the patron who desires to make a gift on any occasion, to extend to the recipient the privilege of making his own selection of that gift, the gift selected to be acquired with the gift order. One of the messages contained in the booklet "The Perfect Gift" or authorized lists of fixed-text telegrams may be included with the gift order without additional charge, or the patron may compose his own message if he so chooses, to be sent at supplementary message rates. It is proper and desirable that a patron proposing to send a money order intended as a gift should be informed of the gift-order service and permitted to take advantage of it. From the point of view of both the sender and the recipient, the gift order, with its implication of greater thoughtfulness, clothed in more attractive form, conveying the privilege of personally selecting the gift, and accompanied by a gracious message suited to the occasion, should offer a greater attraction to the patron.

246. The gift-order service is available to all direct offices in the United States and Newfoundland, except those followed by the designation "(RR)" in this book which defines railroad money-order offices where the gift-order service has not been established. Messenger delivery will be made within free delivery limits. For BA and BNK points and all "other line" or unlisted places, gift orders may be accepted for mailing to destination by special delivery from the nearest direct office.

247. The following forms are used in conjunction with the gift-order service and their use is explained in the succeeding paragraphs:

	Form
Application Blank	71
"The Perfect Gift"	Booklet
Gift Order	4072
Gift Order Message Blank	70
Transmittal Card	4044-B
Gift Order Envelope	4045-B
Slip—"The Perfect Gift is the Gift of Your Choice"	4113

Applications:

248. The sender of a gift order should use application, form 71, on which, in addition to the name and address of the recipient and the money value of the intended gift, should be shown the number of any expression that the sender selects from "The Perfect Gift" booklet or fixed-text telegram. Any particular sentiment in the booklet or fixed-text telegram will be prepared by the delivery office in either the singular or the plural as the signature may indicate. (See paragraph 260.)

249. Counter attendants should familiarize themselves with the texts of the various messages of the booklet in order that the patron may secure ready and appropriate suggestions in the selection of a message, should he intimate a desire for such assistance.

250. If the sender desires to compose his own sentiment, to be sent at supplementary-message rates, rather than use one of the prepared messages, he should write it on the blank lines appearing on the application form. It is not essential that there be an accompanying message if the sender does not choose to include one.

251. The signature to accompany the gift order when delivered may be a given name or a nickname, or there may be no signature, depending upon the sender's wishes; however, the sender shall sign the application with his full name, adding his address and telephone number.

252. If the sender directs the gift order to be delivered on a day other than the day on which it is filed, the figures indicating the date of delivery shall be inserted between the words "Deliver" and "to" on the application. For illustration of a properly prepared gift-order application see Fig. 15, in back of book.

Rates for the Service:

253. The total charge for gift orders in amounts over twenty-five dollars (\$25.00) is computed in the same manner as the total charge for regular money orders. The total charge for gift orders in amounts of twenty-five dollars (\$25.00) and less, within the United States, shall be:

\$10.00 or less	50¢ flat rate
10.01 to \$25.00	65¢ " "

(Flat rates consist of 35¢ telegraph tolls and the remainder as gift-order charges). (Regular money-order rates apply to gift orders to Newfoundland.)

(a) In cases in which such flat rates are higher than the rates for regular money orders for the same amount of principal, the latter rate shall apply.

(b) Prepared messages selected from "The Perfect Gift" booklet or any fixed-text telegram specified in authorized tariffs, shall be carried without additional charge in gift orders. Each word of sender's own composition messages offered for inclusion in gift orders shall be charged for at the additional-word rates applying to regular telegrams or overnight-telegrams, as the case may be. When such supplementary messages fall in the category of "sender's own composition messages," tariffs for which are provided for in conjunction with certain fixed-text telegrams, the flat rate of 35¢ for 15 words and 2½¢ for each additional word shall be charged if the total of such charge is lower than the total charge would be when computed on the regular additional-word rate basis.

(c) No postage charges shall be made in the case of gift orders to be mailed.

Preparation of the Gift Order MOD Message:

254. The MOD message to the delivery office shall be prepared in the usual way. All gift orders are caution orders. The nature and manner of delivery obviously will not permit other forms of identification to be used.

255. If the gift order is to be delivered on a day other than the day of its filing, the abbreviation "DLR" followed by the figures indicating the delivery date shall be inserted after the payee's address, for example: "(Money word) TO MISS CONSTANCE CHANDLER 149 LAKE ST DLR 25 HARRY GIFT PG 117"

256. The word "GIFT" must be written after the sender's name followed by the number of the message selected from "The Perfect Gift" booklet or authorized fixed-text telegram lists, with the prefix PG for messages from "The Perfect Gift" booklet and FT for messages from fixed-text telegram lists; for example: "GIFT PG 117" "GIFT FT 183," etc. The sender's own supplementary message will be quoted in this manner: "GIFT QUOTE (sender's message) UNQUOTE." If the patron chooses to send the gift order without a message, the symbol "NM" (meaning—No Message) shall be substituted for the gift-message number after the word "GIFT" i.e., "GIFT NM." See illustration of a properly prepared gift order MOD message in Fig. 16, in back of book.

257. The actual number of words in the MOD message shall be counted and included in the check in the usual manner.

Preparation of the Gift Order Forms at Delivery Office:

258. On receipt of a gift-order MOD message, the gift order, form 4072; the sender's message to accompany the gift order on form 70; the transmittal form 4044-B; and the delivery envelope, form 4045-B, shall be prepared preferably on a typewriter with a black ribbon, using proper punctuation marks wherever required.

Gift Order (Form 4072):

259. On the line "When endorsed by" shall be typed the name of the recipient of the order, followed by a few dashes. After "Sent from" the name of the originating office and date of the gift order message shall be entered. After "Issued at" shall be entered the name of the delivery office

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(preceded by the office call in the case of a branch office). (See Fig. 17, back of book.)

Sender's Message (Form 70):

260. This form is for the exclusive purpose of conveying to the recipient the sender's message accompanying the gift order, if any. The check line shall show only the wire number of the received MOD message and the initials of the clerk preparing the message for delivery. The message itself shall be typed in the usual way with place from, date, addressee's name and address, text and signature. The text when taken from a numbered message in "The Perfect Gift" booklet or lists of fixed-text telegrams will be carefully transcribed, using singular or plural pronouns and verbs that will correspond with the signature. The pronouns and verbs in the singular that must be watched are pronouns "I," "me," "my" and the verb "am;" in the plural these respectively become "we," "us," "our," and "are." For example, message number 117 when signed by an individual as "Mary" or "John" would properly read:

"I wish I could come to your wedding. Since I cannot I am sending you my best wishes with this token of my affection."

The same message in a gift order signed "Mary and John," or "Mr. and Mrs.," or any other plural combination, should be changed to read:

"We wish we could come to your wedding. Since we cannot we are sending you our best wishes with this token of our affection."

Care must also be exercised to see that the right message is copied. No time stamp or other matter shall appear on the message blank. (See Fig. 18, back of book.)

Gift Order Transmittal Card (Form 4044-B):

261. This card shall show on the cover in the space provided, the name or names of the sender of the gift. Nothing else shall be written on the card. (See Fig. 19, back of book.)

Placing Forms in Envelope (Form 4045-B):

262. The name and address of the addressee shall be typed on gift-order envelope, form 4045-B. (See Fig. 20, back of book.) The forms to be placed in the envelope shall be folded as follows:

(a) Fold the gift order, form 4072, in half with a vertical crease through the letter "O" in "Union" and with the face inside.

(b) Fold the message blank, form 70, first face out, vertically through the center, and then face out, horizontally through the center.

(c) The message blank with the name of the addressee on top shall then be placed inside the folded gift order, form 4072, and both inserted between the fold of the transmittal card, form 4044-B.

The forms shall then be inserted in the gift-order envelope. The slip, form 4113, shall be dropped into the envelope behind the other contents. (See Fig. 21, back of book.)

Delivery of the Order:

263. Gift orders shall be delivered free by messenger within the free-delivery area of the terminal office. A receipt shall be taken on a delivery sheet, form 87-C, using the word "GIFT" as the delivery number.

264. When the addressee lives beyond the free-delivery limits of the receiving office or is located at a BA or BNK point, the gift-order envelope and contents shall be placed in a correspondence envelope, form 131, suitably addressed, marked and stamped for "Special Delivery," and promptly mailed.

Thanksgiving and Valentine's Day Gift Orders:

265. Gift orders for Thanksgiving or Valentine's Day or any other occasion not covered by the messages in "The Perfect Gift" booklet may be accepted with the understanding that where necessary, the word "Thanksgiving" or "Valentine's Day" or other designation of the occasion, will be substituted for the occasion of any otherwise appropriate message that the sender may choose from the booklet. In such orders the gift-message number must be followed by the word "Thanksgiving" or "Valentine" or other occasion, and the appropriate substitution shall be made in gift order message, form 70. For example: For a Valentine message, message No. 65 would be transmitted. "Gift 65 Valentine," and the delivery office transcribe the message on form 70

as follows: "With all my love on Valentine's Day." Ordinarily, suitable sentiments for all occasions will be found in the lists of authorized fixed-text telegrams.

266. In all other respects the method of handling gift orders is substantially the same as that required for the handling of regular money orders.

SECTION XXIII

MONEY ORDERS TO ALASKA, YUKON AND NORTHWEST TERRITORIES

Orders to Alaska:

267. Money orders to Alaska are turned over to the Alaskan Communication System, Signal Corps, U. S. Army, at Seattle, Wash. The service is subject to the rules for domestic money orders, except as provided in this section; and is available only to the places listed in this book or supplements thereto.

Special Conditions:

268. Supplemental messages cannot be included. Sender's name must be given in all orders. Excess orders shall be reported to the General Manager, Pacific Division, San Francisco, Calif., and to the originating-division General Manager.

Rates:

269. Except for the places shown in (c) below, the total charge is the combined rate for money orders to Seattle, Wash., plus the Alaskan System's charges, as follows:

(a) Money-order charge: The regular domestic money-order charge to Seattle, plus 1% of the principal (minimum \$1.00) for the Alaskan System.

(b) Telegraph Tolls: The tolls on a 15-word telegram to Seattle, plus the tolls on a 10-word day-rate telegram from Seattle to destination as shown in the Tariff Book. Overnight telegram rates may be applied to Seattle, but only day rates apply on the other lines.

(c) Special rates: Money orders to the following places in Alaska are finally paid by the Northern Commercial Company. The total charge consists of the regular charges and telegraph tolls on a domestic money order to Seattle, plus an other-line charge of 2% of the principal (minimum \$2.00) and telegraph tolls of \$3.00 per order beyond Seattle:

Circle
Eagle City
Fort Yukon
Hot Springs (Tanana Valley)
McGrath
Tanana

Money Orders Addressed in Care of Banks:

270. Orders to Alaska addressed to a payee in care of a bank are liable to excessive delay on account of the bank's difficulty in communicating with the payee. Senders of such orders should be urged in their own interest to make the orders payable to the bank for the credit of the payee.

Bank Premiums Charged for Cashing Money Orders in Alaska:

271. The banks at Fairbanks, Juneau and Ketchikan charge no premium for cashing money orders issued by the Alaskan System. At other places in Alaska the money-order offices of the Alaskan System will usually be able to cash orders not exceeding \$500. When at such other places it is necessary to cash telegraphic money orders at the banks, the banks make a charge ranging from ¼% to 1%.

Orders to Yukon and Northwest Territories:

272. Money orders for Yukon and Northwest Territories (Canada) are subject to the domestic money-order rules and are handled through BNK stations as shown in the list of offices. Orders for other inland places may be accepted at the sender's risk for mailing beyond any one of the several Bnk stations as may be designated by the sender. Supplementary messages may be included and shall be charged for at the additional-word rates applying to both this line and other lines.

Rates:

273. (a) Orders for Dawson and Whitehorse, Yukon, are handled by the Canadian Bank of Commerce, Seattle,

FIG. 1—MONEY ORDER APPLICATION—FORM 72-H

Reserve for monthly serial number.	NO. _____	Period 72 H
Time when order is filed by sender.	FILED 10:34 AM	AMOUNT 87.00
Sign of Counter Attendant.	RECEIVED BY E	MONEY ORDER CHARGE .85
Sign of employee preparing MOD message.	SENT BY R	TELEGRAM TOOLS .70
Amount of principal to be expressed in words and written out in full.	TOTAL 88.55	
Explain to sender difference between Caution and Vigilant identification and ascertain which he desires payee to furnish. If Vigilant, have him sign here.	WESTERN UNION MONEY ORDER	
Explain to sender the purpose of the test question, ask him for some information known to payee, but unlikely to be known by another and write it here.	J. C. WILKINSON, PRESIDENT	
	J. C. WILKINSON, FIRST VICE-PRESIDENT	
	Subject to the conditions below and on back hereof, which are hereby agreed to,	
	PAY TO Miss Marion Smith	
	Philadelphia Pa Sept 4 1939	
	778 East Liberty St	
	Pittsburgh, Pa	
	Amount Eighty Seven Dollars and 70 Cents (\$87.70)	
	Message to be delivered with the money. Glad you can take vacation now.	
	Positive evidence of personal identity is NOT to be required from the Payee, and I authorize and direct the Telegraph Company to pay the sum named in this order at my risk to any person or persons named in this order at the above named Payee, UNLESS the following is signed.	
	Signature: William J. Smith	
	Sender's Address: 509 So. 41st St	
	Sender's Telephone Number: Greengram 2-9964	
	Information for test question: Mother's maiden name Nelson	
	IN CASE OF FOREIGN MONEY ORDERS: Pay United States Dollars <input type="checkbox"/> Pay in Local Currency <input type="checkbox"/>	

All amounts must be written in clear, legible figures.

Name of office and date, if not written by sender. If branch office include office call.

Name and address to be written plainly and legibly.

Call sender's attention to this space, in which he may write his supplementary message.

Signature may be given name or nickname but in such case write full name under it for reference purposes.

Address must be given in every case, but is not transmitted unless paid for.

FIG. 2—SENDER'S RECEIPT—FORM 4178

THE WESTERN UNION TELEGRAPH COMPANY
RECEIPT

4178

Received from W-X Philadelphia Pa., Sept 4 1939

William J. Smith (\$ 87 00)

Eighty seven and no/100 Dollars, in payment of:

Account for the month of _____ 19__

~~Gift-Order~~ Telegraphic Money Order Shopping Order

Telegram or Cable

Deposit on Collect Telegram (returnable after 14 hours)

MONEY ORDER CHARGES PAID \$ 1 55

To Miss Marion Smith

At Pittsburgh Pa.

THE WESTERN UNION TELEGRAPH COMPANY
By J. R. James

Name of sender and amount

Amount of principal expressed in words

Check here and strike out two services not used

Total charges

Name of office and date. If branch office include office call

Name of payee and destination

FIG. 3—STICKER—FORM 3870

The company having no disbursing office at the point to which this money order is directed, payment will necessarily be made through a local bank or a nearby money order office. The money order is therefore subject to such delay as such method of payment may involve.

3870

To be attached to sender's receipt for orders payable at BA, BNK, NB and unlisted points

FIG. 4—MONEY ORDER DRAFT—FORM 2738

WESTERN UNION MONEY ORDER

No. **C 10000**

When countersigned at point of issue **PAY TO MISS MARION SMITH**

ISSUED AT **H - PITTSBURGH PENN** DATE **SEPT 4 19 39**

THE SUM OF **EIGHTY SEVEN AND NO/100** DOLLARS **\$ 87.00** OR ORDER

AMOUNT SENT FROM **PHILADELPHIA PENN** ORIGINATING POINT DATE **SEPT 4TH 19 39**

★ TO THE WESTERN UNION TELEGRAPH COMPANY

PAYABLE THROUGH **THE CHASE NATIONAL BANK** COUNTERSIGNED **PA Andrew**

OF THE CITY OF NEW YORK PINE STREET, CORNER OF WASSAU

1-74 MONEY ORDER AGENT

THE WESTERN UNION TELEGRAPH COMPANY

THIS ORDER MAY BE CASHED BY ANYONE TO WHOM THE PAYEE IS KNOWN

THE WESTERN UNION TELEGRAPH COMPANY

Write amount close to dollar sign

Date order was filed at originating office

To be countersigned when payment is made or immediately before delivery or mailing

Name of originating office or point

Date draft is drawn

All drafts in book to be stamped with name of paying office when received from General Manager. If branch office include office call

Show these lines in unused space to prevent any changes being made

Name of person or firm to whom order is payable

Amount in words beginning immediately after "The sum of"

FIG. 5
STICKER—FORM 3806

THIS Money Order can be cashed through any person or concern to whom the payee is personally known. If to be cashed at a Western Union office, satisfactory evidence of identity will be required. 3806

This sticker is to be affixed at upper left corner of all drafts delivered or mailed to individuals

*This line ordinarily to remain blank but may be used to show: (a) sender's name when order is payable to a firm; (b) name of payee and BNK point when passed through a forwarding bank; (c) description of refunded money orders; or (d) the words "Cashed for Columbus State Bank credit John Doe," etc.

NOTE—Form 3300-C accompanies this draft when delivered or mailed.

FIG. 6—TRANSMITTAL FORM FOR DELIVERY OF DRAFT OR SUPPLEMENTAL MESSAGE, OR BOTH—FORM 3300-C

Form 3300C

QUICK SERVICE

LOW RATES

WESTERN UNION MONEY ORDER MESSAGE

Money Sent by Telegraph and Cable to all the World

R. W. WHITE
PRESIDENT

J. C. WILLENKER
FIRST VICE-PRESIDENT

HEWSON CARLSON
CHAIRMAN OF THE BOARD

No. G 188

To MISS MARLON SMITH
MR. NAME OR MRS.

238 EAST LIBERTY ST
ADDRESS

H - PITTSBURGH PENN SEPT 4TH 1939
OFFICE DAY

Name of office and date. If branch office include office call.

Name of payee.

Name of point of origin, followed by date if back date.

Name of sender and address, if given in money order message.

The Money Order paid you herewith is from WILLIAM J. SMITH NAME
at PHILADELPHIA PENN PLACE and included the following message:

GLAD YOU CAN TAKE VACATION NOW

Delivery number shall be the wire number.

Transit time of this money order
12 MINUTES

Supplementary message.

THE WESTERN UNION TELEGRAPH COMPANY

NOTE—The above form shall be properly filled out and accompany all money orders which are delivered or mailed. The words "and included the following message" shall be stricken out if there is no supplementary message. The purpose of the form would then be to convey the name of the sender and the point of origin only. It shall also be used to convey supplementary messages when orders are paid at the office counter, provided the notice to the payee, form 75-C or 75-V, did not contain the supplementary message, or the payee fails to bring the notice with him when calling for the money.

FIG. 7—NOTICE TO PAYEE OF A "CAUTION" ORDER—FORM 75-C

Form 75-C

QUICK SERVICE

LOW RATES

WESTERN UNION MONEY ORDER NOTICE

Money Sent by Telegraph and Cable to All the World

R. B. WHITE
PRESIDENT

J. C. WILLEVER
FIRST VICE-PRESIDENT

2740 WILSHIRE BLVD
ADDRESS

B- LOS ANGELES, CALIF. OFFICE

SEPT. 4TH, 1939. DATE

No. \$ 231

To MRS. FRANCES THOMPSON
MRS., MRS. OR MISS

We have received a telegraphic money order for you with the following message:
WIRE TRAIN AND TIME ARRIVAL

Will you please call at our office, 3225 WILSHIRE BLVD to receive the money as soon as possible and in no case later than 72 hours since at the end of that time we are required to cancel the order and return the amount to the sender.

Please bring this notice with you and also satisfactory evidence of identity such as some of the following:

- Memberships cards
- Bank book
- Receipted bills
- Automobile license
- Letters addressed to you
- Western Union collect card

or any other documentary evidence you may have.

Bring This Notice With You

THE WESTERN UNION TELEGRAPH COMPANY

Use wire number of MOD message for delivery number.

Name of payee.

Write supplementary message here.

Do not write supplementary message here if it gives information which would aid in identification or indicate the amount of the order, but deliver it on form 3300-C at time order is paid.

Name of office and date. If branch office include office call.

Address of paying office.

Caution identification.

FIG. 8—NOTICE TO PAYEE OF A "VIGILANT" ORDER—FORM 75-V

Form 75V

WESTERN UNION

MONEY ORDER NOTICE

Money Sent by Telegraph and Cable to All the World

QUICK SERVICE **LOW RATES**

J. C. WILKINSON
PRESIDENT

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

Buffalo, N.Y. **SEPT 4TH 1939**

OFFICE DATE

No. N 198

To MR JOSEPH TAYLOR

NAME OF PAYEE

481 KING STREET

ADDRESS

We have received a telegraphic money order for you ~~XXXXXXXXXXXXXXXXXXXX~~

Will you please call at our office, BANK BLDG. BROADWAY AND WASHINGTON STREET to receive the money as soon as possible and in no case later than 72 hours, since at the end of that time we are required to cancel the order and return the amount to the sender.

The sender of the money has instructed us to require positive personal identification before the money is paid. Please, therefore, not only bring this notice with you but also bring some responsible person known to us who can identify you personally—or failing this bring such other evidence as will serve to establish your identity beyond question.

Bring This Notice With You

THE WESTERN UNION TELEGRAPH COMPANY

This V shaped red design is to draw attention to requirement of Vigilant identification.

Name of office and date. If branch office include office call.

Address of paying office.

Vigilant identification.

Use wire number of MOC message for delivery number.

Name of payee.

Write supplementary message here, if any. Do not write supplementary message here if it gives information which would aid in identification or indicate the amount of the order, but deliver it on form 3500-C at time order is paid.

FIG. 9—"BNK" ORDER—ADVICE TO FORWARDING BANK—FORM 3130

2170

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED

MONEY ORDER SERVICE 1045 AM
BNK MONEY ORDER—ADVICE TO FORWARDING BANK

MELLON NATIONAL BANK
PITTSBURGH, PENN. SEPT 6 1939

PLEASE ISSUE INSTRUCTIONS, BY TELEGRAPH, TO NOTIFY AND PAY

MISS HELEN ROBERTS
531 COLLEGE AVE., UPON POSITIVE IDENTIFICATION
BOLIVAR OHIO

SEVENTY FIVE AND NO/100 DOLLARS \$75.00

FROM WILLIAM BROWN, SYRACUSE NY

AND INCLUDE THE FOLLOWING MESSAGE:
COME HOME IMMEDIATELY AFTER SCHOOL CLOSURES.

R. D. Lewis
MONEY ORDER AGENT

PRINCIPAL . . . \$75.00
COMMISSION . . . 30
MONEY ORDER ENCLOSED 75.30

DOMESTIC MONEY ORDERS NOT PAID WITHIN THREE DAYS—EXCLUSIVE OF SUNDAYS
AND HOLIDAYS—ARE TO BE CANCELED AND THE AMOUNT RETURNED

Time sent to Bank

Name of forwarding bank

Payee's name

Payee's address and kind of identification (if caution, show "waive identification")

Name of BNK point

Amount to be paid

Sender's name and originating point

Supplementary message

Commission to be included in amount of draft

FIG. 10—DRAFT TO FORWARDING BANK FOR MONEY ORDER TO "BNK" POINT—FORM 2738

Amount of principal and bank's commission in words beginning immediately after "The sum of"

Name of forwarding bank

Show these lines in unused space

All drafts in book to be stamped with name of paying office as soon as received from General Manager. If branch office, include office call

Date draft is drawn

WESTERN UNION MONEY ORDER

No. **C 10000** ISSUED AT **PITTSBURGH PENN** DATE **SEPT 6 1939**

CITY AND STATE

THE SUM OF **SEVENTY FIVE AND 30/100** DOLLARS **\$75.30** OR ORDER

AMOUNT SENT FROM **PHILADELPHIA PENN** DATE **SEPT 6 1939**

ORIGINATING POINT

FOR **MISS HELEN ROBERTS, NEW WATERFORD OHIO**

TO THE WESTERN UNION TELEGRAPH COMPANY

TREASURER
Edgar D. King

COUNTERSIGNED
1-74 *RA Louis* MONEY ORDER AGENT

PAYABLE THROUGH
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
PINE STREET, CORNER OF NASSAU

THIS ORDER MAY BE CASHED BY ANYONE TO WHOM THE PAYEE IS KNOWN

Name of person or firm to whom payment is to be made by correspondent bank and destination

To be countersigned immediately before delivering to bank

Name of originating office

Date order was filled at originating office

Write amount close to dollar sign

FIG. 11—NOTICE TO SENDER OF UNDELIVERED MONEY ORDER—FORM 4022

Form 4022

THE WESTERN UNION TELEGRAPH COMPANY

NOTICE REGARDING MONEY ORDER

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

R. B. WHITE
PRESIDENT

J. C. WILLEVER
FIRST VICE PRESIDENT

3946 MARKET STREET
PHILADELPHIA, PENN.

WX - PHILADELPHIA, PENN. SEPT 4TH 1939

P 349
DELIVERY NO.

