

MONEYGRAM INTERNATIONAL INC

Form DEF 14A

March 26, 2007

**Table of Contents**

**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)(1) 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.

- o 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:
-

**Table of Contents**

MoneyGram Tower  
1550 Utica Avenue South  
Minneapolis, Minnesota 55416

March 26, 2007

Dear MoneyGram Stockholder:

You are invited to attend our 2007 Annual Meeting of Stockholders, which will be held at 9:00 a.m. Central Time on Wednesday, May 9, 2007 in the Chambord Room of the Sofitel, located at 5601 West 78<sup>th</sup> Street, Bloomington, Minnesota.

Details of the business to be conducted at the meeting are described in the attached Notice of Annual Meeting of Stockholders and the attached proxy statement. No admission tickets or other credentials will be required for attendance at the meeting.

Directors and officers will be available at the meeting to speak with you. There will be an opportunity during the meeting for your questions regarding the affairs of MoneyGram and for a discussion of the business to be considered at the meeting as explained in the Notice and proxy statement.

Your vote is important. Whether or not you plan to attend the 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 meeting, you may vote in person.

We look forward to seeing you at the meeting.

Sincerely,

Philip W. Milne  
*Chairman, President and Chief Executive Officer*

---

**TABLE OF CONTENTS**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

PROPOSAL 1: ELECTION OF DIRECTORS

BOARD OF DIRECTORS AND GOVERNANCE

HUMAN RESOURCES COMMITTEE REPORT

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

DETAILS BEHIND ALL OTHER COMPENSATION COLUMN

GRANTS OF PLAN-BASED AWARDS

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

OPTION EXERCISES AND STOCK VESTED

PENSION BENEFITS

NONQUALIFIED DEFERRED COMPENSATION

SEVERANCE AND CHANGE OF CONTROL PROTECTIONS

2006 DIRECTOR COMPENSATION

SECURITY OWNERSHIP OF MANAGEMENT

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

AUDIT COMMITTEE REPORT

INFORMATION REGARDING INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM FOR 2007

VOTING PROCEDURES

STOCKHOLDER PROPOSALS FOR THE 2008 ANNUAL MEETING

ANNUAL REPORT TO STOCKHOLDERS AND FORM 10-K

OTHER MATTERS

---

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

March 26, 2007

The Annual Meeting of Stockholders of MoneyGram International, Inc. will be held at 9:00 a.m. Central Time on Wednesday, May 9, 2007 in the Chambord Room of the Sofitel, located at 5601 West 78<sup>th</sup> Street, Bloomington, Minnesota for the following purposes:

1. To elect four directors;
2. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2007; and
3. To act upon any other matters which may properly come before the meeting and any adjournments.

Only stockholders of record of common stock at the close of business on March 12, 2007 are entitled to receive this notice and to vote at the meeting.

Our 2006 Annual Report, including financial statements, is included with your proxy materials.

To assure your representation at the 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

Teresa H. Johnson  
*Executive Vice President, General Counsel  
and Secretary*

**PLEASE VOTE YOUR VOTE IS IMPORTANT**

---

**Table of Contents**

**MONEYGRAM INTERNATIONAL, INC.  
1550 Utica Avenue South  
Minneapolis, Minnesota 55416**

**ANNUAL MEETING OF STOCKHOLDERS  
PROXY STATEMENT**

**Annual Meeting** Wednesday, May 9, 2007  
9:00 a.m., Central Time

Sofitel  
5601 West 78<sup>th</sup> Street  
Bloomington, Minnesota 55439

- Purpose**
1. Elect four directors.
  2. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2007.
  3. Any other proper business.

**Proxies Solicitation** We will pay the cost of soliciting proxies. Proxies may be solicited on our behalf by directors, officers or employees, in person or by telephone, electronic transmission or facsimile transmission.

**First Mailing Date** We anticipate mailing the proxy statement on or about March 26, 2007.

**Record Date** March 12, 2007. On the record date, 83,604,895 shares of our common stock were outstanding.

**Voting** You are entitled to vote at the meeting if you are a holder of record on the record date. Each share of common stock is entitled to one vote. You may vote in person at the meeting, by automated telephone voting, on the internet or by proxy.

**Proxies** We will vote signed returned proxies FOR the Board's director nominees and FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for 2007, unless you vote differently on the proxy card. The proxy holders will use their discretion on other matters. If a nominee cannot or will not serve as a director, the proxy may be voted for another person as the proxy holders decide. If you are a participant in the MoneyGram International, Inc. 401(k) Plan, your proxy is a voting instruction to the plan's trustee. See Voting Procedures in this proxy statement.

**Revoking Your Proxy** You may revoke your proxy before it is voted at the meeting. To revoke your proxy, follow the procedures listed under Voting Procedures in this proxy statement.

**Your Comments** Your comments about any aspects of our business are welcome. Although we may not respond on an individual basis, your comments receive consideration and help us measure your satisfaction.

**PLEASE VOTE YOUR VOTE IS IMPORTANT**





**Table of Contents**

**PROPOSAL 1: ELECTION OF DIRECTORS**

**Background**

MoneyGram International, Inc. ( MoneyGram, we, us or our ) became an independent public company on June 30, 2004 when all of our outstanding common stock was distributed to the stockholders of Viad Corp ( Viad ) in a tax-free spin-off transaction (referred to in this proxy statement as the Spin-Off ). We continued the payment services businesses conducted by Viad prior to the Spin-Off, and Viad continued its remaining businesses. Upon completion of the Spin-Off, the existing directors of Viad were elected to the first Board of Directors of MoneyGram, along with our Chief Executive Officer, Philip W. Milne. Several members of our Board of Directors resigned from their directorships at Viad following the Spin-Off, and three continue to serve as directors of both companies. The directorships held by each director of MoneyGram are listed below in their respective biographies.

