

MONEYGRAM INTERNATIONAL INC

Form S-3

April 20, 2005

**Table of Contents**

**As filed with the Securities and Exchange Commission on April 20, 2005  
Registration No. 333-**

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

**Form S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

**MoneyGram International, Inc.**  
*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

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

**1550 Utica Avenue South, Suite 100  
Minneapolis, Minnesota 55416  
(952) 591-3000**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Teresa H. Johnson, Esq.  
Vice President, General Counsel and Secretary  
MoneyGram International, Inc.  
1550 Utica Avenue South, Suite 100  
Minneapolis, Minnesota 55416  
(952) 591-3000**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

**Copy to:  
Gary L. Tygesson, Esq.  
Dorsey & Whitney LLP  
50 South Sixth Street, Suite 1500  
Minneapolis, Minnesota 55402  
(612) 340-8753**

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement

for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

### CALCULATION OF REGISTRATION FEE

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price per Unit(1)(2)</b>	<b>Proposed Maximum Aggregate Offering Price(1)(2)</b>	<b>Amount of Registration Fee</b>
Common Stock, par value \$0.01 per share(3)(4)(5)				
Preferred Stock, par value \$0.01 per share(4)				
Depository Shares(4)(6)				
Debt Securities(4)(7)		(8)	(8)	
Securities Warrants(9)				
Units(10)				
<b>Total Securities</b>	<b>\$500,000,000</b>	<b>100%</b>	<b>\$500,000,000</b>	<b>\$58,850</b>

- (1) Not specified as to each class of securities to be registered pursuant to General Instruction II.D of Form S-3. Securities registered hereby may be offered for U.S. dollars or the equivalent thereof in foreign currencies, currency units or composite currencies. Securities registered hereby may be sold separately or together with other securities registered hereby.
- (2) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457(o).
- (3) Also relates to rights to purchase shares of the Registrant's Series A Junior Participating Preferred Stock, par value \$0.01 per share (the Rights), which are attached to all common stock. Until the occurrence of certain prescribed events, the Rights are not exercisable, are evidenced by the certificates for the common stock and will be transferable along with and only with the common stock. The value attributable to the Rights, if any, is reflected in the value of the common stock.
- (4) In addition to any common stock, preferred stock, depository shares and debt securities that may be issued directly under this registration statement, there is being registered hereunder such indeterminate amount of common stock, preferred stock, depository shares and debt securities as may be issued upon conversion or exchange of preferred stock, depository shares or debt securities, as the case may be, for which no separate consideration will be received by the registrant.
- (5) The aggregate amount of common stock registered hereunder is limited, solely for purposes of any at-the-market offerings, to that which is permissible under Rule 415(a)(4).
- (6) Depository shares will represent fractional interests in preferred stock registered hereby.
- (7) In the case of debt securities issued at an original issue discount, such greater principal amount as shall result in an aggregate offering price of the amount set forth above or, in the case of debt securities denominated in a currency other than U.S. dollars or in a composite currency, such U.S. dollar amount as shall result from converting the aggregate public offering price of such debt securities into U.S. dollars at the spot exchange rate in effect on the date such debt securities are initially offered to the public.

- (8) Plus accrued interest, if any.
- (9) Securities warrants will represent the right to purchase common stock, preferred stock or debt securities.
- (10) Units may consist of two or more of the securities referred to in Notes (1) (9) offered and sold together.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the SEC, acting pursuant to such Section 8(a), may determine.**

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**Table of Contents**

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED APRIL 20, 2005**

**PROSPECTUS**

**MoneyGram International, Inc.  
\$500,000,000  
Common Stock  
Preferred Stock  
Depositary Shares  
Debt Securities  
Securities Warrants  
Units**

This prospectus is part of a registration statement that we have filed with the SEC using a shelf registration process. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings up to a total dollar amount of \$500,000,000.

We may offer and sell these securities directly or to or through underwriters, agents or dealers. The supplements to this prospectus will describe the terms of any particular plan of distribution, including names of any underwriters, agents or dealers.

This prospectus may not be used to carry out sales of securities unless accompanied by a prospectus supplement. Our common stock is traded on the New York Stock Exchange under the symbol MGI .

**Investing in our securities involves risks. See Risk Factors beginning on page 2.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2005.