MR WILLIAM J. SMITH
NAME OF PAYEE

509 SOUTH 41 ST
ADDRESS

Your money order of SEPT 4TH 1939 to MISS MARION SMITH
DATE NAME OF PAYEE

at PITTSBURGH PENN cannot be paid for the following reason:
PLACE

PAYEE LEFT THE CITY - NO FORWARDING ADDRESS KNOWN

The money will be refunded to you at the expiration of 72 hours unless payment is effected in the meantime. If you wish to communicate with us about the order please call ALL-EGHENY 4321 and ask for the Money Order Department. Changes in the name or address of payee will be charged for at usual telegram rates.

THE WESTERN UNION TELEGRAPH COMPANY

Printed in U. S. A.

- Include branch office call, if any
- Use wire number of service message for delivery number
- Name and address of sender of money order
- Payee's name to be compared with original MOD message to avoid error in name
- Reason for non-delivery including all available information. Do not use abbreviations

NOTE—Prepare this form in single copy and indicate on the service message when and by whom the form was prepared. Hold the latter in a pending file so it may be used as a follow-up with the sender in cases where a better address might be available.

FIG. 12—NOTICE TO ACCOMPANY REFUND DRAFT—FORM 4022

Form 4022

THE WESTERN UNION TELEGRAPH COMPANY

NOTICE REGARDING MONEY ORDER

NEWCOMB CARLTON
CHAIRMAN OF THE BOARD

J. C. WILLEVER
FIRST VICE-PRESIDENT

P 349
DELIVERY NO.

3946 MARKET STREET
STREET ADDRESS, CITY AND DATE
WX - PHILADELPHIA, PENN SEPT 7TH 1939

MR. WILLIAM J. SMITH
MR., MRS. OR MISS
509 SOUTH 41 ST
ADDRESS

Your money order of SEPT 4TH 1939 to MLSS MARLON SMITH
NAME OF PAYEE
cannot be paid for the following reason:

at PITTSBURGH PENN PLACE
PAYEE LEEI THE CITY - NO FORWARDING ADDRESS KNOWN
REFUND OF \$87 IS ENCLOSED HEREWITH

The money will be refunded to you at the expiration of 72 hours unless payment is effected in the meantime. If you wish to communicate with us about the order please call _____ and ask for the Money Order Department. Changes in the name or address of payee will be charged for at usual telegraph rates.

TELEPHONE NO.

THE WESTERN UNION TELEGRAPH COMPANY

Printed in U. S. A.

Use date draft is delivered or mailed to sender. If branch office include office call

Use wire number of service message for delivery number

Name of sender to whom refund is made

Original date of order and payee's name

Destination of order

Reason for non-payment and refund

Strike out these lines when refunding cancelled orders

FIG. 13—DRAFT COVERING REFUND OF A CANCELLED ORDER—FORM 2738

Amount in words beginning immediately after "The sum of"

Name of person or firm to whom the amount is to be refunded

Show these lines in unused space

All drafts in book to be stamped with name of paying office as soon as received from General Manager. If branch office, include office call.

WESTERN UNION MONEY ORDER

No. **C 10000** ISSUED AT **WX-PHILADELPHIA PENN** SEP **7 1939** OR ORDER

When Countersigned at Point of Issue **PAY TO WILLIAM J SMITH** ----- DOLLARS **\$87.00**

AMOUNT SENT FROM **PHILADELPHIA PENN** SEPT **4TH** 1939

REFUND MONEY ORDER TO **MISS MARION SMITH, PITTSBURGH PENN**

TO THE WESTERN UNION TELEGRAPH COMPANY

PAYABLE THROUGH THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK ONE STREET, CORNER OF HASSAU

COUNTERSIGNED **JOR GOALS** 1.74 NONNEGOTIABLE

THE WESTERN UNION TELEGRAPH COMPANY
E. H. ... TREASURER

THIS ORDER MAY BE CASHED BY ANYONE TO WHOM THE DATE IS KNOWN

Original payee's name and destination

To be countersigned when refund is paid or immediately before delivering or mailing

Date order was filed at originating office

Write amount close to dollar sign

FIG. 14--SHOPPING ORDER ON APPLICATION BLANK--FORM 4183

SHOPPING ORDER

By **WESTERN UNION**

Subject to the conditions on back hereof, which are hereby agreed to.

Pay to **WESTERN UNION (Money Order Department)**

Amount Five Dollars and no cents (\$ 5.00)

Purchase and have delivered from Wilson Bros five pounds

Page and show special lambons

To Miss Joan Rogers, 2845 Grand Ave

★ wording for card Let me know Mary happy returns of the day

AMOUNT	5.00
SHOPPING CHARGE	.25
TELEGRAPH TOLLS	.58
TOTAL	5.83

Amount Five Dollars and no cents (\$ 5.00)

Pay to **WESTERN UNION (Money Order Department)**

Office of destination Denver Colo, Dept 575 1939

Amount of principal to be written in words and figures Five pounds

Clearly describe article to be purchased Page and show special lambons

Sender's composition or selection from "PG" or "PTV" lists Let me know Mary happy returns of the day

Reserve for monthly serial number

Time order is filed by sender

Sign of counter attendant

Sign of employe preparing MOD message

Office of destination

Amount of principal to be written in words and figures

Clearly describe article to be purchased

Sender's composition or selection from "PG" or "PTV" lists

Show all amounts in clear, legible figures

Name of originating office and date. If branch office show office call

Name and address of recipient

Signature for card

Record sender's name and address for reference

USE SHOPPING ORDERS

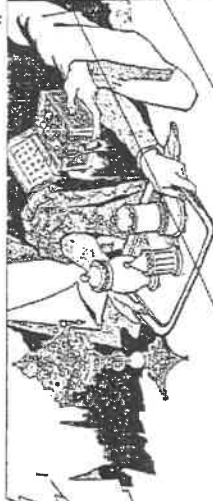
To purchase and deliver of other places any gift or article, including:

- Books
- Candy
- Cigars
- Fruit
- Treasure Tickets
- Football Tickets, etc
- Railroad, Air and Bus Transportation

COMPONENT 1937 BY WESTERN UNION INTL. CO.

★ SENTIMENTS SELECTED FROM OUR ATTRACTIVE LISTS MAY BE INCLUDED WITHOUT EXTRA CHARGE

FIG. 15—GIFT ORDER APPLICATION—FORM 71



Gift Order

no. _____ TIME FILED 11.25 am RECEIVED BY B CITY BY M

Subject to the conditions below and on back hereof, which are hereby agreed to,
Washington, D.C. Dec. 24 1939

DELIVER TO Miss Constance Chandler
 Street Address 149 Lake St
 Place Chicago, Ill.

A Western Union Gift Order for Fifty and no fee
 Dollars 50.00

Together with message No. 117, selected from the booklet "The Perfect Gift", to be delivered without extra charge.

AMOUNT	50.00
DISHONOR CHARGE	.35
TELEGRAM TOLLS	.78
TOTAL	51.13

To Be Signed: Harry

Sender's Name: H. J. Joradich
 (If not given in full above)

Sender's Address: 1847 Mott Ave
 for Reference

Sender's Telephone Number: Hemlock 3321

Sign of counter attendant.

Sign of employee preparing Gift Order MOD message.

Name of office and date if not written by sender. If branch office show office call.

All amounts must be written in clear legible figures.

Signature may be given name or nick-name.

When not used as signature, sender's name for reference.

Address must be given in every case, but is not transmitted.

Time Gift Order is filled by sender.

Reserve for monthly serial number.

Name of person in whose favor Gift Order is to be issued.

Amount of Gift Order to be expressed in words and written out in full.

Numbered greeting messages selected from "The Perfect Gift" booklet.

The sender may compose a greeting message of his own to be written here and to be paid for and transmitted as a supplementary message.

FIG. 16—GIFT ORDER "MOD" MESSAGE

12 MOD

M - WASHINGTON DC DEC 24 1939 11.25AM

MOD

CHICAGO ILL

(MONEY WORD) TO MISS CONSTANCE CHANDLER 149 LAKE ST HARRY GIFT PG 117

MOD

11.27AM

H J FORSDICK
1847 MOTT AVE
HEMLOCK 3321
HLE

1. If delivery is to be made on December 25 the MOD message word) TO MISS CONSTANCE CHANDLER 149 LAKE ST DLR 25 HARRY GIFT PG 117" check 14 MOD; charge for 15 words.

2. If there is no numbered greeting or supplementary message with the Gift Order, the MOD message word) TO MISS CONSTANCE CHANDLER 149 LAKE ST HARRY GIFT NM" check 11 MOD; charge for 15 words.


3. If the sender desired to compose a greeting message of his own, the MOD message might read:
"(money word) TO MISS CONSTANCE CHANDLER 149 LAKE ST HARRY GIFT QUOTE VERY SORRY NOT ABLE TO BE WITH YOU ON THE HAPPY OCCASION UNQUOTE Check 24 MOD; charge for 27 words (12 words supplementary message).

FIG. 17—GIFT ORDER—FORM 4072

Show amount in words beginning immediately after "In the amount of"
 Name of person in whose favor the order is issued
 Write amount close to dollar sign
 Point of origin and original date of Gift Order
 To be countersigned immediately before releasing for delivery
 Name of paying office

No. X 375443
 "For something you really want"
WESTERN UNION GIFT ORDER
Good Anywhere for Anything
 In the amount of FIFTY AND NO/100 ----- Dollars \$50.00
 When endorsed by MISS CONSTANCE CHANDLER -----
 Sent from WASHINGTON DC DEC 24 1939 Issued at CHICAGO ILL
 PAYABLE AT ORIGINATING POINT #
 NATIONAL BANK AND TRUST CO. 2-3
 CHICAGO, ILL.
 PAY THE ABOVE AMOUNT TO THE ABOVE NAMED PAYEE OR ORDER WHEN COUNTERSIGNED AT POINT OF ISSUE
 COUNTERSIGNED *Constance Chandler* MONEY ORDER AGENT
 THE WESTERN UNION TELEGRAPH COMPANY
 TREASURER
 THIS ORDER MAY BE CASHED BY ANY ONE TO WHOM THE PAYEE IS KNOWN

FIG. 18—GIFT ORDER MESSAGE—FORM 70



70

WA 246 D WASHINGTON DC DEC 24 1939

MISS CONSTANCE CHANDLER 149 LAKE ST CHICAGO ILL

I WISH I COULD COME TO YOUR WEDDING, SINCE I CANNOT I AM SENDING YOU
 MY BEST WISHES WITH THIS TOKEN OF MY AFFECTION

HARRY

Wire number of received MOD message and sign of employe preparing message

Originating office and date Gift Order is to be delivered. Do not use office stamp or time stamp on this form

Recipient of the Gift Order

Text of message No. 117 in booklet "The Perfect Gift." To be written in singular or plural according to number of signatures. (If signed Mary or John use singular pronouns and verbs. If signed Mary and John, or Mr. and Mrs. use plural pronouns and verbs)

FIG. 19—GIFT ORDER TRANSMITTAL CARD—FORM 4044-B

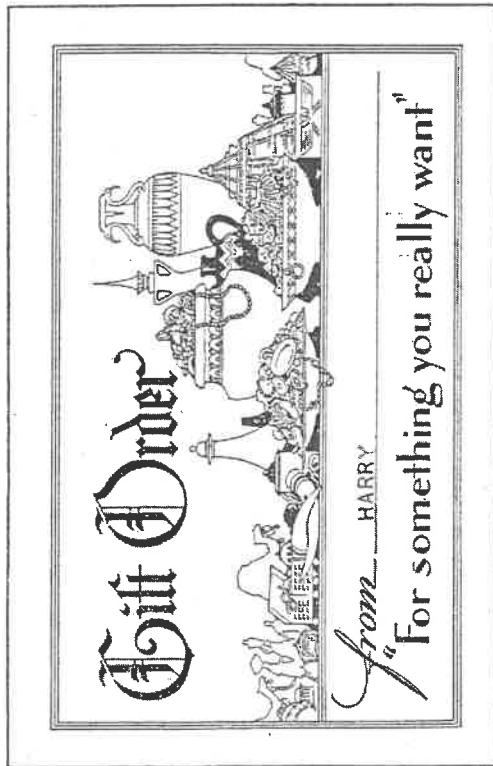
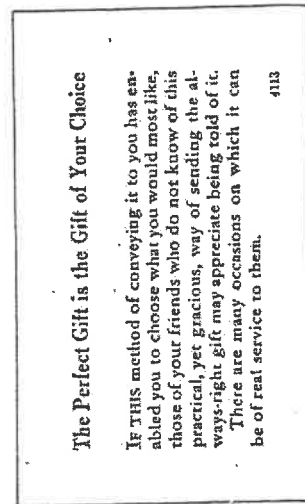


FIG. 20—GIFT ORDER ENVELOPE—FORM 4045-B



FIG. 21—SLIP FORM 4113



The Gift Order Transmittal Card shall show on the cover in the space provided, the name or names of the sender of the gift. The name and address of the addressee shall be typed on the Gift Order Envelope, and the forms to be placed in the envelope shall be folded as follows:

- (a) Fold the Gift Order, form 4072, in half with a vertical crease through the letter "O" in "Union" and with the face inside.
- (b) Fold the message blank, form 70, first face out, vertically through the center, and then face out, horizontally through the center.
- (c) The message blank with the name of the addressee on top shall then be placed inside the folded gift order, form 4072, and both inserted between the fold of the transmittal card, form 4044-B.

The forms shall then be inserted in the Gift Order Envelope and the slip, form 4113, dropped into the envelope behind the other forms. See paragraphs 258 to 266 inc.

Exhibit Y

EXHIBIT
139
11-2818
PENNSAD 900-631-6908

PURCHASE RECORD

TODAY'S DATE **11 14 18**
MONTH DAY YEAR

Name **REDACTED**

Address

City

State **VA** Zip/Post Code **22203**

I accept the terms of the agreement on the reverse side and agree to sign these Travelers Cheques immediately.

Please see reverse for important Privacy Notice. **REDACTED**
Purchaser's Signature

THIS PACKAGE CONTAINS
5 (FIVE) \$50 TRAVELERS CHEQUES
IN NUMERICAL SEQUENCE BEGINNING WITH:
HB938-980-100

 **US \$250**

Travelers Cheques

AMERICAN EXPRESS COPY
Return with Daily Settlement

USD PURCHASE RECORD
PRINTED IN U.S.A. - REV. 6/87

55 18 2 938980 100 7110 10 1 000000 25000

Exhibit Z

SUPREME COURT OF THE UNITED STATES

DELAWARE,

Plaintiff,

v.

Nos. 22O145 & 22O146
(Consolidated)

ARKANSAS, et al.,

Defendants.

EXPERT REPORT OF RONALD MANN

September 19, 2018

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I. INTRODUCTION AND SUMMARY OF REPORT

1. I have been asked to prepare an opinion regarding various aspects of the MoneyGram products at issue in this matter.

2. In general, subject to the assumptions described below, and as explained in more detail below, my opinion is as follows:

- (a) Neither a bank nor MoneyGram is directly liable on the MoneyGram official checks evaluated in this report.
- (b) Official checks differ from money orders in the indirect liability of banks to pay them and the terms and conditions that they bear on their face.
- (c) The statutory reference to “third party bank checks” is obscure, and would not naturally be used to describe personal checks indorsed to third parties, but it could describe the checks that banks issue to pay bills for their customers.

II. BACKGROUND AND QUALIFICATIONS

3. Before explaining my opinion and the basis for it, I start with a brief discussion of my background and of the research that puts me in a position to offer the opinion below. In general, I am a law professor who specializes in the study of commercial law, with a focal emphasis on payment systems. At Appendix 2, I attach a resumé that includes a complete list of my academic publications and an abbreviated description of my employment history. I am being compensated at an hourly rate of \$900 per hour. My compensation in this matter does not depend upon either the substance of my opinions or the outcome of this dispute.

4. I have provided expert reports, depositions, or testimony in litigation related to various aspects of business and consumer payment systems in numerous previous cases.¹ The attached resumé identifies all of my trial and deposition testimony in the last four years.

¹ District of Columbia v. Bank of America, N.A., Civil Division No. 2008 CA 007763 (D.C. Superior Ct. 2016); Heartland Payment Systems, Inc. v. Mercury Payment Systems, LLC, No. C 14-0437 (N.D. Cal. 2015); DB NPI Century City, LLC v. Legendary Investors Group No. 1, No. BC494921 (Super. Ct. Los Angeles County (Central) 2015); NML Capital, Ltd. v. Republic of Argentina, No. 08 Civ 6978 (S.D.N.Y. 2014); Rosewood Cancer Care, Inc. v. PNC Financial Services Group, Court of Common Pleas, No. 11944 CD 2010 (Indiana County, PA 2014); Saint Bernard School of Montville, Inc. v. Bank of America, Superior Court, No. CV-08-5006676-S (New London, CT 2012) (result affirmed on appeal at 312 Conn. 811 (2014)); Merrill Lynch v. Choy, FINRA Arbitration No. 09-06111 (Honolulu, HI 2011); Walker Digital v. Capital One Services, LLC, No. 1:10cv212 (JFA) (E.D. Va. 2010); Emmett v. Wachovia Securities, LLC, Court of Common Pleas, No. GD05-25678 (Allegheny County, PA 2008); FTC v. Neovi, Inc., Civil No. 06 CV 1952 (S.D. Cal. 2008) (result reported at 598 F. Supp., 2d 1104 (S.D. Cal. 2008)); ACLU v. Gonzales, No. 98-CV-5591 (E.D. Pa. 2006) (result reported at 478 F. Supp. 2d 775 (E.D. Pa. 2007)); Wachtell v. Capitol One Financial Corp., 4th Judicial Dist. Ct., No. CV 0C 0304972D

5. I hold a B.A. (1978) from Rice University in History (Magna Cum Laude) and a J.D. (1985) from the University of Texas, where I was first in my class and managing editor of the *Texas Law Review*. I subsequently clerked for Joseph T. Sneed on the United States Court of Appeals for the Ninth Circuit and Lewis F. Powell, Jr. on the United States Supreme Court. I also served for three years as an Assistant to the Solicitor General in the United States Department of Justice.

6. I currently am the Albert E. Cinelli Enterprise Professor of Law at Columbia Law School, where I am the Co-Director of the Charles E. Gerber Program in Transactional Studies. I previously have held tenured positions at the law schools at the University of Texas, the University of Michigan, and Washington University in St. Louis. I also have taught courses in various aspects of commercial law as a visitor at Harvard Law School and at the Faculty of Law at Tokyo University.

7. Of relevance to this matter, the study of payment systems has been a focal point of my research and teaching for the last twenty years. I regularly have taught courses in payment systems and am the author of a widely adopted casebook on that subject (*Payment Systems and Other Financial Transactions* (6th ed. WoltersKluwer 2016)). Those materials are distinctive (as compared to most law school materials) for their relatively heavy emphasis on commercial practice, as opposed to statutory doctrine. The methodology for preparing (and updating) the course and casebook involves ongoing interviews with industry participants about their ordinary operating procedures and the reasoning that supports them.

8. I have published frequently in law reviews on subjects related to various aspects of modern payment systems. Papers in that line of work have appeared, among other places, in the *Michigan Law Review*, the *Texas Law Review*, the *Georgetown Law Journal*, the *UCLA Law Review*, and the *Lewis & Clark Law Review*. Details of those publications appear on the resumé attached to this report.

9. I served as Reporter for the Drafting Committee that prepared the two most recent sets of amendments to UCC Articles 3, 4, and 4A and presently serve as an ALI adviser to the committee considering further revisions to UCC Articles 3, 4, 8, and 9. I am a member of the American Law Institute and a conferee of the National Bankruptcy Conference. In recent years, I have been invited on three different occasions to serve as the moderator for the three-day annual meeting of the Financial Lawyers Conference in Ojai.

10. The analysis in my report reflects general familiarity with the customs and practices involved in the use and design of payment instruments, resulting from the academic studies and teaching activities summarized above.

(Idaho 2006); *LaBarge Pipe & Steel Co. v. First Bank*, No. 03CV382-C-M3 (M.D. La. 2005) (result reported at 550 F.3d 442 (5th Cir. 2008)); *Shinitzky v. Boston Securities N.A.*, 15th Jud. Circuit Court, No. CL 00-2328 AJ (Palm Beach County, FL 2004).

III. FACTUAL BACKGROUND AND ASSUMPTIONS

11. In general, I have been asked to opine about the legal and practical attributes of a variety of instruments marketed by MoneyGram Payment Systems, Inc. (“MoneyGram”) and distributed through various channels at financial institutions and retailers. My opinion rests on my review of samples of those instruments that appear in the record in this matter, viewed through the expertise and experience summarized above. The opinion that I provide below assumes that the samples I have reviewed accurately portray and represent the instruments in question; I have no reason to doubt the accuracy or representativeness of the samples I have reviewed.

12. Although the record includes quite a few samples, most seem to differ only in irrelevant details. For practical purposes, it is useful to discuss four distinct categories: agent checks, teller’s checks, retail money orders, and agent check money orders.

13. In describing the basic features of those instruments, I identify the role of the various parties by the way in which they are described on the face of the instrument itself; applicable legal rules generally rely on indications apparent from the face of the instrument because those indications are the only information available to those that acquire the instrument.

A. AGENT CHECKS

14. The first product is the agent check; a representative example appears at MG0000004. The check would be purchased by a consumer from a bank selling the product, the so-called “agent” bank. The instrument states in small type just to the left of the top center of the instrument that the drawer of the instrument is MoneyGram. When purchased, an authorized officer of the agent bank signs at the bottom right-hand corner of the instrument. The agent bank (or the purchaser) would fill in the name of the party to be paid in the blank marked “pay to the order of.” Finally, to obtain payment, the named payee presents the instrument to the drawee, indicated in small type just to the left of the top center of the instrument as First Interstate Bank in Montana.²

15. There apparently is some variation in this category in the delineation of the relation between the bank signing the check and MoneyGram. In at least one example in the documents that have been provided to me for review, there is no evidence on the face of the check that the bank signing the check acts as an agent of MoneyGram. Specifically, the item appearing at MG0002396 is captioned “OFFICIAL CHECK,” lists Independent Bank at the top center of the item, and apparently bears an “authorized signature” from a responsible officer of Independent Bank affixed when the item is purchased. In contrast to the template discussed in the preceding paragraph (and other samples apparent in the record, such as the item appearing at DE0000220 (discussed in detail below)), nothing on the face of MG0002396 identifies Independent Bank as an agent of MoneyGram.

² As with any instrument, it would be up to the payee to decide whether it would seek payment by taking the instrument directly to the party on or through whom it is to be paid or instead by depositing it at the payee’s own bank and allowing that bank to seek collection through ordinary banking channels.