**Board Structure**

The Board of Directors of MoneyGram is divided into three classes, with the number of directors divided as equally as possible among the three classes. Directors are elected for staggered terms of three years. If a vacancy exists or occurs during the year, the vacant directorship may be filled by the affirmative vote of a majority of the remaining directors for a term expiring at the annual meeting of stockholders at which the term of office of the class to which such director has been elected expires. Each director holds office until a successor has been duly elected and qualified. Robert H. Bohannon retired as MoneyGram's Chairman of the Board effective December 31, 2006, and the Board elected our Chief Executive Officer, Philip W. Milne, also to serve as Chairman effective January 1, 2007. As a result of Mr. Bohannon's retirement, the Board reduced the number of directors to 11. There are currently 11 members of the Board. Four directors are standing for election at this year's annual meeting.

Information about the four nominees for election as directors and the seven directors whose terms of office will continue after the annual meeting is set forth below.

**Director Nominees**

Mr. Jess T. Hay, Ms. Linda Johnson Rice and Messrs. Albert M. Teplin and Timothy R. Wallace are nominated for three-year terms expiring in 2010. These nominees and the other directors have served as directors of MoneyGram since the Spin-Off, except for Mr. Othón Ruiz Montemayor who was appointed by the Board on August 18, 2005 in accordance with our bylaws to fill a newly created vacancy and has since been elected by our stockholders, and Mr. Monte E. Ford who was appointed by the Board on August 17, 2006 in accordance with our bylaws to fill a newly created vacancy for an initial term expiring at the 2008 annual meeting of stockholders.

The Board of Directors has been informed that each of the four nominees is willing to serve as a director. However, if any nominee cannot or will not serve as a director, the proxy may be voted for another person as the persons named on the proxy decide.

*Jess T. Hay*

Mr. Hay has served as Chairman of the Texas Foundation for Higher Education, a non-profit organization promoting higher education in the State of Texas, since 1987 and as Chairman of HCB Enterprises Inc., a private investment firm, since 1995. In 1994, Mr. Hay retired after 29 years of service as Chief Executive Officer of Lomas Financial Corporation, a financial services company. He retired from service on the board of SBC Communications Inc. (n/k/a AT&T Inc.), a telephone, wireless and data communications company, in 2004 and the board of Exxon Mobil Corporation, a

petroleum refining company, in 2001. He is currently a director of Trinity Industries, Inc., an industrial transportation company, and Viad, a travel and recreation services, exhibition and event services company. Age 76.

**Table of Contents**

<i>Linda Johnson Rice</i>	Ms. Johnson Rice serves as President and Chief Executive Officer, and a director, of Johnson Publishing Company, Inc., publisher of <i>Ebony</i> and <i>Jet</i> magazines, positions that she has held since 2002. From 1987 to 2002, she was President and Chief Operating Officer of that company. She is also a director of Bausch & Lomb Inc., an ophthalmic goods company; Kimberly-Clark Corporation, a paper products company; and Omnicom Group Inc., an advertising services company. Age 49.
<i>Albert M. Teplin</i>	Mr. Teplin is an economist and since 2003 has served as a consultant to the Board of Governors of the Federal Reserve System, the U.S. Department of Commerce, the International Monetary Fund, the European Central Bank and the Bank of Japan. Mr. Teplin served as Senior Economist for the Board of Governors of the Federal Reserve System from 2001 to 2003 and was Chief of the Flow of Funds Section of the Board of Governors of the Federal Reserve System from 1989 to 2001. Mr. Teplin is also a director of Viad. Age 60.
<i>Timothy R. Wallace</i>	Mr. Wallace is Chairman, President and Chief Executive Officer of Trinity Industries, Inc., a diversified manufacturer of railcars, barges, highway safety products and various other industrial equipment, a position he has held since 1999. He was Chief Operating Officer of Trinity Industries, Inc. from 1996 through 1998. Age 53.

**Board Voting Recommendation**

The Board recommends to the stockholders that they vote FOR the election of the director nominees. The four director nominees receiving the highest number of votes will be elected.

**Directors Continuing in Office**

*For Terms Expiring at the 2008 Annual Meeting:*

<i>Monte E. Ford</i>	Mr. Ford is the Senior Vice President and Chief Information Officer of AMR Corporation, the parent company of American Airlines operating primarily in the airline industry, a position he has held since December 2000. From 1994 to 2000, he held various positions including Executive Vice President and Chief Information Officer for Associates First Capital Corporation, a financial services company. Mr. Ford started with The Associates in 1994 as Senior Vice President and Chief Information Officer of its consumer sector. From 1991 to 1994, he was with Bank of Boston as Senior Vice President of Technology. Prior to that, he worked at Digital Equipment Corporation, a computer products company, from 1982 to 1991, where he served in a number of positions of increasing responsibility, most recently as National Account Manager. He currently serves on the Board of Children's Medical Center and the Baylor Regional Medical Center, Grapevine. Age 47.
<i>Judith K. Hofer</i>	Ms. Hofer is the retired President and Chief Executive Officer of May Merchandising/MDSI, a May Department Stores Company, a position she held from 2000 to 2002, and thereafter was a consultant to the May Department Stores Company from 2002 to 2005. Prior to that, Ms. Hofer served as President and Chief Executive Officer of Filene's, a division of The May Department Stores Company, from 1996 to 2000. She is also a director of Payless Shoe Source, Inc., a retail shoe company, and

Viad. Age 67.