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**TABLE OF CONTENTS**

<u>ABOUT THIS PROSPECTUS</u>	1
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	2
<u>RISK FACTORS</u>	2
<u>MONEYGRAM INTERNATIONAL, INC.</u>	11
<u>USE OF PROCEEDS</u>	13
<u>RATIOS OF EARNINGS TO FIXED CHARGES AND TO FIXED CHARGES AND</u>	
<u>PREFERRED DIVIDEND REQUIREMENTS</u>	13
<u>DESCRIPTION OF COMMON STOCK</u>	13
<u>DESCRIPTION OF PREFERRED STOCK</u>	17
<u>DESCRIPTION OF DEPOSITARY SHARES</u>	20
<u>DESCRIPTION OF DEBT SECURITIES</u>	23
<u>DESCRIPTION OF SECURITIES WARRANTS</u>	34
<u>DESCRIPTION OF UNITS</u>	36
<u>PLAN OF DISTRIBUTION</u>	36

<u>VALIDITY OF SECURITIES</u>	37
<u>EXPERTS</u>	37
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	37
<u>Form of Indenture - U.S. Bank National Association</u>	
<u>Opinion/Consent of Dorsey &amp; Whitney LLP</u>	
<u>Computation of Ratio of Earnings</u>	
<u>Consent of Deloitte &amp; Touche LLP</u>	
<u>Power of Attorney</u>	
<u>Statement of Eligibility and Qualification</u>	

All references in this prospectus to MoneyGram, we, us, our and our company are to MoneyGram International Inc. and not to our consolidated subsidiaries, unless otherwise indicated or the context otherwise requires. Our MoneyGram®, Travelers Express®, ExpressPayment® and PrimeLink® marks and our globe with arrows logo are our trademarks.

All references in this prospectus to \$, U.S. Dollars and dollars are to United States dollars.

### **ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we have filed with the SEC using a shelf registration process on Form S-3. Under this shelf registration, we may sell the securities described in this prospectus. The registration statement that contains this prospectus (including the exhibits to the registration statement) contains additional information about us and the securities we are offering under this prospectus. You can read that registration statement at the SEC web site at <http://www.sec.gov> or at the SEC office mentioned under the heading Where You Can Find More Information.

This prospectus provides you with a general description of the securities we may offer. Each time we sell any of these securities, we will provide one or more prospectus supplements containing specific information about the terms of that offering. The prospectus supplements may also add, update or change information contained in this prospectus. If information in the prospectus supplement is inconsistent with the information in this prospectus, then the information in the prospectus supplement will apply and will supersede the information in this prospectus. You should carefully read both this prospectus and any prospectus supplement together with additional information described under the heading Where You Can Find More Information before you invest.

You should rely only on the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. We have not authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it.

You should not assume that the information in this prospectus, any accompanying prospectus supplement or any document incorporated by reference is accurate as of any date other than the date on its front cover.

Neither we nor anyone acting on our behalf is making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus, any prospectus supplement and the documents incorporated by reference in this prospectus or any prospectus supplement may contain forward-looking statements with respect to the financial condition, results of operations, 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, 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 prospectus, including under the heading Risk Factors, and the documents incorporated by reference in this prospectus. 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.

**RISK FACTORS**

*You should carefully consider the risks and uncertainties described below and any risk factors in any accompanying prospectus supplement and in our reports to the SEC incorporated by reference into this prospectus, as well as the other information included or incorporated by reference in this prospectus and any accompanying prospectus supplement, before deciding whether to purchase any securities we may offer.*

**Risks Related to Our Business**

***Our financial condition and results of operations could be adversely affected by fluctuations in interest rates.***

We derive a substantial portion of our revenue from the investment of funds we receive from the sale of payment instruments, such as official checks and money orders, until these instruments are settled. We generally invest these funds in long-term fixed-rate securities. We pay the financial institutions to whom we provide official check outsourcing services a commission based on the average balance of funds produced by their sale of official checks. This commission is generally calculated on the basis of a variable rate based on short-term financial indices, such as the federal funds rate. In addition, we have agreements to sell, on a periodic basis, undivided percentage interests in some of our receivables from agents at a price that is discounted based on short-term interest rates. To mitigate the effects of interest rate fluctuations on our commission expense and the net proceeds from our sales of agent receivables, we enter into variable-to-fixed rate swap agreements. These swap agreements require us to pay our counterparty a fixed interest rate on an agreed notional amount, while our counterparty pays us a variable interest rate on that same notional amount.

Fluctuations in interest rates affect the value and amount of revenue produced by our investment portfolio, the amount of commissions that we pay, the net proceeds from our sale of receivables and the amount that we pay or receive under our swap agreements. As a result, our net investment revenue, which is the difference, or spread, between the amount we earn on our investment portfolio and the commissions we pay and the discount on the sale of receivables, net of the effect of the swap agreements, is subject to interest rate risk as the components of net investment revenue are not perfectly matched through time and across all possible interest rate scenarios.

Certain investments in our portfolio, primarily fixed-rate mortgage-backed investments, are subject to prepayment with no penalty to the borrower. As interest rates decrease, borrowers are more likely to prepay fixed-rate debt, resulting in cash flows that are received earlier than expected. Replacing the higher-rate investments that prepay with lower rate investments could reduce our net investment revenue. Conversely, an increase in interest rates may result in slower than expected prepayments and, therefore, cash flows that are

**Table of Contents**

received later than expected. In this case, there is risk that the cost of our commission payments may reprice faster than our investments and at a higher cost, which could reduce our net investment revenue.