B. TELLER'S CHECKS

16. The second product is the teller's check; a representative example appears at MG0000008. The check would be purchased by a consumer from a bank selling the product. The drawer of the instrument is the selling bank, as indicated just above the signature line in the bottom right-hand corner; it is apparent from the record that when this template is completed the full name of the selling bank is filled in above the signature line. *See* MG0002395 (instrument identifying "Elizabethton Federal Savings Bank" as the "drawer"). The instrument, though, also indicates that it is issued by MoneyGram. When purchased, an authorized officer of the agent bank (the drawer) signs at the bottom right-hand corner of the instrument. The agent bank (or the purchaser) fills in the name of the party to be paid in the blank marked "pay to the order of." Finally, to obtain payment, the named payee presents the instrument to the drawee, indicated in small type near the bottom left-hand corner of the instrument as a branch of the Bank of New York Mellon located in Massachusetts.³

C. RETAIL MONEY ORDERS

17. The third product is the retail money order; a representative example appears at MG002690. Its designation as a money order is apparent from the title in large-and-small capital letters to the right of center near the top of the image ("MONEY ORDER"). The issuer or drawer of the instrument is MoneyGram, indicated in small type near the lower left-hand corner of the instrument. The retail customer purchasing the money order signs for the drawer on the signature line on the lower right-hand corner. The purchaser identifies the name of the party being paid by filling in (or having the seller fill in) the blank marked "pay to the order of." Finally, to obtain payment, the named payee presents the instrument to Wells Fargo Bank, N.A., through whom the instrument is payable, as indicated in small type near the lower left-hand corner of the instrument.

D. AGENT CHECK MONEY ORDERS

18. The second group of documents are agent check money orders; a representative example appears at MG002704. Its designation as a money order is apparent from the title in capital letters near the top right-hand corner of the image ("AGENT CHECK MONEY ORDER"). The money order would be purchased from a bank selling the product – the so-called "agent" bank. The issuer or drawer of the instrument is MoneyGram, indicated in small type near the lower left-hand corner of the instrument. The retail customer purchasing the money order signs for MoneyGram on the signature line on the lower right-hand corner. The purchaser identifies the name of the party being paid by filling in (or having the seller fill in) the blank marked "pay to the order of." Finally, to obtain payment, the named payee presents the instrument to the drawee, indicated in small type near the bottom left-hand corner of the instrument as a branch of the Bank of New York Mellon located in Massachusetts.

³ The Declaration of Jennifer Whitlock accompanying MG0000004 and MG0000008 refers to both the agent check and the teller's check as a "MoneyGram Official Check." MG0000001. Following that usage, I use the term "official check" to refer to both MoneyGram agent checks and MoneyGram teller's checks.

IV. OPINION

19. In general, subject to the assumptions explained above and as explained in more detail below, my opinions are as follows:

- (a) Neither a bank nor MoneyGram is directly liable on the MoneyGram official checks or MoneyGram money orders evaluated in this report.
- (b) Official checks differ from money orders in the indirect liability of banks to pay them and in the terms and conditions that they bear on their face.
- (c) The statutory reference to “third party bank checks” is obscure, and would not naturally be used to describe personal checks indorsed to third parties, but it could describe the checks that banks issue to pay bills for their customers.

A. NO RELEVANT ENTITY IS DIRECTLY LIABLE ON THE INSTRUMENTS IN QUESTION

20. 12 U.S.C. § 2503 establishes rules that determine which State is entitled to escheat the funds payable on any “money order, traveler’s check, or other similar written instrument (other than a third party bank check) on which a banking or financial organization or a business association is directly liable.” Of the four types of instruments discussed in Part III, I understand the retail money orders (discussed in subpart III(c)) and agent check money orders (discussed in subpart III(D)) to be money orders within the language of the statute and thus not a matter of dispute in this litigation. Application of Section 2503 to the remaining types of instruments (the agent checks discussed in subpart III(A) and the teller’s checks discussed in subpart III(B)) depends in part upon whether “a banking or financial organization or a business association is directly liable” on the instrument in question. It is my opinion that no banking or financial organization or business association is liable on those instruments; the most common payment instrument on which such an entity is directly liable is a cashier’s check.

21. As an introductory matter, I note that 12 U.S.C. § 2502 provides definitions of “banking organization,” “financial organization,” and “business association.” A “banking organization” is “any bank, trust company, savings bank, safe deposit company, or a private banker engaged in business in the United States,” and a “business association” is “any corporation (other than a public corporation), joint stock company, business trust, partnership, or any association for business purposes of two or more individuals.” I see no reason to doubt that MoneyGram is a business association and that the various banks that market the products and on which they are drawn qualify as banking organization. The only question, then, is whether any of those entities are directly liable on the instruments in question. I explain below why they are not.

i. General Principles of Liability on Instruments

22. Although the framework of obligations that the Uniform Commercial Code (the “UCC”) prescribes for various types of checks might seem arcane at first glance, it reflects longstanding tradition and the need for those obligations to support practical use of the instruments to which they apply. Because that framework is central to the application of Section 2503, it is useful to summarize the general system before turning to the specific products that MoneyGram has marketed.

23. The starting point is an ordinary check written by a party with no connection to a bank. For such a check, the bank on which the check is drawn – the bank at which the check-writer has an account – has no obligation to pay the check. A moment’s consideration shows why this should be so: if the bank on which the check was written was obligated to pay any check written by its depositor, then it would be exposed to losses whenever the depositor wrote checks that exceeded the balance of funds available in the depositor’s account. Accordingly, UCC §§ 3-408 & 3-409 provide that the bank on which a check is drawn is not liable on any check until it agrees in writing to accept liability.⁴

24. To be sure, the bank would be liable to its customer for wrongful dishonor if it declined to pay a properly payable instrument presented in a timely manner without a stop-payment order against an account including sufficient funds. *See* UCC § 4-402. But that does not give the payee any rights to enforce the instrument against the check-writer’s bank; as between the payee and the bank, the bank is free to decline payment for any reason or indeed for no reason at all.

25. Those rules were the same under the 1972 version of the UCC, in effect when Congress adopted Section 2503. *See* UCC § 3-409(1) (1972) (“A check or other draft does not of itself operate as an assignment of any funds in the hands of the drawee * * * , and the drawee is not liable on the instrument until he accepts it.”); UCC § 4-402 (1972) (“A payor bank is liable to its customer for damages proximately caused by the wrongful dishonor of an item.”).

26. In just the same way, the person that wrote the check – the “drawer” – has no direct liability on the instrument. That makes sense as a practical matter, because the drawer’s intent in giving the check is that the person to which the check is given (the payee) will obtain payment by presenting the check to the check writer’s bank. It is reasonable for the drawer to expect the payee to look first to the drawee bank, because in the ordinary course of business drawee banks honor far more than 99% of all checks presented to them. It is only in the rare case, when a drawee bank refuses to pay a check, that a drawer would expect the payee to seek recourse against the drawer. Again, the UCC implements that rule by providing in UCC § 3-414 that the drawer is liable only indirectly, contingent on the refusal of the drawee bank to honor the check.

27. That rule was the same under the 1972 version of the UCC. *See* UCC § 3-413(2) (1972) (“The drawer engages that upon dishonor of the draft and any necessary notice of dishonor or protest he will pay the amount of the draft to the holder or to any indorser who takes it up.”).

28. To put those rules in context, there is one common banking product on which a banking organization is directly liable – a cashier’s check. The point of a cashier’s check is to give the payee an enforceable assurance that a bank is directly obligated on the instrument, and the UCC’s rules for cashier’s checks illustrate what direct liability would mean in this context: “The

⁴ I refer for convenience to the official text of the Uniform Commercial Code as currently promulgated by the American Law Institute and the Uniform Law Commission. The numbering and, in some cases, the phrasing of the provisions differ in some respects from State to State, but so far as I know all of the rules that I discuss in this report are substantively identical in all United States jurisdictions.

issuer of a * * * cashier's check * * * is obliged to pay the instrument * * * according to its terms."⁵ UCC § 3-412.⁶ The distinction between that rule and the liability of drawers on ordinary checks is the difference between the direct and unconditional liability of the issuer of a cashier's check and the indirect and conditional liability of the drawer of an ordinary check.

ii. Application to MoneyGram Products

29. Against that background, I turn now to the MoneyGram products described in Part III.

a. *Agent Checks*

30. The business entities involved in the agent check are the drawer (MoneyGram), the drawee (First Interstate Bank in the principal sample to which I refer for convenience), and the so-called "agent bank" that sells the instrument to the consumer. None of those entities is directly liable on the instrument.

31. First, the drawee is not directly liable because under UCC § 3-408 the drawee has no obligation to pay an instrument until it has accepted it. *See* UCC §§ 3-408 ("[T]he drawee is not liable on the instrument until the drawee accepts it.") & 3-409 (explaining that a drawee accepts an instrument by a signed agreement in which the drawee agrees to pay the instrument); *see also* UCC § 3-410(1) (1972) (defining acceptance as "the drawee's signed engagement to honor the draft as presented" and explaining that "[i]t must be written on the draft").

32. The status of the selling bank on those instruments is unclear, though the seller would not be directly liable in any of the relevant formats. In both the principal sample ('0004) and the variant ('2396), the seller signs the instrument in the lower right-hand corner, an action that ordinarily would justify treating the seller as the drawer. *See* UCC § 3-204 cmt. 1 ("[B]y long-established custom and usage, a signature in the lower right hand corner of an instrument indicates an intent to sign as the maker of a note or the drawer of a draft."); *see also* UCC § 3-402 cmt. (1972) (same). Yet both variants indicate in the fine print that MoneyGram is the drawer, a fact that could suggest that the seller should not be liable as the drawer. In any event, that question is irrelevant for present purposes because it is plain that the seller could be liable *at most* as a drawer. For the reasons explained above, the liability of the drawer under UCC § 3-414(b) is indirect, not

⁵ The full text of § 3-412 reads:

The issuer of a note or cashier's check or other draft drawn on the drawer is obliged to pay the instrument (i) according to its terms at the time it was issued or, if not issued, at the time it first came into possession of a holder, or (ii) if the issuer signed an incomplete instrument, according to its terms when completed, to the extent stated in Sections 3-115 and 3-407. The obligation is owed to a person entitled to enforce the instrument or to an indorser who paid the instrument under Section 3-415.

⁶ That rule was the same under the 1972 version of the UCC. UCC §§ 3-118(a) (1972) ("A draft drawn on the drawer is effective as a note."), 3-413(a) (1972) ("The maker * * * engages that he will pay the instrument according to its tenor at the time of his engagement * * * ."); *see* UCC § 3-412 cmt. 1 (comparing the 1972 provisions to current law).

direct. Specifically, the drawer is liable only “[i]f an unaccepted draft is dishonored.” In context, what that means in either case is that the drawer would be obligated to pay the instrument only if it were first presented to the drawee and the drawee declined to pay it in a timely manner.

33. For similar reasons, the status of MoneyGram on the agent checks is unclear. On the one hand, both variants include marginal notations identifying MoneyGram as the drawer of the instrument. MoneyGram does not, though, sign either instrument, unless we regard the agent bank as signing as the agent of MoneyGram, a circumstance that would leave MoneyGram liable as the drawer of the instrument. *See* UCC § 3-402(a). That might make sense on the principal sample (’0004) but it would be harder to justify on a variant like ’2396, which does not indicate any agency capacity for Independent Bank. In any event, in either case, MoneyGram is not directly liable because under UCC § 3-414(b), the liability of the drawer is contingent or indirect. Specifically, the drawer is liable only “[i]f an unaccepted draft is dishonored.” In context, what that means is that the drawer would be obligated to pay the instrument only if it were first presented to the drawee and the drawee declined to pay it in a timely manner.

b. *Teller’s Checks*

34. The business entities involved in the teller’s check are the drawer (the institution selling the check), the issuer (MoneyGram), and the drawee (the Bank of New York Mellon). For reasons similar to those detailed above, none of those entities is directly liable on the instrument.

35. As with the agent checks, the drawer is not directly liable because under UCC § 3-414(b), the liability of the drawer is contingent or indirect. Specifically, the drawer is liable only “[i]f an unaccepted draft is dishonored.” In context, what that means is that the drawer would be obligated to pay the instrument only if it were first presented to the drawee (the Bank of New York Mellon) and that bank declined to pay it in a timely manner.

36. The status of MoneyGram on the teller’s check is unclear for reasons quite similar to those described in the discussion of agent checks. On the one hand, the instrument in its lower left-hand corner indicates that the instrument is “issued by” MoneyGram. On the other hand, the lower right-hand corner of the instrument indicates that the institution is the drawer of the instrument. Ordinarily, under UCC § 3-105, the issuer of a check is the drawer: “Issuer * * * means a * * * drawer of an instrument.”⁷ Because MoneyGram has not signed the instrument, it cannot be the drawer. In any event, even if MoneyGram were the issuer of the draft, it would at most have the liability of a drawer of the draft. For the reasons explained repeatedly in the preceding paragraphs, that would not make MoneyGram directly liable; it would have at most the indirect liability of a drawer.

37. As with the instruments discussed above, the drawee (Bank of New York Mellon in this case) is not directly liable because under UCC § 3-408 the drawee has no obligation to pay an instrument until it has accepted it. *See* UCC §§ 3-408 (“[T]he drawee is not liable on the

⁷ The omitted text in UCC § 3-105 states that an issuer in some cases is the “maker” of an instrument, but that is irrelevant to any of the instruments discussed here, because “maker” is a term that applies only to notes. *See* UCC § 3-103(a)(7) (“‘Maker’ means a person who signs or is identified in a note as a person undertaking to pay”).

instrument until the drawee accepts it.”) & 3-409 (explaining that a drawee accepts an instrument by a signed agreement in which the drawee agrees to pay the instrument).

c. Retail Money Orders

38. The business entities involved in the retail money order are the drawer (MoneyGram), the agent that sells it, and the bank through which it is payable (Wells Fargo). For reasons quite similar to those repeated above, none of those entities is directly liable on those instruments.

39. As explained several times above, the drawer is not directly liable because under UCC § 3-414(b), the liability of the drawer is contingent or indirect. Specifically, the drawer is liable only “[i]f an unaccepted draft is dishonored.” In context, what that means is that the drawer (MoneyGram) would be obligated to pay the instrument only if it were first presented to the drawee through Wells Fargo and the drawee declined to pay it in a timely manner.⁸

40. The agent is not directly liable because it is not a party to the instrument. Because the agent does not sign the instrument in any capacity, it can have no liability on it. *See* UCC § 3-401(a) (“A person is not liable on an instrument unless (i) the person signed the instrument, or (ii) the person is represented by an agent or representative who signed the instrument.”).⁹

41. The party through which the item is payable has no liability because it has not signed it in any capacity. *See* UCC § 3-401(a) (“A person is not liable on an instrument unless (i) the person signed the instrument, or (ii) the person is represented by an agent or representative who signed the instrument.”). Indeed, because the item is only “payable through” that bank, the entity is not even authorized to pay the instrument. *See* UCC § 4-106 (“If an item states that it is ‘payable through’ a bank identified in the item, * * * the item designates the bank as a collecting bank and does not by itself authorize the bank to pay the item.”); *see also* UCC § 3-120 (1972) (“An instrument which states that it is ‘payable through’ a bank * * * designates that bank as a collecting bank to make presentment but does not of itself authorize the bank to pay the instrument.”).

⁸ The retail money order template does not explicitly identify the drawee. Under UCC § 3-501 & -502, dishonor occurs only if the instrument is presented to the drawee. I note the requirement under Regulation CC that a bank arranging for checks on which it is the drawee to be payable through another bank must identify itself by name and location on the instrument. *See* 12 C.F.R. § 229.36(e). The only routing number that appears on the retail money order template is a routing number for Wells Fargo (the bank through which the money order is payable). That arrangement leaves open the possibility that MoneyGram is the intended drawee of the item, though the face of the item does not make that status explicit.

⁹ That rule was the same under the 1972 version of the UCC. UCC §§ 3-118(a) (1972) (“No person is liable on an instrument unless his signature appears thereon.”).

d. *Agent Check Money Orders*

42. The business entities involved in the agent check money order are the drawer (MoneyGram), the drawee (Bank of New York Mellon), and the agent. Again, as with the instruments discussed above, none of those entities is directly liable on those instruments.

43. First, the drawer is not directly liable because under UCC § 3-414(b), the liability of the drawer is contingent or indirect. Specifically, the drawer is liable only “[i]f an unaccepted draft is dishonored.” In context, what that means is that the drawer (MoneyGram) would be obligated to pay the instrument only if it were first presented to the drawee (Bank of New York Mellon) and that bank declined to pay it in a timely manner.

44. Second, the agent is not directly liable because it is not a party to the instrument. Because the agent does not sign the instrument in any capacity, it can have no liability on it. *See* UCC § 3-401(a) (“A person is not liable on an instrument unless (i) the person signed the instrument, or (ii) the person is represented by an agent or representative who signed the instrument.”). Indeed, because the instrument identifies the agent explicitly as an agent, it would have no liability on the instrument even if it had signed it; the signature of an agent for a disclosed principal creates liability only for the principal. *See* UCC § 3-402(b).¹⁰

45. Finally, the drawee (Bank of New York Mellon) is not directly liable because under UCC § 3-408 the drawee has no obligation to pay an instrument until it has accepted it. *See* UCC §§ 3-408 (“[T]he drawee is not liable on the instrument until the drawee accepts it.”) & 3-409 (explaining that a drawee accepts an instrument by a signed agreement in which the drawee agrees to pay the instrument); *see also* UCC § 3-410(1) (1972) (defining acceptance as “the drawee’s signed engagement to honor the draft as presented” and explaining that “[i]t must be written on the draft”).

B. AGENT CHECKS AND TELLER’S CHECKS DIFFER FROM MONEY ORDERS IN IMPORTANT WAYS.

46. The previous section of the opinion discussed the extent to which a listed entity “is directly liable” on any of the MoneyGram products. This section discusses the extent to which agent checks and teller’s checks are “similar” to money orders. I express no opinion on the legal question of precisely what degree of “similar[ity]” would be relevant under Section 2503. Rather, my purpose is to analyze practical ways in which the various products do and do not resemble each other.

i. *Bank Liability*

47. One notable difference between agent checks and tellers checks on the one hand and money orders on the other is that a bank ordinarily is indirectly liable on an agent check or a teller’s check; ordinarily no bank is directly or indirectly liable on a money order. Having said

¹⁰ That rule was the same under the 1972 version of the UCC. UCC § 3-403 & cmt. 3 (1972).

that, I discuss below the possibility that some of the MoneyGram agent checks do not involve even indirect liability on the part of a bank.

48. The commonplace distinction between the two groups of instruments follows directly from the discussion above regarding the liability of a drawer, which explained that the drawer is only indirectly liable for payment of an instrument. The corollary of that rule, though, is that the drawer can be called upon to pay in any case in which the drawee dishonors the instrument. What that means is that the payee that accepts a teller's check or an agent check ordinarily can be sure that it will be able to obtain payment from the bank that is the drawer of the instrument unless that bank fails before the instrument can be processed.

49. In the case of money orders, by contrast, no bank is directly or indirectly liable on the instrument, because the drawer of the instrument is MoneyGram, which is not a bank. As the discussion above illustrates, that is true for both retail money orders and agent check money orders. Given MoneyGram's substantial and longstanding financial position, the distinction between an instrument on which a bank is liable and an instrument on which MoneyGram is liable might seem irrelevant or technical at first glance. In the context of payments, though, that distinction is quite important, generally reflecting the reality that as a class the likelihood that a bank liable on an instrument will become insolvent before it is paid is quite remote, both because of the supervision of bank solvency by responsible regulators and because of the reality of bank liquidity. Because the solvency of entities that are not banks is much less regularized and reliably evident to the market, instruments on which banks are liable are treated in the marketplace quite differently than those on which no bank is directly or indirectly liable.

50. The distinction between instruments on which a bank is liable and those on which no bank is liable is important in a variety of contexts. For example, the UCC includes rules that govern the relationship between an instrument and the obligation for which the instrument is taken. Ordinarily, those rules provide that the obligation is suspended when the payee accepts the instrument and discharged only when the instrument is honored. So, for example, if a tenant gives its landlord a check to pay the rent, the obligation to pay that month's rent is suspended when the landlord receives the check and discharged only when the check is honored. The same rule would apply if the tenant paid the landlord with a money order. *See* UCC § 3-310(b).

51. The rule is different, however, for cashier's checks and teller's checks, on which a bank is directly or indirectly liable. If a party accepts one of those instruments, the obligation is discharged immediately. *See* UCC § 3-310(a). That rule by its terms applies to teller's checks and also applies to many of the agent checks at issue in this litigation,¹¹ because a bank signs those

¹¹ That rule is broader than it was in 1972. Like the current version of UCC § 3-310, UCC § 3-802 (1972) drew a distinction between instruments on which a bank is directly or indirectly liable and those on which a bank is not liable. The category of instruments that would produce an immediate discharge, though, was effectively limited to certified checks. *See* UCC § 3-802(1)(a) (1972) ("Unless otherwise agreed where an instrument is taken for an underlying obligation (a) the obligation is pro tanto discharged if a bank is drawer, maker or acceptor of the instrument and there is no recourse on the instrument against the underlying obligor"); *see also* UCC § 3-802 cmt. 2 (suggesting that the purpose of the provision was to discharge the obligation owed by the drawer of a certified check). The provision was broadened to its current range of coverage in 1990. *See*

checks as the drawer (which makes them qualify as teller's checks for purposes of the UCC). *See* UCC § 3-104(h) (defining "teller's check" to include any item drawn by one bank on another bank). The only exception applies to the agent check templates completed in a way that designates the bank on the face of the instrument as the agent of MoneyGram. *E.g.*, DE0000220 (designating the institution signing as drawer ("Pennstar, Division of NBI Bank") as an "agent for MoneyGram"). For instruments of that type, the bank (signing as agent for a disclosed principal) would not be directly or indirectly liable on the instrument. *See* UCC § 3-402(a); *see also* UCC § 3-403 & cmt. 3 (1972) (same outcome under 1972 UCC).

52. A similar distinction appears in the rules that govern when an institution must make funds available against an item that a customer deposits. The low-risk rules in 12 U.S.C. § 4002(a)(2) (implemented in Regulation CC 12 C.F.R. § 229.10(c)), apply when customers deposit specific "low-risk" items in their account. The "low-risk" rules obligate banks to provide available funds sooner than they must provide available funds based on the deposit of ordinary personal checks. As relevant here, low-risk rules for cashier's and teller's checks obligate the bank at which the item is deposited to provide funds on the next business day, an obligation the depository bank would not have if a customer deposited a personal check. With one narrow exception, though, those rules do not apply to money orders. *See* 12 U.S.C. § 4002(a)(2)(F) (low-risk exception for cashier's and teller's checks); 12 C.F.R. § 229.10(c)(1)(ii) (low-risk exception for Postal money orders), (v) (low-risk rule for cashier's and teller's checks). Thus, when a customer deposits a conventional money order like the MoneyGram products involved here, the customer is not entitled to available funds the next day; the customer would have that entitlement, though, if the customer deposited a cashier's check or a teller's check.

53. The exclusion of money orders from the low-risk rules (leaving them to the same treatment as personal checks) is not accidental. Commenters during the notice-and-comment development of Regulation CC requested an express exclusion of money orders from the low-risk rules, but the Federal Reserve declined, concluding that money orders differed so substantially from the covered instruments that their exclusion was clear even without an explicit mention in the regulation. Among other things, the Federal Reserve explained that money orders "are generally signed by the purchasing customer, not by an officer of the issuing bank and therefore are not cashier's checks subject to the [low-risk rules]." 53 Fed. Reg. 19372, 19396.

