MONEYGRAM INTERNATIONAL INC
Form PRE 14A
March 17, 2011

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

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box

þ Preliminary Proxy Statement

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

o Definitive Proxy Statement

o Definitive Additional Materials

o 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):

þ No fee required.

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

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

2. Aggregate number of securities to which transaction applies:

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

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

o 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:

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

[ ], 2011

Dear MoneyGram Stockholder:

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

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

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

We look forward to seeing you at the Special Meeting.

Sincerely,

Pamela H. Patsley
Chairman and Chief Executive Officer

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

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

[ ], 2011

To the Stockholders of MoneyGram International, Inc.:

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

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

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

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

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

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

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

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

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

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

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

By Order of the Board of Directors

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

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

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

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

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

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

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

PROXY STATEMENT FOR THE SPECIAL MEETING OF STOCKHOLDERS

GENERAL INFORMATION

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

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

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND VOTING

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

Q: Who is soliciting my vote?

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

Q: What is the purpose of the Special Meeting?

A: You will be voting:

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

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

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

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

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

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

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

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

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

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

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

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

Q: Who is entitled to vote on the Proposals?

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

Q: How many votes do I have?

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

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

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

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

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

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

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

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

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

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

Q: What regulatory approvals will be required?

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

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Q: Who is paying for the proxy solicitation?

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

Q: How do I vote?

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

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

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

Q: How will the proxies be voted?

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

Q: What if I do not vote?

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

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

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

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

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

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

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

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Q: Who can help answer my questions?

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

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

THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

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

Matters to be Considered

The Special Meeting has been called for the following purposes:

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

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

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

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

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

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

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

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

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Record Date and Voting

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

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

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

1. FOR Proposal Number One;

2. FOR Proposal Number Two; and

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

Quorum, Abstentions, Non-Votes and Vote Required

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

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

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

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

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

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

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

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

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

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

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

No Dissenters Rights of Appraisal

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

Proxy Solicitation and Expenses

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

PROPOSAL NUMBER ONE: RECAPITALIZATION

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

- the THL Investors will convert all of their shares of Series B Preferred Stock into Common Stock in accordance with the Series B Certificate of Designations;
- the GS Investors will convert all of their shares of Series B-1 Preferred Stock into Series D Preferred Stock in accordance with the Series B-1 Certificate of Designations;
- the Series D Certificate of Designations will be amended to add certain restrictions on the conversion and voting of the Series D Preferred Stock;
- as consideration to the Investors to effect such conversions in accordance with the Series B Certificate of Designations and the Series B-1 Certificate of Designations and to forgo the rights to liquidation preferences and future dividends provided for in the Series B Certificate of Designations and the Series B-1 Certificate of Designations, as applicable, the Company will pay the Investors additional consideration in the form of cash and issue to the Investors additional shares of Common Stock or Series D Preferred Stock, as applicable; and

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

attached hereto as Appendix A.

Background

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

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

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

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

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

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

effectiveness as counsel to the Special Committee.

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

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

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

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

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

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

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

On September 14, 2010, the Special Committee held a telephonic meeting at which representatives of Jones Day and JP Morgan were present. The primary purposes of the meeting were to (1) receive and consider further financial analyses performed by JP Morgan and (2) consider potential next steps with respect to the Special Committee s exploration and consideration of potential alternatives in relation to the Company s capital structure. The representatives of Jones Day reported that there had been no significant developments with respect to Goldman s discussions with the Federal Reserve. The representatives of JP Morgan discussed various factors that could affect the timing and terms of a potential recapitalization of the Company. Among other matters, the Special Committee noted that the GS Investors and the THL Investors had no inherent incentive to convert their respective holdings of Preferred Stock, and that it would be necessary to present a compelling rationale and provide adequate consideration for any such conversion in light of the economic and other rights associated with the Preferred Stock. Following discussion, the Special Committee determined to defer any decision with respect to potential discussions with the GS Investors and/or the THL Investors until the following week.

On September 21, 2010, the members of the Special Committee met informally among themselves and discussed and confirmed their collective view that an enhancement of the capital structure of the Company, including through the reduction or elimination of the Preferred Stock, would be in the best interests of the holders of the Common Stock, provided that such an enhancement could be achieved on appropriate economic terms. The members of the Special Committee also discussed various considerations affecting the advisability of engaging in discussions with the GS Investors and/or the THL Investors at that time, including, among others: the GS Investors prior indications that the receipt of guidance from the Federal Reserve would be a precondition to any transactions involving their investments in the Company; the absence of an inherent incentive for either the GS Investors or the THL Investors to convert their holdings of Preferred Stock; and the likelihood and implications of the GS Investors and/or the THL Investors taking more aggressive negotiating positions in connection with any negotiations that might commence at a time when the prevailing market price for the Common Stock was below the $2.50 conversion price provided for in the Series B Certificate of Designations. Following these discussions, the members of the Special Committee preliminarily concluded that it would be advisable to defer discussions with the GS Investors and the THL Investors with respect to a Potential Recapitalization until such time as the Federal Reserve had provided appropriate guidance to the GS Investors.

Later on September 21, 2010, the Special Committee held a meeting at which representatives of Company management and Jones Day were present. The primary purposes of the meeting were for the Special Committee to (1) receive management s views regarding various factors affecting recapitalization alternatives potentially available to

the Company, including management s views regarding the optimal time to engage in discussions with the GS Investors and/or the THL Investors in connection with a Potential Recapitalization and (2) consider potential next steps with respect to the Special Committee s consideration and exploration of

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potential alternatives in relation to the Company s capital structure. Following discussion, the Special Committee concluded that it would be advisable to defer discussions with the GS Investors and/or the THL Investors with respect to a Potential Recapitalization until such time as the Federal Reserve had provided appropriate guidance to the GS Investors.

On the evening of September 21, 2010, following the meeting of the Special Committee earlier that day, Messrs. Turner and Dahir held informal discussions with Bradley Gross, a representative of the GS Investors, in which Mr. Gross communicated that the GS Investors would be amenable to discussing the terms of a possible conversion of the Series B-1 Preferred Stock held by them prior to their receipt of Federal Reserve guidance, notwithstanding the GS Investors unwillingness to commit to any such conversion prior to receiving such guidance. Consistent with the determinations of the Special Committee, Messrs. Turner and Dahir indicated to Mr. Gross that the Special Committee was not interested in commencing such discussions at that time.

On November 3, 2010, the Special Committee held a telephonic meeting at which representatives of Jones Day were present. Among other matters, the Special Committee discussed the status of Goldman s discussions with the Federal Reserve. Based on the uncertain timing of the Federal Reserve review process and the reasons for seeking to enhance the Company s capital structure, the Special Committee concluded at the meeting that the focus of its consideration, evaluation and negotiation of any recapitalization should be on pursuing a recapitalization of the Company that would eliminate the Preferred Stock from the Company s capital structure. Although the Special Committee recognized that the Company s capital structure issues and BHCA issues were to some extent linked, the Special Committee concluded that addressing the Company s capital structure issues would be appropriate even though the BHCA issues might remain unresolved for some time. The Special Committee members recognized, however, that: neither the GS Investors nor the THL Investors could be compelled to convert their Preferred Stock; any such conversion while the Notes are outstanding could require an accommodation from the GS Note Holders under the Notes indenture; the GS Note Holders appeared to be disinclined to divest any Notes unless such divestiture is necessary to resolve the BHCA issues; and that the GS Investors appeared to be disinclined to convert their Series B-1 Preferred Stock without guidance from the Federal Reserve and otherwise than as part of a comprehensive recapitalization of the Company that would eliminate all Preferred Stock from its capital structure. The Special Committee also recognized that both the timing and nature of any such recapitalization could be significantly affected by the timing and outcome of Goldman s discussions with the Federal Reserve.