***Material changes in the market value of securities we hold may materially affect our results of operation and financial condition***

We also bear market risk that arises from fluctuations in interest rates that may result in changes in the values of our investments and swap agreements. Rate movements can affect the repricing of assets and liabilities differently, as well as their market value. Stockholders' equity can be adversely affected by changing interest rates, as after-tax changes in the fair value of securities classified as available-for-sale and after-tax changes in the fair value of our swaps are reflected as increases and decreases to a component of stockholders' equity. The fair value of our swaps generally increases when the market value of fixed rate, long-term debt investments decline and vice versa. However, the changes in the fair value of swaps and investments may not fully offset, which could adversely affect stockholders' equity.

The market values of securities we hold may decline due to a variety of factors, including decline in credit rating of the issuer or credit issues related to underlying collateral of the security, general market conditions and increases in interest rates for comparable obligations. If we determine that an unrealized loss on a security is other-than-temporary, the loss becomes a realized loss through an impairment charge in the income statement.

***Our business may require cash in amounts greater than the amount of available credit facilities and liquid assets that we have on hand at a particular time, and if we were forced to ultimately liquidate assets or secure other financing as a result of unexpected liquidity needs, our earnings could be reduced.***

We are subject to risks relating to daily liquidity needs, as well as extraordinary events, such as the unexpected loss of a customer. On a daily basis, we receive remittances from our agents and financial institution customers and we must clear and pay the financial instruments that were previously sold and currently are presented for payment. We monitor and maintain a liquidity portfolio along with credit lines and repurchase agreements in order to cover payment service obligations as they are presented. If we were forced to liquidate portfolio assets or secure other financing as a result of unexpected liquidity needs, our earnings could be reduced. In addition, if we were to lose any of our significant customers, in addition to losing the related revenues, we may have to liquidate investments or seek to borrow for a period of time to fund our obligation to clear the outstanding instruments issued on behalf of that customer at the termination of its contract. We may not be able to plan effectively for every customer contract termination, which could result in sale of investments at a loss of or lower profits than we would otherwise realize due to prevailing market conditions.

***We are subject to credit risk related to our investment portfolio and our use of derivatives.***

Our credit risk includes the potential risk that the Company may not collect on interest and/or principal associated with its investments, as well as counterparty risk associated with its derivative financial instruments. Approximately 70% of our investment portfolio at December 31, 2004 consisted of securities that are not issued or guaranteed by the U.S. government. If the issuer of any of these securities were to default in its payment obligations to us or to otherwise experience credit problems, the value of the investments would decline and adversely impact our investment portfolio and our earnings. At December 31, 2004, we were party to derivative instruments known as swaps having a notional amount of \$3.4 billion. These swap agreements are contracts in which we and a counterparty agree to exchange periodic payments based on a fixed or variable rate of interest on a given notional amount, without the exchange of the underlying notional amounts. The notional amount of a swap agreement is used to measure amounts to be paid or received and does not represent the amount of exposure to credit loss. At any point in time, depending upon many factors including the interest rate environment and the fixed and variable rates of the swap agreements, we may owe our counterparty or our counterparty may owe us. If any of our counterparties to these swap agreements were to default in its payment obligation to us or otherwise experience credit problems, we could be adversely affected.



**Table of Contents**

***We face credit and fraud risks from our retail agents.***

The vast majority of our Global Funds Transfer 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 we must then collect these funds from the agents. As a result, we have credit exposure to our agents, which averages approximately \$1.1 billion in the aggregate, representing a combination of money orders, money transfers and bill payment proceeds. During 2004, this credit exposure was spread across almost 27,000 agents, of which 13 owed us in excess of \$15.0 million each at any one time.

We are not insured against credit losses, except in circumstances of agent theft or fraud. 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 in the future make, 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. The failure of agents owing us large amounts to remit funds to us or to repay such amounts could materially adversely affect our business, results of operations and our financial condition.

***Our business involves the movement of large sums of money, and, as a result, our business is particularly dependent on our ability to process and settle transactions accurately and efficiently.***

Our business involves the movement of large sums of money. Our revenues consist primarily of transaction fees that we charge for the movement of this money and investment revenues. These transaction fees represent only a small fraction of the total amount of money that we move. Because we are responsible for large sums of money that are substantially greater than our revenues, the success of our business particularly depends upon the efficient and error-free handling of the money that is remitted to us and that is used to clear payment instruments or complete money transfers. We rely on the ability of our employees and our internal systems and processes to process these transactions in an efficient, uninterrupted and error-free manner. In addition, we rely on third-party vendors in our business, including clearing banks which clear our money orders and official checks and certain of our telecommunications providers. In the event of a breakdown, catastrophic event, security breach, improper operation or any other event impacting our systems or processes or our vendors' systems or processes, or improper action by our employees, agents, customer financial institutions or third party vendors, we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation.

