RAMCO GERSHENSON PROPERTIES TRUST
Form S-3/A
March 25, 2002

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As filed with the Securities and Exchange Commission on March 25, 2002

Registration No. 333-57871

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1
TO

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Ramco-Gershenson Properties Trust

(Exact name of registrant as specified in its charter)

Maryland	**13-6908486**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

27600 Northwestern Highway, Suite 200
Southfield, Michigan 48034
(248) 350-9900
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Dennis E. Gershenson
Chief Executive Officer
Ramco-Gershenson Properties Trust
27600 Northwestern Highway, Suite 200
Southfield, Michigan 48034
(248) 350-9900
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of securities to be registered	Amount to be registered	Proposed maximum aggregate price per share(1)	Proposed maximum aggregate offering price(1)	Amount of registration fee
Common Shares of Beneficial Interest, $0.01 par value	3,450,000	$17.92	$61,824,000	$5,688(2)

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended based on the average of the high and low sales price of the common shares on the New York Stock Exchange on March 18, 2002.

(2) Includes $5,688 previously paid with the Registration Statement filed on June 26, 1998.

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

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

Subject to Completion, Dated March 22, 2002

Ramco-Gershenson Properties Trust

3,000,000 Shares

Common Shares of Beneficial Interest

This is a public offering of 3,000,000 common shares of beneficial interest of Ramco-Gershenson Properties Trust.

Our common shares are listed on The New York Stock Exchange under the symbol RPT. On March 21, 2002, the last reported sale price of our common shares was $18.10.

Investing in the common shares involves risk. See Risk Factors beginning on page 8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$.	$

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

March 30, 2009

The Annual Meeting of Stockholders of MoneyGram International, Inc. will be held at 8:30 a.m. Central Time on Tuesday, May 12, 2009 in Ballroom IV of the Graves 601 Hotel, located at 601 First Avenue North, Minneapolis, Minnesota for the following purposes:

1. To amend our Amended and Restated Certificate of Incorporation to increase authorized shares of common stock;

2. To amend our Amended and Restated Certificate of Incorporation to effect a reverse stock split at the discretion of our Board of Directors;

3. To amend our Amended and Restated Certificate of Incorporation to provide for proportional voting of directors;

4. To amend our Amended and Restated Certificate of Incorporation to declassify our Board of Directors and to provide for one-year terms of office for all directors;

5. To make certain amendments to the MoneyGram International, Inc. 2005 Omnibus Incentive Plan;

6. To elect six directors, three of whom to serve two-year terms and three of whom to serve three-year terms or, if the proposal to declassify our Board is approved, to elect nine directors to serve one-year terms;

7. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2009; and

8. To act upon any other matters which may properly come before the meeting and any adjournments.

Only stockholders of record of common stock and Series B Participating Convertible Preferred Stock at the close of business on March 16, 2009 are entitled to receive this notice and to vote at the meeting.

To assure your representation at the meeting, please vote your shares as instructed in the Notice of Internet Availability of Proxy Materials, over the Internet or by telephone after your receipt of hard copies of the proxy materials, as promptly as possible. You may also request a paper proxy card, which will include a reply envelope, to submit your vote by mail, as described in the Notice of Internet Availability of Proxy Materials.

By Order of the Board of Directors

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

MONEYGRAM INTERNATIONAL, INC.
1550 Utica Avenue South
Minneapolis, Minnesota 55416
ANNUAL MEETING OF STOCKHOLDERS
PROXY STATEMENT

Annual Meeting	Tuesday, May 12, 2009 8:30 a.m., Central Time	Graves 601 Hotel 601 First Avenue North Minneapolis, Minnesota 55403

Purpose

1. Amend our Amended and Restated Certificate of Incorporation to increase authorized shares of common stock.

2. Amend our Amended and Restated Certificate of Incorporation to effect a reverse stock split at the discretion of our Board of Directors (Board).

3. Amend our Amended and Restated Certificate of Incorporation to provide for proportional voting of directors.

4. Amend our Amended and Restated Certificate of Incorporation to declassify our Board and to provide for one-year terms of office for all directors.