54. A similar distinction also has been implemented in the operation of Regulation D (12 C.F.R. Part 204), which governs the reserve requirements for depository institutions. The regulation requires covered institutions to maintain reserves against any "deposit," a term that 12 C.F.R. § 204.2(a)(1) defines in detail. The concept is that the deposits a bank holds for its customers are effectively liabilities of the bank, against which the bank must maintain a reserve of assets adequate to satisfy the requests for withdrawal a bank might face on any particular day. Among other things, that definition includes any "outstanding teller's check, or an outstanding draft, certified check, cashier's check, money order, or officer's check drawn on the depository institution." The premise of that provision is that once a bank has issued an item of that nature, drawn on itself, the item effectively becomes a liability of the institution, against which it must

UCC § 3-310(a) (1990); UCC § 3-310 cmt. 2 (1990) (comparing the 1990 revisions to the earlier statute).

maintain reserves. Importantly, it applies only to items on which the bank is directly or indirectly liable. Thus, it would include the teller's checks and official checks at issue here, but it would not include the MoneyGram money orders discussed above, because those items are not drawn by (or signed by) any depository institution.

55. As discussed above, MoneyGram also has an "agent check money order" product, on which a bank signs as an agent of MoneyGram. On such a product, as with the more conventional money orders discussed above, no bank would be directly or indirectly liable; rather, by signing as an agent of MoneyGram, the bank would sign only to create for MoneyGram the indirect liability as a drawer.

56. In sum, a variety of legal and practical considerations make an important distinction between instruments that a bank has signed on its own behalf (such as cashier's checks, teller's checks, and agent checks that do not indicate the bank's status as an agent), and those that no bank has signed (such as the money orders marketed by MoneyGram and the agent checks signed by the bank only as an agent).

ii. Contractual Conditions

57. Another distinction between teller's checks and agent checks on the one hand and money orders on the other appears in the terms and conditions printed on the back of a standard MoneyGram money order. Two important terms describe the limited recourse and the service charge.

58. The "Limited Recourse" term emphasizes the inability of the holder to force any financial institution to pay the instrument. Specifically, that term states in large bold-face type that the only "recourse" on the money order is "against the presenter. This means that persons receiving this money order should accept it only from those known to them and against whom they have effective recourse." That term appears to mirror the discussion above of the effect of the absence of any bank signature under the UCC. Apparently, MoneyGram thought it important to emphasize those attributes in writing on the instrument to ensure that disappointed purchasers would have little basis for claiming that they had been misled into thinking that the instruments were more robustly enforceable than they were.

59. The second term of relevance is the "Service Charge" term, which describes a service charge of one dollar and fifty cents per month if the money order is not used within one year of the purchase date. That has the effect of steadily absorbing the value of the money order if it is not promptly used. So far as I can tell from the instruments that I have seen, banks ordinarily do not impose such charges on the bank-signed MoneyGram instruments (the official checks), which instead retain their value until they escheat to the relevant jurisdiction. Thus, the MoneyGram official checks contain no such "Service Charge" term.

C. "THIRD PARTY BANK CHECK[S]" IS AN OBSCURE TERM, WHICH COULD REFER TO CHECKS THAT BANKS ISSUE TO PAY BILLS FOR THEIR CUSTOMERS.

60. Section 2503 excludes from the group of "other similar written instrument[s]" a category of instruments that the statute describes as "third party bank check[s]."

61. As a matter of history, of course, the source of the term seems clear. First, a November 1, 1973 letter from Edward Schmults, General Counsel of the Department of the Treasury, commenting on the bill that would become Section 2503, suggested that the legislation should exclude “third party payment bank checks.” S. Rep. 93-505, 93rd Cong., 1st Sess. 5 (Nov. 15, 1973). Then, apparently in an imprecise response to the letter, the bill was amended to exclude “third party bank checks.” *Compare* S. 1895 § 2, 93rd Cong., 1st Sess. (May 29, 1973) (no exclusion, predating the Schmults letter), *with* S. 2705 § 3, 93rd Cong., 1st Sess. (Nov. 15, 1973) (draft after the Schmults letter including exclusion for “third party bank check[s]”); S. 2705 § 3, 93rd Cong., 2nd Sess. (House version dated Mar. 4, 1974) (same). Neither the Schmults letter nor any other provision of the report or legislative history of which I am aware offers any guidance as to the product intended to be excluded.

62. As a matter of commercial law, the term is obscure. The modern UCC does not use the terms “bank check” or “third party check,” much less the more specific terms “third party bank check” or “third party payment bank check.” Nor am I familiar with either of those specific terms in the common parlance of industry professionals or literature. Similarly, the designation of the MoneyGram products as “official” checks is not a designation with a source in the modern UCC; thus it seems to me to bear only the general trade connotation of a check that is more reliable than a check that is not “official.”¹²

63. Attempting to make some sense out of the term itself, the idea of a “bank check” logically suggests a check on which a bank is directly or indirectly liable. All checks are drawn on banks. *See* UCC § 3-104(f) (defining “check” as “(i) a draft * * * payable on demand and drawn on a bank or (ii) a cashier’s check or teller’s check”). So if the reference to “bank check” is to convey anything different from an unadorned reference to a “check,” the most likely connotation would be a reference to a check issued by a bank as opposed to a garden-variety “check” issued by a person other than a bank.

64. Strong support for that idea comes from the text of the UCC at the time that Section 2503 was adopted, which used the terms “bank check” and “non-bank check” to distinguish between checks on which some bank is liable and those on which no bank is liable. *Compare* UCC § 4-211(1)(d) (1972) (requiring banks to accept as settlement “a cashier’s check, certified check

¹² The term “official bank check” did appear in an early draft of what eventually became the 1990 revisions to UCC Article 3 and amendments to Article 4 (discussed in the next footnote). In that draft, the term was defined to include what are now known as teller’s checks and cashier’s checks. *See* UCC § 3-104(d) (1987 Exploratory Draft) (defining “official bank check” as “(i) a draft payable on demand drawn by a bank on another bank, or (ii) a draft payable on demand with respect to which the drawer and the drawee are the same bank or branches of the same bank”). That draft used the term in UCC § 3-310 in the same way that the current UCC refers to teller’s checks and cashier’s checks – to describe the instruments that discharge an obligation as soon as they are “taken” by the payee “as payment of an obligation.” *Compare* UCC § 3-310(1) (1987 Exploratory Draft) *with* UCC § 3-310(a).

or other bank check or obligation”) *with* UCC § 4-211(3)(b) (1972) (describing process for a bank that voluntarily has agreed to accept “a non-bank check or obligation”).¹³

65. It is less clear what to make of the additional qualification that the exclusion refers to “third party” bank checks (or, in the phrasing of the Schmults letter, “third party payment” bank checks). The overwhelming majority of checks are written to “third parties,” in the sense that they are written to a party distinct both from the party that writes the check and from the party on which the check is drawn. Similarly, the overwhelming majority of checks are written to make “payment” to that third party. To make sense of the reference to “third parties,” logically there should be an additional party to the transaction beyond the payor, payee, and the payor’s bank.

66. The statutory context also suggests an additional qualification in making sense of the term. Because “third party bank checks” (or “third party payment bank checks”) are to be excluded from the category of “similar written instruments * * * on which a [listed entity] is directly liable,” the relevant product should be a product on which some listed entity is directly liable. Because the excluded category is third party *bank* checks, logically it should be a product on which a bank is liable.

67. One possibility that is easy to discard is that the designation refers to a personal check (that is, a check drawn by an individual) that the payee has indorsed to a third party.¹⁴ The discussion above suggests one obvious problem with application of that term to the scenario – why would anybody use the term “third party bank check” as opposed to the term “third party check” to refer to a check on which a bank has no cognizable role. More specifically, though, that application would make no sense in the context of Section 2503. The problem is that the escheating party has no way of telling if an instrument has been indorsed to a third party until the indorsed item is presented for payment. Section 2503, though, applies only to instruments that are not ever presented for payment. Thus, to read the statutory reference to “third party bank checks” as excluding only indorsed checks is to read it as excluding checks to which Section 2503 would not apply in any event.

68. Another possibility, mentioned in a September 29, 2015 letter from David Gregor, the Delaware State Escheator (ALF00002365), is that the term refers to teller’s checks. That makes sense of the “bank check” part of the term – because a teller’s check is a check that is drawn by a bank. It treats the “third party” portion of the term as reflecting the difference between the bank that draws a check and the bank on which the check is drawn, which means that the instrument involves three parties. That is a possible interpretation, though the use of “third party” to indicate a difference between the identity of the issuer and the drawee seems a little odd; that term usually refers to checks that end up being paid to a party distinct from the original parties to the check transaction. Moreover, as explained above, a teller’s check is not a check on which a

¹³ The references to “bank checks” and “non-bank checks” were removed in the 1990 version of Article 4, which substituted references to cashier’s checks and teller’s checks, terms added at the same time to UCC Article 3. *See* UCC §§ 3-104(g) & (h) (1990) (definitions of cashier’s check and teller’s check), 4-213 (1990) (replacing UCC § 4-211 (1978)).

¹⁴ Pennsylvania suggested that possibility in its May 30, 2017 “Bench Memorandum on the Disposition of Abandoned Money Orders and Traveler’s Checks Act.”

bank is directly liable; it is a bit odd, then, to include a phrase excluding teller's checks from a group of instruments on which a financial institution "is directly liable."

69. Recognizing the reality that it may be difficult to understand precisely what Schmults (or Congress) intended by the term at the time, another possibility is that the term refers to the checks that banks write at the direction of their customers through their bill-payment services. For several decades, banks have offered bill-payment services, under which banks pay bills to identified payees at the request of their customers. Traditionally, banks made those payments either by making ACH transfers (which are quite inexpensive) to the identified payees if possible, or by issuing paper checks (which are much more expensive) to payees for which it is not practical to complete an ACH transfer. In recent years, banks complete an increasing share of those payments by ACH transfers.

70. In the early years of those products, however, the banks of customers commonly effected a large share of the payments by issuing paper checks. Conventionally, those checks were signed (and thus issued by) the customer's bank, and drawn on the same bank. Thus, though in my experience they have not been issued on the common forms for cashier's checks (which state prominently that the instrument is a cashier's check), they are cashier's checks in legal contemplation (in the same way that the agent checks described above are teller's checks in legal contemplation even if they do not bear that designation on their face). *See* UCC § 3-104(g) (defining "cashier's check" as "a draft with respect to which the drawer and drawee are the same bank or branches of the same bank"). Because those checks are checks on which a bank is directly liable, and because they involve an additional party not present at the issuance of the check, they meet the basic requirements of a sensible interpretation of the reference in Section 2503 to a "third party bank check."

V. CONCLUSION

71. Because discovery is continuing as of the date of this report, I expect that I will continue to review documents and testimony related to the topics discussed in this report. Accordingly, I reserve the right to supplement my report based on materials not available at the time I prepared it, including any reports that other experts might submit.



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APPENDIX – CURRICULUM VITAE

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Professor of Law, Washington University School of Law (1997)

Associate Professor, Washington University School of Law (1994-1997)

OTHER LEGAL EMPLOYMENT

Law Clerk to Judge Joseph T. Sneed, United States Court of Appeals for the Ninth Circuit, San Francisco, California (1985-1986)

Law Clerk to Justice Lewis F. Powell, Jr., United States Supreme Court, Washington, D.C. (1986-1987)

Assistant to the Solicitor General, United States Department of Justice, Washington, D.C. (1991-1994) (argued eight Supreme Court cases and wrote briefs on the merits in forty Supreme Court cases)

Office of the Independent Counsel (1998-2000) (appellate litigation of various matters, including *United States v. Hubbell*, 530 U.S. 27 (2000))

Dow, Cogburn & Friedman (1987-1991) (real estate and commercial law)

SCHOLARLY WORKS:

Books:

BANKRUPTCY AND THE U.S. SUPREME COURT (Cambridge U. Press 2017)

CHARGING AHEAD: THE GROWTH AND REGULATION OF PAYMENT CARD MARKETS AROUND THE WORLD “*Winner of 2006 annual book prize from the American College of Consumer Financial Services Lawyers*” (Cambridge U. Press 2006)

COMMERCIAL FINANCE (Foundation 2017)

PAYMENT SYSTEMS AND OTHER FINANCIAL TRANSACTIONS (6th ed. Wolters Kluwer 2016) (5th ed. 2011; 4th ed. 2008; 3rd ed. 2006; 2nd ed. 2003; 1st ed. 1999)

ELECTRONIC COMMERCE (4th ed. Wolters Kluwer 2011) (3rd ed. 2008; 2nd ed. 2005; 1st ed. 2002) (with Jane K. Winn)

COMMERCIAL TRANSACTIONS: A SYSTEMS APPROACH (6th ed. Wolters Kluwer 2016) (5th ed. 2012; 4th ed. 2009; 3rd ed. 2006; 2nd ed. 2003; 1st ed. 1998) (with Robert M. Lawless, Lynn M. LoPucki, Elizabeth Warren & Daniel Keating)

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Bankruptcy and the Entitlements of the Government: Whose Money Is It Anyway?, 70 N. Y. U. L. REV. 993 (1995)

RECENT INVITED PRESENTATIONS:

Bankruptcy and the Supreme Court: Columbia (March 2015); Michigan (September 2014)

Patents in the Supreme Court: New York State Bar Association Annual Meeting (spring 2015); Supreme Court Intellectual Property Review, Chicago-Kent (fall 2014)

Patent Quality and Policy: Texas Law Review IP Symposium (January 2014); Empirical Patent Law Conference (September 2013)

Consumer Regulatory Policy: Harvard Law School, Program on International Financial Systems (March 2015); Tokyo University Faculty of Law (June 2014); Columbia Business School Conference on Mobile Payments and Virtual Currencies (April 2014); Vanderbilt Law School (February 2014); CFPB (September 2013)

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Trial and Arbitration Testimony

- Residential Capital, LLC v. UMB Bank, N.A. (In re Residential Capital, LLC), Case No. 12-12020, Adv. Case No. 13-01343 (Bankr. S.D.N.Y. 2013) – interpretation of security agreement and indenture (preceded by expert report and deposition), successful result reported at 501 B.R. 549 (Bankr. S.D.N.Y. 2013)
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- Merrill Lynch v. Choy, FINRA Arbitration No. 09-06111 (Honolulu, HI 2011) – Action to enforce note; testimony regarding negotiability, completeness, and tender
- ACLU v. Gonzales, No. 98-CV-5591 (E.D. Pa. 2006) -- Challenge to constitutionality of statute regarding online pornography (preceded by expert report and deposition), successful result reported at 478 F. Supp. 2d 775 (E.D. Pa. 2007), *aff'd*, *ACLU v. Mukasey*, 534 F.3d 181 (3rd Cir. 2008)
- Application of AEP Texas Central Company, Texas PUC Docket No. 31056 (2005) – Regulatory proceeding to set fees following deregulation (preceded by expert report)
- Ann Arbor (ca. 2001) – State court case involving challenge to federal bankruptcy proceeding (preceded by deposition)
- St. Louis (ca. 1996) – State court case involving effect of foreclosure on a hotel (preceded by deposition)

Depositions

- In re Think Finance, LLC, Case No. 17-33964 (Bankr. N.D. Tex. 2018) – nature of small-dollar installment loan transactions (preceded by expert reports)
- Peabody Energy Corp. v. Citibank, N.A. (In re Peabody Energy Corp.), Case No. 16-42529-399, Adv. Proceeding No. 16-04068-399 (Bankr. E.D. Mo. 2016) – common understanding of indenture (preceded by expert report)
- DB NPI Century City, LLC v. Legendary Investors Group No. 1, No. BC494921 (Super. Ct. Los Angeles County (Central) 2015) – dispute over effect of draft on letter of credit

- Walker Digital v. Capital One Services, LLC, No. 1:10cv212 (JFA) (E.D. Va. 2010) – patent infringement action involving patent on credit card customization (preceded and followed by expert report)
- Acosta v. Trans Union, LLC, No. CV06-5060 SJO (C.D. Cal. 2007) – Class action related to practices of credit reporting agencies regarding bankruptcy discharge (preceded by expert report)
- Wachtell v. Capital One Financial Corp., 4th Judicial Dist. Ct., No. CV 0C 0304972D (Idaho 2006) – Contract case related to data-analysis product developed by credit-card issuer (preceded by expert report)
- Shinitzky v. Boston Securities N.A., 15th Jud. Circuit Court, No. CL 00-2328 AJ (Palm Beach County, FL 2004) – Dispute involving error in wire transfer
- St. Louis (ca. 1997) – State court malpractice case (consumer bankruptcy)

Expert Reports

- Commonwealth of Pennsylvania v. Think Finance, Inc., Civil Action No. 14-cv-7139 (E.D. Pa. 2018) – nature of small-dollar installment loan transactions
- In re Essar Steel Algoma, Inc., No. 15-CV-0011169-00CL (Commercial List, Ontario Superior Court of Justice 2016) – interpretation of intercreditor agreements
- District of Columbia v. Bank of America, N.A., Civil Division No. 2008 CA 007763 (D.C. Superior Ct. 2016) – check fraud dispute involving employee defalcation
- Heartland Payment Systems, Inc. v. Mercury Payment Systems, LLC, No. C 14-0437 (N.D. Ca. 2015) – dispute between two merchant acquirers
- Overseas Shipholding Group, Inc. v. Proskauer Rose, LLP, No. 650765/2014 (N.Y. Sup. Ct. 2015) – interpretation of liability provisions of indenture
- SPV OSUS Ltd. v. HSBC Inst'l Trust Services (Ireland) Limited, No. 2014/1026 (High Court, Ireland 2015) – assessing whether assignment of claim was champertous, successful result reported at [2015] IEHC 602 (High Court of Ireland)
- *In re* DTEK Finance B.V., No. 2569 of 2015 (High Court of Justice, Chancery Division, Companies Court, U.K. 2015) – interpretation of indenture, availability of recognition and relief under Chapter 15, comity to foreign judgments
- Kaupthing hf. v. Credit Suisse Securities (Europe) Limited (and related cases), No. 70/2012 (Reykjavik District Court 2014-15) – multiple reports regarding effect of purchases of securities by issuer under indenture, New York law and UCC Article 8; avoidance actions in Chapter 11, Chapter 15, and FDIC receiverships, successful results reported in Judgment of

the District Court of Reykjavík of 3 May 2016 in Case No. E-2742/2012 (relying on my report) and 10 June 2016 in Case No. E-2760/2012

- U.S. Bank Nat'l Ass'n v. Wilmington Savings Fund Society, FSB (In re MPM Silicones, LLC), Case No. 14-22503, Adv. Proc. No. 14-08238 (Bankr. S.D.N.Y. 2014) – interpretation of indenture
- NML Capital, Ltd. v. Republic of Argentina, No. 08 Civ 6978 (S.D.N.Y. 2014) – dispute over acceptance and rejection of wire transfers
- Rosewood Cancer Care, Inc. v. PNC Financial Services Group, Court of Common Pleas, No. 11944 CD 2010 (Indiana County, PA 2014) – dispute over processing and payment of checks
- Tarkay v. Park West Galleries, AAA Arbitration (Miami, FL 2014) – interpretation of a contract for the exploitation of works of art
- Sweet v. PNC Bank, Court of Common Pleas, No. 2013-14 (Washington County, PA 2013) – UCC Article 3 question about bank's release of funds in account owned by child "c/o" parent
- Greene v. Georgia Cash America, Inc., No. 2004A 7104-6 (Cobb County, GA 2013) – analysis of payday lending transactions
- Union Bank of California, N.A. v. CBS Corporation, No. 08 CIV 8362 (D. Nev. 2009) – UCC Article 8 question related to rescission of funds transfer
- Stewart Title Guaranty Co. v. Arvis C. & Anna L. Forrest Trust, No. 07-cv-01342 (D. Nev. 2009) – agency question in title insurance dispute
- Emmett v. Wachovia Securities, LLC, Court of Common Pleas, No. GD05-25678 (Allegheny County, PA 2008) – dispute about propriety of bank's reliance on check endorsement
- FTC v. Neovi, Inc., Civil No. 06 CV 1952 (S.D. Cal. 2008) – enforcement action related to Internet check product, successful result reported at 2008 U.S. Dist. LEXIS 2230 (S.D. Cal.), 598 F. Supp. 2d 1104 (S.D. Cal. 2008), *reconsideration denied*, 2009 U.S. Dist. LEXIS 649 (S.D. Cal. 2009), *aff'd*, 2010 U.S. App. LEXIS 9888 (9th Cir.)
- Levine v. DSW, Inc., Court of Common Pleas, No. 586371 (Cuyahoga County, OH 2006) – Class action related to payments data breach at large retailer
- LaBarge Pipe & Steel Co. v. First Bank, No. 03CV382-C-M3 (M.D. La. 2005) – Dispute involving failure to honor letter of credit (successful summary judgment reversed on other grounds at 550 F.3d 442 (5th Cir. 2008))
- United States v. Tucker, No. 4:01 CR 89 (N.D. Tex. 2005) – 2255 motion related to financial crimes convictions involving security interests in financial assets

Exhibit AA

DELAWARE vs ARKANSAS, ET AL.
Ronald J. Mann on 11/09/2018

1 SUPREME COURT OF THE UNITED STATES

2

3 Nos. 220145 & 220146 (Consolidated)

4 -----x

5 DELAWARE,

6 Plaintiff,

7 -against-

8

9 ARKANSAS, et al.,

10 Defendants.

11 -----x

12

13

14 VIDEOTAPED DEPOSITION OF

15 RONALD J. MANN

16 New York, New York

17 Friday, November 9, 2018

18

19

20

21 Reported by

22 Roberta Caiola

23

24

25

1 MR. DISHER: It's Exhibit 117.

2 Q. All right, Professor Mann, I have given
3 you what has been marked as Exhibit 117. Are you
4 familiar with this document?

5 A. Yes.

6 Q. What is this document?

7 A. It's a copy of an expert report that I
8 submitted in this matter.

9 Q. Have you had a chance to review this
10 document recently?

11 A. Yes.

12 Q. Is there anything in this document that
13 at this point you want to change or edit or
14 correct in any way?

15 A. No.

16 Q. Let's go ahead and flip to page 6,
17 please. Page 6, paragraph 19, there is a summary
18 of your opinions, do you see that?

19 A. I do.

20 Q. I just want to walk through those
21 summaries real quick to make sure that you still
22 hold those opinions, is that fair?

23 A. Yes.

24 Q. So first, it is your opinion that
25 neither a bank nor MoneyGram is directly liable

1 on the MoneyGram official checks evaluated in
2 this report, is that your opinion?

3 A. Yes.

4 Q. Then second, related to that, it is
5 your opinion that neither a bank nor MoneyGram is
6 directly liable on the MoneyGram money orders
7 evaluated in this report, is that correct?

8 A. That's correct.

9 Q. And that's still your opinion today?

10 A. Yes.

11 Q. Second, your opinion is that official
12 checks differ from money orders in the indirect
13 liability of banks to pay, is that correct?

14 A. That is correct.

15 Q. And official checks differ from money
16 orders and the terms and conditions that they
17 bear on their face, is that fair?

18 A. That is correct.

19 Q. And that's still correct today?

20 A. Yes.

21 Q. Then lastly, it is your opinion that
22 the statutory reference to third-party bank
23 checks is obscure. Is that still your opinion
24 today?

25 A. It is.

1 Q. On the physical instrument itself?

2 A. In the hypothetical I'm discussing,
3 which is a physical paper check that is processed
4 until the point which it reaches the bank on
5 which it's drawn as paper, ordinarily the
6 endorsement would appear on the back of the
7 check.

8 Q. Okay. Then if you flip the page to
9 page 17. You end that paragraph by saying, "It
10 is a bit odd, then, to include a phrase excluding
11 teller's checks from a group of instruments on
12 which a financial institution 'is directly
13 liable'." Do you see that?

14 A. I do.

15 Q. What do you mean by that?

16 A. That refers back to the early part of
17 my report that we haven't discussed, in which I
18 suggest that one way to interpret the statutory
19 reference to direct liability would be that it
20 involves the liability that's categorical and
21 non-conditional, as opposed to liability that's
22 dependent on dishonor, or some other external
23 fact.