In connection with a meeting of the Board of Directors held on November 30, 2010, members of the Special Committee communicated to representatives of the THL Investors (apart from SPCP Group, LLC and its affiliates, which entered into the discussions on March 4, 2011) the desire of the Special Committee to proceed with discussions relating to a Potential Recapitalization without waiting further for Goldman to receive guidance from the Federal Reserve. The representatives of the THL Investors indicated that they would consult with the GS Investors to determine whether they might be willing to proceed on that basis and, if so, would coordinate the discussion with respect to a Potential Recapitalization.

During the first week of January 2011, Mr. Turner discussed with Messrs. Hagerty and Gross the status of the discussions among the THL Investors and the GS Investors with respect to a Potential Recapitalization.

On January 12, 2011, the Special Committee held a telephonic meeting at which representatives of Jones Day and JP Morgan were present. Mr. Turner reported to the other members of the Special Committee that he had recently engaged in conversations with Messrs. Hagerty and Gross relating to a Potential Recapitalization. Mr. Turner indicated that he had communicated to Messrs. Hagerty and Gross the Special Committee s belief that it would be in the best interests of the Company to proceed with discussions relating to such a transaction. Mr. Turner also reported that Mr. Hagerty had subsequently communicated to him that the Investors would share their thoughts on a potential transaction with the Special Committee during the week of January 17, 2011. The Special Committee then discussed

the process that it should undertake following the receipt of such information from the Investors.

On January 20, 2011, Mr. Turner received a telephone call from Mr. Hagerty in which Mr. Hagerty communicated the amount of additional consideration that the Investors would need to receive in order to

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consider converting their Preferred Stock and thereby forgo the rights to liquidation preferences and future dividends provided for in the Series B Certificate of Designations and the Series B-1 Certificate of Designations. Mr. Hagerty indicated that such amount of additional consideration would need to equal 2.5 years of accrued dividends on the Preferred Stock at a rate of 12.5% per annum (increasing to 15% per annum after March 25, 2013) and that the Investors might consider receiving two-thirds of such amount in cash and one-third in additional shares of Common Stock. Mr. Turner subsequently informed the other members of the Special Committee and the representatives of Jones Day and JP Morgan of his discussion with Mr. Hagerty.

On January 24 and 25, 2011, Mr. Turner received, and provided to the other members of the Special Committee and representatives of Jones Day and JP Morgan, various financial forecasts and financial analyses prepared by Company management relating to the Company s future ability to pay cash dividends on the Preferred Stock at a rate of 10% per annum, rather than accrue dividends at a rate of 12.5% per annum (increasing to 15% per annum after March 25, 2013). On January 25, 2011, Mr. Turner and representatives of Jones Day and JP Morgan participated in a telephonic meeting to discuss the information Mr. Hagerty had communicated to Mr. Turner. The participants in the meeting discussed, among other matters, the financial terms of a Potential Recapitalization, the valuation implications of a Potential Recapitalization, and the capital structure implications of a Potential Recapitalization. Following such discussion, Mr. Turner instructed the representatives of JP Morgan to contact Mr. Hagerty to clarify the terms of a transaction that the Investors might find acceptable.

On January 27, 2011, the Special Committee held a telephonic meeting at which representatives of Jones Day and JP Morgan were present. At the meeting, the members of the Special Committee and the representatives of Jones Day and JP Morgan discussed the possible transaction that Mr. Hagerty had discussed with Mr. Turner on January 20, 2011. The representatives of JP Morgan reported that, based on the clarifications that they had obtained from Mr. Hagerty regarding a possible transaction, the Investors would consider accepting as additional consideration for converting all of their respective holdings of Preferred Stock additional consideration of approximately $420 million (with the Common Stock component determined using the $2.50 per share of Common Stock conversion price set forth in the Series B Certificate of Designations). The representatives of JP Morgan then discussed various valuation methodologies that JP Morgan could use to support arguments for less additional consideration. A discussion ensued with respect to, among other matters: the fiduciary duties of the members of the Special Committee; the benefits to the holders of Common Stock of eliminating the Preferred Stock from the Company s capital structure; the pros and cons associated with the amount and the form of consideration that might be provided by the Company to the Investors in connection with a Potential Recapitalization, including degrees of leverage and amounts of dilution that might be associated therewith; the appropriate magnitude of additional consideration to be provided by the Company to the Investors; and potential strategies that might be employed to negotiate a Potential Recapitalization in a manner that would achieve the best available outcome for the holders of the Common Stock. Following the meeting, after consultation with each of the members of the Special Committee, Mr. Turner instructed JP Morgan to communicate to Mr. Hagerty a Potential Recapitalization in which the Investors would receive additional consideration in the amount of $225 million, payable two-thirds in cash and one-third in additional shares of Common Stock (with the Common Stock component determined using the $2.50 per share of Common Stock conversion price set forth in the Series B Certificate of Designations).

On February 3, 2011, the Special Committee held a telephonic meeting at which representatives of Jones Day and JP Morgan were present. At the meeting, the representatives of JP Morgan reported to the Special Committee that Mr. Hagerty had reacted negatively to the Company s terms for a Potential Recapitalization and indicated that the Investors would not convert their Preferred Stock on the terms that JP Morgan had communicated. The representatives of JP Morgan also indicated that Mr. Hagerty disagreed with certain of the assumptions JP Morgan had cited as a basis for the $225 million of additional consideration and indicated that based on internal analyses the $420 million of additional consideration previously discussed by Mr. Hagerty undervalued the Preferred Stock. The representatives of JP Morgan then made a presentation to the Special Committee that included various financial analyses that related to

the Company s future ability to pay cash dividends on the Preferred Stock and the rates at which dividends would accrue under various sets of assumptions. After receiving and discussing JP Morgan s presentation and related matters, the Special

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Committee instructed JP Morgan to engage in further discussions with Mr. Hagerty and propose to Mr. Hagerty a Potential Recapitalization in which the Investors would receive additional consideration in the amount of $275 million (with the Common Stock component determined using the $2.50 per share of Common Stock conversion price set forth in the Series B Certificate of Designations).

On February 10, 2011, the Special Committee held a telephonic meeting at which representatives of Jones Day and JP Morgan were present. At the meeting, the Special Committee and representatives of Jones Day and JP Morgan discussed JP Morgan s discussions with Mr. Hagerty with respect to the magnitude of the additional consideration that the Investors would receive in a Potential Recapitalization and strategies for continuing the discussions. The representatives of JP Morgan informed the Special Committee that they had communicated to Mr. Hagerty the Special Committee s position that the Investors receive additional consideration of $275 million in connection with a Potential Recapitalization and that Mr. Hagerty had responded that the additional consideration would need to be $375 million in order for the Investors to consider converting their Preferred Stock. The representatives of JP Morgan then provided the Special Committee an analysis of the effects of various hypothetical amounts of additional consideration on the amount of cash and number of shares of Common Stock that the Company would pay under various Potential Recapitalization scenarios, the financial leverage of the Company after giving effect to a hypothetical Potential Recapitalization under various Potential Recapitalization scenarios, and the manner in which the hypothetical costs of the additional consideration would be indirectly borne by the Investors, on the one hand, and the existing holders of Common Stock, on the other hand. The representatives of JP Morgan also advised the Special Committee with respect to potential negotiation tactics that the Special Committee could use in seeking agreement on a Potential Recapitalization. Following discussion, the Special Committee concluded that it would be advantageous for the Special Committee to commence direct negotiations with Mr. Hagerty and authorized Mr. Turner to negotiate on the Special Committee s behalf a Potential Recapitalization involving additional consideration not to exceed $325 million.