***Our business is highly dependent on the efficient and uninterrupted operation of our computer network systems and data centers, and any disruption could harm our business.***

Our ability to provide reliable service largely depends on the efficient and uninterrupted operation of our computer network systems and data centers. Any significant interruptions could harm our business and reputation and result in a loss of customers. Our systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorized entry and computer viruses. Although we have taken steps to prevent a system failure, including the implementation of a disaster recovery plan and redundant computer systems, our measures may not be successful and we may experience problems other than system failures. We may also experience software defects, development delays and installation difficulties, which would harm our business and reputation and expose us to potential liability. Our data applications may not be sufficient to address technological advances, changing market conditions or other developments. If we face system interruptions and system failures due to defects in our software, development delays, installation difficulties or for any other reason, our business interruption insurance may not be adequate to compensate us for all losses or damages that we may incur.

**Table of Contents**

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

We provided money transfer services between and among approximately 170 countries at December 31, 2004, and our strategy is to expand our international business. Our ability to grow in international markets and our future results could be harmed by a number of factors, including:

failure to manage successfully our exposure to foreign currency exchange rates;

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

changes in regulatory requirements or in foreign policy and the adoption of foreign laws detrimental to 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 remote locations and foreign legal systems where collection and enforcement may be difficult or costly;

reduced protection for our intellectual property rights;

unfavorable tax rules or trade barriers; and

inability to secure, train or monitor international agents.

***We may be subject to a material breach of security of any of our systems***

Security breaches in our facilities, computer networks, and databases may cause harm to our business and reputation and result in a loss of customers. Many security measures have been instituted to protect the systems and to assure the marketplace that these systems are secure. However, despite such security measures, our systems may be vulnerable to physical break-ins, computer viruses, attacks by hackers or similar disruptive problems. Third-party contractors also may experience security breaches involving the storage and transmission of proprietary information. If users gain improper access to our systems or databases, they may be able to steal, publish, delete or modify confidential third-party information that is stored or transmitted on the networks. A security or privacy breach may affect us in the following ways:

detering customers from using our products and services;

harming our reputation;

exposing us to liability;

increasing operating expenses to correct problems caused by the breach;

affecting our ability to meet customers' expectations; or

causing inquiry from regulatory or governmental authorities.

***We are subject to a number of risks relating to U.S. federal and state regulation of our business.***

In the United States, the money transfer business is subject to a variety of state regulations. We are also subject to U.S. federal anti-money laundering laws and the requirements of the Office of Foreign Assets Control, which prohibit us from transmitting money to specified countries or on behalf of prohibited individuals. The money transfer business has been subject to increased scrutiny following the events of September 11, 2001. The Patriot Act, enacted following those events, mandates several new anti-money laundering requirements. The federal government or the states may elect to impose additional anti-money laundering requirements. Changes in laws or regulations that impose additional

regulatory requirements, including the Patriot Act, could increase our compliance and other costs of doing business, and therefore have an adverse effect on our results of operation. If onerous regulatory requirements were imposed on our agents, they could lead to a loss of agents, which, in turn, could lead to a loss of retail business.

**Table of Contents**

Failure to comply with the laws and regulatory requirements of federal and state 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 materially adversely affect our business, financial condition and results of operations.

If we were to inadvertently transmit money on behalf of, or unknowingly conduct business with, a prohibited individual, we could be required to pay significant damages, including fines and penalties. Likewise, any intentional or negligent violation of anti-money laundering laws by our employees could lead to significant fines and/or penalties, and could limit our ability to conduct business in some jurisdictions.

Legislation has been proposed in the U.S. Congress and in various states that would require additional disclosures to consumers regarding fees and foreign exchange spreads on international money transfers. If enacted, this would require costly upgrades to our computer and point-of-sale systems.

***Imposition of additional regulatory requirements in any of the foreign countries in which we operate could adversely affect our business.***

International regulation of the money transfer business varies from country to country. Although most countries (other than Germany, the United Kingdom, the Netherlands and Switzerland) do not regulate this business to the same degree as the United States, this could change in the future. Various foreign governments could impose additional regulatory requirements on us or impose penalties or charges. Any of these requirements, including anti-money laundering requirements and related scrutiny, could make it more difficult to originate money transfers overseas, increase our costs or decrease our revenues. Any inadvertent violation of a law or regulation by us or one of our agents could subject us to damages, including fines or penalties.