*Robert C. Krueger*

Mr. Krueger is a former U.S. Congressman, U.S. Ambassador-at-Large and Coordinator for Mexican Affairs, U.S. Ambassador, U.S. Senator, Duke University professor, vice provost and dean, and Distinguished Visiting

**Table of Contents**

Professor at Rice University, University of Texas and Texas State University. He is also the author of two books and over 250 magazine articles and newspaper columns. Mr. Krueger has acted as a consultant to third party businesses interested in international trade and U.S. government policy since 2000. He was a Visiting Research Fellow at Merton College, Oxford University in 2000, and prior thereto was U.S. Ambassador to Burundi from 1994 to 1996, U.S. Ambassador to Botswana, and Special Representative of the U.S. Secretary of State to Southern African Development Community from 1996 to 2000. Age 71.

*Philip W. Milne*

Mr. Milne currently serves as our Chairman of the Board, a position he has held since January 2007, and our President and Chief Executive Officer, positions he has held since June 2004. He is also currently the President and Chief Executive Officer of our principal operating subsidiary, a position he has held since 1996. Mr. Milne joined our predecessor company in 1991 and served as General Manager of the official check business from 1991 until early 1992, as Vice President, General Manager of the Payment Systems segment from 1992 until early 1993, and as Vice President, General Manager of the Retail Payment Products group from 1993 to 1996. Age 47.

*For Terms Expiring at the 2009 Annual Meeting:*

*Donald E. Kiernan*

Mr. Kiernan is the retired Senior Executive Vice President and Chief Financial Officer of SBC Communications, Inc. (n/k/a AT&T Inc.), a telephone, wireless and data communication services company. He served as Chief Financial Officer of SBC Communications, Inc. from 1993 until his retirement in 2001. Mr. Kiernan is also a director of Health Management Associates, Inc., a hospital and medical services company; LaBranche & Co. Inc., a broker-dealer specialist firm; and Seagate Technology, a technology services company. Age 66.

*Douglas L. Rock*

Mr. Rock is the Chairman of the Board of Directors of Smith International, Inc., a worldwide supplier of products and services to the oil and gas exploration and production industry, a position that he has held since 1991, and Chief Executive Officer, a position he has held since 1989. He is also a director of CE Franklin Ltd., a Canadian supplier of products and services to the energy industry. Age 60.

*Othón Ruiz Montemayor*

Mr. Ruiz is Chairman of Grupo Valores Operativos Monterrey S.A.P.I. de C.V. and Grupo Inversiones Monterrey S.A. de C.V., private investment groups with interests in non-banking finance, real estate, reinsurance brokerage and natural gas exploration, positions he has held since 2004. Additionally, he is the Chairman of the Executive Board of the Forum de las Culturas, an international cultural event that will be held in Monterrey, Mexico in September 2007, a position he has held since September 2006. Mr. Ruiz was Chief Executive Officer of Grupo Financiero Banorte, S.A. de C.V., an integrated financial and banking group in Mexico from 1996 to 2004. Prior to that, he served in various positions at Fomento Económico Mexicano, S.A. de C.V., a holding company whose principal businesses include the production and distribution of beverages and packaging materials, operation of convenience stores and logistics management, including Chief Financial Officer from 1974 until 1985 and Chief Executive Officer from 1985 until 1995. Mr. Ruiz also served as Chairman of the Board of Directors of Banregio Grupo Financiero, S.A. de C.V., a financial and banking group headquartered in Monterrey, Mexico until September 2006. Age 63.



**Table of Contents**

**BOARD OF DIRECTORS AND GOVERNANCE**

**Corporate Governance Guidelines**

Our Board has adopted Corporate Governance Guidelines that describe:

- corporate values and ethical business conduct;
- duties of directors;
- duties of Presiding Director;
- Board operations and Committee matters;
- director qualifications and selection process;
- director compensation;
- director independence standards;
- chief executive officer evaluation;
- management succession;
- process for stockholders or other interested parties to communicate with directors; and
- annual Board evaluations.

The Guidelines are available in the Investor Relations section of our website at [www.moneygram.com](http://www.moneygram.com). Copies of the Guidelines are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 1550 Utica Avenue South, Suite 100, Minneapolis, Minnesota 55416, Attention: Corporate Secretary.

**Board Meetings**

The Board of Directors held four regular meetings during 2006. Each director attended at least seventy-five percent of the aggregate number of meetings of the Board and meetings of the Committees on which the director served.

**Director Independence**

The Board has determined that the following directors are independent within the meaning of the listing standards of the New York Stock Exchange, applicable Securities and Exchange Commission ( SEC ) regulations and the categorical standards for independence contained in our Corporate Governance Guidelines: Monte E. Ford, Jess T. Hay, Judith K. Hofer, Linda Johnson Rice, Donald E. Kiernan, Robert C. Krueger, Douglas L. Rock, Othón Ruiz Montemayor, Albert M. Teplin and Timothy R. Wallace. The Board of Directors has adopted categorical standards to assist in the making of determinations of independence. The following commercial or charitable relationships will not be considered to be material relationships that would impair a director's independence: (a) if the director is an executive officer or employee, or their immediate family member is an executive officer, of another company that does business with MoneyGram or its affiliates and the annual sales to, or purchases from, MoneyGram or its

affiliates are less than the greater of \$1.0 million or one percent of the other company's annual consolidated gross revenues; (b) if the director is an executive officer of another company which is indebted to MoneyGram, or to which MoneyGram is indebted, and the total amount of either company's indebtedness to the other is less than one percent of the total consolidated assets of the company that he or she serves as an executive officer; or (c) if the director serves as an officer, director or trustee of a charitable organization and (1) MoneyGram's annual charitable contributions to the organization are less than the greater of \$200,000 or one percent of that organization's total annual charitable receipts, which shall not include MoneyGram's automatic matching of director charitable contributions.