Following the February 10, 2011 Special Committee meeting, Mr. Turner engaged in further discussions with Mr. Hagerty concerning the terms of a Potential Recapitalization. These discussions resulted in a proposal by Mr. Turner that the amount of additional consideration be set at $325 million, subject to negotiation of satisfactory terms and documentation, and a response by Mr. Hagerty that the amount of additional consideration be set at $330 million in order for the Investors to consider converting their Preferred Stock (in each case, with the Common Stock component thereof determined using the $2.50 per share of Common Stock conversion price set forth in the Series B Certificate of Designations).

On February 16, 2011, preceding the regularly scheduled quarterly meeting of the Board of Directors, the Special Committee held a meeting at the offices of the Company at which representatives of Jones Day were present and representatives of JP Morgan participated telephonically. At the meeting, the Special Committee discussed the status of discussions with the Investors, additional financial analyses conducted by JP Morgan and next steps in the discussions with the Investors. Although the Special Committee decided not to make a formal determination at that time, it was the sense of the Special Committee that a Potential Recapitalization involving an aggregate additional consideration to be provided by the Company to the Investors of between $325 million and $330 million (with the Common Stock component thereof determined using the $2.50 per share of Common Stock conversion price set forth in the Series B Certificate of Designations) would be fair to and in the best interests of the Company and the holders the Common Stock and would represent the best alternative available to the Company in relation to the Preferred Stock.

Thereafter, Mr. Turner informed Company management of the status of discussions between the Special Committee and the Investors. With Mr. Turner s concurrence, Company management instructed its legal counsel, V&E, to prepare definitive documentation providing for a Potential Recapitalization, which V&E prepared with input from Jones Day on behalf of the Special Committee. On February 18, 2011, V&E provided an initial draft of the Recapitalization Agreement to the THL Investors and the GS Investors, and their respective legal counsel, Weil Gotshal & Manges

LLP (Weil) and Fried, Frank, Harris, Shriver & Jacobson LLP (Fried Frank). On March 3, 2011, Fried Frank provided to V&E a draft of the consent agreement and supplemental indenture that provided for the consent to the transactions contemplated by the Recapitalization Agreement by the GS Note Holders, as required under the indenture governing the Notes (the Consent Agreement).

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From February 18, 2011 through March 7, 2011, representatives of V&E, Jones Day, Weil, Fried Frank, the Company, the THL Investors (including as of March 4, 2011, SPCP Group, LLC and its affiliates) and the GS Investors engaged in a series of email exchanges and telephone conferences to discuss and negotiate the terms and conditions of the Recapitalization Agreement, including provisions relating to the ability of the Company to pay cash or accrue dividends at its election between signing the Recapitalization Agreement and closing of the Recapitalization and the payment by the Company of the Investors legal and other expenses in connection with the transaction. Throughout this period, the representatives of Jones Day kept Mr. Turner apprised of the status of the negotiations and obtained his direction with regard to various matters. During the course of preparing and negotiating the Recapitalization Agreement, it was determined that, in light of BHCA considerations, the GS Investors would receive Series D Preferred Stock, a non-voting common stock equivalent, instead of Common Stock, in connection with the non-cash portion of the additional consideration payment payable to the GS Investors.

Between March 4 and March 7, 2011, V&E and management distributed to the members of the Special Committee and the Board of Directors drafts of the Recapitalization Agreement and related documents. On March 7, 2011, Messrs. Turner and Hagerty reached agreement, subject to consideration and approval by the Special Committee, on additional consideration to be received by the Investors in connection with the Potential Recapitalization in the amount of $327.5 million, payable two-thirds in cash and one-third in Common Stock (or, in the case of the GS Investors, the Series D Preferred Stock, as a non-voting common stock equivalent) with the capital stock component thereof determined using the $2.50 per share of Common Stock conversion price set forth in the Series B Certificate of Designations (including the Common Stock underlying the Series D Preferred Stock).

Later on March 7, 2011, the Board of Directors held a telephonic meeting at which representatives of Jones Day, JP Morgan and V&E were present. At this meeting, Pamela Patsley, the Chief Executive Officer of the Company, reviewed with the members of the Board of Directors the benefits that the proposed Potential Recapitalization would provide to the holders of the Common Stock and the strategic and operational flexibility that the proposed Potential Recapitalization would afford the Company, representatives of V&E reviewed with the members of the Board of Directors their fiduciary duties with respect to their consideration of the proposed Potential Recapitalization, the standard of review under Delaware law to which the proposed Potential Recapitalization would be subject, and the material terms and conditions of a proposed Recapitalization Agreement providing for the proposed Potential Recapitalization, Jim Shields, the Chief Financial Officer of the Company, reviewed with the members of the Board of Directors the material terms of the financing transactions the Company proposed to consummate in connection with the proposed Potential Recapitalization, including terms relating to securing the requisite consent of the GS Note Holders under the indenture governing the Notes, and representatives of JP Morgan (1) provided a presentation to the Board of Directors in which they communicated JP Morgan s views regarding the potential benefits to the Company and the holders of the Common Stock and certain other considerations associated with the proposed Potential Recapitalization and discussed various financial analyses previously provided to the Special Committee and (2) expressed the view that the Preferred Stock has an aggregate range of values between $1.8 billion and $2.5 billion, and stated that JP Morgan was prepared to confirm such view in a formal valuation letter addressed to the Special Committee (the JPM Valuation Letter) for the benefit of the Special Committee and the Board of Directors (which JP Morgan subsequently delivered later in the day).

The meeting of the Board of Directors was then recessed, and the Special Committee held a separate telephonic meeting of the Special Committee at which representatives of Jones Day were present. Based upon its activities and deliberations over the course of the preceding nine months, and the information and advice that it had received and considered, the Special Committee unanimously determined that the proposed Potential Recapitalization, on terms and conditions set forth in the Recapitalization Agreement (the Recapitalization Transaction), is fair to and in the best interests of the Company and its stockholders (specifically including the stockholders of the Company other than the THL Investors and the GS Investors), and to recommend to the Board of Directors that the Board of Directors approve

the Recapitalization Transaction.

Thereafter, the meeting of the full Board of Directors was resumed. Following the receipt by the Board of Directors of the recommendation of the Special Committee, the Board of Directors, acting upon the recommendation of the Special Committee, unanimously determined that the Recapitalization Agreement and

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the related agreements and the transactions contemplated thereby were advisable and in the best interests of the Company and its stockholders, specifically including the stockholders of the Company other than the THL Investors and the GS Investors.

Following the conclusion of the meeting of the Board of Directors, members of Company management and representatives of V&E, Jones Day, Weil and Fried Frank finalized the Recapitalization Agreement and related transaction documents. Also that evening, JP Morgan executed and delivered the JPM valuation letter to the Special Committee. Finally, on March 7, 2011, the Company, the THL Investors and the GS Investors executed the Recapitalization Agreement, and the GS Note Holders, the Company and Worldwide executed the Consent Agreement.

On March 8, 2011, the Company issued a press release announcing that it had entered into the Recapitalization Agreement.

Recommendations of the Special Committee

The Special Committee unanimously (1) determined that the Recapitalization Transaction is fair to and in the best interests of the Company and its stockholders (specifically including the stockholders of the Company other than the THL Investors and the GS Investors), and (2) recommended to the Board of Directors that the Board of Directors approve the Recapitalization Transaction.

As described above under Background, the Special Committee, in making its determination and recommendation described above, consulted on numerous occasions with its financial and legal advisors and the Company s management and considered a variety of factors. The Special Committee believes that the following factors, taken as a whole, support its determination and recommendation.