5. Amendments to the MoneyGram International, Inc. 2005 Omnibus Incentive Plan (the 2005 incentive plan).

6. Elect six directors, three of whom to serve two-year terms and three of whom to serve three-year terms or, if the proposal to declassify our Board is approved, elect nine directors to serve one-year terms.

7. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2009.

8. Any other proper business.

Proxies Solicitation

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

First Mailing Date

We anticipate mailing the Notice of Internet Availability of Proxy Materials (the Notice) on or about March 30, 2009.

Record Date

March 16, 2009.

Shares Outstanding

MoneyGram International, Inc. (MoneyGram, the Company, we, us or our) has thr classes of capital stock outstanding: common stock, Series B Participating Convertible Preferred Stock (the B Stock) and Series B-1 Participating Convertible Preferred Stock (the B-1 Stock, and, together with the B Stock, the Series B Stock).

On the record date, [_________] shares of common stock, 495,000 shares of B Stock and 272,500 shares of B-1 Stock were outstanding. As of the record date, the 495,000 shares of B Stock are convertible into 223,352,682 shares of common stock (computed prior to any reverse stock split), and the 272,500 shares of B-1 Stock are convertible into 109,000 shares of Series D Participating Convertible Preferred Stock (the D Stock), which are convertible by a holder other than The Goldman Sachs Group, Inc. and its affiliates (the Goldman Sachs Group), into 122,956,780 shares of common stock (computed prior to any reverse stock split). Each share of B-1 Stock will automatically convert into one share of B Stock upon transfer to any holder other than the Goldman Sachs Group.

Our stockholders holding Series B Stock would own approximately 80.8 percent of our

common stock on a diluted basis upon conversion of their Series B Stock. Effectively, holders of the B Stock hold approximately 80.8 percent of the voting power of our stock, voting as a single class with the common stockholders. The B-1 Stock is non-voting stock except for the rights to vote on limited matters specified in the Certificate of Designations, Preferences and Rights of the B-1 Stock of the Company, none of which are being presented for a vote at this meeting.

Voting

You are entitled to vote at the meeting if you are a holder of record of common stock or B Stock on the record date. You may vote in person at the meeting, by automated telephone voting, on the Internet or by proxy.

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 set forth herein. The holders of our B Stock are entitled to vote on all matters voted on by holders of our common stock, voting as a single class with the common stockholders. The holders of our B Stock have a number of votes equal to the number of shares of common stock issuable if all outstanding shares of B Stock were converted plus the number of shares of common stock issuable if all outstanding shares of B-1 Stock were converted into B Stock and subsequently converted into common stock on the record date. There is no cumulative voting.

Accessing Proxy Materials

Under the rules of the Securities and Exchange Commission (the SEC), we are furnishing proxy materials, including the Company s Annual Report on Form 10-K for the year ended December 31, 2008 (the 2008 Form 10-K), to our stockholders on the Internet rather than mailing printed copies to our stockholders. If you received a Notice by mail, you will not receive a printed copy of the proxy materials unless you request one as instructed in the Notice. Instead, the Notice will instruct you as to how you may access and review the proxy materials on the Internet.

Board Representation

Pursuant to the amended and restated purchase agreement (the Purchase Agreement), dated as of March 17, 2008, with affiliates of Thomas H. Lee Partners, L.P. (THL) and affiliates of Goldman, Sachs & Co. (Goldman Sachs, and, together with THL, the Investors), the Investors have been provided with certain rights with respect to representation on the Board and committees of the Board, which has resulted in a change to the composition of the majority of the Board. Additionally, under the Purchase Agreement, as long as the Investors have a right to designate directors to our Board, Goldman Sachs has the right to designate one director who would have one vote and THL has the right to designate two to four directors who each have equal votes and who are to have such number of votes equal to the number of directors as is proportionate to the Investors common stock ownership, calculated on a fully-converted basis assuming the conversion of all shares of Series B Stock into common stock, minus the one vote of the director designated by Goldman Sachs. Therefore, upon approval of Proposal 3 in this proxy statement, each director designated by THL will have multiple votes and each other director will have one vote. On March 25, 2008, THL designated two individuals, Messrs. Scott L. Jaeckel and Seth W. Lawry, to the Board. On November 19, 2008, THL designated Messrs. Thomas M. Hagerty and Ganesh B. Rao to the Board. To date, Goldman Sachs has not designated a member of the Board but is expected to do so upon approval of Proposal 3 in this proxy statement. For additional information, see Proposal 3 in this proxy statement.

