



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20561

SCOTT G. ALVAREZ
GENERAL COUNSEL

March 21, 2012

Michael T. Escue, Esq.
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004-2498

Dear Mr. Escue:

This responds to your request for confirmation that The Goldman Sachs Group, Inc., New York, New York, and its subsidiaries and affiliates (collectively, "Goldman"), would not be deemed to control Moneygram International, ("MGI"), Minneapolis, Minnesota, for purposes of the Bank Holding Company Act, as amended ("BHC Act").¹

As represented in your communications with the Board, Goldman made an initial investment in MGI in March 2008, prior to becoming a bank holding company.² Through investment vehicles managed by its subsidiaries, Goldman currently owns a series of nonvoting stock of MGI ("Series D shares") that represents 19.9 percent of MGI's total equity and that is convertible into voting common stock of MGI in the hands of any

¹ Correspondence related to this request includes Goldman's letters dated August 30 and December 15, 2010, and June 21, July 20, and October 11, 2011, to Board staff, as well as other communications with staff of the Board.

² Goldman became a bank holding company on September 23, 2008. It has elected to be treated as a financial holding company and holds its investment in MGI, a provider of money transmission and payment services, under authority of section 4(k)(4)(F) of the BHC Act. See 12 CFR 225.86(a)(2)(v).

holder other than Goldman only if such Series D shares are transferred by Goldman as part of a widely dispersed public offering.³

In addition to its ownership of nonvoting convertible shares, Goldman holds approximately 0.05 percent of MGI voting common stock in Goldman's proprietary trading accounts. [REDACTED]

[REDACTED] Thomas H. Lee Partners ("Lee Funds"), which hold more than 50 percent of MGI's voting common stock and have the right to appoint 4 of the 9 members of MGI's board of directors. [REDACTED]

[REDACTED]

In addition, Goldman owns \$325 million in senior secured second lien notes of an MGI subsidiary, representing approximately 34 percent of MGI's consolidated debt ("Senior Notes"). The Senior Notes are separately transferable from the equity held by Goldman, do not have the characteristics of regulatory capital instruments, and may be redeemed by MGI at any time. Goldman has the right to have a nonvoting observer attend all meetings of MGI's board of directors.

Prior to November 23, 2011, Goldman's Series D shares represented 30.3 percent of MGI's total equity, and Goldman held \$500 million in Senior Notes, representing 53 percent of MGI's consolidated debt. On November 23, 2011, Goldman sold 10.4 percent of its Series D shares as part of a widely dispersed secondary offering, and MGI redeemed \$175 million of the Senior Notes and issued \$140 million in other debt to purchasers unrelated to Goldman. Goldman retained its board observer but does not have director representation at MGI or any other business

³ The Series D certificate of designation defines "widely dispersed public offering" as: (i) a widespread public distribution, (ii) a transfer to an underwriter for the purpose of conducting a widespread public distribution, (iii) a transfer in which no transferee (or group of associated transferees) would receive 2% or more of any class of voting securities of the Corporation, or (iv) a transfer to a transferee that would control more than 50% of the voting securities of the Corporation without any transfer from Goldman.

relationships with MGI apart from the \$325 million in Senior Debt that it retains.

For purposes of the BHC Act, a company has control over another company if the first company (i) directly or indirectly or acting through one or more other persons owns, controls, or has power to vote 25 percent or more of any class of voting securities of the other company; (ii) controls in any manner the election of a majority of the directors of the other company; or (iii) directly or indirectly exercises a controlling influence over the management or policies of the other company.⁴ The Board's Regulation Y also sets forth certain rebuttable presumptions of control.⁵ The BHC Act and Regulation Y presume that any company that directly or indirectly owns, controls, or has the power to vote less than 5 percent of any class of voting securities of a bank or other company does not control the bank or other company.⁶

The Board previously has found that a company that controlled another company for a significant period may be able to exert a controlling influence over the company even after a substantial divestiture.⁷ However, any proposal to reduce a controlling position to a noncontrolling position is evaluated on a case-by-case basis, and the Board's findings depend heavily on the facts and circumstances of each case.