Effects of the Recapitalization Transactions on the Company and the Common Stock. The Special Committee considered the effects that the Recapitalization Transaction would likely have on the Company and the Common Stock, including:

- expected reductions in the Company s cost of capital;
- expected improvements in the Company s future cash flows;
- the expected facilitation of a resolution of the Company s BHCA issues;
- the elimination of future dilution of the Common Stock caused by the accruing dividend feature of the Preferred Stock;
- the simplification of the Company s capital structure and the elimination of the market overhang caused by the direct and indirect convertibility of the Preferred Stock into Common Stock;
- expected improvements in analyst coverage and investor interest in the Common Stock;
- the potential for an expansion of the trading multiples of the Common Stock;
- the potential for an increase in the public float of, and improved trading liquidity in, the Common Stock;
-

the near-term dilution to the Common Stock expected to result from the additional consideration to be provided by the Company to the THL Investors and the GS Investors in connection with the Recapitalization Transaction; and

- the market overhang that may result from the substantial amounts of Common Stock and Series D Preferred Stock to be held by the THL Investors and the GS Investors, respectively, immediately following the consummation of the Recapitalization Transaction.

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Financial Terms of the Recapitalization Agreement. The Special Committee considered the financial terms of the Recapitalization Agreement, including:

- that the sum of the $218.3 million cash portion of the additional consideration, the $117.0 million of implied value associated with the portion of the additional consideration to be paid in the form of Common Stock or Series D Preferred Stock (based on the March 7, 2011 closing price for the Common Stock of $2.68 per share), and the $1.2 billion of implied value associated with the Common Stock and Series D Preferred Stock to be issued upon the conversion of the Preferred Stock (based on the March 7, 2011 closing price for the Common Stock of $2.68 per share) or approximately $1.53 billion is substantially less than the aggregate range of values for the Preferred Stock of between $1.8 billion and $2.5 billion expressed in the JPM Valuation Letter;

- that, as a result of their existing equity investments in the Company, the THL Investors and the GS Investors would indirectly bear approximately 84% of the economics associated with the additional consideration;

- that the THL Investors and the GS Investors are entitled to dividends on the Preferred Stock through the date of consummation of the Recapitalization Transaction;

- that, with respect to quarterly dividend periods ending after the date of the Recapitalization Agreement and prior to consummation of the Recapitalization Transaction, the Company may either accrue dividends or pay dividends on the Preferred Stock in cash;

- that, with respect to the stub period between the last quarterly dividend period ending prior to the consummation of the Recapitalization Transaction and the consummation of the Recapitalization Transaction, the Company is obligated to pay cash dividends on the Preferred Stock at the rate of 12.5% per annum; and

- the obligation of the Company under the Recapitalization Agreement to pay all reasonable out-of-pocket expenses incurred by the GS Investors and the THL Investors in connection with the due diligence, negotiation, documentation and consummation of the Recapitalization Transaction, any related filings required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and any related legal proceedings.

Valuation Letter of JP Morgan. The Special Committee considered the view of JP Morgan, orally provided to the Board of Directors on March 7, 2011, and subsequently confirmed by delivery to the Special Committee of the JPM Valuation Letter, that as of that date and based upon and subject to the assumptions made, procedures followed, matters considered, and qualifications and limitations set forth in the JPM Valuation Letter, the Preferred Stock had an aggregate range of values between $1.8 billion and $2.5 billion. In considering the JPM Valuation Letter, the Special Committee took note of the assumptions, qualifications, and limitations specified in the JPM Valuation Letter. In addition, the Special Committee considered supplemental valuation analyses (described below under Valuation Letter of Financial Advisor to the Special Committee Additional Valuation Analyses) performed by JP Morgan which provided generally lower hypothetical ranges of the aggregate value of the Preferred Stock, and which were substantially similar to analyses previously provided to the Special Committee in connection with its consideration of a Potential Recapitalization.

Terms of Preferred Stock and Related Matters. The Special Committee considered the terms of the Preferred Stock currently held by the THL Investors and the GS Investors, including that:

- the Preferred Stock has liquidation and dividend rights senior to the liquidation and dividend rights of the Common Stock;

- the Preferred Stock entitles the THL Investors and GS Investors to cash dividends at the rate of 10% per annum, subject to the Company s option to accrue dividends through March 25, 2013 at the rate of 12.5% per annum, with any dividends accruing after March 25, 2013 being accrued at the rate of 15% per annum;

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- the Preferred Stock entitles the THL Investors and the GS Investors to participate pro rata on an as-converted basis with any dividends paid to the holders of the Company s Common Stock;

- the Preferred Stock is redeemable by the Company only after March 2013 and only if the prevailing market price of the Common Stock exceeds $15 for a specified period of 30 days prior to the Company s election to redeem;

- the Preferred Stock is redeemable at the option of the THL Investors and GS Investors after March 2018, but there is no assurance that the Preferred Stock would be so redeemed;

- the Preferred Stock is redeemable at the option of the THL Investors and the GS Investors in connection with any change in control of the Company; and

- due to the absence of an effective unilateral right of the Company to convert or redeem the Preferred Stock, the options available to the Company with respect to the Preferred Stock are effectively limited to (1) maintaining the status quo, (2) engaging in a negotiated transaction with the THL Investors and GS Investors at the present time, and (3) engaging in a negotiated transaction with the THL Investors and GS Investors at a future time.

Negotiations with the Investors. The Special Committee considered that the negotiations between the Special Committee and the Investors resulted in a decrease of approximately $92.5 million, or 22%, in the amount of the additional consideration originally discussed with the Investors.

Views and Support of Management. The Special Committee considered the views of the Company s management regarding the beneficial effects that the transactions contemplated by the Recapitalization Agreement are expected to have on the Company and the Common Stock, and management s overall support for such transactions.

Stockholder Vote. The Special Committee considered that the consummation of certain of the transactions contemplated by the Recapitalization Agreement are conditioned upon a majority of the outstanding shares of Common Stock (excluding any shares of Common Stock or Series B Preferred Stock held by any THL Investor or GS Investor) voting to approve the Recapitalization Transaction, thereby giving the stockholders of the Company other than the THL Investors and the GS Investors the opportunity to accept or reject the transactions contemplated by the Recapitalization Agreement.

Financing Condition. The Special Committee considered that that the consummation of certain of the transactions contemplated by the Recapitalization Agreement is subject to, among other things, the receipt by the Company of third-party financing reasonably acceptable to the Company and to Thomas H. Lee Equity Fund VI, L.P. and the GS Investors (with the terms reflected in a financing term sheet previously provided to the Company by Bank of America being deemed to be reasonably acceptable). The Special Committee also considered the risks associated with being able to obtain such financing on acceptable terms.

Debt Financing. The Special Committee considered that the transactions contemplated by the Recapitalization Agreement and the refinancing by the Company of its existing bank credit facilities will involve the incurrence by the Company of approximately $390 million of indebtedness under a $540 million new bank secured credit facility, together with the views of the Company s management regarding the desirability of extending the Company s debt maturities, the favorable conditions currently existing in the relevant capital markets, and the financing term sheet provided to the Company by Bank of America. The Special Committee also considered

the view of the Company s management that the transactions contemplated by the Recapitalization Agreement could have positive effects on the Company s credit rating and allow better access to lower cost of borrowed funds.

Financial Leverage of the Company. The Special Committee considered that following the transactions contemplated by the Recapitalization Agreement, the Company will have a significant amount of indebtedness, which could limit its financial and operational flexibility.

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Tax Treatment of the Transactions. The Special Committee considered that the transactions contemplated by the Recapitalization Agreement are not expected to result in any adverse tax consequences to the Company.