**Table of Contents**

**Board Committees**

The Board maintains four Committees: Audit Committee, Corporate Governance and Nominating Committee, Finance and Investment Committee, and Human Resources Committee. The Board of Directors has adopted a separate written charter for each Committee that is available in the Investor Relations section of our website at [www.moneygram.com](http://www.moneygram.com). Copies of the Committee charters are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 1550 Utica Avenue South, Suite 100, Minneapolis, Minnesota 55416, Attention: Corporate Secretary.

Membership on the Audit, Corporate Governance and Nominating, and Human Resources Committees is limited to independent directors. The Board of Directors has determined that each member of these Committees is an independent director within the meaning of the listing standards of the New York Stock Exchange, applicable SEC regulations and the categorical standards for independence contained in our Corporate Governance Guidelines.

Each Committee of the Board reports regularly to the full Board and annually evaluates its own performance. The Committees meet periodically during the year, usually in conjunction with regular meetings of the Board. The Audit Committee also meets to review quarterly earnings and related press releases and to review our management's discussion and analysis for inclusion in our quarterly reports on Form 10-Q and our annual report on Form 10-K filed with the SEC. The primary responsibilities of the Committees are summarized below.

***Audit Committee.*** The Audit Committee appoints our independent registered public accounting firm and assists the Board in monitoring the quality and integrity of our financial statements, our compliance with legal and regulatory requirements, and the independence and performance of our internal auditor and our independent registered public accounting firm. From time to time, the Committee meets in executive session with our independent registered public accounting firm. The independent registered public accounting firm reports directly to the Committee. The Committee held ten regular meetings during 2006. Current members: Mr. Kiernan (Chair), Ms. Hofer, and Messrs. Rock and Teplin.

The Board has determined that all members of the Audit Committee are financially literate under the listing standards of the New York Stock Exchange and that Donald E. Kiernan, Chair of the Audit Committee, qualifies as an audit committee financial expert under the rules of the SEC. The Board also has determined that Mr. Kiernan's service on more than three audit committees of public companies does not impair his ability to serve effectively on the Audit Committee.

***Corporate Governance and Nominating Committee.*** The Corporate Governance and Nominating Committee is responsible for recommending to the Board of Directors a slate of directors for election by the stockholders at each annual meeting and for proposing candidates to fill any vacancies on the Board. The Committee is also responsible for an assessment of the Board's performance. The Committee reviews, and from time to time proposes changes to, our Corporate Governance Guidelines and the compensation and benefits of non-employee directors. In the past and in 2006, the Committee retained Korn/Ferry International (Korn/Ferry) to assist in the identification of qualified director candidates. With respect to the most recent director search, the Corporate Governance and Nominating Committee directed Korn/Ferry to search for a senior operating executive with a technology background familiar with high-volume, transaction processing businesses. In addition, the Corporate Governance and Nominating Committee engaged Hewitt Associates, LLC (Hewitt), a compensation consultant, to assist in the evaluation of director compensation. The Corporate Governance and Nominating Committee directed Hewitt to provide market reference data, analysis and a recommendation of appropriate compensation levels. The Committee held four regular meetings during 2006. Current members: Ms. Johnson Rice (Chair), and Messrs. Hay, Krueger and Wallace.

***Finance and Investment Committee.*** The Finance and Investment Committee assists the Board in establishing and monitoring compliance with policies regarding investments, capital, foreign currency and credit. The Committee also reviews recommendations regarding strategic equity investments,

## **Table of Contents**

acquisitions, dispositions, equity offerings and indebtedness, and may approve expenditures and acquisitions subject to limitations established by the Board of Directors. In addition, the Committee receives reports concerning the pension trust investment performance. The Committee held four regular meetings in 2006. Current members of the Committee are: Messrs. Rock (Chair), Ford, Kiernan, Ruiz and Teplin.

***Human Resources Committee.*** The Human Resources Committee oversees development and implementation of a compensation strategy designed to enhance profitability and fundamental value. The Committee also reviews and approves, subject to ratification by independent members of the Board, the salary and other compensation of the Chief Executive Officer, approves salaries and other compensation of other executive officers, determines incentive compensation targets and awards under various compensation plans and makes grants of stock options and other awards under our stock incentive plans, including grants of equity compensation to non-employee directors. The Human Resources Committee has retained Hewitt as its compensation consultant. In 2006, Hewitt assisted the Human Resources Committee in the evaluation of senior executive compensation. The Human Resources Committee directed Hewitt to provide market reference data and corresponding analysis of a custom compensation peer group which the Committee used to assist it in determining the compensation levels for each component of compensation for our Chief Executive Officer and the other executive officers. The Committee held four regular meetings during 2006. Current members: Mr. Hay (Chair), Mmes. Hofer and Johnson Rice, and Mr. Wallace.

## **Meetings of Non-Management Directors**

The Board schedules regular executive sessions of the non-management directors. Mr. Hay was appointed in August 2004 as the Presiding Director to preside at executive sessions for a term of two years and, in May 2006, the Board extended his term for an additional two years. In 2006, the Board held one executive session of the non-management directors, which included all directors except Mr. Milne. The Board also held three executive sessions of the independent directors, which included all directors except Messrs. Bohannon and Milne.