***We are not registered under the Investment Company Act and if we were required to register, our business, prospects and results of operations would be materially adversely affected.***

The Investment Company Act of 1940 requires the registration of, and imposes restrictions on, certain companies that engage primarily in the business of investing, reinvesting or trading in securities. A company may be classified as an investment company if it owns certain types of securities having a value exceeding 40% of its assets and is not primarily engaged in businesses other than investing, reinvesting, owning, holding or trading in securities. We are, and we intend to remain, in the payment services business. While we hold more than 40% of our assets in cash, cash equivalents and investments substantially restricted for payment services obligations and a substantial amount of our revenue is derived from these investments, these activities are undertaken only in connection with our payment services business. Accordingly, we believe that we are not an investment company for purposes of the Investment Company Act and are not required to register under that Act. If we were required to register as an investment company, we would become subject to substantial regulations with respect to our capital structure, management, operations and other matters, which would have a material adverse effect on our business, results of operations and prospects.

***We are exposed to fluctuations in currency exchange rates that could negatively impact our financial results and cash flows.***

We provided money transfer services between and among approximately 170 countries at December 31, 2004, and our strategy is to expand our international business. Because a significant portion of our business is conducted outside the United States, we face exposure to adverse movements in foreign currency exchange rates. Our foreign currency exchange risk includes the potential adverse effect on the Company's earnings from fluctuations in foreign exchange rates affecting certain receivables and payables denominated in foreign currencies. Historically, we have been primarily affected by fluctuations in the U.S. dollar as compared to the British pound and the Euro. Additionally, we have exposures to emerging market currencies, which can have extreme currency volatility.

**Table of Contents**

We primarily utilize forward contracts to hedge our exposure to fluctuations in exchange rates. These forward contracts generally have maturities of less than thirty days. Had the British pound and Euro increased up to 20% over actual exchange rates for 2004, pre-tax operating income would have seen a benefit of up to \$1.1 million for the year. Had the British pound and Euro decreased up to 20% over actual exchange rates for 2004, pre-tax operating income would have seen a decrease of up to \$1.7 million for the year. This sensitivity analysis considers both the impact on translation of our foreign denominated revenue and expense streams and the impact on our hedging program. Our attempts to hedge against these risks may not be successful, resulting in an adverse impact on our net income. ***If we lost key retail agents in our Global Funds Transfer segment, our business and results of operations could be adversely affected.***

We may not be able to retain all of our current retail agents. The competition for chain retail agents is intense, and larger agents are increasingly demanding financial concessions and more information technology customization. The development and equipment necessary to meet agent demands could require substantial capital expenditures. If we were unable to meet these demands, we could lose agents and our volume of money transfers would be substantially reduced and our revenues would decline.

A substantial portion of our transaction volume is generated by a limited number of key agents. During 2004 and 2003, our ten largest agents accounted for 27% and 21%, respectively, of our total revenues, and 41% and 35%, respectively, of the revenues of our Global Funds Transfer segment. Our largest agent accounted for 9% and 5% of our total revenues, and 14% and 8% of the revenues of our Global Funds Transfer segment in 2004 and 2003, respectively. If any of these key agents were not to renew their contracts with us, or if such agents were to reduce the number of their locations, or cease doing business, we might not be able to replace the volume of business conducted through these agents, and our business and results of operations would be adversely affected.

In addition, 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 portion of our agent base to decline. Any regulatory action that adversely affects check cashers could also cause this portion of our agent base to decline.

***If we lost large financial institution customers in our Payment Systems segment, our business and results of operation could be adversely affected.***

During 2004 and 2003, our ten largest financial institution customers accounted for 14% and 17%, respectively, of our total revenues and 39% and 43%, respectively, of the revenues of our Payment Systems segment. Our largest financial institution customer generated approximately 4% and 5% of our total revenues and approximately 10% and 12% of the revenues of our Payment Systems segment in 2004 and 2003, respectively. The loss of any of our top financial institution customers could adversely affect our business and results of operations.

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

The industries in which we compete are highly competitive, and we face a variety of competitors across our businesses. In addition, new competitors or alliances among established companies may emerge. Our primary competition comes from First Data Corporation and its subsidiaries, including Western Union, which has substantially greater transaction volume than we do. First Data Corporation and its subsidiaries have a larger agent base, a more established brand name and substantially greater financial and marketing resources than we do.

The Global Funds Transfer segment of our business competes in a concentrated industry, with a small number of large competitors and a large number small, niche competitors. Our large competitors are other providers of money orders and money transfer services, including Western Union, other subsidiaries of First Data Corporation and the U.S. Postal Service with respect to money orders. We also compete with banks and niche person-to-person money transfer service providers that serve select send and receive corridors.

**Table of Contents**

The Payment Systems segment of our business competes in a concentrated industry with a small number of large competitors. Our competitors in this segment are Integrated Payment Systems, a subsidiary of First Data Corporation, and Federal Home Loan Banks. We also compete with financial institutions that have developed internal processing capabilities or services similar to ours and do not outsource these services.

If we are unable to continue to compete effectively, our business, financial condition and results of operations would be adversely affected.

