

MONEYGRAM INTERNATIONAL INC

Form PRE 14A

March 17, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box

Preliminary Proxy Statement

Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

MONEYGRAM INTERNATIONAL, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials:

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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**2828 N. Harwood St., 15th Floor
Dallas, Texas 75201**

[], 2011

Dear MoneyGram Stockholder:

You are invited to attend a special meeting of stockholders of MoneyGram International, Inc. (the Special Meeting) that will be held at [], on [], 2011, at [] a.m. Central Daylight Time.

Details of the business to be conducted at the Special Meeting are described in the attached Notice of Special Meeting of Stockholders and proxy statement.

Your vote is important. Whether or not you plan to attend the Special Meeting, please sign, date and return the enclosed proxy card in the envelope provided, or you may vote by telephone or on the Internet as described on your proxy card. If you plan to attend the Special Meeting, you may vote in person.

We look forward to seeing you at the Special Meeting.

Sincerely,

Pamela H. Patsley
Chairman and Chief Executive Officer

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**2828 N. Harwood St., 15th Floor
Dallas, Texas 75201**

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

[], 2011

To the Stockholders of MoneyGram International, Inc.:

Notice is hereby given that a special meeting of the stockholders of MoneyGram International, Inc. (the Special Meeting) will be held at [], Dallas, Texas, on [], 2011, at [] a.m. Central Daylight Time, to consider and act on the following matters:

1. To consider and vote on a proposal (i) to approve that certain Recapitalization Agreement, dated as of March 7, 2011, by and among MoneyGram International, Inc. (MoneyGram or the Company), the affiliates and co-investors of Thomas H. Lee Partners, L.P. listed under the heading THL Investors on Exhibit A thereto (the THL Investors), and the affiliates of Goldman, Sachs & Co. listed under the heading GS Investors on Exhibit A thereto (the GS Investors, and together with the THL Investors, the Investors) (such agreement, the Recapitalization Agreement), pursuant to which:

the THL Investors will convert all of their shares of Series B Participating Convertible Preferred Stock (the Series B Preferred Stock) into common stock of the Company (Common Stock) in accordance with the Certificate of Designations, Preferences and Rights of the Series B Preferred Stock (the Series B Certificate of Designations);

the GS Investors will convert all of their shares of Series B-1 Participating Convertible Preferred Stock (the Series B-1 Preferred Stock) into Series D Participating Convertible Preferred Stock (the Series D Preferred Stock) in accordance with the Certificate of Designations, Preferences and Rights of the Series B-1 Preferred Stock (the Series B-1 Certificate of Designations);

the Certificate of Designations, Preferences and Rights of the Series D Preferred Stock (the Series D Certificate of Designations) will be amended to add certain restrictions on the conversion and voting of the Series D Preferred Stock;

as consideration to the Investors to effect such conversions in accordance with the Series B Certificate of Designations and the Series B-1 Certificate of Designations and to forgo the rights to liquidation preferences and future dividends provided for in the Series B Certificate of Designations and the Series B-1 Certificate of Designations, as applicable, the Company will pay the Investors additional consideration in the form of cash and issue to the Investors additional shares of Common Stock or Series D Preferred Stock, as applicable; and

(ii) to approve the issuance of the additional shares of Common Stock issuable directly to the THL Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement and the issuance of the shares of Common Stock issuable upon the conversion, in certain circumstances by holders other than the GS Investors or their affiliates, of the additional shares of Series D Preferred Stock issuable directly to the GS Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement (Proposal Number One);

2. To consider and vote on a proposal to amend the Company's Amended and Restated Certificate of Incorporation (the Certificate of Incorporation) to remove the GS Investors' right to designate a director to serve on the Company's board of directors (the Board of Directors), conditioned upon stockholder approval of Proposal Number One (Proposal Number Two, and together with Proposal Number One, the Proposals); and

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3. To approve an adjournment of the Special Meeting, if necessary or appropriate, to permit solicitation of additional proxies in favor of the Proposals.

Only stockholders of record of Common Stock and Series B Preferred Stock at the close of business on [], 2011 (the record date) are entitled to receive this notice and vote at the Special Meeting. The Company will transact no other business at the Special Meeting except such business as may properly be brought before the Special Meeting or any adjournment or postponement thereof.

To assure your representation at the Special Meeting, please access the automated telephone voting feature or the Internet voting option described on the proxy card, or vote, sign and mail the enclosed proxy card as soon as possible. We have enclosed a return envelope, which requires no postage if mailed in the United States.