## **Attendance at Annual Stockholder Meetings**

Under our Corporate Governance Guidelines, directors are expected to attend the annual meeting of stockholders, Board meetings and meetings of Committees on which they serve. Ten out of eleven directors then in office attended our 2006 annual meeting of stockholders.

## **Director Nominations**

Our Corporate Governance Guidelines describe the process for selection of director nominees, including desired qualifications. Although there are no minimum qualifications for nominees, a candidate for Board service must possess the ability to apply good business judgment, have demonstrated the highest level of integrity, be able to properly exercise the duties of loyalty and care in the representation of the interests of our stockholders and must be able to represent all of our stockholders fairly and equally. Candidates should also exhibit proven leadership capabilities, and experience in business, finance, law, education, technology or government. In addition, candidates should have an understanding regarding major issues facing public companies similar in scope to MoneyGram. Experience in payment or financial services would be an added benefit. Candidates must have, and be prepared to devote, adequate time to the Board and its Committees. The Corporate Governance and Nominating Committee will seek to promote through the nomination process an appropriate diversity on the Board of experience (including international experience), expertise, perspective, age, gender and ethnicity. The Board will also consider the independence of a nominee under the listing standards of the New York Stock Exchange, applicable SEC regulations and the Board's categorical standards for independence contained in our Corporate Governance Guidelines.

In general, candidates for Board membership are evaluated, regardless of the source of the nomination, by the Corporate Governance and Nominating Committee for recommendation to the Board in

## **Table of Contents**

accordance with the Committee's charter and the procedures described in the Corporate Governance Guidelines.

A stockholder making a nominating recommendation for the election of a director must ensure that the nomination complies with our bylaw provisions on making stockholder proposals at an annual meeting. For information regarding stockholder proposals for our 2008 annual meeting, see the section below entitled "Stockholder Proposals for the 2008 Annual Meeting."

## **Communications with the Board of Directors**

Stockholders or other interested parties may communicate with our Presiding Director, the non-management directors as a group, Committees of the Board or individual directors in writing and sent to the attention of the Corporate Secretary at the following address: MoneyGram International, Inc., 1550 Utica Avenue South, Suite 100, Minneapolis, Minnesota 55416. Upon receipt, the Corporate Secretary will forward all such correspondence, as appropriate. Complaints and concerns regarding MoneyGram may also be reported anonymously and confidentially via MoneyGram's Always Honest Hotline at 800-443-4113. The text of our Policy on Communications with the Board of Directors is contained in our Corporate Governance Guidelines, which are posted in the Investor Relations section of our website at [www.moneygram.com](http://www.moneygram.com).

## **Code of Ethics**

All of our directors and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions, are subject to our Code of Ethics, our Always Honest policy and the provisions regarding corporate values and ethical business conduct contained in our Corporate Governance Guidelines. These documents are available in the Investor Relations section of our website at [www.moneygram.com](http://www.moneygram.com). Copies of these documents are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 1550 Utica Avenue South, Suite 100, Minneapolis, Minnesota 55416, Attention: Corporate Secretary.

## **Policy and Procedures Regarding Transactions with Related Persons**

In November 2006, the Audit Committee of the Board adopted our Policy and Procedures regarding Transactions with Related Persons. In accordance with our written policy, the Audit Committee is responsible for the review, approval or ratification of all transactions with related persons that are required to be disclosed under the rules of the SEC. Under the policy, a "related person" includes any of our directors or executive officers, certain of our stockholders and any of their respective immediate family members. The policy applies to transactions in which MoneyGram is a participant, a "related person" will have a direct or indirect material interest, and the amount involved exceeds \$120,000. Under the policy, management of MoneyGram is responsible for disclosing to the Audit Committee all material information related to any covered transaction prior to entering into the transaction. The Audit Committee may use any process and review any information that it determines is reasonable under the circumstances in order to determine whether the covered transaction is fair and reasonable and on terms no less favorable to MoneyGram than could be obtained in a comparable arms-length transaction with an unrelated third party.

## **Transactions with Related Persons**

Robert H. Bohannon, MoneyGram's former Chairman of the Board, is the Chairman of the Board of Viad. In addition, Ms. Hofer and Messrs. Hay and Teplin also serve as members of the Board of Directors of Viad. Ms. Johnson Rice and Messrs. Kiernan, Rock and Wallace previously served as members of the Board of Directors of Viad.

In June 2004, we entered into various agreements with Viad governing our division of liabilities in connection with the Spin-Off, including, but not limited to, an Interim Services Agreement, Employee

**Table of Contents**

Benefits Agreement and a Tax Sharing Agreement. The Interim Services Agreement terminated in accordance with its terms in 2006 and we paid Viad \$300,000 in 2006 in connection with such agreement.

In connection with the Spin-Off and pursuant to the Employee Benefits Agreement, all liabilities under the Deferred Compensation Plan for Directors of Viad Corp (the Viad Director Deferred Compensation Plan ) were transferred to MoneyGram. As directors or former directors of Viad, Mmes. Hofer and Johnson Rice and Messrs. Hay, Kiernan, Rock, Teplin and Wallace are participants in the Viad Director Deferred Compensation Plan. Deferred accounts under such plan can no longer receive additional contributions but are credited by MoneyGram quarterly with dividend equivalents, in the case of stock unit accounts, and interest at a long-term medium-quality bond rate, in the case of cash accounts. Deferred amounts are payable after a director ceases to be a member of both the Viad and MoneyGram Boards of Directors. MoneyGram paid an aggregate of \$115,885 in 2006 in interest and dividends in connection with such liabilities.