Having considered all of the above factors, the Special Committee determined that the Recapitalization Transaction was fair to and in the best interests of the Company and its stockholders (specifically including the stockholders of the Company other than the THL Investors and the GS Investors). The foregoing discussion of the information and factors considered by the Special Committee is not intended to be exhaustive and may not include all of the information and factors considered by the Special Committee. The Special Committee, in making its determination regarding the Recapitalization Transaction, did not find it useful to and did not quantify or assign any relative or specific weights to the various factors that they considered. Rather, the Special Committee views its determination and recommendation as being based on an overall analysis and on the totality of the information presented to and factors considered by it. In addition, in considering the factors described above, individual members of the Special Committee may have given differing weights to different factors, and may have viewed some factors relatively more positively or negatively than others.

Valuation Letter of Financial Advisor to the Special Committee

At a meeting of the Board of Directors held on March 7, 2011, JP Morgan orally provided the Board of Directors with its view, subsequently confirmed by delivery of a written valuation letter dated as of the same date, that as of that date and based upon and subject to the assumptions made, procedures followed, matters considered, and qualifications and limitations set forth in the valuation letter, the Series B Preferred Stock and Series B-1 Preferred Stock had an aggregate range of values between $1.8 billion and $2.5 billion.

The full text of the valuation letter of JP Morgan, dated March 7, 2011, which sets forth, among other things, the assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by JP Morgan in connection with its valuation, is attached to this Proxy Statement as Appendix C and is incorporated into this Proxy Statement by reference. The summary of JP Morgan s valuation letter included in this Proxy Statement is qualified in its entirety by reference to the full text of such valuation letter. You are urged to read the valuation letter carefully and in its entirety. JP Morgan provided its valuation letter for the information and assistance of the Special Committee and the Board of Directors in connection with their consideration of the Recapitalization Transaction. The valuation letter does not constitute a recommendation to any shareholder of the Company as to how such shareholder should vote at the Special Meeting and should not be relied upon by any shareholder as such.

In connection with rendering its view, JP Morgan, among other things:

reviewed certain publicly available business and financial information concerning the Company and the industry in which it operates;

compared the financial and operating performance of the Company with publicly available information concerning certain other companies that it deemed relevant and reviewed the current and historical market prices of the Company s Common Stock and certain publicly traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the management of the Company relating to the Company s business;

reviewed the terms of the Preferred Stock including terms relating to dividends, voting rights, redemption rights, and liquidation preference;

reviewed the range of potential values for the Preferred Stock implied by certain financial industry pricing models used for valuation of convertible securities;

reviewed the terms and conditions of the Company s credit agreements and its senior secured second lien notes; and

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performed such other financial studies and analyses and considered such other information as it deemed appropriate for the purposes of the valuation letter.

In addition, JP Morgan held discussions with certain members of the Company s management with respect to the Preferred Stock, the past and current business operations of the Company, the financial condition and future prospects and operations of the Company, and certain other matters JP Morgan believed necessary or appropriate to formulating its view.

The Special Committee did not impose any limitations on the scope of the investigation or analyses undertaken by JP Morgan in connection with its valuation letter. Except to the extent specifically noted below, the Special Committee did not provide any instructions to JP Morgan regarding the manner in which it conducted such investigations and analyses.

In giving its view, JP Morgan relied upon and assumed, without assuming responsibility or liability for independent verification, the accuracy and completeness of all information that was publicly available or was furnished to or discussed with JP Morgan by the Special Committee or the Company or otherwise reviewed by or for JP Morgan. JP Morgan did not conduct, and was not provided with, any valuation or appraisal of any assets or liabilities, nor did JP Morgan evaluate the solvency of the Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to it, JP Morgan assumed that such financial analyses and forecasts had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of the Company to which such analyses or forecasts relate. JP Morgan expressed no view as to such analyses or forecasts or the assumptions on which such analyses or forecasts were based.

JP Morgan based its view on economic, market and other conditions as in effect on, and the information made available to JP Morgan as of, the date of the valuation letter. Subsequent developments may affect JP Morgan s view expressed in the valuation letter and JP Morgan does not have any obligation to update, revise, or reaffirm its view as set forth in the valuation letter. The valuation letter does not constitute an opinion as to the fairness, from a financial point of view or otherwise, of the terms of the Recapitalization Transaction, including the consideration to be paid by the Company in any such transaction, and JP Morgan expressed no view as to the underlying decision by the Company to engage in the Recapitalization Transaction. In the valuation letter, JP Morgan expressed no view as to the price at which the Common Stock or any other security will trade at any future time.

The following is a summary of the material financial analyses presented by JP Morgan to the Board of Directors in connection with rendering its view and delivering the valuation letter described above. These analyses were substantially similar to the preliminary valuation analyses presented by JP Morgan at earlier meetings of the Special Committee to assist the Special Committee in its consideration, evaluation and negotiation of a Potential Recapitalization. The purpose of each of the analyses performed was to determine implied valuation ranges for the Series B Preferred Stock and Series B-1 Preferred Stock, in the aggregate. Each of the analyses performed by JP Morgan provided an indication of the value of the Series B Preferred Stock and Series B-1 Preferred Stock, in the aggregate, to assist the Special Committee in evaluating the amount and form of additional consideration the THL Investors and the GS Investors might receive in a Potential Recapitalization for converting their Preferred Stock into Common Stock (or, in the case of the GS Investors, into Series D Preferred Stock, a non-voting common equivalent preferred stock). The following paragraphs summarize, but do not purport to be complete descriptions of, the analyses JP Morgan performed. The preparation of a valuation is a complex process and is not susceptible to partial analysis or summary descriptions. The following summary and the analyses performed by JP Morgan must be considered as a whole. Selecting portions of the following summary and the analyses performed by JP Morgan, without considering

all of its analyses as a whole, could create an incomplete view of the process or assumptions underlying JP Morgan s analyses and valuation.

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Primary Valuation Analysis

Valuation based on convertible security pricing models

JP Morgan utilized generally accepted valuation models made available by third parties to investment banking firms and other investment professionals. These models allow users to incorporate various terms and assumptions, including observed market conditions, to derive ranges of theoretical values for equity-linked securities, including convertible preferred stock. In using such models JP Morgan incorporated the specific terms of the Preferred Stock including: the $2.50 per common share conversion price of the Preferred Stock; the 10% per annum cash dividend payable on the Preferred Stock; the 12.5% per annum dividend optionally accruing on the Preferred Stock prior to March 25, 2013 if not paid in cash; the perpetual nature of the Preferred Stock; the Investors option to redeem the Preferred Stock after March 25, 2018; and the Company s option to redeem the Preferred Stock if, after March 25, 2013, the Common Stock trades above $15.00 for a period of thirty consecutive trading days. In using such models, JP Morgan also incorporated certain assumptions and inputs that were based upon observed market conditions or Company management guidance, including: the $2.79 per share closing price of the Common Stock on March 4, 2011 (the last trading day prior to delivery of the valuation letter); a range of volatility for the Common Stock of 30-40%, which was consistent with observed historical volatility for the Common Stock; the assumption, at the direction of the Special Committee, that the Company would accrue dividends through December 31, 2011 and pay cash dividends thereafter. Based upon these terms, inputs, assumptions, and other factors (such as observed interest rates for U.S. Treasuries) the third-party pricing models produced a range of values for the Preferred Stock equal to 224% to 227% of the aggregate notional value of the Preferred Stock (*i.e.*, the sum of the aggregate liquidation preference of the Preferred Stock and the accretion resulting from accrued but unpaid dividends), or approximately $2.5 billion.

JP Morgan also utilized these third-party pricing models to value the Preferred Stock *as if* the Company had an unconditional option to redeem the Preferred Stock in five years, rather than the option conditioned upon the price of the Common Stock trading above $15.00 for thirty consecutive trading days described above, holding constant the other inputs noted above. Based on this sensitivity analysis, which reflects a more conservative assumption than the actual terms of the Preferred Stock, the third-party pricing models produced a range of values for the Preferred Stock equal to 166% to 172% of the aggregate notional value of the Preferred Stock, or $1.8 billion to $1.9 billion.