24 If you think that that's a way of
25 reading the statute reference to direct

1 liability, well then a teller's check would not
2 be an instrument on which a listed entity is
3 directly liable.

4 Q. Okay. Now, in paragraphs 69 and 70 you
5 give your opinion on what the phrase third-party
6 bank check could potentially mean, is that fair?

7 A. I wouldn't put it that way.

8 Q. How would you put it?

9 A. I would say I would suggest one
10 possibility that it could mean.

11 Q. The possibility that you suggest here
12 is a cashier's check?

13 A. I certainly would not say that's a fair
14 description of what I said. It's a description
15 of an instrument, which is not commonly described
16 as a cashier's check, but technically falls
17 within the definition of cashier's check under
18 the statute.

19 Q. And when you say "under the statute"
20 you mean under the UCC?

21 A. Under the Uniform Commercial Code.

22 Q. Okay. Do you think that there are any
23 differences between the instrument you describe
24 in paragraph 70 and what the UCC defines as a
25 cashier's check?

1 mentioned in the report. The primary one being
2 that the scheme of liability in Uniform
3 Commercial Code for instruments involves some
4 types of liability that depend solely on seeking
5 payment, and other types of liability that depend
6 on a variety of external circumstances, such as
7 the instrument previously being dishonored by the
8 party on which it's drawn.

9 And the ones where the liability is
10 categorical and unqualified strike me as more
11 direct than the ones in which liability depends
12 on, among other things, the instrument previously
13 being dishonored by the party in which its drawn.

14 Q. Okay. Does the phrase directly liable
15 for direct liability exist in the UCC?

16 A. It does not appear in Article 3 of the
17 UCC.

18 Q. Is that true for all of the prior
19 versions of Article 3 as well?

20 A. As far as I am aware.

21 Q. How can we tell if a party is directly
22 liable on an instrument, as you have defined
23 direct liability?

24 A. If you take the references to entities
25 being directly liable to have the meaning I

1 mentioned a moment ago, you would look to the
2 provisions of Article 3 that define the liability
3 of parties on an instrument, and you would look
4 through them to find the types of liability that
5 don't depend on dishonored, or some other prior
6 act. And I do that in my report.

7 Q. Okay. Now, in your report you give,
8 let me find it here, okay. In paragraph 28 you
9 say "To put those rules in context."

10 Those rules you're referring to there
11 are the UCC rules that you just mentioned, is
12 that right?

13 A. That is correct.

14 Q. So, "To put those rules in context
15 there is one common banking product on which a
16 banking organization is directly liable, a
17 cashier's checks." Did I read that right?

18 A. You did.

19 Q. That's still your opinion?

20 A. That is my opinion.

21 Q. So other than a cashier's check, what
22 other types of instruments carry with them direct
23 liability?

24 A. Any type of instrument on which an
25 acceptor has undertaken liability.

1 Q. Explain that a little bit for me?

2 A. A certified check.

3 Q. A certified check, okay. Anything
4 else?

5 A. Well, a variety of other things.
6 Anything in which a draft has been accepted by
7 the drawee, a bill of exchange, a banker's
8 acceptance.

9 Q. What do you mean by banker's
10 acceptance?

11 A. That's the type of negotiable
12 instrument that's created in a transaction called
13 a banker's acceptance transaction.

14 Q. Okay. I have so far cashier's checks,
15 which are listed in your report, certified
16 checks. Why does a certified check carry with it
17 direct liability?

18 A. Because the contract with the acceptor
19 under 3409 is to pay the instrument when it's
20 presented.

21 Q. When you say the contract under 3409,
22 who is that contract between?

23 A. The provisions of part 4 of UCC Article
24 3 create liability based on signatures on an
25 instrument, which ordinarily is referred to as

1 of the document?

2 A. They don't have to be on its face, they
3 could be on the front, they could be on the bank,
4 or they could be on an allonge that becomes part
5 of the draft.

6 Q. Got it. A cashier's checks carries
7 direct liability, but a teller's check does not
8 carry direct liability, is that right, as you've
9 defined the term?

10 A. If you're using direct liability in the
11 way in which I have suggested, a teller's check
12 is not an instrument on which any party is
13 directly liable for.

14 Q. What about a money order?

15 A. The money orders examined in this
16 report are not instruments on which any party is
17 directly liable.

18 Q. I should have asked you this a long
19 time ago. Do you have a definition of money
20 order?

21 A. The UCC doesn't use money order as a
22 way to define liability instruments. It refers
23 to money order generally as a term that is used
24 in business commerce to describe products, and
25 then it leaves it to the actual nature of the

1 instrument, for us to decide what the rules are
2 of the UCC and what type of instrument could be
3 in the UCC.

4 Which leaves open the possibility that
5 an instrument could be marketed and sold as a
6 money order, and be any of a variety of types of
7 instruments for purposes of the Uniform
8 Commercial Code.

9 Q. What are some of the types of
10 instruments that could be marketed and sold as a
11 money order?

12 A. Well, a money order could, without a
13 great deal of difficulty, be either a regular
14 conventional check, that is neither a cashier's
15 check nor a teller's check. It could relatively
16 easily be a teller's check or it could simply be
17 a draft.

18 Q. Now, you distinguished between draft
19 and checks and draft and teller's checks. What
20 is a draft?

21 A. A draft of a UCC is an instrument that
22 includes an order. I think that answer might not
23 be particularly illuminating. So what I would
24 say is that a check is a draft that is drawn on a
25 bank. So you had something that functioned much

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CERTIFICATE

STATE OF NEW YORK)

) ss.

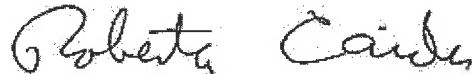
COUNTY OF NEW YORK)

I, Roberta Caiola, a Shorthand Reporter
and Notary Public within and for the State of New
York, do hereby certify:

That RONALD J. MANN, the witness whose
deposition is hereinbefore set forth, was duly
sworn by me and that such deposition is a true
record of the testimony given by such witness.

I further certify that I am not related
to any of the parties to this action by blood or
marriage and that I am in no way interested in
the outcome of this matter.

In witness whereof, I have hereunto set
my hand on this date, November 11, 2018.




ROBERTA CAIOLA

ACKNOWLEDGMENT OF DEPONENT


I, Ronald J. Mann, do hereby certify that I have read the Certified Copy of my November 9, 2018 deposition, and that the same is a correct transcription of the answers given by me to the questions therein propounded, except for the corrections and changes in form or substance noted on the attached errata sheet.

Date: December 17, 2018

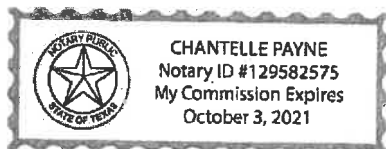


Ronald J. Mann

Subscribed and sworn to before me this 17th day of December, 2018.



Notary Public



ERRATA SHEET

NAME OF CASE:· DELAWARE v. ARKANSAS, ET AL., Nos. 220145 & 220146

·DATE OF DEPOSITION:· Friday, November 9, 2018

·NAME OF WITNESS:· RONALD J. MANN

Page	Line:	From:	To:
43	22	"a U4"	"under the Uniform"
48	5	"The issue"	"Issuer"
79	5	"dishonored"	"dishonor"
82	6	"agreed"	"agree"
87	4	"don't recall"	"recall"
92	24	"derived"	"direct"
128	2	"is"	"are"
136	5	"microlines"	"MICR lines"
140	12	"UCC"	"the UCC"
142	7	"time of the"	"term"
143	8	"certain"	"certainty"
144	10	"were"	"were not"
144	15	"was"	"was not"
147	15	"similar to"	"describing"
155	24	"with"	"within"
158	2	"odds"	"odd"

Exhibit BB

Expert Report

In the Matter of *Delaware v. Arkansas, et al.*,
U.S. Supreme Court Case Nos. 220145 & 220146 (consolidated)

September 24, 2018

Barkley Clark, Esquire
Stinson Leonard Street LLP
6400 S. Fiddlers Green Circle, Suite 1900
Greenwood Village, Colorado 80111
T: 303.376.8418
F: 303.578.7959
Barkley.Clark@stinson.com

Qualifications of Barkley Clark

Based upon my credentials and experience in the area of negotiable instruments, banking and check law, I have been engaged by Kleinbard LLC as an expert on behalf of the state of Pennsylvania in the above-captioned litigation. My hourly rate for this engagement is \$715.

My Credentials

My vita is attached as Exhibit A. I am a partner in the law firm of Stinson Leonard Street LLP, Denver, Colorado. I am a member of the firm's Banking and Financial Services Practice Group. I have consulted with banks and other depository institutions for 53 years regarding commercial and banking law issues, with an emphasis on bank deposits, payment systems and negotiable instruments law. My consultations with financial institution clients have included review of: demand deposit account issues, account opening and closing, check fraud, check fraud detection systems, wire transfer litigation, remittance instruments such as cashier's checks, teller's checks and money orders, check fraud litigation, a drawee bank's "strict accountability" for late return of checks, check kiting issues including all-funds holds, check rules under the Uniform Commercial Code ("UCC") and Federal Reserve Board Regulation CC, Federal Reserve Board Operating Circulars, cash management products, bank setoff, expedited funds availability, automated deposit-taking and check payment, and credit and compliance issues. I have also drafted deposit account agreements, wire transfer agreements and account-opening documents for bank clients. I have been involved in the litigation of a number of payment-system issues under the UCC and related federal law and have advised banks regarding the handling of both commercial and consumer deposit accounts.

My career has also included a strong academic component. From 2003 to 2006, I served as an Adjunct Professor at the University of Virginia School of Law, where I taught courses on secured transactions, negotiable instruments, bank deposits and payments under the UCC, and

federal banking law. Prior to my appointment at the University of Virginia, I taught banking law as an Adjunct Professor at the Georgetown Law Center in Washington. Before that, I held an endowed chair in commercial and banking law at the University of Kansas School of Law. For four years, I served as Professor of Law at the National Law Center, George Washington University, where I taught courses on the UCC and Federal Regulation of Banking. I have also taught banking and commercial law courses at the University of Colorado, the University of Oregon, and the University of Michigan.

I regularly lecture throughout the country on banking, and other commercial law topics. I have taught special seminars on bank deposit issues, issues including check collection, setoff and holds, wire transfers, ACH, negotiable instruments, and various payment systems. I have given lectures on deposit account issues for the Southwest Legal Foundation at SMU in Dallas; the School of Banking of the South in Baton Rouge; the Louisiana Bankers Association in New Orleans; in-house personnel at the twelve Federal Reserve Banks; the Banking Law Institute; the UCC Institute; the American Bankers Association; the American Bar Association; ALI/ABA; the Practicing Law Institute; and the Bank Administration Institute.

I have co-authored three treatises that are widely used by bankers and their counsel around the country, by academicians, and by attorneys who practice banking and commercial Law. These treatises are regularly cited by federal and state courts around the country. They are published by Lexis/Nexis, and are titled: (1) *The Law of Bank Deposits, Collections and Credit Cards* (with Barbara Clark, supplemented three times a year), which discusses a variety of deposit account issues including various negotiable instruments, check collections and wire transfers; (2) *The Law of Secured Transactions under the UCC* (with Barbara Clark, also supplemented three times a year); and (3) *Compliance Guide to Payment Systems* (with Mark

Hargrave and Barbara Clark, supplemented semi-annually), which discusses a wide range of payment systems and negotiable instrument issues. I also co-edit a monthly newsletter entitled *Clarks' Bank Deposits and Payments Monthly*, which has subscribers around the country and has often included articles on topics such as various types of check fraud, bank deposit agreements, and payment finality. These treatises include discussion of negotiable instruments relevant to the present case. Chapter 24 of my Bank Deposits treatise, as well as Chapter 7 of the *Compliance Guide*, deal specifically with remittance instruments such as cashier's checks, teller's checks and money orders.

I have served as a special consultant to the Federal Reserve Board, the American Bankers Association, the Uniform Law Commission, and the American Law Institute, as well as a number of state legislatures regarding banking, commercial law, and consumer protection legislation. I have been active in banking law reform, serving on the original Study Committee that established the guidelines for Revised Article 9 of the UCC dealing with secured transactions. I have given in-house seminars on check and negotiable instruments issues for bank officers and employees. I serve on the Board of Editors of the Banking Law Journal and The UCC Law Journal. In 2012, I was awarded the Senator William Proxmire Lifetime Achievement Award from the American College of Consumer Financial Services Lawyers.

I have served as a director of a national bank and as an employee in the back office of another national bank. In my capacities as a bank director and employee, I have dealt with a variety of deposit and payment system issues, including suspected kites, "state of the art" deposit account provisions, security procedures, remittance instruments, automated check collection, and the duty of customers to review monthly bank statements.

During the past 30 years, I have testified often as an expert witness--by affidavit, deposition or at trial, including before federal and state courts and arbitration panels. List pursuant to Fed. R. Civ. P. 26(a)(2)(b)(v) is attached at Exhibit B.

Materials Reviewed For This Report (Exhibit C)

Pleadings:

- * Original Complaint and other pleadings in *Pennsylvania v. Delaware and MoneyGram Payment Systems Inc.*, filed on Feb. 26, 2016, in Federal District Court, Middle District of Pennsylvania
- * Delaware Motion for leave to file Bill of Complaint in State of *Delaware v. Commonwealth of Pennsylvania and State of Wisconsin*, in U.S. Supreme Court seeking original jurisdiction, with Hon. Pierre N. Leval, as Special Master
- * Contents of pdf attachment docket files 1-66, beginning May 26, 2016
- * Bills of Complaint and related motions and briefs of Pennsylvania, Delaware, Wisconsin and Arkansas in connection with the granting of original Supreme Court jurisdiction

Hearing Transcripts

- * Transcript of the deposition of Eva Yingst, dated May 23, 2018, including exhibits
- * Transcript of the deposition of Kate Petrick, dated June 5, 2018, including exhibits
- * Transcript of hearing before Judge Leval on June 5, 2017

Documents

- * Exemplars of certain negotiable instruments issued by MoneyGram, which are exhibits to the Yingst deposition transcript
- * MoneyGram marketing materials for money orders and Official Checks, which are exhibits to the Yingst deposition
- * Delaware Escheator David Gregor's letter dated September 29, 2015, with exhibits

- * The Report of the President's Commission on Financial Structure & Regulation (December 1971, revised September 1973), commonly called "The Hunt Commission Report"
- * U.S. Treasury Department, Recommendations for Change in the U.S. Financial System (1973)
- * Newspaper reports regarding the potential impact of the Hunt Commission Report: (1) Robert E. Knight, *The Hunt Commission: An Appraisal*, Wall Street Journal, July 3, 1972, at 4 and (2) James L. Rowe, Washington Post, January 13, 1973, at G2
- * Affidavit of Jennifer Whitlock, with exhibits including check templates and marketing materials dated October 3, 2017
- * Senate Report No. 93-505, to accompany S. 2705

Statutory Materials

- * The Federal Disposition Act (now codified at 12 U.S.C. §§ 2501-2503)
- * Edward Schmults' commentary on Senator Scott's original bill (S. 1895), in response to inquiry from the Senate Committee on Banking, Housing and Urban Affairs in 1973
- * The Uniform Commercial Code, including Section 3-104 defining types of negotiable instruments and the Official Comments to that UCC provision
- * Regulation CC, including 12 CFR § 229 defining various negotiable instruments
- * 1983 statute from the State of Washington (Wash. Rev. Code § 63.29.020(17)), defining "third party bank check"
- * Draft Model Unclaimed Property Act, 73 Bus. Law. 763 (2018)
- * Pennsylvania Disposition of Abandoned and Unclaimed Property Act, Section 1301.1 et. seq.
- * Chapter 177 Wisconsin Code, Uniform Unclaimed Property Act (1981)
- * Uniform Law Commission, Revised Uniform Disposition of Unclaimed Property Act (1966)

Judicial Materials

- * *Pennsylvania v. New York*, 407 U.S. 206 (1972) (leading to enactment of FDA)
- * *Texas v. New Jersey*, 379 U.S. 674 (1965)
- * *MoneyGram International v. Commissioner of Internal Revenue*, 2014 WL7795630 (U.S. Tax Court (2014) (describing MoneyGram's business model)

Secondary Source Materials

- * *Personal money orders and Teller's Checks: Mavericks under the UCC*, 67 Colum. L. Rev. 524 (1967)
- * Felix Frankfurter, *Some Reflections on the Reading of Statutes*, 47 Colum. L. Rev. 527 (1947)
- * Chapter 24 of Clark & Clark, *The Law of Bank Deposits, Collections and Credit Cards*
- * Chapter 7 of Clark, Clark & Hargrave, *Compliance Guide to Payment Systems*
- * Millar, Heyman and Noel, *Building a Better Unclaimed Property Act*, 73 Bus. Law. 711 (2018)

I. INTRODUCTION

I have been retained to opine on the characteristics of certain prepaid instruments marketed and sold by MoneyGram Payment Systems, Inc. (“MoneyGram”) as “Official Checks” and to opine on whether such instruments are money orders—or written instruments similar to money orders and traveler’s checks—subject to the priority rules established under the Disposition of Abandoned Money Orders and Traveler’s Checks Act, 12 U.S.C. §§ 2501-03 (the “Federal Disposition Act” or “FDA”). I have been further asked to opine on what is a “third party bank check” as set forth under the FDA.

MoneyGram refers to the following instruments as “Official Checks”: (a) teller’s checks; (b) agent checks; (c) cashier’s checks; and (d) agent check money orders.¹ See deposition transcript of Eva Yingst, at p. 36:15-37:15. This report largely concerns the characteristics of these MoneyGram teller’s checks and agent checks and whether they are subject to the priority rules of the FDA.

A. Section 2503 of the FDA

Section 2503 of the FDA establishes priority rules for the escheatment of certain prepaid negotiable instruments, stating in relevant part:

Where any sum is payable on a money order, traveler’s check, or **other similar written instrument (other than a third party bank check)** on which a banking or financial organization or a business association is directly liable—

(1) if the books and records of such banking or financial organization or business association show the State in which such money order, traveler’s check, or similar written instrument was purchased, that State shall be entitled exclusively to escheat or take custody of the sum payable on such instrument, to the extent of that State’s power under its own laws to escheat or take custody of such sum[.]

12 U.S.C. § 2503(1) [Emphasis Added].

¹ MoneyGram also markets and sells another money order product it refers to as a “retail money orders,” which are generally purchased at retail establishment, such as 7-Elevens and check cashing agencies. These retail money orders do not fall under MoneyGram’s “Official Check” umbrella.

To determine whether MoneyGram Official Checks, specifically its “teller’s checks” and “agent checks,” are subject to the above priority rules, it is necessary to determine what is a “similar written instrument,” as well as a “third party bank check” excluded from these priority rules.

B. Summary Opinion

This case is about what I call “remittance instruments,” which are negotiable instruments that share common core characteristics (particularly prepayment and the obligation of a financial or business entity) that set them apart from ordinary bank checks. A money order is one type of remittance instrument; a teller’s check is another. In my opinion, all of the MoneyGram Official Checks at issue in this case are money orders or are “similar to” money orders. Therefore, they are subject to the priority rules of the Federal Disposition Act, 12 U.S.C. § 2503. This conclusion is strongly supported by the plain language of the statute, read in light of its clear and unmistakable purpose—to avoid a **windfall** in application of federal escheatment priority rules. As remedial legislation, the scope of the FDA should be construed broadly. Most important, Delaware should not be able to exclude itself from the priority rules of the FDA on the ground that, contrary to banking industry understanding, MoneyGram teller’s checks are “third-party bank checks.” 12 U.S.C. §§ 2501-2503. If Congress had wanted to exempt teller’s checks from the statute, it would have said so, but it did not. Under a proper construction of the statute, the term “third-party bank checks” means ordinary checks drawn out of ordinary checking accounts that are not prepaid; it does not mean teller’s checks, or what MoneyGram refers to as Official Checks.

II. BACKGROUND ANALYSIS

A. The Commercial Function of Remittance Instruments and Their Common Characteristics

The present case is at bottom about the nature and scope of remittance instruments, particularly money orders and teller's checks, as well as the contrast between bank checks used as remittance instruments and ordinary bank checks. The following addresses the characteristics of remittance instruments versus that of ordinary bank checks.

1. Conditionality of the Ordinary Bank Check

Ordinary bank checks are highly conditional. They are issued by an individual or entity to the order of the payee. The words "to the order of" are the "magic words" of negotiability. There are at least three parties to an ordinary check—the drawer, the drawee bank and the payee. As negotiable instruments, ordinary bank checks can be negotiated by the payee (by endorsement) to a third party "holder," who may be able to qualify as a holder in due course of the check, with power to enforce the check free of the drawer's personal claims and defenses. In either case, the check is deposited into the bank collection process, cleared through the interbank clearing system, and presented to the drawee bank for payment or return.

The problem with ordinary checks signed by an individual or business is that payment upon presentment is subject to a number of conditions. Because there is no direct bank liability, enforcement by the payee/holder as against the drawer or prior endorser is always a risk. The holder of the check relies on the obligation of the drawer to pay by debit of its deposit account at the drawee bank. If the drawee bank wrongfully dishonors the check, the drawer may have a cause of action against the bank, but the payee does not. Dishonor of the check can occur for a number of reasons. Examples of conditionality include the drawer's stop payment order,

insolvency of the drawer, insufficient funds (NSF), bank setoff, garnishment, account closed, or simply “refer to maker.”

The Uniform Commercial Code (“UCC”) is central to the present case because Article 3 of that statute has, since the 1950s, codified banking industry practice and understanding with respect to the rules defining and governing all negotiable instruments, including not only ordinary checks but also money orders, cashier’s checks, teller’s checks, certified checks and traveler’s checks. Once negotiable checks enter the bank collection system, headed toward the drawee bank to be paid or returned, Article 4 of the UCC provides the legal framework. The present case is governed more by Article 3 than Article 4. Closely related to the uniform state rules of the UCC are the federal rules of Regulation CC, which were authorized by the Expedited Funds Availability Act, effective in 1988. Definitions found in Reg. CC generally follow the UCC.

The term “check” is defined in UCC 3-104(f) as an order from the drawer to its bank to pay to the payee or third-party holder a specified amount out of the drawer’s deposit account. It is a negotiable instrument, governed by the UCC, a draft payable on demand and drawn on the drawer’s account. With an ordinary check, there is no prepayment of the drawer’s obligation to the payee; the only direct obligor is the nonbank drawer, whose obligation to pay arises following dishonor of the check by the drawee bank upon presentment. Because a check is not an assignment of funds in the drawer’s deposit account (UCC 3-408), the drawee bank has no obligation to pay the holder, even though the drawer might be able to sue its bank for wrongful dishonor. In short, an ordinary check is highly conditional and could bounce. If the payee of an ordinary check negotiates the item to a third party holder, the instrument is known in the banking industry as a “third-party check” or “twice-endorsed” check. The term “check” as defined in the

UCC 3-104(f) includes cashier's checks and teller's checks, and the UCC states that "[a]n instrument may be a check even though it is described on its face by another term, such as 'money order.'"

2. **Overcoming the Conditionality of an Ordinary Check by Using a Remittance Instrument**

To overcome the conditionality of an ordinary check, and to encourage commercial transactions between creditors and debtors, over the past century the financial services industry has developed a number of payment instruments where the underlying obligor is a bank or a regulated business organization.² The debtor in the underlying transaction prepays in cash (or by the immediate debiting of its deposit account) and in return receives a "remittance instrument" on which a bank or regulated business organization is primarily obligated, and on which the payee's name and amount are indicated by the seller of the instrument.

These instruments take a number of forms and names, but they all have four core characteristics: (1) prepayment by the debtor/remitter; (2) the direct obligation of a bank or other regulated business entity on the new instrument, to replace the original obligation of the debtor/remitter to the payee; (3) the form of a written negotiable instrument, governed by the UCC, that is collected and paid through the interbank clearing system; and (4) treatment of the instrument as a "cash-equivalent" in order to encourage transactions where the creditor would otherwise balk because of the conditional nature of ordinary checks. In my opinion, prepayment is the most important core characteristic.