In addition, in conjunction with the Spin-Off, MoneyGram assumed liability for the Viad Director s Charitable Award Program (the Charitable Award Program ). The liability assumed by MoneyGram includes (i) payment of monies to the charitable organization designated by the applicable director upon death and as provided in the Charitable Award Program, and (ii) payment of premiums on life insurance policies taken out by Viad on certain of the members of the Viad Board of Directors covered by the Charitable Award Program (including Mmes. Hofer and Rice and Messrs. Bohannon, Hay, Rock and Wallace) to fund benefits under the program. Viad has assigned such life insurance policies to MoneyGram and MoneyGram is now the beneficiary of such policies. In 2006, MoneyGram paid a total of \$137,423 for premiums and MoneyGram made payments totaling \$100,000 to certain charitable organizations designated by a deceased director of Viad.

**HUMAN RESOURCES COMMITTEE REPORT**

The Human Resources Committee of the Board of Directors has reviewed and discussed with management the Compensation Discussion and Analysis section that follows and, based on such review and discussion, has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully Submitted,

Jess T. Hay (Chair)  
Judith K. Hofer  
Linda Johnson Rice  
Timothy R. Wallace

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Overview**

The Human Resources Committee of our Board of Directors (throughout the Compensation Discussion and Analysis, the Committee ) administers and makes decisions regarding our executive compensation and benefit programs. For more information on this Committee, its members and its processes, see Board of Directors and Governance Board Committees.

The following discussion should be read in conjunction with the Summary Compensation Table and related tables and narrative disclosure under the caption Executive Compensation setting forth the compensation of our Chief Executive Officer and the other executive officers named in the Summary Compensation Table (the Named Executive Officers ). For more information on the specific plans under which our compensation and benefits are delivered, see the Executive Compensation section under the captions Description of Material Compensation Plans, Pension Plans and Deferred Compensation.

Generally, the objectives of the executive compensation and benefit program are:

- To attract and retain high-caliber experienced leaders and managers critical to our long-term success;
- To encourage the highest level of performance and accountability for the overall success of MoneyGram;
- To support growth and long-term value creation for our stockholders; and
- To align compensation with short-term and long-term business and financial objectives.

Each element of our executive compensation and benefit program is designed to support and advance these general objectives as more fully described below.

Our compensation and benefit program in 2006 balanced the following key considerations:

**Individual versus corporate or business unit performance.** We require that higher levels of compensation be based on a combination of successful corporate and/or business unit performance and individual performance. When MoneyGram and/or business unit performance exceeds the objectives for the performance period, employees who have demonstrated the required level of individual achievement normally receive greater compensation, and when MoneyGram and/or business unit performance do not meet key objectives, incentive awards are generally reduced or eliminated, or may be paid at the Committee's discretion.

**Fixed versus at-risk compensation.** The proportion of total compensation that is at risk for an executive typically increases as the scope and level of an executive's responsibilities and related ability to impact MoneyGram's results increase.

**Short-term versus long-term compensation.** The ratio of at-risk compensation that is long-term (paid for performance over a period greater than twelve months) to short-term (paid for performance over a period not greater than twelve months) increases at higher levels of responsibility, as employees in these leadership roles typically have greater influence on MoneyGram's strategic direction and long-term progress.



**Cash versus equity compensation.** Our long-term incentive plan uses a combination of our stock (in the form of stock options and restricted stock) and cash (including performance-based stock units paid out in cash) as forms of payment. We provide a greater percentage of our total executive compensation in the form of stock and stock units. We believe that our executive officers should also be stockholders and that a focus of our long-term compensation strategy should be to strengthen MoneyGram's financial and operating condition, thereby increasing its fundamental value and its related earning capacity. Increased fundamental value and earnings, in turn and over time, logically should enhance the prospect for stock appreciation.

**Table of Contents**

**Analytical Tools and Benchmarking**

In setting an executive's compensation package each February, the Committee examines the following elements of an executive's total compensation: current base salary, target bonus opportunity and the amount of long-term incentives for the most recent fiscal year (collectively, an executive's Benchmarking Compensation). The Committee also looks at the amount of compensation paid to other executives within MoneyGram. During 2006, tally sheets were prepared and reviewed by the Committee for all executive officers. These tally sheets set forth total Benchmarking Compensation and benefits paid and potentially payable to each executive, including estimated pension benefits and equity holdings. The use of these tally sheets provided the Committee with a perspective on the total value of our executive compensation and benefits program.

When setting executive compensation and benefits under MoneyGram's compensation plans, the Committee considers a variety of factors, including the following:

Competitive market data;

MoneyGram's financial performance compared with its annual and long-term goals, as measured by, among other factors, net income, earnings per share growth, net revenue and cash flow;

MoneyGram's compensation principles;

Each executive's performance, tenure, experience, management capabilities and contributions to MoneyGram's operations;

The tactical and strategic value to MoneyGram of specific skill sets of certain key employees deemed of vital importance to the future of MoneyGram; and

MoneyGram's business strategy, size and complexity.

For Named Executive Officers, the Committee reviewed data provided by nationally recognized executive compensation surveys and data from a custom group of 24 companies (the Compensation Peer Group) selected by management in consultation with the Committee's compensation advisor and approved by the Committee. Data from the Compensation Peer Group is adjusted using a revenue-based regression technique to account for size differences between MoneyGram and the other companies in the Compensation Peer Group, which had median revenue of \$2.3 billion. Market data reviewed in 2006 was based on MoneyGram's fiscal 2005 revenue of \$971 million.