JP Morgan compared the range of values that it derived using the third-party pricing models to the aggregate value of the shares of Common Stock and Series D Preferred Stock and cash that would be paid by the Company in the Recapitalization Transaction, based on the $2.79 per share Common Stock price, of $1.6 billion and noted that this was below the $1.8 billion to $2.5 billion valuation range derived from the use of the third-party pricing models. JP Morgan further noted that the valuation derived from the use of such models represented the most objective market-based estimate of the value of the Preferred Stock and therefore JP Morgan relied upon this methodology for purposes of its valuation letter.

Additional Valuation Analyses

In addition to the range of values for the Preferred Stock derived from the use of the third-party pricing models described above and relied upon by JP Morgan for purposes of its valuation letter, JP Morgan provided to the Special Committee and the Board of Directors for their further information the additional valuation analyses described below. JP Morgan viewed these supplemental valuation analyses as providing additional context in which the view expressed in its valuation letter might be considered, but did not directly rely upon them in formulating such view. Substantially similar analyses to those described below were provided previously to the Special Committee in support of its analysis of a Potential Recapitalization.

As-converted value of the Preferred Stock

JP Morgan analyzed the value of the Common Stock underlying the Preferred Stock, based on the $2.79 per share Common Stock price and the number of shares of Common Stock which would directly or indirectly underlie the Preferred Stock as of March 31, 2011 and as of December 31, 2011. For purposes of this analysis,

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JP Morgan assumed, at the direction of the Special Committee, that the Company would accrue dividends on the Preferred Stock through December 31, 2011 and pay cash dividends thereafter. Based upon this analysis, the value of the Common Stock directly or indirectly underlying the Preferred Stock ranged from $1.2 billion to $1.4 billion. JP Morgan noted that the as-converted value of the Preferred Stock does not include the present value of future dividend payments, which are an important component of the value of a convertible security.

Discounted cash flow analyses

JP Morgan analyzed the value of the Preferred Stock as if it were a bond bearing interest at the rate of 12.5% per annum through December 31, 2011, at a rate of 10% per annum from January 1, 2012 through March 25, 2018, and having a principal amount of approximately $1.2 billion maturing on March 25, 2018. The assumed March 25, 2018 maturity date was based upon the Investors right to require redemption of the Preferred Stock at that date; however, JP Morgan noted that the Investors have no such obligation to do so. JP Morgan discounted the series of cash flows implied by this analysis using a range of discount rates from 12% to 17%. Based upon this analysis, the value of the Preferred Stock as if it were a bond ranged from $0.9 billion to $1.1 billion. JP Morgan noted that the valuation of the Preferred Stock as a bond does not include the equity participation of the Preferred Stock, which is an important component of the value of a convertible security.

JP Morgan also performed a discounted cash flow analysis on the Preferred Stock which sought to incorporate both the debt and equity features of the Preferred Stock. The cash flows assumed for purposes of this analysis consisted of: cash dividends expected to be paid from January 1, 2012 through March 28, 2018 at the rate of 10% per annum; and the value, at an assumed redemption date of March 25, 2018, of the aggregate number of shares of Common Stock underlying the Preferred Stock at a range of potential future share prices for the Common Stock. The range of potential future share prices used by JP Morgan was $3.75 to $6.25 per share, representing an increase of 50% and 150%, respectively, above the $2.50 conversion price of the Preferred Stock. JP Morgan discounted the series of cash flows implied by this analysis using a range of discount rates from 12% to 17%. Based upon this analysis, the value of the Preferred Stock ranged from $1.0 billion to $1.8 billion. JP Morgan noted that while this valuation methodology sought to incorporate both the debt and equity features of the Preferred Stock, the analysis was sensitive to assumptions about the potential future prices for shares of Common Stock in five years, which is highly speculative.

Black-Scholes methodology valuation

JP Morgan analyzed the value of the Preferred Stock using a Black-Scholes methodology, which may be used to value convertible preferred stock as the sum of two components: the present value of dividends and liquidation preference, and a call option with an exercise price equal to the conversion price. JP Morgan performed this analysis using a range of assumptions for volatility of the Company s Common Stock (25% to 50%), estimated cost of debt for the Company (12% to 17%), and call date for the Preferred Stock (three to seven years). Based upon this analysis, the value of the Preferred Stock implied by a Black-Scholes methodology ranged from $1.2 billion to $1.8 billion. JP Morgan noted that while the Black-Scholes methodology is most closely related to the third-party market-based pricing models upon which JP Morgan relied for purposes of its valuation letter, it requires the use of certain assumptions that JP Morgan believes are better captured by the third-party market-based models. Specifically, the Black-Scholes methodology assumes that the Company has an unconditional option to redeem the Preferred Stock at a specific point in time, rather than an option conditioned upon the price of the Common Stock trading above $15.00 for thirty consecutive trading days, which has the effect of reducing the implied aggregate value of the Preferred Stock relative to the third-party market-based pricing model.

Additional analysis

In addition to the financial analyses summarized above, JP Morgan compared the negotiated amount of additional consideration to be paid by the Company to the Investors in the recapitalization consisting of $218 million cash, 28.2 million shares of Common Stock and 15,504 shares of Series D Preferred Stock

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(representing 15.5 million underlying shares of Common Stock) to alternative scenarios regarding the Company s payment of dividends on the Preferred Stock in cash or by accrual. JP Morgan noted that the aggregate additional consideration was equivalent to approximately 21/4 to 21/2 years of dividends assuming the Company continues to accrue dividends through December 31, 2011, March 31, 2012, or June 30, 2012 and then pays cash dividends thereafter.

Other Matters

The Special Committee selected JP Morgan to render the valuation letter in connection with the transactions contemplated by the Recapitalization Agreement based on considerations including JP Morgan s reputation as an internationally recognized investment banking and advisory firm with substantial experience in certain similar transactions and JP Morgan s familiarity with the Company and its businesses.

The engagement letter with JP Morgan dated August 6, 2010, provided that JP Morgan would receive a fee from the Company in the amount of $3,000,000 for its services as the Special Committee s financial advisor, no portion of which was contingent upon the conclusions reached in the valuation letter or the completion of any transaction relating to the Preferred Stock. A fee of $500,000 was paid by the Company in October 2010, and the remaining $2,500,000 is expected to be paid upon the consummation of the Recapitalization Transaction. The Company has also agreed to indemnify JP Morgan for certain liabilities arising out of its engagement as the Special Committee s financial advisor. In addition, the Company agreed to reimburse JP Morgan for all reasonable expenses incurred by it in connection with its provision of services to the Special Committee, including reasonable fees of outside counsel and other professional advisors. JP Morgan and its affiliates have in the past performed, and may continue to perform, a variety of commercial banking and investment banking services for the Company and its affiliates and for the THL Investors and the GS Investors and their respective affiliates, all for customary compensation. Specifically, JP Morgan acted as financial advisor for the Company in 2008 in connection with the acquisition of the Series B Preferred Stock by the THL Investors and the acquisition of the Series B-1 Preferred Stock by the GS Investors, JP Morgan s commercial banking affiliate is a lender to or creditor of the Company under its current credit facility and anticipates being retained to arrange and/or provide additional debt financing to the Company. JP Morgan and its affiliates received fees of approximately $3.1 million, $4.0 million and $0.3 million in 2009, 2010 and the year to date in 2011, respectively, for investment banking and other services provided to the Company and its affiliates unrelated to the Recapitalization Transaction, including interest and fees under the Company s existing bank credit facilities. JP Morgan has indicated that JP Morgan and its affiliates received fees of approximately $63.0 million, $73.3 million and $19.0 million in 2009, 2010 and the year to date in 2011, respectively, for investment banking and other services provided to the THL Investors and its affiliates (including portfolio companies of the THL Investors) unrelated to the Recapitalization Transaction. JP Morgan and its affiliates received fees of approximately $91.8 million, $90.9 million and $6.3 million in 2009, 2010 and the year to date in 2011, respectively, for investment banking and other services provided to the GS Investors and its affiliates unrelated to the Recapitalization Transaction.