***If we fail to develop and introduce new and enhanced products and services or if alternative payment mechanisms that we do not offer replace the use of money orders and money transfers, our business and prospects 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, cash access and related services that keep pace with competitive introductions, technological changes and the demands and preferences of our agents, financial institution customers and consumers. Many of our competitors offer stored-value cards and other electronic payment mechanisms, including various internet-based payment services, that could be substituted for traditional forms of payment, such as the money orders, bill payment and money transfer services we offer. If these alternative payment mechanisms become widely substituted for our products and services, and we do not develop similar alternative payment mechanisms, our business and prospects could be adversely affected.

***New check technology could cause our investment balances to decline.***

The Check 21 Act, which became effective in October 2004, is designed to enhance check truncation by speeding up the time in which checks are presented for payment or returned through the banking system if warranted. If widely adopted, the new technology could cause the period of time between when a check is issued and the time when that check is presented for payment to decrease, which could adversely affect our business by causing a reduction in our investment balances and related investment revenues for both our official check processing business and our money order business.

***Litigation may adversely affect our business, financial condition and results of operations.***

Our business has in the past been, and may in the future continue to be, the subject of class actions, regulatory actions or other litigation. For example, in the past, we settled a class action lawsuit that alleged that our disclosure surrounding currency exchange spreads was inadequate. The total amount paid out over a five year period related to this lawsuit was \$8.6 million. The outcome of class action lawsuits and regulatory actions is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of lawsuits and actions may remain unknown for substantial periods of time. The cost to defend future lawsuits may be significant. There may also be adverse publicity associated with lawsuits that could decrease customer acceptance of our services. As a result, litigation may adversely affect our business, financial condition and results of operations.

***If we are unable to protect our intellectual property rights, business, financial condition and results of operation could be adversely affected.***

We rely on a combination of patent, trademark and copyright laws, trade secret protection and confidentiality and license agreements to protect our intellectual property rights. We may be required to spend resources to protect and police these rights, and some rights may not be protected by intellectual property laws, particularly in foreign jurisdictions. Third parties may infringe or misappropriate our proprietary rights. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and prospects.

**Table of Contents**

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

We are in the process of documenting and testing our internal control procedures in order to satisfy 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 accountants addressing these assessments. During the course of our testing we may identify deficiencies which we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, 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 of the Sarbanes-Oxley Act. Failure to achieve and maintain an effective internal control environment could have a material adverse effect on our stock price.

**Risks Related to Our Securities**

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

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

***Except for our common stock, there is no public market for the securities that we may offer using this prospectus.***

Except for our common stock, no public market exists for the securities that we may offer using this prospectus, and we cannot assure the liquidity of any market that may develop, the ability of the holders of the securities to sell their securities or the price at which the securities may be sold. Our common stock is traded on the New York Stock Exchange. We do not intend to apply for listing of any other securities that we may offer using this prospectus on any securities exchange or for quotation through the NASDAQ system. Future trading prices of the securities will depend on many factors including, among others, prevailing interests rates, our operating results and the market for similar securities.

***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.

***Our charter documents, our rights plan and Delaware law contain provisions that could delay or prevent an acquisition of our company, which could inhibit your ability to receive a premium on your investment from a possible sale of our company.***

Our charter documents contain provisions that may discourage third parties from seeking to acquire our company. In addition, we have adopted a rights plan which enables our board of directors to issue preferred share purchase rights that would be triggered by certain prescribed events. These provisions and specific

**Table of Contents**

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 our company. Some of these provisions may discourage a future acquisition of our 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 debt securities are effectively subordinated to the obligations of our subsidiaries.***

We conduct our operations through our subsidiaries. Although our debt securities are unsubordinated obligations, they will be effectively subordinated to all liabilities of our subsidiaries, to the extent of their assets. Our subsidiaries are separate and distinct legal entities and have no obligation to pay any amounts due under our indebtedness, including our debt securities, or to make any funds available to us, whether by paying dividends or otherwise, so that we can do so.

***The indenture does not limit the amount of indebtedness that we may incur.***

The indenture, which is described below under the heading Description of Debt Securities, does not limit the amount of secured or unsecured indebtedness that we may incur. The indenture does not contain any debt covenants or provisions that would afford the holders of our debt securities protection in the event we participate in a highly leveraged transaction.

***Ratings of our debt securities could be lowered in the future.***

We expect that our debt securities will be rated investment grade by one or more nationally recognized statistical rating organizations. A rating is not a recommendation to purchase, hold or sell our debt securities, since a rating does not predict the market price of a particular security or its suitability for a particular investor. The rating organization may lower our rating or decide not to rate our securities in its sole discretion. The rating of our debt securities will be based primarily on the rating organization's assessment of the likelihood of timely payment of interest when due on our debt securities and the ultimate payment of principal of our debt securities on the final maturity date. Any ratings downgrade could increase our cost of borrowing or require certain actions to be performed to rectify such a situation. A downgrade could also have an effect on our ability to attract new customers and retain existing customers. The reduction, suspension or withdrawal of the ratings of our debt securities will not, in and of itself, constitute an event of default under the indenture.