By Order of the Board of Directors

Timothy C. Everett
*Executive Vice President, General Counsel and
Corporate Secretary*

2828 N. Harwood St., 15th Floor
Dallas, Texas 75201

Your vote is important. Whether or not you plan to attend the Special Meeting, you are urged to sign, date and return the enclosed proxy card in the envelope provided, or you may vote by telephone or on the Internet as described on your proxy card. The delivery of your proxy will not affect your right to vote in person if you are present at the meeting.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
FOR THE SPECIAL MEETING TO BE HELD ON [], 2011**

The proxy statement and 2010 Form 10-K are available at www.moneygram.com.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

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**2828 N. Harwood St., 15th Floor
Dallas, Texas 75201**

PROXY STATEMENT FOR THE SPECIAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

This proxy statement (this Proxy Statement) is furnished to the stockholders of MoneyGram International, Inc. in connection with the solicitation of proxies by our Board of Directors for use at a Special Meeting (the Special Meeting) of Stockholders to be held at [], Dallas, Texas, on [], 2011, at [] a.m. Central Daylight Time and at any adjournment or postponement of the Special Meeting. This Proxy Statement is being mailed to our stockholders with a Notice of Special Meeting on or about [], 2011.

When used in this Proxy Statement, the terms MoneyGram, the Company, we, and our refer to MoneyGram International, Inc.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND VOTING

The following section provides brief answers to some of the more likely questions raised by the proposals described herein upon which you are to vote. This section is not intended to provide all of the information that is important to you. You are urged to read the entire Proxy Statement carefully, including the information incorporated by reference and the information in the Appendices attached hereto.

Q: Who is soliciting my vote?

A: The Board of Directors of MoneyGram is soliciting your vote at the Special Meeting.

Q: What is the purpose of the Special Meeting?

A: You will be voting:

1. On a proposal (i) to approve that certain Recapitalization Agreement, dated as of March 7, 2011, by and among the Company, the affiliates and co-investors of Thomas H. Lee Partners, L.P. listed under the heading THL Investors on Exhibit A thereto (the THL Investors), and the affiliates of Goldman, Sachs & Co. listed under the heading GS Investors on Exhibit A thereto (the GS Investors, and together with the THL Investors, the Investors) (such agreement, the Recapitalization Agreement), pursuant to which:

the THL Investors will convert all of their shares of Series B Participating Convertible Preferred Stock (the Series B Preferred Stock) into common stock of the Company (Common Stock) in accordance with the Certificate of Designations, Preferences and Rights of the Series B Preferred Stock (the Series B Certificate of Designations);

the GS Investors will convert all of their shares of Series B-1 Participating Convertible Preferred Stock (the Series B-1 Preferred Stock) into Series D Participating Convertible Preferred Stock (the Series D Preferred Stock) in accordance with the Certificate of Designations, Preferences and Rights of the Series B-1 Preferred Stock (the Series B-1 Certificate of Designations);

the Certificate of Designations, Preferences and Rights of the Series D Preferred Stock (the Series D Certificate of Designations) will be amended to add certain restrictions on the conversion and voting of the Series D Preferred Stock;

as consideration to the Investors to effect such conversions in accordance with the Series B Certificate of Designations and the Series B-1 Certificate of Designations and to forgo the rights to

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liquidation preferences and future dividends provided for in the Series B Certificate of Designations and the Series B-1 Certificate of Designations, as applicable, the Company will pay the Investors additional consideration in the form of cash and issue to the Investors additional shares of Common Stock or Series D Preferred Stock, as applicable; and

(ii) to approve the issuance of the additional shares of Common Stock issuable directly to the THL Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement and the issuance of the shares of Common Stock issuable upon the conversion, in certain circumstances by holders other than the GS Investors or their affiliates, of the additional shares of Series D Preferred Stock issuable directly to the GS Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement (Proposal Number One);

2. On a proposal to amend the Company's Amended and Restated Certificate of Incorporation (the Certificate of Incorporation) to remove the GS Investors' right to designate a director to serve on the Company's board of directors (the Board of Directors), conditioned upon stockholder approval of Proposal Number One (Proposal Number Two, and together with Proposal Number One, the Proposals); and
3. To approve an adjournment of the Special Meeting, if necessary or appropriate, to permit solicitation of additional proxies in favor of the Proposals.

Q: What is the recommendation of the Board of Directors on the Proposals?

A: The Board of Directors, acting upon the unanimous recommendation of a special committee of the Board of Directors established in connection with the Company's consideration of a potential recapitalization transaction (the Special Committee), unanimously approved each of the Proposals. The Board of Directors recommends that you vote FOR the approval and adoption of each of the Proposals.

Q: Why did the Board of Directors establish the Special Committee?

A: The Board of Directors recognized that the considerations by the Company of a potential recapitalization of the Company could result in one or more transactions between the Company and the THL Investors, who collectively possess a majority of the voting power associated with the Company's outstanding capital stock, and that certain members of the Board of Directors (including the four members affiliated with the THL Investors) might have conflicts of interest in relation to such transaction. Accordingly, in order to protect the interests of the holders of Common Stock other than the Investors, the Board of Directors established the Special Committee, comprised of members of the Board of Directors whom the Board of Directors determined to be independent and disinterested, to review, evaluate, negotiate and determine the advisability of a recapitalization of the Company, and to make a recommendation to the full Board of Directors to approve or disapprove a recapitalization of the Company.