In this case, Goldman controls only 0.05 percent of MGI's voting common stock and less than 20 percent of the total equity of MGI. Goldman would not be the largest shareholder in MGI, because the Lee Funds own more than 50 percent of MGI's voting shares. [REDACTED]

[REDACTED] Aside from voting shares of Goldman, Goldman's equity holdings of MGI consist solely of nonvoting preferred shares that may not be voted or converted into

⁴ 12 U.S.C. § 1841(a)(2); 12 CFR 225.2(e).

⁵ See 12 CFR 225.31(d).

⁶ See 12 U.S.C. § 1841(a)(3) and 12 CFR 225.31(e).

⁷ See "Statement of policy concerning divestitures by bank holding companies," 12 CFR 225.138.

voting shares in Goldman's hands and that will convert to voting shares only if transferred to third parties in methods that are consistent with the Board's revised policy statement regarding equity investments in banks, bank holding companies, and nonbanking firms ("Policy Statement").⁸ If the preferred shares that Goldman holds are transferred in any manner inconsistent with the Policy Statement, they remain nonvoting and cannot be converted into voting shares by the holder.

The MGI debt held by Goldman represents approximately one-third of MGI's consolidated debt. The debt contains standard covenants and does not appear to limit in any material way the discretion of MGI's management over major policies and decisions or provide Goldman with a means to control MGI.⁹ In addition, Goldman has represented that it does not propose to control or exercise a controlling influence over MGI and that its investment is a passive investment. Goldman has provided commitments substantially similar to those on which the Board has previously relied in determining that an investing bank holding company would not be able to exercise a controlling influence over a nonbanking organization for purposes of the BHC Act.

Under these facts and circumstances, and after review of all of the facts of record, staff at this time would not recommend that the Board find Goldman to have a controlling influence over the management or policies of MGI for purposes of the BHC Act. This recommendation could change, however, if the facts or relationships between Goldman and MGI (or affiliates of Goldman and MGI) change in any material way.

The views and analysis of staff described in this letter are limited solely to the question of control under the BHC Act. No view or analysis is expressed as to the application of any other law or any other portion of the BHC Act, and nothing in this letter should be construed as any

⁸ Policy statement on equity investments in banks and bank holding companies (September 22, 2008), available at www.federalreserve.gov/newsevents/press/bcreg/20080922c.htm.

⁹ For instance, the covenants require MGI to provide Goldman with information appropriate to an institutional investor, to maintain its ordinary course of business, to refrain from paying non-ordinary-course dividends, and to avoid issuing significant amounts of new debt.

indication on how the Board might apply such other law or such other portion of the BHC Act. In particular, we note that the Dodd-Frank Wall Street Reform and Consumer Protection of 2010 (the "Dodd-Frank Act") contains a number of provisions restricting relationships between banking organizations and hedge funds and private equity funds that must be implemented through rulemaking by the Board and other agencies. We express no view regarding the application of the Dodd-Frank Act to the facts of record in this case or with respect to whether Goldman's existing investment in the Lee Funds would comply with the Dodd-Frank Act as it is implemented by the Board and other agencies. In addition, this letter does not operate to prevent the application of the restrictions of the Dodd-Frank Act, or the regulations implemented thereunder, to such investment in the future.

In reaching this opinion, staff relied on all the facts of record, including all the representations and commitments made by or on behalf of Goldman and MGI (whether noted in this letter or otherwise contained in correspondence or discussions with the Board). In this regard, you should advise staff immediately of any material changes in the facts noted above.

To address the possibility of a controlling influence developing in the future, the Board retains the authority to review the investment and relationships regularly to determine whether, under all the facts and circumstances, Goldman or any of its affiliates is acting in a manner that suggests it has control of, or the ability to exercise a controlling influence over, MGI. If you have any questions about this matter, please contact Brian P. Knestout, Senior Attorney (202-452-2249), or Alison Thro, Assistant General Counsel (202-452-3236) of the Board's Legal Division.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott G. Kelly". The signature is written in a cursive style with a large, prominent loop at the end.