As a group, these instruments can be referred to as "remittance" instruments. The debtor who pays the bank for the instruments is called the "remitter," as a matter of industry practice

² In Pennsylvania, a non-bank issuer of such payment instruments is generally required to obtain a license and satisfy minimum net worth and bonding requirements. Pennsylvania Money Transmitter Act of 2016, P.L. 1002, No. 129.

and understanding. Under UCC 3-103(11), the term “remitter” means “a person who purchases an instrument from its issuer if the instrument is payable to an identified person other than the purchaser.” Although the term “remittance instrument” is not defined in the UCC, Chapter 24 of my treatise, *The Law of Bank Deposits, Collections and Credit Cards*, discusses these instruments as a group and is titled “Remittance Instruments.” Similarly, I have co-authored Chapter 7 of another treatise, *Compliance Guide to Payment Systems*, which deals specifically with remittance instruments. Set forth below is a brief description of seven key remittance instruments, with a focus on the common denominators that characterize them all, and more importantly, distinguish them from ordinary bank checks. Throughout this report, I use the term “remittance instruments” as a convenient umbrella term to describe a variety of negotiable instruments with common core characteristics.

3. Cashier’s Check

One of the most popular remittance instruments is the cashier’s check, which is defined in UCC 3-104(g) as “a draft with respect to which the drawer and drawee are the same bank or branches of the same bank.” Reg. CC (12 CFR § 229.2(i)) defines a cashier’s check as “a check that is (1) drawn on a bank; (2) signed by an officer or employee on behalf of the bank as drawer; (3) a direct obligation of the bank; and is (4) “provided to the customer of the bank or acquired from the bank **for remittance purposes.**” [Emphasis added.] Following prepayment to a seller, the cashier’s check is used by the remitter to satisfy a debt that the remitter owes to a creditor, who is normally the payee of the instrument. Cashier’s checks are granted next-day availability under Reg. CC.

A typical example of how a cashier’s check is used in commerce is the requirement that it be prepaid and then tendered by a prospective buyer of real estate to satisfy the down payment on a home in a real estate contract. As another example, many state statutes require that a

cashier's check be posted as a bond to secure a contractual obligation. In both cases, the creditor wants to avoid the conditionality of an ordinary bank check. When used as remittance instruments, cashier's checks satisfy all four criteria listed above. (Cashier's checks can also be used by the issuing bank to pay its own debts.) As with many other remittance instruments, the remitter's giving of a cashier's check to its creditor will immediately discharge the remitter's underlying obligation to the creditor. By contrast, if a debtor tenders an ordinary check, its obligation to pay the underlying debt is suspended until the check is paid by the drawee bank; if the check is dishonored, the drawer's obligation ripens. UCC 3-310. As a general matter, the remitter has no right to stop payment on a cashier's check based on a dispute with the payee, though the issuing bank can stop payment based on its own defenses (such as nonpayment), so long as the instrument has not gotten into the hands of a holder in due course.

4. Teller's Check

Teller's checks are defined in UCC 3-104(h) as "drafts" that are "drawn by a bank (1) on another bank, or (2) payable at or through a bank." The Reg. CC definition (12 CFR § 229.2(gg)) generally tracks that of the UCC, and puts great emphasis on the use of teller's checks "for remittance purposes." Like cashier's checks, teller's checks are considered standard remittance instruments, they involve prepayment, they are the direct obligation of a bank, they are used by the remitter to pay an underlying obligation, the remitter prepays with cash or by having his/her account debited for the face amount of the instrument (plus a fee), and teller's checks get their commercial utility because of their cash-equivalence. They also get next-day funds availability under Reg. CC. Teller's checks, like cashier's checks, are collected through the interbank clearing system and they both came into the UCC together, as defined terms, in the 1990 Revision of Article 3. A teller's check is always signed by a bank as "drawer" of the instrument even though another financial company such as MoneyGram can be liable as "issuer."

5. Certified Check

One remittance instrument that has lost some popularity in recent years to the cashier's check and the teller's check is the certified check. The term is defined in UCC 3-409(d) as an ordinary check that is "accepted" in writing by the bank on which it is drawn. The term "accepted" means the drawee bank's signed engagement to pay the draft as presented. The acceptance must be written on the face of the check and signed by an authorized agent for the bank. The nonbank drawer of the check also remains secondarily liable, but the bank's written acceptance on the face of the check is what gives the certified check its market value/cash-equivalence. Reg. CC makes it clear that the bank certifies not only the genuineness of the drawer's signature, but also that the bank has obtained prepayment from the remitter, normally through a debiting of the remitter's deposit account. 12 CFR § 229.2(j). As with all remittance instruments, the issuer/drawer's contemporaneous receipt of value from the remitter is critical. Although certified checks remain an important remittance instrument, I understand they were not a product sold by MoneyGram.

6. Money Order

The term "money order" is not defined in either the UCC or Reg. CC. A "money order" is defined by Black's Law Dictionary (10th ed. 2014) as "a negotiable draft issued by an authorized entity (such as a bank, telegraph company, post office, etc.) to a purchaser, in lieu of a check, to be used to pay a debt or otherwise transmit funds on the credit of the issuer." Retail money orders are typically purchased at nonbank retail locations such as convenience stores, by individuals in relatively small amounts. The issuer/drawer of a retail money order may be either a bank or a nonbank such as MoneyGram in the present case. A bank money order is a teller's check under another name. With respect to money orders, the instrument has long been characterized as a "one-check checking account" for use by the remitter in paying his/her

creditor. In most cases, the money order is prepaid by the remitter in cash, and thus becomes a prefunded cash-equivalent in the remitter's hands, with an indicated payee and amount imprinted on the instrument. Unlike cashier's checks and teller's checks, retail money orders do not get next-day funds availability under Reg. CC, although retail money orders are still considered by the banking industry as cash-equivalents because they are prefunded.

Although the term "money order" is not separately defined in the UCC, the drafters of the statute explain the instrument in Comment 4 to UCC 3-104:

"Money orders" are sold both by banks and nonbanks. They vary in form and their form determines how they are treated in Article 3. The most common form of money order sold by banks is that of an ordinary check drawn by the purchaser, except that the amount is machine impressed. That kind of money order is a check under Article 3 and is subject to a stop order by the purchaser-drawer as in the case of ordinary checks. The seller bank is the drawee and has no obligation to a holder to pay the money order. **If the money order falls within the definition of a teller's check, the rules applicable to teller's checks apply.** Postal money orders are subject to federal law. [Emphasis added.].

In short, under the UCC, money orders can be many things, including teller's checks.

7. Traveler's Check

The term "traveler's check" is defined in UCC 3-104(i) as "an instrument that (1) is payable on demand, (2) is drawn on or payable at or through a bank, (3) is designated by the term 'traveler's check' or by a substantially similar term and (4) requires, as a condition to payment, a countersignature by a person whose specimen signature appears on the instrument."

A traveler's check is a cash-equivalent, based on prepayment by the remitter/traveler. The obligor/issuer of traveler's checks may be a bank or a nonbank financial services company such as Western Union. The remitter is protected from loss of the instrument where it has not been countersigned. The unique aspect of the traveler's check is the countersignature requirement at the time it is cashed. It gets next-day availability under Reg. CC.

8. Agent Check

As a matter of industry practice, some remittance instruments are labeled as “agent checks” to designate that a particular bank is serving as agent for a nonbank issuer/drawer of the instrument. These “agent checks” are typically in the form of money orders, with prepayment by the remitter indicated. The term “agent checks” is not defined in either the UCC or Reg. CC, but in my opinion they clearly qualify as remittance instruments because they share their core characteristics, including prepayment.

9. Postal Money Order

Postal money orders are like bank money orders except that the issuer is the U.S. Postal Service rather than a bank. They are subject to special federal regulations. Like other remittance instruments, postal money orders are sometimes designated as two types: domestic and international. They get expedited funds availability under Reg. CC.

B. The Official Checks at Issue in This Matter are Remittance Instruments

Based upon review of the pleadings and documents I received, it is my opinion that both “money orders” and MoneyGram “Official Checks” at issue in this case fit the definition of “remittance instruments” like a glove. Both products are prepaid by a remitter, which makes them cash-equivalents. In both cases, no funds are “pulled” from the remitter’s checking account when the instruments are presented for payment, as is the case with standard bank checks. In both cases, after receiving payment in cash or by debiting the remitter’s deposit account, the seller of the instrument issues the money order or official check that reflects the value of the payment that is remitted by the customer. In both cases, MoneyGram is directly liable, as issuer/drawer, for the value that has been prepaid. The only substantive difference between retail money orders and Official Checks is the larger size of official check transactions (as a matter of company policy, MoneyGram retail money orders are generally limited to \$1,000), and the fact

that retail money orders are sold at retail nonbank establishments while Official Checks are outsourced and sold at financial institution locations. Otherwise, they are similar instruments.

Conversely, it is my opinion that ordinary, non-prepaid bank checks are **not** remittance instruments. (Under standard banking industry practice and understanding, the term “bank checks” is synonymous with “checks.” A leading treatise, *Brady on Bank Checks*, uses the terms interchangeably.) With respect to such instruments, in a typical transaction the drawer is a nonbank debtor who is liable on the instrument if it is dishonored, but the drawee bank has no direct obligation on the check. The payee (or a third-party holder) deposits the check, which is then collected through the interbank collection system. Upon presentment, funds are “pulled” from the drawer’s deposit account. There is no prepayment of ordinary, uncertified checks, nor is there any remitter. Since payment of ordinary bank checks is highly conditioned at presentment, they are the antithesis of “cash-equivalents.” In short, standard bank checks are drawn on a bank and collected through the interbank check collection system, but they are not “remittance instruments.”

C. **The FDA is Remedial Legislation that Should be Construed Broadly to Include all Remittance Instruments, in order to Promote its Underlying Purposes**

The Federal Disposition of Abandoned Money Orders and Traveler’s Checks Act (FDA), enacted in 1974 and codified at 12 U.S.C. §§ 2501-2503, establishes escheat priority rules for all remittance instruments. It covers “any sum [that is] payable on a money order, traveler’s check, or similar written instrument (other than a third party bank check) on which a banking or financial organization or a business association is directly liable....” If the books and records of such an organization show the state in which an instrument was purchased, “that State shall be entitled exclusively to escheat or take custody of the sum payable on such instrument, to the extent of that State’s power under its own laws to escheat or take custody of such sum;....”

The immediate purpose of the FDA was to overturn *Pennsylvania v. New York*, 407 U.S. 206, decided in 1972, with respect to remittance instruments such as money orders. The Supreme Court decision gave New York priority over Pennsylvania to abandoned Western Union money orders. Under federal common law prior to enactment of the FDA in 1974, New York had priority because it was the state of Western Union's incorporation, even though Pennsylvania was the state where the purchase of the money orders took place. In direct response to the 1972 decision, in 1973 Senator Hugh Scott of Pennsylvania introduced S. 1895, which was the escheat legislation that was to become the FDA. He inserted into the Congressional Record the overarching rationale of the legislation:

The difficulty with the Supreme Court's decision is that in the case of traveler checks and commercial money orders where addresses do not generally exist large amounts of money will, if the decision applies to such instruments, escheat as a windfall to the state of corporate domicile and not to the other 49 states where purchasers of travelers checks and money orders actually reside . . . Finally, Congress should note that the problem to which this bill is directed is a matter of important public concern in that the bill would, in effect, free for distribution among the states several million dollars in proceeds from abandoned property now being claimed by one state. The bill is eminently fair and equitable because it would permit the state where a traveler's check or money order was purchased and which is the state of the purchasers' actual residence in over 90% of the transactions to escheat the proceeds of such instruments...." 119 Cong. Rec. at S9750.

Senator Scott's views were also incorporated into the recitals in the final legislation, which are now codified in section 1 of the FDA, at 12 U.S.C. § 2501:

The Congress finds and declares that—

(1) the books and records of banking and financial organizations and business associations engaged in issuing and selling money orders and traveler's checks do not, as a matter of business practice, show the last known addresses of purchasers of such instruments;

(2) a substantial majority of such purchasers reside in the States where such instruments are purchased;

(3) the States wherein the purchasers of money orders and traveler's checks reside should, as a matter of equity among the several States, be entitled to the proceeds of such instruments in the event of abandonment;

(4) it is a burden on interstate commerce that the proceeds of such instruments are not being distributed to the States entitled thereto; and

(5) the cost of maintaining and retrieving addresses of purchasers of money orders and traveler's checks is an additional burden on interstate commerce since it has been determined that most purchasers reside in the State of purchase of such instruments.

In short, while the *immediate* purpose of the FDA was to overturn the 1972 Supreme Court decision, the *overarching* purpose was to eliminate a windfall that unfairly benefitted corporate domicile states, to the detriment of states where the abandoned money orders, traveler's checks and similar instruments had been sold. Eliminating a windfall is a public policy goal of the law of escheat, just as is its consumer protection goal. The FDA was intended to bring certainty to an issue that had given rise to much escheat litigation over the years.

The principle of *ejusdem generis* (*i.e.*, of the same kind) is a staple of statutory construction. That principle is directly applicable to the present case. The statute begins by stating its scope: "Where any sum is payable on a money order, traveler's check or other similar written instrument..." Unless the plain language of the statute otherwise prohibits it (which is not the case here), the catchall word "similar" at the end of the series should be broadly construed to effectuate the underlying purpose of the statute, *i.e.*, the elimination of an abandoned property windfall. As discussed above, all remittance instruments have core common characteristics such as prepayment, financial entity liability, and cash-equivalence. Money orders and traveler's checks fit comfortably under the umbrella of "remittance instruments."

These common denominators are shared by money orders and traveler's checks as "similar instruments." If Congress identified money orders and traveler's checks for coverage under the FDA, it follows that other members of the family of remittance instruments such as cashier's checks and teller's checks should also be covered under the FDA as "similar written instruments." They are all negotiable instruments covered by the UCC. Traveler's checks have a unique characteristic of required countersignatures at the time of encashment, yet the statute expressly includes traveler's checks because, in spite of the countersignature requirement, they still share the core characteristics—particularly prepayment—of all remittance instruments. The umbrella is wide, given the basic purpose of the statute.

III. CONCLUSIONS CONCERNING MONEYGRAM OFFICIAL CHECKS AT ISSUE IN THIS CASE

A. All of the Official Checks at Issue in This Case are Money Orders or "Similar to" Money Orders and Traveler's Checks Under Generally Accepted Usage of Those Terms in Banking Practice.

For escheat purposes, MoneyGram reports its "money order" product to Pennsylvania, the state of sale. Petrick 36:18-20. Presumably, it does this because of the mandate imposed by the plain language of the FDA. By contrast, MoneyGram's product manager, Eva Yingst, describes in her deposition the "official check umbrella" under which MoneyGram markets four specific types of instruments: "agent checks," "agent check money orders," "teller's checks" and "cashier's checks." Yingst 36:15-21; 92:22-93:7; 101:6-14; 188:10-189:2; and exhibit Yingst-11. At page 183 of her deposition, Ms. Yingst concedes that there are no specific instruments designated as "Official Checks," instead, the "official check umbrella" includes specific instruments called agent checks, money orders, teller's checks and cashier's checks. The "umbrella" term "Official Checks," therefore, is simply a marketing label. Yingst 101:6-14.

In my opinion, the Official Checks marketed by MoneyGram as “agent checks” or “agent checks money orders” are literally “money orders” such that they are subject to the FDA disposition rules by the plain language of the statute. By way of support, in one sample contract, MoneyGram’s predecessor, Travelers Express Company, even expressly stated that agent checks “may be used as money order” at the agent’s choosing. See Exhibit Yingst-14. Next, even assuming that the other Official Checks, including teller’s checks, do not qualify literally as money orders, they are “similar to” money orders because they share the same core characteristics of money orders, travelers checks and other remittance instruments: (1) the teller’s checks, like the other Official Checks, are prepaid or “prefunded” by the remitter; (2) upon sale of the instrument, the obligation to the creditor shifts from the remitter to an institutional obligor; (3) the instrument is widely accepted by creditors as “near cash;” (4) the instrument is collected through the interbank clearing system; and (5) having the instrument paid from MoneyGram’s account increases the risk of abandonment. Another point of similarity is that all remittance instruments replace the conditionality of the ordinary bank check.

A further strong similarity between Official Checks and money orders is reflected in the way the instruments are sold. For example, in the case of MoneyGram’s “retail money orders,” which are purchased from a participating MoneyGram location (usually a retail store), the customer/remitter pays a transaction fee and prepays the value in cash required to be sent to the creditor. MoneyGram becomes liable for the preprinted value of this retail money order, with the remitter now out of the picture after delivering the retail money order to the indicated payee. Money orders are collected through the interbank collection system. They are ultimately presented to MoneyGram’s drawee bank, and paid. On pages 156-157 of her deposition

transcript, Ms. Yingst concedes that the remitter's prepayment of the instrument in cash is the same or "similar" for both MoneyGram money orders and teller's checks.

The sales transaction is structured the same way for instruments under the Official Check umbrella, which are purchased by the remitter from a financial institution that has contracted with MoneyGram. As with a retail money order, the customer buying an Official Check from a financial institution pays a transaction fee and pays the preprinted value of the official check. After receiving payment, the seller of the Official Check issues an instrument that is preprinted with the value of the payment remitted by the customer. MoneyGram is liable for the preprinted value of the Official Check. Finally, like retail money orders, Official Checks are collected through the interbank collection system.

There are some operational, marketing and nomenclature differences between Official Checks and retail money orders: (1) retail money orders are sold at retail outlets like 7-Eleven, while Official Checks are sold at financial institutions that use MoneyGram as a vehicle for outsourcing these products; (2) MoneyGram retail money orders are generally limited to \$1,000 per transaction while official check products have no such ceilings; (3) a retail money order is considered a "one-shot checking account" by an unbanked consumer who pays with cash, while an official check is usually drawn on a bank account established by MoneyGram out of which the purchase price can be debited; and (4) the labeling/nomenclature are different. In my opinion, the similarities between retail money orders and Official Check far outweigh the differences.

The most notable outcome in the Yingst deposition is her admission that the term "official check" is nothing more than a marketing label. Yingst 181:16-182:2 and 183:1-7. MoneyGram and its financial institution customers seem to prefer the label of "Official Checks"

to “money orders,” “teller’s checks” or “cashier’s checks” because it sounds more “official.” Yingst 181:16-182:2. Whatever label is put on a check issued by a bank (according to Ms. Yingst in her deposition the physical labeling of an instrument can be done by the seller of the instrument, Yingst 413:6-14), however, the underlying instrument still carries the legal status of a cashier’s or teller’s check under the UCC and Reg. CC, where the statutory definitions focus upon who is the drawer and who is the drawee of the instrument.

In its Bill of Complaint against Pennsylvania and Wisconsin, filed in May 2016, Delaware tries to avoid the impact of the FDA, a statute it apparently had ignored.³ It argues that Official Checks were “known and recognized monetary instruments” in 1974 when the FDA was enacted, yet Official Checks were not included in the scope of the federal statute like money orders and travelers checks. But it is not surprising that the FDA does not explicitly describe Official Checks as covered instruments. Nor does it describe cashier’s checks. The statute only mentions money orders and traveler’s checks, then uses the catchall phrase “similar written instruments” under the *ejusdem generis* principle. Moreover, Official Checks were not included in the statutory language since the term “Official Check” is not a recognized UCC instrument but rather is simply an umbrella term, a convenient label, used by MoneyGram for marketing purposes. The way the federal statute is structured, the issue is whether the recognized negotiable instruments covered by the marketing umbrella—agent checks, cashier’s checks and teller’s checks—are in fact money orders or “similar to” money orders and traveler’s checks. Based on their shared core characteristics, they are indeed money orders or “similar” instruments.

³ This is not surprising, given that noted commentators in the area downplay the significance of the FDA. See Millar, Heyman and Noel, “*Building a Better Unclaimed Property Act*,” *The Business Lawyer*, Summer, 2018)(minimizing the federal statute in footnote 14 as “the **only** exception that has been adopted to the jurisdictional rules established by the [Supreme Court]” (emphasis the authors’). Tellingly, the authors don’t mention the “similar written instruments” language found in the FDA.

Delaware alleges that “Official Checks differ from money orders in a number of respects, including: (i) Official Checks are not labeled as money orders, (ii) Official Checks are generally issued by financial institutions and not convenience stores and similar small businesses, (iii) Official Checks are capable of being issued in substantially larger dollar amounts than money orders, and (iv) Official Checks are treated differently under various [unnamed] federal regulations relating to monetary instruments.” It is notable that first on Delaware’s “dissimilar” list is MoneyGram’s use of the label “Official Checks” on the negotiable instruments that it issues. What Delaware is seeking to do is to reify the label, in order to make the underlying instruments “dissimilar” to money orders. In my opinion, that reification does not work. In spite of the “Official Check” label, the MoneyGram “Agent Checks” are in fact money orders, while the cashier’s checks and teller’s checks are, **at a minimum**, “similar to” money orders and traveler’s checks because of their common core characteristics—particularly prepayment, institutional obligor, and acceptance in the market as cash-equivalents.

B. As a Matter of Banking Industry Practice and Understanding, the Term “Third Party Bank Check” Does Not Mean a Teller’s Check

The FDA covers “any sum [that] is payable on a money order, traveler’s check, or other similar written instrument (other than a third party bank check) on which a banking or financial organization or a business association is directly liable--....” Delaware asserts that most of MoneyGram’s Official Checks are in fact teller’s checks under Section 3-104(h) of the UCC, and that teller’s checks are excluded from the priority rules of the FDA because they qualify as third party bank checks. I disagree.

Teller’s checks had become a well-recognized form of remittance instrument by the 1960’s and early 1970s, when the FDA was drafted. The issue that generated most litigation at the time was whether remitters of money orders and teller’s checks could stop payment on those

instruments. The leading case dealing with teller's checks is *Malphrus v. Home Sav. Bank*, 44 Misc.2d 705, 254 NYS2d 980 (Albany County Ct.), a 1965 New York decision which held that the remitter could not stop payment on a teller's check because, as with certified checks, the teller's check was a cash-equivalent. The leading law review commentary analyzed the case law in "*Personal Money Orders and Teller's Checks: Mavericks under the UCC*," 67 Colum. L. Rev. 524 (1967). Teller's checks had substantial visibility during that era, as they still do. In September 1974, the Federal Reserve Board reported that remittance instruments (referred to as "certified and officers' checks, etc.") totaled \$9.637 billion in aggregate value. Like certified and cashier's checks, teller's checks were well-established negotiable remittance instruments.

If Congress had intended to exempt a single type of remittance instrument from the FDA priority rules, as Delaware contends, surely the parenthetical phrase would have identified the specific remittance instrument category that was to be excluded so that the phrase would read "(other than a teller's check)" instead of "(other than a third party bank check)." When Congress wanted to refer to a specific type of remittance instrument, it did so in the statute, i.e., "money order" and "traveler's check." Yet neither the statute as written nor the legislative record includes any reference at all to teller's checks. One searches in vain for a rationale that would support exclusion of a single type of remittance instrument, continuing the "windfall" that Senator Scott was seeking to eliminate. That is the way that Delaware reads the statute, but that is not the way the parenthetical phrase was written by Congress. In short, it is my opinion that the FDA covers all remittance instruments, with no stand-alone exception for teller's checks.

This is a case where a number of principles of statutory construction converge. The first is that remedial legislation should be broadly construed to effectuate the purpose of the statute. If ever there was remedial legislation, the escheat bill introduced by Senator Scott in 1973 is it.