Q: Who is entitled to vote on the Proposals?

A: All holders of record of Common Stock and Series B Preferred Stock at the close of business on [], 2011, which time is referred to herein as the record date, are entitled to vote on each of the Proposals.

Q: How many votes do I have?

A: A holder of Common Stock is entitled to one vote for each share of Common Stock held on the record date for each of the Proposals. The holders of our Series B Preferred Stock are entitled to vote on all matters voted on by holders of our Common Stock, voting as a single class with the holders of Common Stock. The holders of our Series B Preferred Stock have a number of votes equal to the number of shares of Common Stock issuable if all

outstanding shares of Series B Preferred Stock were converted plus the number of shares of Common Stock issuable if all outstanding shares of Series B-1 Preferred Stock were converted into Series B Preferred Stock and subsequently converted into Common Stock on the record date. There is no cumulative voting.

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Pursuant to the terms of the Recapitalization Agreement, the THL Investors have agreed to vote all of their shares of Series B Preferred Stock for the Proposals. Such shares represent 100% of the outstanding shares of Series B Preferred Stock. The voting power associated with the Series B Preferred Stock constitutes substantially more than a majority of the combined voting power associated with the Series B Preferred Stock and the Common Stock.

Q: How many votes must be present to hold the Special Meeting?

A: The presence in person or representation by proxy of the holders of a majority of the voting power of all classes of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors is necessary to constitute a quorum for the matters to be voted upon. Abstentions occur when stockholders are present at the Special Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting. Abstentions will be counted as present or represented for purposes of determining the presence or absence of a quorum for the Special Meeting. A broker non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Any broker non-vote will not be counted as present or represented for purposes of determining the presence or absence of a quorum for the Special Meeting and will not be included in the number of shares voting with respect to the Proposals.

Q: What vote of our stockholders is required to approve each of the Proposals?

A: Approval of Proposal Number One requires (i) the affirmative vote of a majority of the voting power of the outstanding shares of the Common Stock and Series B Preferred Stock (voting on an as-converted basis), voting together as a single class, present in person or by proxy at the Special Meeting, and (ii) the affirmative vote of a majority of the outstanding shares of Common Stock (not including the Series B Preferred Stock or any other stock of the Company held by any Investor), present in person or by proxy at the Special Meeting.

The affirmative vote of a majority of the outstanding shares of Common Stock (not including the Series B Preferred Stock or any other stock of the Company held by any Investor) is not required by the rules of the New York Stock Exchange (the NYSE), Delaware law, the Certificates of Designation, or the Certificate of Incorporation in order to effect Proposal Number One. The Special Committee believed that such an additional voting requirement would further protect the interests of the holders of Common Stock other than the Investors and thus negotiated the Recapitalization Agreement accordingly. Because of such additional voting requirement, non-Investor holders of the Common Stock will exercise the dispositive vote over Proposal Number One.

As discussed below, in addition to the requirements set forth in the Recapitalization Agreement, the NYSE rules require that the issuance of the shares of Common Stock described in clause (ii) of Proposal Number One be subject to stockholder approval.

Approval of Proposal Number Two requires the affirmative vote of the majority of the voting power of the outstanding shares of Common Stock and Series B Preferred Stock (voting on an as-converted basis), voting together as a single class. Pursuant to the terms of the Recapitalization Agreement, the THL Investors have agreed to vote all of their shares of Series B Preferred Stock for the Proposals outlined above. Such shares represent 100% of the outstanding shares of Series B Preferred Stock. Proposal Number Two will thus be approved, since the Series B Preferred Stock constitutes more than a majority of the voting power of the outstanding shares entitled to vote as a single class on Proposal Number Two. However, Proposal Number Two is conditioned upon stockholder approval of Proposal Number One.

Q: What regulatory approvals will be required?

A: Based on recent trading prices for the Common Stock, certain THL Investors and the Company may be required to make a filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, in which case the applicable waiting period under such Act will have to expire or be terminated.

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Q: Who is paying for the proxy solicitation?

A: The solicitation of proxies is being made and paid for by the Company. In addition to soliciting proxies by use of the mails, the Company's officers, directors and other regular employees, without additional compensation, may solicit proxies personally or by other appropriate means. It is also contemplated that, for a fee of approximately \$[] plus certain expenses, additional solicitation will be made by personal interview, telephone or other appropriate means under the direction of [], []. []'s toll free telephone number is [() -], or you may call collect at [() -].

Q: How do I vote?

A: Your vote is important. You may submit a proxy via the Internet, by telephone or by mail or you may vote by ballot by attending the Special Meeting. The Internet and telephone proxy submission procedures are provided on the accompanying proxy card. If you submit a proxy by telephone or via the Internet, you do not need to return your proxy card.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: Your broker will not be able to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedures provided to you by your broker.

Q: How will the proxies be voted?