***Any debt securities that we may issue could contain covenants that may restrict our ability to obtain financing, and our noncompliance with one of these restrictive covenants could lead to a default on those debt securities and any other indebtedness.***

If we issue debt securities covered by this prospectus or any future indebtedness, those securities or future indebtedness may be subject to restrictive covenants, some of which may limit the way in which we can operate our business and significantly restrict our ability to incur additional indebtedness or to issue preferred stock. Noncompliance with any covenants under that indebtedness, unless cured, modified or waived, could lead to a default not only with respect to that indebtedness, but also under any other indebtedness that we may incur. If this were to happen, we might not be able to repay or refinance all of our debt.

***If we issue a large amount of debt, it may be more difficult for us to obtain financing, will increase the cost of our debt and may magnify the results of any default under any of our outstanding indebtedness.***

The issuance of debt securities could increase our debt-to-equity ratio or leverage, which may in turn make it more difficult for us to obtain future financing. In addition, the issuance of any debt securities will increase the amount of interest we will need to pay, except to the extent that the proceeds from the issuance of debt securities are used to repay other outstanding indebtedness. Finally, our level of indebtedness, and in particular any significant increase in it, may make us more vulnerable if there is a downturn in our business or the economy.



**Table of Contents**

**MONEYGRAM INTERNATIONAL, INC.**

MoneyGram International, Inc. is a leading global payment services company. Our mission is to provide consumers with affordable, reliable and convenient payment services. We offer our products and services to consumers and businesses through our network of agents and our financial institution customers. The diverse array of products and services we offer enables consumers, most of whom are not fully served by traditional financial institutions, to make payments and to transfer money around the world, helping them meet the financial demands of their daily lives.

Our business is conducted through our wholly owned subsidiary, Travelers Express Company, Inc. ( Travelers ), which has been in operation since 1940. We acquired MoneyGram Payment Systems, Inc. in June 1998, adding MoneyGram branded international money transfer services to our group of Global Funds Transfer services. We were incorporated in Delaware on December 18, 2003 in connection with the June 30, 2004 spin-off from our parent company, Viad Corp ( Viad ). In the spin-off, Travelers was merged with a wholly owned subsidiary of MoneyGram, and then Viad distributed all of the issued and outstanding shares of MoneyGram common stock to Viad stockholders in a tax-free distribution (the spin-off ). Stockholders of Viad received one share of MoneyGram common stock for every one share of Viad common stock owned. Our principal executive offices are located at 1550 Utica Avenue South, Minneapolis, Minnesota 55416, telephone (952) 591-3000. Our website address is [www.moneygram.com](http://www.moneygram.com).

We operate our business in two segments: Global Funds Transfer and Payment Systems.

**Global Funds Transfer**

Our Global Funds Transfer segment provides money transfer services, money orders and bill payment services to consumers. Our primary consumers are unbanked, underbanked and convenience users. 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.

Convenience users are consumers who, while they may have a checking account, prefer to use our products and services on the basis of convenience or value.

We conduct our Global Funds Transfer operations through a worldwide network of agents. We provide Global Funds Transfer products and services utilizing a variety of proprietary point-of-sale platforms. We also operate two customer service call centers in the United States and contract for additional call center services in Bulgaria. These call centers provide multi-lingual customer service for both agents and consumers 24 hours per day, 365 days per year.

*MoneyGram Money Transfers:* Money transfers are transfers of funds between consumers from one location to another. Money transfers are used by consumers who want to transfer funds quickly, safely and efficiently to another individual within the United States or internationally. As of December 31, 2004, we provided money transfer services through over 77,000 agent locations in approximately 170 countries worldwide. Our money transfer revenues are derived primarily from consumer transaction fees and revenues from currency exchange on international money transfers.

In a typical money transfer, a consumer goes to an agent location, completes a form and pays the agent the money to be transferred, together with a fee. The agent enters the transaction data into a point-of-sale money transfer platform, which connects to our central data processing system. Through our FormFree service, customers may contact our call center and a representative will collect the information over the telephone and enter it directly into our central data processing system. The funds are made available for payment in various currencies throughout our agent network. The fee paid by the sender is based on the amount to be transferred and the location at which the funds are to be received. Both the send and receive agents receive a commission from the transaction. In March 2004, we launched our MoneyGram eMoney Transfer service that also allows customers to conduct money transfer transactions on the internet at [www.emoneygram.com](http://www.emoneygram.com) using a credit card or a debit from a bank account. As of December 31, 2004, we offered this service only to U.S. residents outside the state of California.