The perceived mischief was a priority rule that escheated abandoned remittance instruments to the favored few states of incorporation instead of the state where the purchase of the instruments took place. Following the 1972 decision of the Supreme Court in *Pennsylvania v. New York*, which affirmed the “federal common law” priority rule, the Scott bill was introduced to curtail the mischief by reversing the priority rule. The plain language of the Scott bill sought to give the benefit of the new rule to all remittance instruments by including money orders, traveler’s checks and “other similar written instruments.” Use of the catchall word “similar” allowed all other remittance instruments to fill the gap. The goal was to avoid the kind of “windfall” enjoyed by a few states like Delaware. The same principle that invites a great variety of remittance instruments to be considered “similar” to money orders and traveler’s checks, requires a narrow construction of the parenthetical term “third party bank checks,” which is an exception to the general rule.

Reading the parenthetical exception to mean teller’s checks, thus lopping off an entire subset of remittance instruments from the scope of the statute, is a **drastic change** in the statute that would require some explanation from the drafters. It is hardly a mere “technical” change, as assumed by the Senate Committee on Banking, Housing, and Urban Affairs. Such a reading totally undercuts the remedial purpose of the FDA.

A closely related principle of statutory construction is that, in some cases, statutory silence can be just as strong as affirmative language. In his seminal law review article entitled *Some Reflections on the Reading of Statutes*, 47 Colum. L. Rev. 527, 536 (1947), Justice Felix Frankfurter offers a warning: “One more caution is relevant when one is admonished to listen attentively to what a statute says. One must also listen attentively to what it does not say.” This principle applies directly to the present case, where there is no mention of teller’s checks in the

text of the statute or anywhere in the legislative history. The silence is deafening. Teller's checks were (and are) an important remittance instrument. If Congress had wanted to suddenly remove teller's checks from the scope of the FDA, it would have said so plainly in the parenthetical text, *i.e.*, by referring to the well-understood term "(teller's checks)" and not "(third-party bank checks)."

Another principle of statutory construction is that, if the language is clear enough, the analysis ends there. For example, if the FDA stated that remittance instruments "(other than teller's checks)" were covered by the escheat priority rule, it would make no difference that the purpose of the statute conflicted with the plain language. Teller's checks would be excluded. But the FDA legislation does not exclude teller's checks, only "third party bank checks." Moreover, if Congress intended to exclude teller's checks from the FDA, presumably it would have used the accepted commercial law term "teller's checks."

A final principle of statutory construction is that, if possible, a statute should not be construed to yield an absurd result. In the present case, neither the text nor the legislative history of the FDA mentions any exclusion of teller's checks from the scope of the FDA. There is no statutory plain language that would require teller's checks to be excluded. There is no mention in the text or legislative history of any operational problems that would require teller's checks to be excluded. The exclusion of teller's checks as "third-party bank checks" is **drastic legislation** that severely undercuts the "windfall" purpose of the Scott bill, yet there is no warning of this conflict in the text or legislative record. In my opinion, that is an absurd result.

In his letter dated September 29, 2015, Delaware Escheator David Gregor contends that teller's checks issued by MoneyGram are exempt from the priority rules of the FDA because they qualify as "third party bank checks." He asserts that this conclusion is supported by the

definition of teller's checks in the UCC and Reg. CC as checks drawn by one bank on the funds of a second bank—the drawee bank. Under his analysis, the drawee bank is the “third party” referred to in the statutory phrase “third party bank check.”

In my opinion, however, the “third party” in the parenthetical is not the drawee bank in a teller's check as Delaware contends, but is the payee of an ordinary check who receives a transfer of funds from the drawer. As discussed below, this conclusion is supported by the United States Treasury Department's own definition of “third party payment services”: “Any mechanism whereby a deposit institution **transfers a depositor's funds to a third party** upon the negotiable or non-negotiable order of the depositor may be called a third-party payment service. Checking accounts are the most common type of third-party payment services.”

[Emphasis added.] It is the transmission of funds, through a checking account, from the drawer of an ordinary check to a payee, that gives rise to the “third party.” In short, the “third party” is the transferee of the funds in an ordinary check transaction, not the drawee bank in a teller's check transaction. Mr. Gregor's drastic construction not only focuses on the wrong “third party”, but completely undercuts the purpose of the FDA—to eliminate a windfall. In my opinion, the term “third party bank check” means an ordinary check, as set forth in detail below.

C. **As Used in the Federal Disposition Act, the Term “Third Party Bank Checks” Means Ordinary Checks That Are Not Prepaid**

At the same time that Senator Scott was introducing his FDA to deal with escheatment priorities and to eliminate the “windfall” enjoyed by corporate domicile states, Congress was also working on a significant “checking account deregulation” project that had an entirely different focus. In 1970 President Nixon organized the Commission on Financial Structure and Regulation, popularly known as the Hunt Commission. In December 1971, a first draft of the Hunt Commission report was completed. The final report, titled *The Report of the President's*

Commission on Financial Structure and Regulation, was filed in July 1972. In its appraisal of the report on July 23, 1972, the Wall Street Journal stated that the charge of the Commission was to review the “existing financial and regulatory structure.”

The December 1971 version of the Hunt Commission report included recommendations on a variety of regulatory issues:

- * Regulation of interest rate ceilings on deposits, including demand deposits, *i.e.*, checking accounts;
- * Regulation of the functions of depositor financial institutions, covering savings and loan associations, mutual savings banks, commercial banks and credit unions;
- * Chartering and branching of depository financial institutions;
- * Deposit reserve requirements for thrifts and credit unions;
- * Taxation of financial institutions; and
- * Deposit insurance.

A critical aspect of the 1971 report is its emphasis on “third party payment services.” On page 8, the drafters of the report state:

It is essential, for example, that *all institutions offering third party payment services* have the same reserve requirements, tax treatment, interest rate regulation, and supervisory burdens. The critical need for competition on equal terms causes the Commission to emphasize the interdependence of the recommendations and warn against the potential harm of taking piece-meal legislative action. [Emphasis added, here and below.]

In Part II of the report, the first major recommendation involves the deregulation of interest rate ceilings on deposits. One such recommendation, at page 23, is to give standby power to the Federal Reserve Board including the power to “establish for a period of five years ceiling differentials between institutions providing *third party payment services*.” The report

then defines the critical term in footnote 1: “Third party payment services, as here defined, include any mechanism whereby a deposit intermediary transfers a depositor’s funds to a third party or to the account of a third party upon the negotiable or non-negotiable order of the depositor. *Checking accounts are one type of third party payment service.*”

On page 27 of the report, the Hunt Commission recommends that the prohibition against the payment of interest on demand deposit accounts be retained: “Nonetheless, the Commission believes that its recommendation against the removal of the prohibition should be reviewed in the future. There are important trends in *the use of demand deposits and other third party payment services* that should be noted.”

Another important recommendation, found at page 33, is that “under specified conditions, savings and loan associations and mutual savings banks be permitted to provide third party payment services, including checking accounts and credit cards, to individuals and non-business entities only....The Commission believes deposit thrift institutions should not be permitted to offer third party payment services for business and professional purposes. Such powers should be obtained and exercised only under a commercial bank charter.”

On page 43, the report emphasizes that commercial banks “are now the only type of institution generally *permitted to offer unrestricted third party payment services*. That is, they operate the mechanism for check funds transfer and, in their lending and investing operations, create money. In all other activities, they compete with other financial and non-financial institutions. ... As stated above, the Commission believes that the public would benefit from increased competition within the financial system.”

In its recommendations regarding deposit reserve requirements (page 65), the Commission recommends that membership in the Federal Reserve System be made mandatory

for all state chartered commercial banks “and for all savings and loan associations and mutual savings banks that offer *third party payment services*.” In short, variations of the phrase “third party payment services” was on the lips of many people working on the Hunt Commission project in the early 1970s. This phrase was consistently and strongly linked to treatment of ordinary checking accounts.

In addition to these multiple and consistent references in the Hunt Commission report equating “third party payment services” with ordinary checking accounts, other contemporary sources make the same point. Good examples include Robert E. Knight, *The Hunt Commission: An Appraisal*, in the Wall Street Journal, July 3, 1972, at 4: “To ensure that financial institutions will be responsive to economic and social needs of the future, the commission generally recommended that regulatory barriers be lowered and that increased reliance be placed on competition. Thus nonbank depository institutions would be permitted to offer *third-party payment privileges (checking accounts, automatic bill payment, credit cards.*” James L. Rowe, in a Washington Post article dated January 13, 1973, at G2, makes the same point: “*Third party payment’ today means essentially a checking account although bank credit cards are rapidly rising in importance.*” [Emphasis added.]

On September 24, 1973, the U.S. Department of the Treasury published its own summary of the Hunt Commission report entitled *Recommendations for Change in the U.S. Financial System*. That summary contains a glossary of key terms, including (at page 44) the term “*THIRD-PARTY PAYMENT SERVICES.*” The glossary defines that critical term: “Any mechanism whereby a deposit institution transfers a depositor’s funds to a third party upon the negotiable or non-negotiable order of the depositor may be called a third-party payment service. *Checking accounts are the most common type of third-party payment services.*” [Emphasis

added.] The glossary in which the term “third party payment services” is defined to mean ordinary checking accounts was published by the Treasury Department on September 24, 1973. When it was published, the general counsel of Treasury was Edward P. Schmults, who undoubtedly was familiar with the Treasury document and the recurrent term “third party payment services.”

At this very same time, it was none other than Mr. Schmults who was working with the Senate Banking Committee to add Treasury Department language exempting “third party bank checks” from the scope of the FDA. On November 1, 1973, Mr. Schmults wrote the Senate Banking Committee that the language of the Scott bill might be “broader than intended by the drafters.” On behalf of the U.S. Treasury Department, he suggested that the bill add a “clarifying” amendment that excluded from its scope “third party payment bank checks.” The Senate Banking Committee accepted the Treasury Department’s “technical suggestions,” although the Committee deleted the word “payment” in the final text adopted—namely, third party bank checks. By these drafting decisions and related text changes, the broader term “third-party payment services” used by Treasury in its glossary morphed into the more narrow term, “third party bank checks” but for good reason, since the U.S. Treasury definition of third party payment services included payment instruments such as credit cards, as well as demand deposits including checking accounts. In the context of the FDA clarification, Treasury’s proposed clarifying language was sound. Treasury properly focused on the impact of the FDA’s original language and its potential effect solely on ordinary checks, since credit cards would clearly fall outside the scope of the FDA language without needing any additional exemption language. It might be argued that deletion of the word “payment” as well as the substitution of bank checks for the word “services” slightly weakens the linguistic bridge between Treasury’s comprehensive

glossary definition of “third-party payment services” (*i.e.*, ordinary checking accounts along with other payment services such as credit cards) and “third party bank checks” (the final language in the FDA, as amended.). Nonetheless, the strong connection remains. Indeed, the legislative record makes it clear that other types of third party payment services, such as credit cards, are not covered by the FDA. The result is that the term “third party bank checks” means ordinary checks drawn on ordinary demand deposit accounts, not remittance instruments like teller’s checks.

Another element of legislative history illustrates why Mr. Schmults equated third-party bank checks with ordinary, non-prepaid checks. When Senator Scott introduced S. 1895, he stated in the Senate Record that his bill was intended to provide uniform priority rules governing disposition of the proceeds of “abandoned travelers checks, money orders and *similar instruments for the transmission of money.*” 119 Cong. Rec. at S9750 [Emphasis added]. It seems likely that Mr. Schmults saw that the Scott bill was overbroad because ordinary checks from ordinary checking accounts, just like remittance instruments, are “instruments for the transmission of money.” Therefore, it was necessary to explicitly carve out ordinary checks from the scope of the FDA so that his bill would be limited to remittance instruments, *i.e.* “traveler’s checks, money orders and similar instruments” that were prepaid. In Mr. Schmults’ view, ordinary checks should remain separate from remittance instruments in the legislative scheme.

None of the many state abandoned property laws define the term “third party bank check” as a teller’s check. By contrast, at least one jurisdiction—the State of Washington—has enacted its version of the Uniform Unclaimed Property Act to define the term “third party bank check” to mean an ordinary check drawn on an ordinary checking account: “‘Third party bank check’

means any instrument drawn against a customer's account with a banking organization or financial organization on which the banking organization or financial organization is only secondarily liable." Wash. Rev. Code § 63.29.010(17). The drawer of such a check—a business or individual—is the party primarily liable. In my opinion, the drawee bank is "secondarily liable" under the UCC rules if (1) it holds the item beyond its midnight deadline, (2) the item is forged or counterfeit such that it is not "properly payable," (3) the item has been altered or bears a forged endorsement such that the drawee bank has a warranty claim against upstream banks in the collection stream, or (4) the item is wrongfully dishonored.

Reading "third party bank checks" to mean "teller's checks" totally undercuts the purpose of the FDA because it carves out an important type of remittance instrument whose history long predates the early 1970s. It also leaves a large piece of the "windfall" in place. There is nothing "technical" about such a massive carve-out, and there is no indication in the legislative history that the parenthetical phrase was intended to do anything but "clarify" the scope of the FDA. In my opinion, the purpose of the parenthetical was to eliminate any potential confusion between the two legislative "check" projects that were being considered by Congress at the same time.

Delaware contends Congress was concerned that teller's checks posed a particular problem of "bifurcated" recordkeeping obligations, that is, with respect to abandoned teller's checks, the drawer bank and the drawee bank would need to communicate with one another to determine which checks were abandoned. Yet that same operational issue applies to money orders, where the selling agent has no way of comparing records with the drawee bank because of "bifurcated" recordkeeping. My review of the legislative history reveals not one whiff of evidence that Congress or Mr. Schmults intended to single out teller's checks as the only remittance instrument not covered by the FDA. The argument that "third party bank checks"

meant teller's checks did not surface until the Delaware Escheator, Mr. Gregor, advanced this position in a letter dated September 29, 2015.

The legislative record from 1973 never mentions any "bifurcated" recordkeeping problems that had arisen with respect to teller's checks. Mr. Schmults never mentions it. The UCC never mentions it. In fact, it is my opinion that all types of remittance instruments are covered by the FDA, not just teller's checks. Cashier's checks are covered. Money orders are covered. Official Checks are covered. Agent checks are covered. Traveler's checks are covered. Certified checks are covered. If Congress were carving out teller's checks as exempt from the FDA, surely it would have said so. Instead, Congress accepted Mr. Schmults' "scope" amendment because it was described as "technical" in nature, a "clarification" of the law, not a drastic change like the exemption of a large and established class of remittance instruments.

As a matter of banking industry practice and understanding, the term "third party bank checks" also means twice-endorsed checks. An ordinary bank check is payable "to the order of" a payee. In most cases, the payee will deposit the check, run it through bank clearings, and present it to the drawee bank, which will pay the item. Sometimes, however, the payee of a check will endorse the item to a third-party holder who may qualify as a holder in due course under the law of negotiable instruments. In this scenario, it is the third-party holder who will endorse the check a second time and then deposit the check and get the instrument paid (or returned). As a matter of banking industry practice and understanding, such a check is called a "third-party" check and is also known as a "twice-endorsed" check. The "third party" in this scenario is simply the payee's transferee under the law of negotiable instruments. Similarly, the "third party" in the phrase "third party payment services," used by Treasury in its summary of the Hunt Commission report, refers to the scenario where "a deposit institution transfers a

depositor's funds to a third party upon the negotiable or non-negotiable order of the depositor." In both scenarios, the "third party" is a transferee of the check. For a leading case finding that a twice-endorsed check was a "third party bank check", for purposes of posting a bond, see *United States v. Thwaites Place Associates*, 548 F. Supp. 94 (S.D.N.Y. 1982).

In the present case, Delaware seems to be arguing that a teller's check always involves a "third party" simply because two different banks are involved—a drawer bank and a drawee bank. In my opinion, that use of "third party" is very different from the other two defined uses of the term and provides no support for Delaware's argument that teller's checks are "third party bank checks" just because two banks are involved. Instead, the term "third party payment services" was well understood in 1973-1974 to mean a banking service under which ordinary checks were drawn on ordinary checking accounts in order to transfer deposited funds to a third party. Thus, the term "third party bank checks" simply means ordinary checks.

There is a further explanation of Mr. Schmults' exclusion of "third party bank checks" from the scope of the FDA. The escheat statute, with its focus on remittance instruments such as money orders and traveler's checks, occupied a field that had nothing to do with the legislative reforms that Congress was considering in the Hunt report for ordinary checking accounts. He saw the importance of keeping the two legislative efforts in separate compartments because, although both dealt with "checks," the legislative record does not indicate any concern that Senator Scott's efforts had any impact on, or were related to, the separate effort to deregulate ordinary checking accounts so thrift institutions could be on a more even playing field with commercial banks.

With respect to the legislative history of the FDA, Senator Scott's original bill, S.B. 1895, was introduced on May 29, 1973. It is important to note that the original Scott Bill

did not include the “third party bank check” language. Instead, the bill described its scope in unmistakably broad terms to include “any sum payable on a money order, travelers check, or similar written instrument on which a banking or financial organization or a business association is directly liable....”

It may be that even Delaware would concede that the escheat priority rules of the Scott bill, before Mr. Schmults’ suggested changes, would cover a classic remittance instrument like a teller’s check. The changes suggested by Mr. Schmults were described as “technical” in nature and it seems clear that he had no intent to suggest language that would exclude teller’s checks from the priority rules. Instead, the statute as enacted by Congress should be read to keep the escheat priority rules as Senator Scott requested. The language in parentheses should not be read to exclude teller’s checks, but to exclude “third party payment bank checks,” which was slightly reshaped to be “third party bank checks,” *i.e.*, ordinary bank checks that are drawn on ordinary checking accounts with no prepayment. Only in this way could the escheat priority rules cover all remittance instruments, while ordinary checks would be placed outside the scope of the FDA, where they belong.

Money orders have long been considered by the banking industry to be “one-check checking accounts.” See, e.g., *MoneyGram International, Inc. v. Commissioner of Internal Revenue*, 2014 WL 7795630 (U.S. Tax. Ct. 2014) (Tax Court uses that phrase to describe MoneyGram’s retail money order business). Mr. Schmults may well have been concerned that ordinary (not one-shot) checking accounts would inadvertently be brought within the scope of the FDA, with unintended consequences. Because of this concern, he suggested the insertion of the parenthetical language to keep a strong separation between the two legislative efforts. Treasury described these efforts as “technical suggestions,” not drastic substantive changes that

would exempt all teller's checks or any other class of remittance instruments from coverage by the FDA.

It is a venerable principle of statutory construction that two intersecting statutes should be construed in a way that harmonizes one with the other. In my opinion, reading the term "third party bank check" to mean ordinary checks from ordinary checking accounts, where funds are transferred to a payee and then perhaps to an additional holder under a second endorsement, is the only way to harmonize the two separate legislative efforts that engaged Congress in the early 1970s. In short, the "third party" in "third party bank checks" means a transferee of the drawer's funds, not a second bank on a MoneyGram teller's check.

Mr. Schmults wanted to keep the two legislative projects dealing with checks in their separate spheres: (1) the deregulation of ordinary checking accounts and (2) the priority rules governing escheatment of remittance instruments. Only in that way could harmony be preserved.

Dated: 9/24/18



Barkley Clark

EXHIBIT A: CURRICULUM VITA OF BARKLEY CLARK

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EDUCATION

Amherst College (B.A. 1962)

Harvard Law School (LL.B. 1965)

CURRENT POSITION

Partner, Stinson Leonard Street LLP, Denver, Colorado; Member, Banking and Financial Services Practice Group

PRIOR POSITIONS

Partner, Shook Hardy & Bacon, LLP, Washington, DC, 1989-2006

Adjunct Professor of Commercial and Banking Law, Georgetown Law Center (2001-2003)

Adjunct Professor of Law, University of Kansas, 1990 – 1998

Adjunct Professor of Law, University of Virginia (2003-2006)

Visiting Professor of Law, University of Michigan, summer 1991

Professor of Law, National Law Center, George Washington University, Washington D.C., 1985-1989

Robert A. Schroeder Distinguished Professor of Law, University of Kansas, 1982-1985

Professor of Law, University of Kansas, 1972-1982

Associate Professor of Law, University of Kansas, 1969-1972

Visiting Professor of Law, University of Oregon, 1972

Visiting Professor of Law, University of Colorado, 1968

Practice of law at Holme Roberts & Owen in Denver, Colorado, from 1965-1969, with emphasis
on commercial and banking law

LAW PRACTICE

My law practice has concentrated on various aspects of banking, commercial law and financial services. Subjects include deposit accounts and payment systems; product warranties under Article 2 of the UCC and the Magnuson-Moss Warranty Act; bank deposits, collections and payments under Articles 3 and 4 of the UCC, Regulation CC and Regulation J; negotiable instruments; warranties and disclaimers of consequential damages; check collections and returns; check fraud; check kiting; drafting of bank deposit agreements; documentary drafts; wire transfers under Article 4A of the UCC and FRB Reg. J; letters of credit under Article 5 of the UCC and the UCP; investment securities under Article 8 of the UCC; secured transactions under Article 9 of the UCC and related consumer credit legislation; bank regulatory problems; commercial and consumer compliance issues for financial institutions; deceptive trade practices; alternative payment systems; deposit account issues; check kiting litigation; check forgery issues; bank liability for fraud of customer; consultant to sellers of goods and financial institutions and their counsel around the country; frequent qualification as expert witness in commercial/banking law litigation in federal and state courts and before arbitration panels

TEACHING

My teaching interests have included commercial law, bank deposits, negotiable instruments, payment systems, consumer protection, federal regulation of banking, consumer financial services, creditors' rights and bankruptcy, sales and warranty liability, legislation, and local government; winner of six "best teacher" awards at the University of Kansas School of Law and the National Law Center, George Washington University; winner of "best lecturer" awards for the Colorado and Kansas Bar Review courses; since 1971, frequent speaker at legal seminars throughout the country sponsored by ALI/ABA, the UCC Institute, Practising Law Institute, School of Banking of the South, Baton Rouge, American Bankers Association, Virginia CLE, the Banking Law Institute, National Association of Bankruptcy Trustees, International Factoring Association and other organizations, on subjects including banking law, deposit accounts and check collection, secured transactions, factoring, product warranties, wire transfers, letters of credit, UCC and bankruptcy; conductor of in-house seminars on commercial law and banking topics at large law firms such as Shearman & Sterling in New York; Akin Gump in Washington; Milbank Tweed in New York; and Mayer Brown in Chicago.

LOCAL GOVERNMENT/ PUBLIC POLICY

Served as member of the City Commission in Lawrence, Kansas for ten years (1973-1983) and served two terms as Mayor of Lawrence. Member of the Board of Directors of the League of Kansas Municipalities. Substantial intergovernmental work with Douglas County Commission. Taught Local Government Law at KU Law School and in the KU MPA program for 16 years. Written several law review articles on Kansas local government Law. Argued cases before the Kansas Supreme Court on local government law issues. Worked with the Kansas legislature on various aspects of local government law, including governmental tort immunity. Served as counsel to the KCK/Wyandotte County Consolidation Commission. Strong interest in the legislative process and public policy.

BAR AND OTHER PROFESSIONAL/CONSULTING ACTIVITIES

(Past and Present)

American Bar Association, Co-Chair of Committee on Article 9 of the UCC; American Law Institute and Uniform Law Commission, member of Special Committee to Redraft UCC Article 9; Reporter, The Business Lawyer, in its Annual Review of Secured Transactions; Board of Editors, The Banking Law Journal; Board of Editors, The UCC Law Journal; Board of Editors, Journal of Payment Systems Law, Special Consultant to the Federal Reserve Board (Equal Credit Opportunity and Truth-in-Lending); Special Counsel to the Uniform Law Commission (Uniform Consumer Credit Code); Member, American College of Consumer Financial Services Attorneys and American College of Commercial Finance Lawyers; Special Advisor to the Colorado, Nebraska and Kansas Legislatures on the UCC, the Consumer Credit Code, and deceptive trade practice legislation; Board of Directors, League of Kansas Municipalities; Associate Dean, University of Kansas School of Law; Director, Lawrence National Bank; consultant to major law firms, financial institutions, and the American Bankers Association on various aspects of commercial and banking law; special counsel to the Kansas Bankers Association in dealing with a wide variety of community banks and bank legislation; listed in Best Lawyers in America, from 1994.