A: The shares represented by proxies submitted electronically, telephonically or represented by proxy cards received, properly marked, dated, signed and not revoked, will be voted in the manner specified. If no specification is made in the proxy, then the shares will be voted in favor of the recommendations of the Board of Directors (i.e., in favor of all Proposals and, if applicable, in favor of adjourning the Special Meeting).

Q: What if I do not vote?

A: If you fail to respond, your shares will neither be voted nor counted for purposes of obtaining a quorum. If you respond and abstain from voting, your shares will count for purposes of obtaining a quorum and will have the same effect as a vote against each of the Proposals.

Q: Can I change my vote or revoke my proxy?

A: Yes. Even if you submitted a proxy by telephone or via the Internet or if you signed the proxy card in the form accompanying this Proxy Statement, you retain the power to revoke your proxy and to change your vote. You can revoke your proxy any time before it is exercised by giving written notice to the Corporate Secretary specifying such revocation. You may also revoke your proxy by a later-dated proxy by telephone or via the Internet or by timely delivery of a valid, later-dated proxy by mail or by voting by ballot at the Special Meeting. Your attendance at the Special Meeting in itself will not automatically revoke a previously submitted proxy. However, if you hold your shares through a broker, bank or nominee and have instructed your broker, bank or nominee how to vote your shares, you must follow directions received from the broker, bank or nominee in order to change your vote or to vote at the Special Meeting.

Q: Are stockholders entitled to exercise appraisal rights in connection with the Proposals?

A: No. Under Delaware law, stockholders are not entitled to exercise appraisal rights in connection with the Proposals, and the Company will not independently provide stockholders with any such right.

Q: What happens if either of the Proposals does not receive stockholder approval?

A: We believe that the Proposals form a comprehensive, integrated plan in relation to the recapitalization contemplated by the Recapitalization Agreement. The recapitalization involves a number of agreements described in the Proposals. All parties to the Recapitalization Agreement have agreed that the recapitalization will not be consummated unless our stockholders approve both of the Proposals. Because of the votes required by the Recapitalization Agreement in order to approve the recapitalization, and because of the covenant made by the Investors in the Recapitalization Agreement to vote in favor of the Proposals, holders of the Common Stock will exercise the dispositive vote over the recapitalization. A vote by you against any of the Proposals is equivalent to a vote against both of the Proposals.

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Q: Who can help answer my questions?

A: The information provided above in the question-and-answer format is for your convenience only and is merely a summary of some of the information contained in this Proxy Statement. You should carefully read this Proxy Statement, including the appendices attached hereto and any documents incorporated by reference herein, in their entirety. If you would like additional copies of this Proxy Statement or any of the documents incorporated by reference herein, without charge, or if you have questions about the Proposals, including the procedures for voting your shares, you should contact: [], []. []'s toll free telephone number is [() -], or you may call collect at [() -].

You may also wish to consult your own legal, tax or financial advisors with respect to any aspect of the Proposals or other matters discussed in this Proxy Statement.

THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

The Special Meeting will be held at [], Dallas, Texas, on [], 2011, at [] a.m. Central Daylight Time.

Matters to be Considered

The Special Meeting has been called for the following purposes:

1. To consider and vote on a proposal (i) to approve the Recapitalization Agreement, pursuant to which:

the THL Investors will convert all of their shares of Series B Preferred Stock into Common Stock in accordance with the Series B Certificate of Designations;

the GS Investors will convert all of their shares of Series B-1 Preferred Stock into Series D Preferred Stock in accordance with the Series B-1 Certificate of Designations;

the Series D Certificate of Designations will be amended to add certain restrictions on the conversion and voting of the Series D Preferred Stock;

as consideration to the Investors to effect such conversions in accordance with the Series B Certificate of Designations and the Series B-1 Certificate of Designations and to forgo the rights to liquidation preferences and future dividends provided for in the Series B Certificate of Designations and the Series B-1 Certificate of Designations, as applicable, the Company will pay the Investors additional consideration in the form of cash and issue to the Investors additional shares of Common Stock or Series D Preferred Stock, as applicable; and

(ii) to approve the issuance of the additional shares of Common Stock issuable directly to the THL Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement and the issuance of the shares of Common Stock issuable upon the conversion, in certain circumstances by holders other than the GS Investors or their affiliates, of the additional shares of Series D Preferred Stock issuable directly to the GS Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement, (Proposal Number One);

2. To consider and vote on a proposal to amend the Certificate of Incorporation to remove the GS Investors' right to designate a director to serve on the Board of Directors, conditioned upon stockholder approval of Proposal Number One (Proposal Number Two, and together with Proposal Number One, the Proposals); and
3. To approve an adjournment of the Special Meeting, if necessary or appropriate, to permit solicitation of additional proxies in favor of the Proposals.