JP Morgan and its affiliates comprise a full service securities firm and a commercial bank engaged in securities trading and brokerage activities, as well as providing investment banking, asset management, financing, and financial advisory services and other commercial and investment banking products and services to a wide range of corporations and individuals. In the ordinary course of their trading, brokerage, asset management, and financing activities, JP Morgan and its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for their own accounts or the accounts of customers, in debt or equity securities or senior loans of the Company and its affiliates, the THL Investors and the GS Investors affiliates and any other company that may be involved in the transactions contemplated by the recapitalization agreement.

Recommendation of the Board of Directors

The Board of Directors considered the recommendations of the Special Committee and the factors set forth under Recommendations of the Special Committee above in determining that the Recapitalization Agreement and the Recapitalization Transaction are advisable and in the best interests of the Company and its stockholders, specifically including the stockholders of the Company other than the THL Investors and the GS

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Investors, and to (1) approve the proposed recapitalization and the Company s execution and delivery of the Recapitalization Agreement, (2) submit the Recapitalization Agreement and the issuance of additional shares of Common Stock and Series D Preferred Stock in connection therewith to the Company s stockholders, and (3) recommend that the Company s stockholders approve the Recapitalization Agreement and the issuance of such additional shares of Common Stock and Series D Preferred Stock in connection therewith.

In making such determinations, the Board of Directors considered the factors set forth under Recommendations of the Special Committee, including without limitation the following factors:

- the recapitalization will simplify the Company s capital structure and make it easier for investors and analysts to understand and follow the Company;
- the recapitalization will end the dilution from the continuing dividend accruals or cash dividend payments required by the terms of the Series B and Series B-1 Preferred Stock and should increase the attractiveness of the Common Stock;
- undertaking the recapitalization at this time could enable the Company to benefit from a favorable market environment for bank refinancing and extend the maturities of the Company s bank debt;
- the process followed by the Company in having a Special Committee of independent and disinterested directors with independent financial and legal advisors negotiate the terms of the recapitalization with the Investors;
- the JPM Valuation Letter and the views of JP Morgan set forth therein; and
- the consummation of the transactions contemplated by the Recapitalization Agreement are conditioned upon a majority of the outstanding shares of Common Stock (excluding any shares of Common Stock or Series B Preferred Stock held by any THL Investor or GS Investor) voting to approve the Recapitalization Transaction, thereby giving the stockholders of the Company other than the THL Investors and the GS Investors the opportunity to accept or reject the transactions contemplated by the Recapitalization Agreement.

The foregoing discussion of the information and factors considered by the Board of Directors is not intended to be exhaustive and may not include all of the information and factors considered by the Board of Directions. The Board of Directors, in making its determination regarding the Recapitalization Agreement and the transactions contemplated by the Recapitalization Agreement, did not find it useful to and did not quantify or assign any relative or specific weights to the various factors that it considered. Rather, the Board of Directors views its determinations as being based on an overall analysis and on the totality of the information presented to and factors considered by it (including specifically the recommendations of the Special Committee). In addition, in considering the factors described above, individual members of the Board of Directors may have given differing weights to different factors, and may have viewed some factors relatively more positively or negatively than others.

The Recapitalization Agreement

Under the Recapitalization Agreement, as consideration for the conversion of the THL Investors shares of Series B Preferred Stock into Common Stock and the GS Investors shares of Series B-1 Preferred Stock into Series D Preferred Stock, the Company will pay an amount equal to approximately $327,500,000, payable two-thirds in cash and one-third in additional shares of Common Stock (with respect to the THL Investors) and Series D Preferred Stock (with respect to the GS Investors). The number of such additional shares of Common Stock and Series D Preferred Stock were determined using the $2.50 per share of Common Stock conversion price set forth in the Series B Certificate of Designations. The closing price for the Common Stock on March 7, 2011, the last trading day prior to

the approval of the Recapitalization Agreement by the Special Committee and the Board of Directors, was $2.68 per share. Holders of Common Stock should obtain a current quotation of the market price for the Common Stock. Accrued dividends on the Series B and B-1 Preferred Stock for quarterly dividend periods ending after the date of the Recapitalization Agreement and prior to the closing of the recapitalization will be paid in cash at a rate of 10% per annum or accrue at a rate

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of 12.5% per annum at the Company s election. Dividends accruing from the end of the last full quarterly dividend period preceding the closing of the recapitalization will accrue at a rate of 12.5% per annum and be paid in cash at the closing of the recapitalization.

The Company and the Investors have made customary representations and warranties and covenants for a transaction of this kind in the Recapitalization Agreement. The Recapitalization Agreement also contains customary closing conditions for a transaction of this kind, including (i) the accuracy of all representations and performance of all covenants in all material respects, (ii) the absence of an order restraining or otherwise prohibiting the transactions contemplated by the Recapitalization Agreement, (iii) the absence of any pending litigation that could reasonably be expected to prevent the closing of the transactions contemplated by the Recapitalization Agreement or result in substantial damages, (iv) the receipt of all necessary governmental approvals and no modification or withdrawal of the Board of Directors recommendation of the Proposals, (v) the receipt of the requisite stockholder approvals for the Proposals, (vi) the approval for listing on the NYSE of the shares of Additional Stock (as defined below) and the shares of Common Stock issuable upon conversion of the shares of Additional Series D Preferred Stock (as defined below), subject to notice of issuance, (vii) the filing of a pre-effective amendment to the Company s existing registration statement on Form S-3 to include the sale and resale of the shares of the Additional Common Stock, the shares of Common Stock issuable upon conversion of the shares of Additional Series D Preferred Stock and the Series D Preferred Stock, (viii) the Company s receipt of financing in an amount and on terms reasonably acceptable to Thomas H. Lee Equity Fund VI, L.P. and the GS Investors in order to consummate the transactions contemplated by the Recapitalization Agreement, and (ix) the absence of a material adverse effect with respect to the Company. The closing conditions applicable to the Company can be waived by the Company with the approval of the Special Committee. The closing conditions applicable to an Investor set forth above may be waived by Investors holding, in the aggregate, at least 97% of the shares of Series B Preferred Stock (provided, however, that with respect to the conditions set forth in clauses (ii), (v), (vi) and (vii) above, such percentage shall be 100% of the shares of the Series B Preferred Stock) and 100% of the Series B-1 Preferred Stock. In addition, the Company is obligated to pay the reasonable out-of-pocket expenses incurred by the Investors in connection with or arising out of the due diligence, negotiation, documentation and consummation of the recapitalization, including costs and expenses incurred in connection with any legal proceedings arising out of or relating to the transactions contemplated under the Recapitalization Agreement and fees and expenses associated with filings required by the Hart-Scott-Rodino Antitrust Improvements Act of 1976 in connection with the transactions contemplated under the Recapitalization Agreement.

The Recapitalization Agreement may be terminated (i) by the written agreement of the Company (with the approval of the Special Committee) and the Investors, (ii) if the closing of the transactions contemplated by the Recapitalization Agreement has not occurred within 180 days after March 7, 2011, or (iii) if the closing of the transactions contemplated by the Recapitalization Agreement would violate a non-appealable court order.