The companies in the Compensation Peer Group referenced by the Committee in determining compensation levels in February 2006 included: A.G. Edwards & Sons, Inc., Advo, Inc., Alberto-Culver Company, Alliant Techsystems Inc., Ceridian Corporation, Certegy Inc., Church & Dwight Company, Inc., Convergys Corporation, Deluxe Corporation, DST Systems, Inc., Equifax Inc., Fiserv Inc., Global Payments Inc., Lawson Software, Marshall & Ilsley Corporation, Polaris Industries Inc., Sabre Holdings Corporation, Synovus Financial Corp. and The Toro Company. Additionally, data from positions in comparably sized business units (not corporate positions) of the following companies were also used as part of the Compensation Peer Group: American Express Company, Citigroup Inc., First Data Corporation, U.S. Bancorp and Wells Fargo & Company. The Committee found the Compensation Peer Group to be representative of the executive pool for which we compete in terms of scope of operations, geography and industry.

The reference data from the Compensation Peer Group and the nationally recognized executive compensation surveys is one of the many factors considered by the Committee and provides a contextual backdrop for the Committee's

deliberations. Management uses the reference data to provide an estimate of the range of possible compensation amounts for an executive with similar duties at a company similar to MoneyGram in size, scope and complexity. Generally MoneyGram's Benchmarking Compensation for Named Executive Officers ranges between the 50<sup>th</sup> and the 75<sup>th</sup> percentile of the reference data. However, the Committee may position Benchmarking Compensation above or below the reference data. As a result of the Committee's compensation decisions for 2006, total Benchmarking Compensation for

## **Table of Contents**

the Named Executive Officers, other than Mr. Ryan, ranked between the 50<sup>th</sup> and 55<sup>th</sup> percentiles of the reference data, in recognition of strong individual performance and MoneyGram's aggressive operating strategy. Total Benchmarking Compensation for Mr. Ryan, the Executive Vice President/President, MoneyGram Global Payment Products and Services, ranked just below the 65<sup>th</sup> percentile of the reference data because a one-time retention-based restricted stock award was counted toward his annual compensation.

## **Elements of Compensation**

The various elements of the executive compensation and benefit program reward different executive behaviors and business outcomes. The elements of our executive compensation and benefit program are:

Base salary;

An annual, performance-based, cash incentive provided under the MoneyGram International, Inc. Amended and Restated Management and Line of Business Incentive Plan (the "MIP"). The MIP is described below under the caption "Annual Performance-Based Incentive" and in the Executive Compensation section under the caption "Description of Material Compensation Plans";

Long-term incentives, including stock options, retention-based restricted stock, performance-based restricted stock and performance-based stock units, which are provided under the MoneyGram International, Inc. 2005 Omnibus Incentive Plan (the "2005 Omnibus Plan"). Performance goals for the performance-based stock units are set pursuant to the MoneyGram International, Inc. Performance Unit Incentive Plan (the "PUP"). The 2005 Omnibus Plan and the PUP are described in the Executive Compensation section under the caption "Description of Material Compensation Plans" and a description of the actual awards under those plans, such as stock options and restricted stock, are described below under the caption "Long-Term Incentives";

Retirement income, deferred compensation and savings, which are provided under four separate plans known as the MoneyGram Pension Plan (the "Pension Plan"), MoneyGram Supplemental Pension Plan (the "SERP"), MoneyGram International, Inc. 401(k) Plan (the "401(k) Plan") and MoneyGram International, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan"). These plans are described in the Executive Compensation sections under the caption "Pension Plans" and "Deferred Compensation";

Benefits, which include insurance covering medical, hospitalization, dental, life and disability. These benefits, with the exception of those for Mr. Milne, are substantially similar for all full-time employees;

Perquisites, which vary by executive and may include automobile allowance, financial planning services, executive physical examination, health club dues subsidy, country club dues, spousal travel and tax gross up assistance with respect to certain of these perquisites. At the direction of the Board of Directors, MoneyGram also provided the Chief Executive Officer with a security evaluation of his home, as well as the installation of a home security system, and made him eligible for twenty-five hours of personal usage of our aircraft annually; and

Severance benefits, including change-in-control protection, which are provided under the MoneyGram International, Inc. Executive Severance Plan (Tier I) (the "Tier I Plan"), and in the case of the Chief Executive Officer, under his employment agreement. The severance plan is described in the Executive Compensation section under the caption "Severance and Change of Control Protections."



## **Table of Contents**

### **Base Salary**

The objective of base salary is to provide a minimum or base level of competitive compensation. The amount of annual salary an individual executive receives is based on various factors, including tenure and an individual performance assessment. This differentiation in salary helps reward continuous improvement in individual performance and the attainment of key performance metrics. Salary levels also affect other components of pay and retirement benefits, which are typically scaled by reference to salary.

The salaries of the Named Executive Officers are reviewed on an annual basis, as well as at the time of a promotion or other change in responsibilities. Increases in base salary are based on the evaluation of individual performance against the principal job duties and core competencies. The Committee does not assign a particular weight to any factor.

For the 2006 salary increases, the Committee reviewed compensation data consisting of base salaries paid for comparable positions at organizations in the Compensation Peer Group, base salaries for comparable positions determined from other nationally recognized executive compensation surveys and base salaries across other internal executive positions within MoneyGram.