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Record Date and Voting

Only stockholders of record of Common Stock and Series B Preferred Stock at the close of business on [], 2011, the record date, are entitled to notice of, and to vote at, the Special Meeting or any adjournment of the Special Meeting. At the close of business on the record date, there were (i) 83,620,522 shares of the Common Stock outstanding, (ii) 495,000 shares of the Series B Preferred Stock authorized and outstanding and convertible into 286,438,367 shares of Common Stock, and (iii) 272,500 shares of the Series B-1 Preferred Stock authorized and outstanding and convertible into 157,686 shares of Series D Preferred Stock, which are convertible by holders other than GS Investors and their affiliates, in certain circumstances, into 157,685,768 shares of Common Stock.

At the close of business on the record date, our stockholders holding Series B and B-1 Preferred Stock would own approximately 84.2 percent of our Common Stock on a fully-diluted basis upon conversion of their Series B and B-1 Preferred Stock. Effectively, holders of the Series B Preferred Stock hold approximately 84.2 percent of the voting power of our stock, voting as a single class with holders of our Common Stock. The Series B-1 Preferred Stock is non-voting stock except for the rights to vote on limited matters specified in the Series B-1 Certificate of Designations or as otherwise required by law, none of which is being presented for a vote at the Special Meeting. Each share of Series B-1 Preferred Stock will automatically convert into one share of Series B Preferred Stock upon transfer to any holder other than the GS Investors and their affiliates. A holder of Common Stock is entitled to one vote for each share of Common Stock held on the record date for each of the Proposals. The holders of our Series B Preferred Stock are entitled to vote on all matters voted on by holders of our Common Stock, voting together as a single class with the Common Stock holders. The holders of our Series B Preferred Stock have a number of votes equal to the number of shares of Common Stock issuable if all outstanding shares of Series B Preferred Stock were converted plus the number of shares of Common Stock issuable if all outstanding shares of Series B-1 Preferred Stock were converted into Series B Preferred Stock and subsequently converted into Common Stock on the record date. There is no cumulative voting.

The shares represented by duly executed proxies in the form solicited by the Board of Directors will be voted at the Special Meeting in accordance with the choices specified thereon. If a proxy is duly executed, but no choice is specified for a proposal, the shares will be voted as follows:

1. FOR Proposal Number One;
2. FOR Proposal Number Two; and
3. To adjourn the Special Meeting, if necessary or appropriate, to permit solicitation of additional proxies in favor of the Proposals.

Quorum, Abstentions, Non-Votes and Vote Required

The presence in person or representation by proxy of the holders of a majority of the voting power of all classes of the then-outstanding shares of capital stock of the Company entitled to vote generally in the election of directors is necessary to constitute a quorum for the matters to be voted upon. Abstentions occur when stockholders are present at the Special Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting. Abstentions will be counted as present or represented for purposes of determining the presence or absence of a quorum for the Special Meeting. A broker non-vote occurs when a nominee holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner. Any broker non-vote

will not be counted as present or represented for purposes of determining the presence or absence of a quorum for the Special Meeting and will not be included in the number of shares voting with respect to the Proposals.

Approval of Proposal Number One requires (i) the affirmative vote of a majority of the voting power of the outstanding shares of the Common Stock and Series B Preferred Stock (voting on an as-converted basis), voting together as a single class, present in person or by proxy at the Special Meeting, and (ii) the affirmative

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vote of a majority of the outstanding shares of Common Stock (not including the Series B Preferred Stock or any other stock of the Company held by any Investor), present in person or by proxy at the Special Meeting.

The affirmative vote of a majority of the outstanding shares of Common Stock (not including the Series B Preferred Stock or any other stock of the Company held by any Investor), is not required by the rules of the NYSE, Delaware law, the Certificates of Designation, or the Certificate of Incorporation in order to effect Proposal Number One. The Special Committee believed that such an additional voting requirement would further protect the interests of the holders of Common Stock other than the Investors and thus negotiated the Recapitalization Agreement accordingly.

Because the approval of the Recapitalization Agreement by a majority of the outstanding shares of Common Stock present and voting at the Special Meeting (not including the Series B Preferred Stock or any other stock of the Company held by any Investor) is not required by the rules of the NYSE, Delaware law, the Certificates of Designation, or the Certificate of Incorporation, the Company believes that the approval of the Recapitalization Agreement will have certain effects under Delaware law. If any holder of Common Stock commences litigation against the Company or its directors challenging the fairness of the transactions contemplated by the Recapitalization Agreement to the holders of Common Stock or alleging any deficiency or breach of fiduciary duty in the process of developing the terms of these transactions or in the consideration or approval of these transactions by the Board of Directors or the Special Committee, the Company believes that approval of the Recapitalization Agreement by the holders of Common Stock (not including the Series B Preferred Stock or any other stock of the Company held by any Investor) would be evidence in any such litigation of the fairness of the transactions contemplated by such agreement. In addition, the Company believes that approval of such agreement by the holders of Common Stock (not including the Series B Preferred Stock or any other stock of the Company held by any Investor) would be a factor under Delaware law in invoking a standard of judicial review or burden of proof that is more favorable to the Company and its directors than the standard of judicial review or burden of proof that might otherwise apply in the absence of such approval. The Company believes that approval of the Recapitalization Agreement by a majority of the outstanding shares of Common Stock present and voting at the Special Meeting (not including the Series B Preferred Stock or any other stock of the Company held by any Investor) could operate to extinguish some or all of the claims relating to the Recapitalization Agreement in any litigation arising out of the Recapitalization Agreement.