**Table of Contents**

*Money Orders:* Money orders, much like checks, can be presented by the consumer to make a payment or for cash. Our Global Funds Transfer segment has its roots in the sale of money orders, a business we have been engaged in since 1940. Based on the number of money orders issued in 2004, we are the nation's leading issuer of money orders. In 2004, we issued approximately 278 million money orders through our network of almost 54,000 retail agent locations in the United States and Puerto Rico.

Our money orders are sold under the Travelers Express or Travelers Express MoneyGram brands, on a private label basis or co-branded with retail agents. In most cases, we receive transaction fees from our agents for each money order sold. In many cases, we also receive monthly dispenser service fees from our agents for the money order dispenser equipment we provide. In addition, we generate income from the investment of funds that are remitted from our agents and which we invest until the money orders are cleared through the banking system, or are escheated to the applicable states. Generally a money order will remain outstanding for fewer than ten days.

*Bill Payment Services:* Our bill payment services allow consumers to make urgent payments or pay routine bills. Our ExpressPayment urgent bill payment service is offered through our money transfer agent locations in the United States. Our ExpressPayment urgent bill payment service, which is provided under contract with billers, enables delinquent debtors and just-in-time payers to pay bills generally with same-day credit to a growing group of creditors. Our contracted billers include credit card companies, mortgage companies, auto finance companies, sub-prime lenders, cellular and long distance telephone companies and third-party bill collectors. Our ExpressPayment bill payment service has grown as we have added new billers to our network. We work closely with our agents to identify billers in their service areas to target for this service. In March 2004, our ExpressPayment bill payment service became available for internet transactions at [www.emoneygram.com](http://www.emoneygram.com).

Our FlashPay and BuyPay routine bill payment services are available at selected agent locations. These services allow unbanked and underbanked consumers to pay routine bills with cash at a convenient location. We remit the payments by means of wire transfer or check and the consumer's account is typically credited within one week. These routine bill payment services also afford utilities a method of complying with regulatory requirements that they provide their customers with a given number of locations at which customers may pay their bills. We receive a transaction fee from our agents for each bill payment completed.

**Payment Systems**

Our Payment Systems segment provides financial institutions with payment processing services, primarily official check outsourcing services and money orders for sale to their customers. Our customers are primarily comprised of financial institutions, thrifts and credit unions. As of December 31, 2004, we provided official check services to over 17,000 branch locations of approximately 1,800 financial institutions. Customers include a broad array of financial institutions, including large banks, regional banks and small community banks. We primarily derive revenues from our financial institution customers from the investment of funds underlying the official check or financial institution money order. We invest funds representing customer items from the time the proceeds are remitted until they are cleared. We also derive revenue from fees paid by our customers.

*Official Check Outsourcing Services:* We provide official check outsourcing services through our PrimeLink service. Financial institutions provide official checks, which include bank checks, cashier checks, teller checks and agent checks, to consumers for use in transactions when the payee requires a check drawn on a bank or other third party. Official checks are commonly used in consumer loan closings, such as closings of home and car loans, and other critical situations where the payee requires assurance of payment and funds availability. Financial institutions also use official checks to pay their own obligations. Our PrimeLinkplus product is an internet-based check issuance platform that allows financial institutions and other businesses with multiple locations to securely print official checks at remote locations on a client-controlled basis, eliminating the need to overnight the checks from the main office or wire transfer the funds. We provide these outsourcing services at a low cost to financial institutions and pay an agreed upon commission rate on the

**Table of Contents**

balance of funds underlying the official checks pending clearing of the items. We clear the official check items pursuant to contracts with clearing banks as a service to our official check customers.

*Money Orders:* The Payment Systems segment also offers money orders through financial institutions in a manner very similar to money orders offered through our retail agents in our Global Funds Transfer segment. In 2004, approximately 20 million, or 7%, of our total money orders were sold through financial institutions.

*Controlled Disbursement Processing:* We process WIC checks through our subsidiary, FSMC, Inc. WIC checks are issued under the Special Supplemental Nutrition Program to Women, Infants and Children administered by the U.S. Department of Agriculture through the various states. FSMC, Inc. also processes other controlled disbursements, such as rebate checks. Our revenues from this area are primarily derived from fees.

**USE OF PROCEEDS**

Unless the applicable prospectus supplement states otherwise, we will use the net proceeds we receive from the sale of the securities for general corporate purposes, which may include, among other things, working capital, capital expenditures, debt repayment, the financing of possible acquisitions or stock repurchases. The prospectus supplement relating to a particular offering of securities by us will identify the use of proceeds for that offering.

**RATIOS OF EARNINGS TO FIXED CHARGES AND  
TO FIXED CHARGES AND PREFERRED DIVIDEND REQUIREMENTS**

Our consolidated ratios of earnings to fixed charges and of earnings to fixed charges and preferred dividend requirements for the periods indicated are as follows:

	<b>Year Ended December 31,</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Ratio of Earnings to Fixed Charges					