### **Annual Performance-Based Incentive**

MoneyGram's annual incentive program, the MIP, is designed to focus executives on measures which, if accomplished, would have a positive impact on MoneyGram's operating results and/or financial condition. Awards under the MIP also reflect an evaluation of each executive's individual performance during the past year, in the context of the overall performance of MoneyGram and, in some cases, the executive's business unit or function.

During 2006, our annual performance-based incentive plan used performance measures that the Committee believed were important to MoneyGram's annual business objectives, and that supported growth and the creation of fundamental value. The performance metrics for 2006 for MoneyGram's operating results were earnings per share (weighted 60 percent), net income (weighted 15 percent), cash flow (weighted 15 percent) and other goals (weighted 10 percent). Other goals included the establishment of an enterprise risk management program, attainment of money order net revenue goals, achievement of ongoing Sarbanes Oxley compliance, retention of key customers and attainment of customer profitability initiatives. For Mr. Ryan, 70 percent of his 2006 MIP target bonus was tied to the financial results of the global funds transfer line of business and 30 percent of his target bonus was tied to financial results of MoneyGram, as a whole. The performance metrics for the line of business portion of the 2006 MIP were the same as the metrics for MoneyGram's overall financial performance, with a difference only in what constituted the other goals portion of the line of business metrics. Such difference was designed to focus Mr. Ryan on key initiatives of the specific line of business.

Target bonus levels under the annual incentive plan are set as a percentage of base salary and utilize data from the Compensation Peer Group and other nationally recognized executive compensation surveys as a reference point. In 2006, these target bonus levels were 90 percent of annual base salary for the Chief Executive Officer and 50 and 55 percent of annual base salary for the other Named Executive Officers. Bonus payments can exceed the targeted level, up to a maximum percentage of twice the annual target bonus level, if performance exceeds targeted levels and can decrease to zero if performance falls below minimum levels. Actual bonus awards depend on achievement of annual performance goals established by the Committee for MoneyGram or the relevant business line, and overall individual performance. An annual bonus funding limit is established for each executive based on net income from continuing operations for MoneyGram or the relevant business line. For 2006, the funding limit was 1.5 percent of net income which equated to \$1,860,812 for the Chief Executive Officer and 0.5 percent of net income which equated to \$620,271 for each of the other Named Executive Officers. Once the formula has been applied, the Committee may

adjust the actual bonus amounts in accordance with the MIP. The Committee did not exercise any discretion to adjust levels upward or downward in 2006.

## **Table of Contents**

The annual incentive plan contains a provision whereby the Committee may seek reimbursement of bonuses paid to an executive if after payment it is determined that the executive engaged in misconduct, acted in a manner significantly contrary to MoneyGram's interest or breached a non-competition agreement.

### **Long-Term Incentives**

Our long-term incentives are designed to deliver competitive compensation that recognizes employees for their contributions to MoneyGram and aligns executives with stockholders in focusing on long-term growth and enhancement to MoneyGram's fundamental value, which logically and over time should have a positive impact on the stock performance. Long-term incentive awards for Named Executive Officers usually consist of a grant comprised of three components: stock options, performance-based stock units and retention-based restricted stock. In addition, in 2006 the Committee established a grant of performance-based restricted stock that was limited to Mr. Putney, the Executive Vice President and Chief Investment Officer, and MoneyGram's investment portfolio managers. All long-term incentives are granted under the 2005 Omnibus Plan. All of these components focus on long-term growth, and together these components reflect a balance of what we desire to reward, as follows:

**Stock options.** The grant of stock options directly links a portion of each executive's compensation to stock price appreciation. If our share price does not rise during the term of the option, an executive's total compensation opportunity will not be realized.

**Performance-based stock units.** Performance goals for performance-based stock units are set pursuant to the PUP. These grants are intended to focus our executives' efforts on certain strategic, financial or operational goals that must be achieved over longer periods of time in order for executives to receive the value of the units. The performance periods and performance goals are established by the Committee for multi-year periods that are not less than two years and not more than five years. The performance metrics and weightings for the 2005-2006 performance period for performance-based stock units were based on a two-year average of earnings per share (weighted 70 percent) and operating income (weighted 30 percent). The 2005-2006, 2005-2007 and 2006-2008 PUP awards each established three levels of performance at which payment would be earned: minimum, target and maximum levels of growth in earnings per share and operating income from continuing operations for the applicable performance period.

**Retention-based restricted stock.** The objective of retention-based restricted stock is to reward executives for maintaining fundamental value and for continuing in service with us during the service period. Retention-based restricted stock awards require the executive to be continuously employed for an extended period of time. Retention-based restricted stock vests, and all restrictions lapse, on the third anniversary of its grant date, provided the executive remains employed by MoneyGram. This promotes retention of a stable executive management team which helps MoneyGram operate effectively, particularly since MoneyGram is in its early stages as a public company.

**Performance-based restricted stock.** The use of performance-based restricted stock is intended to focus our executives' efforts on certain strategic, financial or operational goals that must be achieved in order for executives to receive the value of the stock. Performance-based restricted stock was introduced in 2006 for the executives responsible for our investment portfolio in order to directly link a portion of their compensation to investment portfolio results, a methodology that the Committee believes is more reflective of the manner in which investment portfolio managers are compensated elsewhere. Awards are earned by the executive annually, based on the extent to which the net interest margin threshold established in MoneyGram's financial plan is achieved or exceeded. However, awards that have been earned are also subject to time-vesting restrictions, thereby requiring the executive to remain employed with MoneyGram in order to achieve the full value of the award.

Long-term incentive awards for our Named Executive Officers are determined by the