Additionally, because our Common Stock is listed on the NYSE, we are subject to NYSE rules and regulations. Section 312.03 of the NYSE Listed Company Manual requires stockholder approval, unless an exemption is available, prior to any issuance of common stock, or securities convertible into or exercisable for common stock, in any transaction or series of related transactions to a director, officer or substantial security holder (a Related Party), or a subsidiary, affiliate or closely-related person of a Related Party, if the number of shares to be issued, or if the number of shares of common stock into which the securities may be convertible or exercisable, exceeds 1% of the number of shares of common stock or of the voting power outstanding prior to such issuance (the 1% Limit). Section 312.03 also requires stockholder approval prior to any issuance or sale of common stock, or securities convertible into or exercisable for common stock, in any transaction or series of transactions if the common stock issued or issuable exceeds 20% of the number of shares of common stock or of the voting power outstanding prior to such issuance (the 20% Limit). The shares of Additional Common Stock (as defined below) issued to the THL Investors and the shares of Common Stock issuable upon conversion, in certain circumstances by holders other than the GS Investors or their affiliates, of the shares of Additional Series D Preferred Stock (as defined below) issued to the GS Investors would exceed both the 1% Limit and the 20% Limit. As a result, we are seeking stockholder approval of these stock issuances as part of Proposal Number One.

Approval of Proposal Number Two requires the affirmative vote of the majority of the voting power of the outstanding shares of Common Stock and Series B Preferred Stock, voting together as a single class.

Pursuant to the terms of the Recapitalization Agreement, the THL Investors have agreed to vote all of their shares of Series B Preferred Stock for the Proposals. Such shares represent 100% of the outstanding shares of Series B Preferred Stock. Proposal Number Two will thus be approved, since the Series B Preferred

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Stock constitutes more than a majority of the voting power of the shares entitled to vote as a single class on Proposal Number Two. However, Proposal Number Two is conditioned upon stockholder approval of Proposal Number One.

The persons named as proxies, Pamela H. Patsley and Timothy C. Everett, were authorized by the Board of Directors and are officers of MoneyGram.

No Dissenters Rights of Appraisal

Under Delaware law, stockholders are not entitled to exercise appraisal rights in connection with the Proposals, and the Company will not independently provide stockholders with any such right.

Proxy Solicitation and Expenses

The accompanying proxy is being solicited on behalf of our Board of Directors, and all expenses for such solicitation will be borne by us. In addition to the use of the mails, proxies may be solicited by our directors, officers and employees as well as by the Company's proxy solicitor [] ([]) pursuant to a letter agreement by and between the Company and [] providing for the Company's payment to [] of an aggregate fee of \$[] in exchange for []'s solicitation of proxies. We will request banks, brokerage houses and other custodians, nominees and fiduciaries to solicit their customers who are beneficial owners of our Common Stock and to forward solicitation materials to such beneficial owners. We will reimburse them for their reasonable out-of-pocket expenses incurred in such solicitation. Stockholders voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies that must be borne by such stockholders.

PROPOSAL NUMBER ONE: RECAPITALIZATION

MoneyGram's stockholders are asked to consider and vote on a proposal (i) to approve the Recapitalization Agreement, pursuant to which:

the THL Investors will convert all of their shares of Series B Preferred Stock into Common Stock in accordance with the Series B Certificate of Designations;

the GS Investors will convert all of their shares of Series B-1 Preferred Stock into Series D Preferred Stock in accordance with the Series B-1 Certificate of Designations;

the Series D Certificate of Designations will be amended to add certain restrictions on the conversion and voting of the Series D Preferred Stock;

as consideration to the Investors to effect such conversions in accordance with the Series B Certificate of Designations and the Series B-1 Certificate of Designations and to forgo the rights to liquidation preferences and future dividends provided for in the Series B Certificate of Designations and the Series B-1 Certificate of Designations, as applicable, the Company will pay the Investors additional consideration in the form of cash and issue to the Investors additional shares of Common Stock or Series D Preferred Stock, as applicable; and

(ii) to approve the issuance of the additional shares of Common Stock issuable directly to the THL Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement and issuable upon the conversion of the additional shares of Series D Preferred Stock issuable directly to the GS Investors at the closing of the recapitalization contemplated by the Recapitalization Agreement. A copy of the Recapitalization Agreement is

attached hereto as Appendix A.

Background

In March 2008, we completed a recapitalization pursuant to the terms of an amended and restated purchase agreement (the Purchase Agreement), dated as of March 17, 2008, with certain of the Investors.