Refinancing of the Existing Senior Credit Facility and Entry into the Third Supplemental Indenture

Worldwide is seeking additional senior secured financing, the proceeds of which will be used in part to fund the cash payments to the Investors under the Recapitalization Agreement. In order to secure such additional senior secured financing and to cause the consummation of the recapitalization under the Recapitalization Agreement to be permitted under its financing documents, (a) Worldwide has entered into an Engagement Letter dated as of **[ ]**, 2011 with Bank of America, N.A. (the Agent), Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPFS), JP Morgan Chase Bank, N.A., and certain other lenders and financial institutions party thereto (collectively, the Engagement Parties), pursuant to which (i) certain of the Engagement Parties committed to provide a portion of a $150.0 million revolving credit facility to Worldwide (the Revolving Credit Facility) and (ii) MLPFS agreed to use its best efforts to arrange any remaining portion of the Revolving Credit Facility and a $390.0 million senior secured term loan facility for Worldwide (the Term Credit Facility and, collectively with the Revolving Credit Facility, the New Senior Credit Facility), to be used, to refinance the remaining outstanding portion of the Existing Senior Credit Facility and to fund

the cash payments under the Recapitalization Agreement, and (b) Worldwide, the guarantors party to the Indenture and the Trustee have entered into that certain Third Supplemental Indenture dated as of

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[ ], 2011 (the Third Supplemental Indenture) pursuant to which, among other things, changes will be made to the Indenture as are necessary to permit the New Senior Credit Facility and the cash payments to be made under the Recapitalization Agreement and to give the Company additional flexibility under certain of the covenants of the Indenture subject to the closing of the Recapitalization. Under the Third Supplemental Indenture, $5,000,000 will be paid to the GS Note Holders in consideration for their consent to enter into the Third Supplemental Indenture and consent to permit the recapitalization.

J.P. Morgan Securities is an Engagement Party and also separately issued the JPM Valuation Letter described above in its capacity as a financial advisor to the Special Committee. J.P. Morgan Securities is an affiliate of JP Morgan Chase Bank, N.A., one of the lenders under the New Senior Credit Facility.

On March 7, 2011, the GS Note Holders, the Company and Worldwide entered into a consent agreement that sets forth the amendments to be made to the Indenture and acknowledges the Recapitalization Agreement. The closing under the Recapitalization Agreement is conditioned on the closing of the New Senior Credit Facility or other financing reasonably satisfactory to the Company and the Investors.

How the Conversion Will Be Effected; Consequences of the Recapitalization

Pursuant to the Recapitalization Agreement, (i) the THL Investors will convert all of the shares of Series B Preferred Stock into shares of Common Stock in accordance with the Series B Certificate of Designations, (ii) the GS Investors will convert all of the shares of Series B-1 Preferred Stock into Series D Preferred Stock in accordance with the Series B-1 Certificate of Designations, and (iii) the THL Investors will receive approximately 28,162,866 additional shares of common stock (the the Additional Common Stock) and $140,814,332 in cash, and the GS Investors will receive approximately 15,504 additional shares of Series D Preferred Stock (the Additional Series D Preferred Stock, and together with the Additional Common Stock, the Additional Stock), which are convertible in certain circumstances by holders other than GS Investors and their affiliates into 15,503,800 shares of Common Stock, and $77,519,001 in cash.

Assuming that accrued dividends on the Series B and B-1 Preferred Stock for quarterly dividend periods ending after the date of the Recapitalization Agreement and prior to the closing of the recapitalization are accrued and not paid in cash, upon the closing of the transactions contemplated by the Recapitalization Agreement, based on the liquidation preference of the Series B Preferred Stock, the 495,000 shares of Series B Preferred Stock held by the THL Investors as of March 7, 2011 would be converted into a total of approximately 286,438,367 shares of Common Stock, or approximately 579 shares of Common Stock for each share of Series B Preferred Stock, assuming the recapitalization closes before June 24, 2011, and approximately 295,242,825 shares of Common Stock, or approximately 596 shares of Common Stock for each share of Series B Preferred Stock, assuming the recapitalization closes on or after June 24, 2011.

In addition, assuming that accrued dividends on the Series B and B-1 Preferred Stock for quarterly dividend periods ending after the date of the Recapitalization Agreement and prior to the closing of the recapitalization are accrued and not paid in cash, upon the closing of the transactions contemplated by the Recapitalization Agreement, based on the liquidation preference of the Series B-1 Preferred Stock, the 272,500 shares of Series B-1 Preferred Stock held by the GS Investors as of March 7, 2011 would be converted into a total of approximately 157,686 shares of Series D Preferred Stock (which are convertible in certain circumstances by holders other than GS Investors and their affiliates into 157,685,768 shares of Common Stock) assuming the recapitalization closes before June 24, 2011, and approximately 162,533 shares of Series D Preferred Stock (which are convertible in certain circumstances by holders other than GS Investors and their affiliates into 162,532,666 shares of Common Stock) assuming the recapitalization closes on or after June 24, 2011.

Assuming the recapitalization closes before June 24, 2011 and including the Additional Stock, the THL Investors are expected to own approximately 314,601,233 shares of Common Stock, and the GS Investors are expected to own approximately 173,190 shares of Series D Preferred Stock, which are convertible in certain circumstances by holders other than GS Investors and their affiliates into 173,189,568 shares of Common Stock. Assuming the recapitalization closes on or after June 24, 2011 and including the Additional Stock, the THL Investors are expected to own approximately 323,405,691 shares of Common Stock, and the GS Investors

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are expected to own approximately 178,036 shares of Series D Preferred Stock, which are convertible in certain circumstances by holders other than GS Investors and their affiliates into 178,036,466 shares of Common Stock.

No fractional shares of Common Stock will be issued in connection with the conversion. Rather, in lieu of issuing any such fractional share of Common Stock, the Company will make a cash payment in an amount corresponding to any fractional interest in a share of Common Stock as provided in Section 7(b)(vi) of the Series B Certificate of Designations. Fractional shares of Series D Preferred Stock are permitted to be issued in connection with the conversion.

Accrued dividends on the Series B Preferred Stock and Series B-1 Preferred Stock for quarterly dividend periods ending after the date of the Recapitalization Agreement and prior to the closing of the recapitalization will be paid in cash at a rate of 10% per annum or accrue at a rate of 12.5% per annum at the Company s election. Dividends accruing from the end of the last full quarterly dividend period preceding the closing of the recapitalization will accrue at a rate of 12.5% per annum and be paid in cash at the closing of the recapitalization.

Although the Company will continue to be permitted to pay dividends on the Series B Preferred Stock and Series B-1 Preferred Stock in cash if the recapitalization is not consummated, paying such dividends in cash would limit the Company s flexibility under its existing debt agreements to take other actions. Accordingly, the Company believes that it is unlikely that it would elect to pay such future dividends in cash.

In connection with the recapitalization, the Investors have also consented to (i) an amendment to the Certificate of Incorporation, the Series B Certificate of Designations and the Series B-1 Certificate of Designations to provide that, following and subject to the closing of the Recapitalization, all terms of the Series B Preferred Stock and Series B-1 Preferred Stock will be deleted such that no Series B Preferred Stock or Series B-1 Preferred Stock is authorized and (ii) an amendment to the Series D Certificate of Designations to add certain restrictions on the conversion and voting of the Series D Preferred Stock as described below under Material Terms of the Series D Preferred Stock Proposed Amendment to Series D Certificate of Designations.

Tax Consequences to the Company

The transactions contemplated in the Recapitalization Agreement will generally be treated as a reorganization under Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended. Accordingly, the Company will not recognize any gain or loss for federal income tax purposes as a result of the recapitalization. In addition, the Company does not expect the recapitalization to affect the Company s ability to utilize its net operating loss carryforwards.

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