PUBLICATIONS: BOOKS

(1) *The Law of Bank Deposits, Collections and Credit Cards* (co-authored by Barbara Clark). This treatise is published by Lexis/Nexis, one of the most important publishers of commercial law books in the country. The treatise is continuously supplemented. The book has become one of the two standard works in the field (along with Brady on Bank Checks), frequently cited by federal courts and state appellate courts. It discusses wire transfers, bank deposits and collections, payment finality, kiting, forged checks and other kinds of check fraud, impact of automation on bank deposits and collections, documentary collections, federal regulatory compliance issues, Regulation CC (in Chapters 7 and 8), electronic fund transfers, and related subjects such as letters of credit and bank setoffs. It also discusses bank liability for customer fraud, identity theft, money laundering, federal preemption, deposit account holds and setoffs, Truth in Savings, the Know Your Customer principle, Federal Reserve Board Operating

Circulars, adverse claims, and other deposit-side compliance issues. Chapter 24 of the treatise is devoted to remittance instruments. This treatise has been cited many times by federal and state courts.

(2) *The Law of Secured Transactions Under the Uniform Commercial Code* (co-authored by Barbara Clark). This treatise, also published by Lexis/Nexis, is supplemented tri-annually. It is also one of the standard works in the field, frequently cited by state and federal courts around the country. This book won the Rice Prize for Scholarship at the University of Kansas in 1981.

(3) *The Law of Product Warranties* (Revised Edition) (with C. Smith and Barbara Clark). This treatise is published by West Publishing Co., and is supplemented annually. It synthesizes the law of consumer and commercial product warranties, drawing on both Article 2 of the UCC and the Federal Magnuson-Moss Warranty Act. The book won the Rice Prize for Scholarship in 1985.

(4) *Cases and Materials on Consumer Protection* (1990) (with F. Miller). This casebook was published by Michie/Bobbs-Merrill as part of its "contemporary legal education" series.

(5) *Handling Consumer Credit Cases* (1972) (with J. Fonseca), published by Lawyers Cooperative Publishing Co.

(6) Volumes 2, 4 and 7 of the Kansas Statutes Annotated, Kansas Comments to the Uniform Consumer Credit Code, the Kansas Consumer Protection Act, and the Uniform Commercial Code (particularly Articles 3, 4, 5 and 9). These Comments, which appear after each section of the relevant statutes, contain comprehensive editorial analysis of the three statutes, written from the point of view of the drafter in the case of the U3C and the KCPA. The Comments, written for the Reviser of Statutes, are frequently relied upon by Kansas courts in construing the three statutes.

(7) PLI, *Warranties in the Sale of Business Equipment and Consumer Products*, 1980-1985.

(8) *Regulation CC: Funds Availability and Check Collection* (1988) (with Barbara Clark).

(9) *PLI, Letters of Credit and Banker's Acceptances*.

(10) *Truth In Savings: Legal Analysis and Compliance Strategies* (1992) (with Barbara Clark and Mark Hargrave).

(11) *Compliance Guide to Payment Systems* (with Mark Hargrave and Barbara Clark); this book, published by Lexis/Nexis, discusses all aspects of payment systems, including checks and electronic fund transfers). Chapter 7 of the book deals with remittance instruments.

(12) *Compliance Guide to Payment Systems for Credit Unions* (with Mark Hargrave and Barbara Clark), published by Sheshunoff/A.S. Pratt.

(13) *Check 21 Manual: A guide to Check Truncation Law and Electronic Payment Systems* (2004) (with Barbara Clark).

(14) *Clarks' Guide to Electronic Check Collection* (2006) (with Barbara Clark).

PUBLICATIONS: LAW REVIEW ARTICLES

(A number of these articles have been cited by a variety of appellate courts, including the United States Supreme Court in Mitchell v. W.T. Grant Co., 416 U.S. 600, 629 (1974) (Justice Powell concurring)).

(1) *Sniadach, Fuentes and Beyond: The Creditor Meets the Constitution*, 59 Va. L. Rev. 355 (1973) (with J. Landers).

(2) *Preferences Under the Old and New Bankruptcy Act*, 12 Uniform Commercial Code Law Journal 154 (1979).

(3) *Suretyship in the Uniform Commercial Code*, 46 Tex. L. Rev. 453 (1968) (reprinted at 1 UCCLJ 303 (1969)).

(4) *State Control of Local Government in Kansas: Special Legislation and Home Rule*, 20 Kan. L. Rev. 631 (1972).

(5) *Default, Repossession, Foreclosure and Deficiency: A Journey to the Underworld and a Proposed Salvation*, 51 Ore. L. Rev. 302 (1972).

(6) *The FTC Holder Rule and UCC Article 2: The Law Is A Seamless Web*, 10 UCCLJ 119 (1977).

(7) *Oil and Gas Financing Under the Uniform Commercial Code*, 43 Denver L.J. 129 (1966).

(8) *The First Line of Defense in Warranty Suits: Failure to Give Notice of Breach*, 15 UCCLJ 105 (1982).

(9) *Bank Exercise of Setoff: Avoiding the Pitfalls*, 98 Banking Law Journal 196 (1981).

(10) *UCC Articles 9 and 10: Some Problems Solved and Some Problems Created*, 38 U. Colo. L. Rev. 99 (1965).

- (11) *The Agricultural Transaction: Livestock Financing*, 11 UCCLJ 95 (1978).
- (12) *The Agricultural Transaction: Equipment and Crop Financing*, 11 UCCLJ 15 (1978) (reprinted in 1 Ag. L.J. 172 (1979)).
- (13) *The Foreclosing Creditor under Article 9: Perilous Pitfalls Aplenty*, 8 UCCLJ 291 (1976).
- (14) *Beefing up Product Warranties: A New Dimension in Consumer Protection*, 23 Kan. L. Rev. 567 (1975) (with M. Davis; winner of Rice Prize for Scholarship).
- (15) *The Uniform Consumer Credit Code: Assessing Its Impact Upon One State and Plugging its Loopholes*, 18 Kan. L. Rev. 277 (1970).
- (16) *The Revolution in Consumer Credit Legislation*, 45 Denver L. J. 679 (1968).
- (17) *Lemon Aid for Kansas Consumers*, 46 Journal of the Kansas Bar Association 143 (1977).
- (18) *Wyatt Earp and the Winelist: Is a Restaurant an 'Open Saloon'?*, 47 J.K.B.A. 63 (1978).
- (19) *Interest Rates in Kansas: The Decline and Fall of Ezekiel*, 49 J.K.B.A. 81 (1980).
- (20) *The New Article 9 Amendments*, 44 J.K.B.A. 131 (1975).
- (21) Book Review, *Handbook of the Law Under the UCC*, by James W. White and R. Summers, 58 Cornell L.R. 1273 (1973).
- (22) Monthly Newsletter, *Clarks' Secured Transactions Monthly*, published by Lexis/Nexis and co-authored with Barbara Clark. This newsletter highlights developments in asset-based lending, both real estate and personal property.
- (23) Monthly Newsletter, *Clarks' Bank Deposits and Payments Monthly*, published by Lexis/Nexis and co-authored with Barbara Clark. This newsletter focuses on various aspects of payment systems, including bank deposits and collections.

(24) Survey, *Secured Transactions*, Business Lawyer, August, 1988, and August, 1989.

(25) *Scheduled Debt Payments as Preferences: Paradigm of the Plain Meaning Rule*, 1 Jour. of Bankr. Law and Practice 7 (1991).

EXHIBIT B: EXPERT WITNESS ENGAGEMENTS
OF BARKLEY CLARK IN THE LAST FOUR YEARS

(1) *Interaudi Bank v. Harco Industries, Inc. and Bank of America, N.A.*, Docket No. BER-C-338-14 (N.J. Super. Ct 2015) (engaged as an expert, with written report, on behalf of Bank of America regarding bank's alleged violation of standard industry practice in late return of checks).

(2) *Chau v. Capital One, N.A.*, E.D.La. Case No 16-14400, Sect. E (2017) (engaged as expert, with written report, on behalf of Capital One N.A. in case challenging bank's imposition of an "all funds hold" on a customer's deposit account).

(3) *Hemphill Construction Co., Inc. v. Regions Bank*, Civil Action No. 3:15CV239-HTW-LRA (S.D. Miss. 2016)(engaged as expert, with written report, on behalf of Regions Bank in case involving "dual signature" requirement in a corporate checking account).

EXHIBIT C

Documents available for viewing and downloading at:

<https://kleinbard.sharefile.com/d-sb5e4038244947d2a>

Exhibit CC

1 SUPREME COURT OF THE UNITED STATES

2 Case Nos. 220145 & 220146 (Consolidated)

3 VIDEOTAPE DEPOSITION OF: BARKLEY CLARK
4 October 16, 2018

5 DELAWARE,
6 Plaintiff,
7 v.
8 ARKANSAS, et al,
9 Defendants.

10
11 PURSUANT TO NOTICE, the videotape
12 deposition of BARKLEY CLARK was taken on behalf of the
13 Plaintiff at 1050 17th Street, Suite 2400, Denver,
14 Colorado 80265, on October 16, 2018 at 9:02 a.m.,
before Tracy R. Stonehocker, Certified Realtime
Reporter, Registered Professional Reporter and Notary
Public within Colorado.

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24
25

1 A. No. 10:36:57

2 Q. Now, for ease of reference, I'm going to 10:36:59

3 hand you what I would like marked as Exhibit 109, 10:37:12

4 which is a copy of USC Sections 2501, 2502 and 2503. 10:37:19

5 (Deposition Exhibit 109 was marked.) 10:37:37

6 Q. (BY MR. ROSENTHAL) I am not a great 10:37:39

7 enthusiast of marking statutes as exhibits, but this 10:37:42

8 is short, and we're going to be talking about this a 10:37:46

9 lot, so I figured I'd vary from my usual practice. 10:37:51

10 Can you identify what is Exhibit 109 that I've handed 10:37:59

11 you? 10:38:07

12 A. Yes, Exhibit 109 is the three sections 10:38:08

13 of the Federal Disposition Act. 10:38:11

14 Q. At times in my questioning, I may refer 10:38:13

15 to the Federal Disposition Act as the FDA. Would that 10:38:17

16 be satisfactory with you? 10:38:23

17 A. I do it all the time. 10:38:23

18 Q. Okay. Let me ask you to turn to page 2 10:38:25

19 of your report, and specifically to that paragraph 10:38:37

20 that appears under "Summary opinion." Can you tell me 10:38:52

21 what this paragraph was intended to convey to the 10:39:01

22 reader? 10:39:05

23 A. It was intended to convey that there is 10:39:06

24 a family of negotiable instruments which I, for 10:39:12

25 purposes of this report, and have before talked about 10:39:21

1 in my treatise, but it's a case, really, about 10:39:26
2 remittance instruments which are prepaid instruments. 10:39:39
3 They have a bank or something close to a bank as an 10:39:48
4 obligor drawer, they go through the normal collection 10:39:52
5 process to the drawee bank. They -- there is cash 10:39:57
6 equivalence there. Because -- because of the 10:40:09
7 prepayment and because of the bank obligation on 10:40:15
8 the -- on the instruments, they -- they are all within 10:40:18
9 a group of instruments with common characteristics -- 10:40:30
10 that have common characteristics, and that's important 10:40:35
11 in the case because my opinion is that all of the -- 10:40:39
12 all of the official checks that are involved in of 10:40:47
13 this case are in this family called remittance 10:40:53
14 instruments, and as a result of that, the -- it is 10:41:02
15 possible and desirable to -- to deal with them through 10:41:11
16 2503. 10:41:18
17 250 -- it's also important, I thought to 10:41:20
18 explain to the reader that 2503 is a statute that was 10:41:24
19 in response to a Supreme Court decision that went the 10:41:34
20 other way and determines how escheatment takes place, 10:41:37
21 and now at least some of the products that are sold by 10:41:42
22 MoneyGram and issued by MoneyGram, some of these 10:41:46
23 products are subject to escheat at a different place 10:41:50
24 than they currently are, such as -- I wanted to sort 10:41:58
25 of emphasize the teller's check here. And they 10:42:01

1 strong, it is remedial, it is because it attempts to 10:44:31
2 eliminate a windfall that Senator Scott saw and, 10:44:36
3 therefore, it should be construed to bring within its 10:44:45
4 arms all of the prepaid instruments that are involved 10:44:49
5 in this -- involved in this case. 10:44:57

6 Q. I'm going to go through this paragraph 10:45:01
7 sentence by sentence. I'm going to read a sentence 10:45:03
8 and then I may have some questions. Okay. It begins, 10:45:07
9 "This case is about what I call remittance 10:45:12
10 instruments, which are negotiable instruments that 10:45:16
11 carry common core characteristics, particularly 10:45:19
12 prepayment and the obligation of a financial or 10:45:23
13 business entity that set them apart from ordinary bank 10:45:25
14 checks." That's one of your opinions, correct? 10:45:29

15 A. Yes. 10:45:33

16 Q. In your view, do negotiable instruments 10:45:34
17 fall within one of two categories, either remittance 10:45:43
18 instruments on the one hand or ordinary bank checks on 10:45:47
19 the other hand? 10:45:51

20 A. Yes. 10:45:52

21 Q. Let me read on. The next sentence says, 10:45:54
22 "In my opinion, all of the MoneyGram official checks 10:45:59
23 at issue in this case are money orders or are similar 10:46:05
24 to money orders." Actually, I skipped a sentence. 10:46:09

25 A. Yes. 10:46:16

1 "remittance instruments." I'm going to ask you a 11:25:11
2 couple questions and then it's been an hour and a 11:25:13
3 quarter or so, and we'll take a break again. Okay? 11:25:15

4 A. Sure. 11:25:18

5 Q. The term "remittance instrument," as you 11:25:18
6 use it in your expert report, was that in common usage 11:25:23
7 in 1974? 11:25:29

8 A. No. 11:25:32

9 Q. Okay. Was there some other term that 11:25:33
10 was a synonym of "remittance instrument" that was in 11:25:39
11 common usage? 11:25:44

12 A. Well, for example, the federal reserve 11:25:45
13 board every year puts out, and has forever, even prior 11:25:47
14 to the drafting of this, in the early '70s, puts out a 11:25:52
15 report like the fed does, and even though they don't 11:25:58
16 use the term "remittance instruments," they have their 11:26:03
17 own terminology. I found -- I was going back and 11:26:06
18 found a fed report that indicated I think it was 9.7 11:26:10
19 billion dollars of what it called officer's checks, 11:26:21
20 teller's checks, cashier's checks or I guess officer's 11:26:26
21 checks were at the end, and so that was the way the 11:26:31
22 fed did it, and I think you can do it different ways, 11:26:35
23 but that general idea that you've got a family here of 11:26:38
24 certain instruments with certain characteristics that 11:26:42
25 have certain advantages and then you've got out here 11:26:45

1 A. Yeah. 11:44:04

2 Q. And I want to give you time to look at 11:44:05

3 it, but I want you just to confirm that. 11:44:07

4 A. What page is that again, I'm sorry? 11:44:09

5 Q. 106. You'll see on page 106, it starts 11:44:11

6 with "remittance." 11:44:15

7 A. Yes. 11:44:18

8 MS. AHUMADA: Can you ask the question 11:44:19

9 again? He was flipping through. I don't think he 11:44:21

10 heard you. 11:44:23

11 MR. ROSENTHAL: No, no, no. That's 11:44:24

12 perfectly fine. 11:44:25

13 Q. (BY MR. ROSENTHAL) My question is as 11:44:26

14 used in your treatise here on pages 106 to 108, the 11:44:27

15 term "remittance instruments" refers to an instrument 11:44:32

16 used in making bank settlement -- 11:44:35

17 A. Right. 11:44:39

18 Q. -- question -- 11:44:39

19 A. Uh-huh. 11:44:40

20 Q. -- is that correct? 11:44:41

21 A. I think that's correct, yes. 11:44:41

22 Q. Okay. And I want to -- I want to run 11:44:43

23 through this fairly quickly because I think -- I 11:44:50

24 don't think I'm going to say anything very 11:44:54

25 controversial. Basically the term "remittance 11:44:56

1 instruments," as used in your 1970 treatise, was how 11:45:01
2 you used the term "remittance instruments" both in 11:45:05
3 your 1981 and 1990 edition, am I correct about that? 11:45:08

4 A. I haven't looked at that recently, but 11:45:16
5 that sounds correct. 11:45:19

6 Q. Okay. Am I correct that the first time 11:45:19
7 you used the term "remittance instruments" in the 11:45:28
8 manner in which you use it in your expert report was 11:45:32
9 in your new chapter 24 in your 2010 edition of your 11:45:36
10 treatise? 11:45:45

11 A. 2010 edition, that's the first time a 11:45:46
12 check -- I added chapter 24 at that point, right? 11:45:50

13 Q. Yes. 11:45:54

14 A. Yes. 11:45:54

15 Q. I'm asking you that, but that's my 11:45:55
16 understanding. 11:45:58

17 A. I think that's accurate, yes. 11:45:58

18 Q. Okay. And is it accurate to say that 11:46:00
19 your use of "remittance instruments" in your 2010 11:46:08
20 treatise is -- you use the term "remittance 11:46:12
21 instruments" in your 2010 treatise essentially the way 11:46:19
22 you used the term "remittance instruments" in your 11:46:23
23 expert report to mean the same thing? 11:46:26

24 A. Well, I would need to see -- 11:46:30

25 Q. I'm going to give it to you. 11:46:33

1 talking about them outside the bank -- bank versus 11:48:14

2 bank setting, but a broad, more catholic look at it. 11:48:17

3 Q. Right. I'm -- the -- what I'm trying to 11:48:24

4 get at is that it is in your 2010 edition that you 11:48:29

5 expanded your definition of remittance instruments to 11:48:36

6 include what you're now referring to much more broadly 11:48:40

7 as remittance instruments, correct? 11:48:46

8 A. Correct. 11:48:48

9 Q. Okay. And the remittance instruments 11:48:49

10 that are referred to in your earlier editions refer to 11:48:54

11 instruments which were interbank in nature, correct? 11:48:58

12 A. And I think they still remain. 11:49:01

13 Q. Right. It still remains? 11:49:04

14 A. Right. 11:49:06

15 Q. But the earlier editions refer to 11:49:06

16 interbank instruments? 11:49:09

17 A. Right. Uh-huh. 11:49:10

18 Q. Okay. I am happy to provide you with 11:49:10

19 chapter 24 of your 2010 treatise if you want, but I 11:49:20

20 don't really have any more questions about it. 11:49:28

21 A. I wouldn't -- 11:49:31

22 Q. You don't need it? 11:49:32

23 A. I don't need it. 11:49:33

24 Q. Okay. And you understand what I'm 11:49:35

25 trying to do is get at the origins of this term, 11:49:38

1 "remittance instruments"? 11:49:41

2 A. I understand that, yes. 11:49:41

3 Q. Okay. Are you aware of any other legal 11:49:43

4 treatise or book published prior to your 2010 treatise 11:49:48

5 that uses the term "remittance instruments" in the 11:49:55

6 same manner you use it in your expert report? 11:49:59

7 A. No. I'm not. I think that, for 11:50:01

8 example, there's a lot of discussion in books and 11:50:06

9 articles concerning the effects of being a 11:50:11

10 remittance -- a remittance instrument the way I'm 11:50:16

11 using it in the current volume and they go into -- as 11:50:20

12 I mentioned stopping payment and cancellation -- 11:50:25

13 canceling the underlying obligation and so on, and I 11:50:29

14 think that's what I was attempting to do. I had not 11:50:34

15 heard of that being used. 11:50:37

16 I was interested -- frankly, I can't 11:50:40

17 remember now whether I mentioned this earlier, but the 11:50:42

18 word "remittance instruments" -- the word "remittance 11:50:45

19 marketplace" is used by Eva Yingst to describe -- or 11:50:48

20 in materials that she has as part of her report or her 11:50:54

21 deposition. Remittance marketplace. And I thought, 11:51:00

22 well, that's -- that perfectly sums up what MoneyGram 11:51:06

23 is, really, in a lot of ways. It's a -- they're in 11:51:10

24 the business of issuing and selling these various 11:51:15

25 remittance instruments, as I describe them in my 11:51:17

1	Q.	Right. And do you have any reason to	12:21:17
2		believe it wouldn't be applicable to a teller's check?	12:21:19
3	A.	No. It could be applicable to a	12:21:23
4		teller's check also.	12:21:26
5	Q.	Okay.	12:21:26
6	A.	Well, I don't think there's any --	12:21:27
7		again, I don't think the teller's check is an	12:21:34
8		instrument that -- for which the -- the issuer is	12:21:37
9		liable.	12:21:43
10	Q.	Okay. So would you be prepared to	12:21:44
11		correct your sentence which says that MoneyGram can be	12:22:02
12		liable as an issuer?	12:22:07
13	A.	Yes, I would.	12:22:08
14	Q.	What would you say in its stead?	12:22:09
15	A.	I would say that -- well, I'm not	12:22:12
16		certain about what I would say in its place. I	12:22:26
17		just --	12:22:30
18	Q.	Okay. That's fair enough. So you	12:22:31
19		withdraw the sentence, but you don't have any	12:22:34
20		substitute at hand?	12:22:36
21	A.	Right. Right.	12:22:37
22	Q.	Okay. Let me ask you to turn, if you	12:22:37
23		could, to page 8. And you have a discussion here of	12:22:41
24		certified checks?	12:22:55
25	A.	Right.	12:22:56

1 dishonored on presentment, correct? 03:23:21

2 A. That's right. 03:23:23

3 Q. And, therefore, you do not disagree with 03:23:24

4 a statement Professor Mann made that more than 99 03:23:30

5 percent of ordinary bank checks are honored; is that 03:23:35

6 correct? 03:23:39

7 A. That's correct. 03:23:39

8 Q. Okay. Let me give you a treatise you 03:23:40

9 reference on this page which is "Brady on Bank 03:23:49

10 Checks." Okay? 03:23:51

11 A. Uh-huh. 03:23:52

12 Q. Just as a prelude to this, I think you 03:23:52

13 say in the first full paragraph on page 11, that 03:24:22

14 "Brady on Bank Checks uses the terms bank check and 03:24:28

15 check interchangeably." Is that accurate? 03:24:35

16 A. That's right. And they say that -- the 03:24:38

17 authors say that themselves. 03:24:41

18 Q. Okay. 03:24:42

19 A. Right at the beginning of the treatise. 03:24:43

20 Q. Right. And I'm going to present that 03:24:44

21 language to you in a second. Okay. 03:24:46

22 MR. ROSENTHAL: Would you mark this as 03:24:51

23 the next exhibit? 03:25:06

24 (Deposition Exhibit 115 was marked.) 03:25:07

25 Q. I'll represent to you that what I've 03:25:28

REPORTER'S CERTIFICATE

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

I, TRACY R. STONEHOCKER, Certified Realtime Reporter, Registered Professional Reporter and Notary Public ID 19924009337, State of Colorado, do hereby certify that previous to the commencement of the examination, the said BARKLEY CLARK was duly sworn or affirmed by me to testify to the truth in relation to the matters in controversy between the parties hereto; that the said deposition was taken in machine shorthand by me at the time and place aforesaid and was thereafter reduced to typewritten form; that the foregoing is a true transcript of the questions asked, testimony given, and proceedings had.

I further certify that I am not employed by, related to, nor of counsel for any of the parties herein, nor otherwise interested in the outcome of this litigation.

IN WITNESS WHEREOF, I have affixed my signature this 22nd day of October, 2018.

My commission expires June 12, 2020.

- Reading and Signing was requested.
- Reading and Signing was waived.
- Reading and Signing was not required.

Tracy R. Stonehocker