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Pursuant to the Purchase Agreement, among other things, we received an infusion of \$1.5 billion of gross equity and debt capital. The equity component of the recapitalization consisted of the sale to certain of the Investors in a private placement of 760,000 shares of Series B and Series B-1 Preferred Stock for an aggregate purchase price of \$760.0 million. The Company also issued 7,500 shares of Series B-1 Preferred Stock to The Goldman Sachs Group, Inc., as directed by Goldman, Sachs & Co. for its investment banking advisory fee. The issuance of the Series B and the Series B-1 Preferred Stock gave the Investors a combined initial equity interest of approximately 79 percent.

As part of the 2008 recapitalization, the Company's wholly owned subsidiary, MoneyGram Payment Systems Worldwide, Inc. ("Worldwide"), sold to certain of the GS Investors (or affiliates thereof) (the "GS Note Holders") \$500.0 million of its 13.25% Senior Secured Second Lien Notes due 2018 (the "Notes") issued pursuant to that certain Indenture (as amended and supplemented, the "Indenture") dated as of March 25, 2008 among Worldwide, the guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent (the "Trustee"). The Company also entered into a senior secured amended and restated credit agreement with JP Morgan Chase Bank, N.A. as agent for a group of lenders, bringing the total facility to \$600.0 million (the "Existing Senior Credit Facility"). The Existing Senior Credit Facility included \$350.0 million in two term loan tranches and a \$250.0 million revolving credit facility.

We were informed by the Goldman Sachs Group, Inc. ("Goldman") that the Company was deemed a controlled subsidiary of a bank holding company under the Bank Holding Company Act of 1956, as amended (the "BHCA"), as a result of Goldman's status as a bank holding company and its affiliates' equity interest in the Company. Affiliates of Goldman beneficially own all of the Series B-1 Preferred Stock and may convert such Series B-1 Preferred Stock into non-voting Series D Preferred Stock. Although the Series D Preferred Stock is not convertible into Common Stock while beneficially owned by affiliates of Goldman prior to the amendment of the terms of the Series D Preferred Stock as described below under "Proposed Amendment to Series D Certificate of Designations," the Series D Preferred Stock may be sold or transferred in any manner to a third party who may then convert the Series D Preferred Stock into Common Stock. Affiliates of Goldman also hold the Notes issued as part of the 2008 recapitalization described above. As a result of these investments, Goldman has informed us that the Company may be considered a controlled non-bank subsidiary of Goldman for U.S. bank regulatory purposes. Companies that are deemed to be subsidiaries of a bank holding company are subject to the BHCA, and are thus subject to reporting requirements of, and examination and supervision by, the Board of Governors of the Federal Reserve System (the "Federal Reserve").

In light of improvements in the capital markets and in the Company's financial condition and results of operations subsequent to the 2008 recapitalization, the Board of Directors concluded in the Spring of 2010 that it would be desirable to pursue possible transactions to both simplify and enhance the capital structure of the Company and to resolve uncertainties associated with the Company's potential status as a controlled subsidiary for purposes of the BHCA. The Board of Directors recognized that this initiative could result in one or more transactions between the Company and the THL Investors, who collectively possess a majority of the voting power associated with the Company's outstanding capital stock, and that certain members of the Board of Directors (including the four members affiliated with the THL Investors) might have conflicts of interests in relation to such transactions. Accordingly, on May 26, 2010, the Board of Directors established a special committee of directors (the "Special Committee") consisting of W. Bruce Turner, J. Coley Clark, Victor W. Dahir and Ann Mather, each of whom was determined by the Board of Directors to be independent and disinterested, to review, evaluate, negotiate and determine the advisability of a recapitalization of the Company, and make a recommendation to the full Board of Directors to approve or disapprove a recapitalization of the Company.

On May 28, 2010 and June 1, 2010, the Special Committee interviewed two nationally recognized law firms to potentially serve as independent counsel to the Special Committee. Thereafter, the Special Committee selected Jones Day ("Jones Day") as its counsel based on, among other considerations, the firm's reputation and experience and the absence of conflicts or relationships that might reasonably be expected to impair Jones Day's objectivity or

effectiveness as counsel to the Special Committee.

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On June 8, 2010, the Special Committee held a telephonic organizational meeting at which representatives of Jones Day were present. At the meeting, the Special Committee members confirmed that none of them had a financial or other interest in a possible recapitalization of the Company or other action that may be taken by the Company in relation to its capital structure that differs from the interests of the Company or the holders of Common Stock generally, and that each member of the Special Committee was able to exercise his or her judgment in relation to a possible recapitalization of the Company based solely on the merits of such a recapitalization. The representatives of Jones Day reviewed with the Special Committee the scope of the power and authority that the Board of Directors had delegated to it, advised the Special Committee that the Special Committee's conduct should be guided at all times by its fiduciary duties, and described to the Special Committee its duties of care and loyalty, including the requirements that the Special Committee act on an informed basis, in a careful and deliberate manner, and with the honest belief that the Special Committee's actions are in the best interests of the Company and its stockholders.

Between June 9, 2010 and June 14, 2010, the Special Committee interviewed four nationally recognized investment banking firms to potentially serve as independent financial advisor to the Special Committee. Factors that the Special Committee considered in relation to each potential financial advisor included: overall quality and reputation; regulatory expertise; familiarity with the payment services industry; familiarity with the Company; potential conflicts of interest; and the amount and structure of proposed advisory fees. On June 17, 2010, the Special Committee held a telephonic meeting at which representatives of Jones Day were present and determined that it would seek to engage JP Morgan Securities LLC (JP Morgan) to serve as the Special Committee's financial advisor.

On June 21, 2010, following the engagement of JP Morgan as its independent financial advisor, the Special Committee held a meeting at which representatives of management of the Company, Jones Day, JP Morgan and Vinson & Elkins L.L.P. (V&E), counsel to the Company, were present. The primary purpose of this meeting was for the Special Committee and its advisors to obtain relevant information and management's insights and perspectives with respect to the Company's existing capital structure, issues presented by the Company's existing capital structure, possible enhancements to the Company's existing capital structure, and various related matters.

On July 6, 2010, the Special Committee held a telephonic meeting at which representatives of Jones Day were present to review and discuss a proposed work plan that had been prepared by JP Morgan and Jones Day and to receive an update regarding discussions that had occurred between representatives of Goldman and the Federal Reserve regarding potential actions that the GS Investors might take to cause the Company not to be subject to the BHCA. At the meeting, the Special Committee discussed various components of a possible recapitalization of the Company, and the degree, if any, to which each such component might involve conflicts of interest between the Company and the Investors. Also at the meeting, the Special Committee authorized Mr. Turner, as the Chair of the Special Committee, to take administrative and other actions on behalf of the Special Committee in order to facilitate and achieve progress with respect to the various matters identified in the proposed work plan, subject to the Special Committee's oversight and retention of authority to determine whether any recapitalization is fair to and in the best interest of the Company and its stockholders and to make a recommendation to the full Board of Directors whether to approve or disapprove any recapitalization.

On August 3, 2010, the Special Committee held a telephonic meeting at which representatives of Jones Day and JP Morgan were present. At the meeting, representatives of JP Morgan made a presentation regarding its preliminary valuation of the Series B Preferred Stock and Series B-1 Preferred Stock (collectively, the Preferred Stock), the Common Stock, and the Notes, as well as various recapitalization alternatives potentially available to the Company, including full and partial conversions of Preferred Stock and refinancing of the Notes. Based upon this presentation, the Special Committee concluded that: the Company has a sub-optimal capital structure; the Preferred Stock creates a significant overhang on the value of the Common Stock; an optimal capital structure should result in a lower cost of capital to the Company and higher Common Stock values; and a conversion or redemption of some or all of Preferred

Stock should enhance the value of the Common Stock. The Special Committee discussed the pros and cons associated with various alternatives and concluded to continue to assess relevant considerations and monitor relevant developments, including developments in the discussions between Goldman and the Federal Reserve regarding BHCA issues.

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On August 25, 2010, the Special Committee held a telephonic meeting at which Company management and representatives of Jones Day, JP Morgan and V&E were present. The primary purposes of the meeting were for the Special Committee to (1) receive an update from management of the Company with respect to certain recent developments, (2) receive a presentation from management of the Company with respect to its analyses relating to a possible negotiated conversion of all or a portion of the Preferred Stock (a Potential Recapitalization) and certain related matters, (3) receive a presentation from JP Morgan with respect to a Potential Recapitalization and certain related matters, and (4) consider potential next steps with respect to the Special Committee's consideration and exploration of potential alternatives in relation to the Company's capital structure. At the meeting, management described a number of potential benefits that could result from a Potential Recapitalization. Following management's excusal from the meeting, the representatives of JP Morgan presented to the Special Committee JP Morgan's analyses regarding the impact that a Potential Recapitalization could have in relation to the Common Stock and JP Morgan's views regarding potential negotiation strategies that might be employed in connection with a Potential Recapitalization. Following discussion, the Special Committee concluded that it would be appropriate to defer any decisions with respect to potential negotiations with the GS Investors and/or the THL Investors pending the Special Committee's receipt of additional information and potential regulatory developments.

On September 14, 2010, the Special Committee held a telephonic meeting at which representatives of Jones Day and JP Morgan were present. The primary purposes of the meeting were to (1) receive and consider further financial analyses performed by JP Morgan and (2) consider potential next steps with respect to the Special Committee's exploration and consideration of potential alternatives in relation to the Company's capital structure. The representatives of Jones Day reported that there had been no significant developments with respect to Goldman's discussions with the Federal Reserve. The representatives of JP Morgan discussed various factors that could affect the timing and terms of a potential recapitalization of the Company. Among other matters, the Special Committee noted that the GS Investors and the THL Investors had no inherent incentive to convert their respect