Proxies	We will vote signed returned proxies FOR each amendment to our Amended and Restated Certificate of Incorporation, FOR the amendment to the 2005 incentive plan, FOR the Board s director nominees and FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for 2009, unless you vote differently on the proxy card. The proxy holders will use their discretion on other matters. If a nominee cannot or will not serve as a director, the proxy may be voted for another person as the proxy holders decide. If you are a participant in the MoneyGram International, Inc. 401(k) Plan, your proxy is a voting instruction to the plan s trustee. See Voting Procedures in this proxy statement.

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

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

CAPITAL TRANSACTION

On March 25, 2008, MoneyGram completed a recapitalization transaction (the Capital Transaction) pursuant to the terms of the Purchase Agreement. Pursuant to the Purchase Agreement, we, among other things, sold 495,000 shares of B Stock to THL and 265,000 shares of B-1 Stock to Goldman Sachs for an aggregate purchase price of $760 million. In addition, the Company paid $7.5 million of transaction costs relating to the issuance of the Series B Stock through the issuance of 7,500 shares of B-1 Stock to Goldman Sachs. The issuance of the Series B Stock gave the Investors an initial equity interest of approximately 79 percent. For additional information regarding the Capital Transaction, the Purchase Agreement, the terms of the Series B Stock and related matters, see Board of Directors and Governance Transactions with Related Persons in this proxy statement.

PROPOSAL 1: AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO INCREASE AUTHORIZED SHARES OF COMMON STOCK

After careful consideration, the Board of MoneyGram has unanimously determined that it would be in the best interests of the Company and our stockholders to amend our Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock, par value $0.01 per share, as described below. The Board is now asking you to approve this amendment to the Amended and Restated Certificate of Incorporation.

The Board has determined that Clause (A) of Article IV of the Company s Amended and Restated Certificate of Incorporation should be amended to increase the number of authorized shares of common stock from 250,000,000 to 1,300,000,000, and the total number of shares of stock which the Company has the authority to issue from 257,000,000 to 1,307,000,000.

As of February 18, 2009, there were 82,540,662 shares of common stock outstanding, and 6,284,881 shares reserved for future issuance pursuant to the Company s stock compensation plans. Additionally, there were 495,000 shares of B Stock and 272,500 shares of B-1 Stock. As of February 18, 2009, the 495,000 shares of B Stock are convertible at any time into 221,413,728 shares of common stock and the 272,500 shares of B-1 Stock are convertible at any time into 109,000 shares of D Stock, which are immediately convertible by a holder other than the Goldman Sachs Group, into 121,889,375 shares of common stock. Each share of B-1 Stock will automatically convert into one share of B Stock upon transfer to any holder other than the Goldman Sachs Group. As of February 18, 2009, there were 149,854,419 shares of unissued and unreserved common stock available for issuance.

The additional shares of common stock for which authorization is sought would be a part of the existing class of common stock and, if and when issued, would have the same rights and privileges as the shares of common stock presently outstanding. Such additional shares would not (and the shares of common stock presently outstanding do not) entitle the holders thereof to preemptive or cumulative voting rights.

Effects of the Amendment

Pursuant to Section 4.1(g) of the Purchase Agreement entered into by the Company in connection with the Capital Transaction described under Equity Purchase Agreement under Transactions with Related Persons in this proxy statement, the Company agreed to hold a meeting of stockholders to seek amendment to the Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock to 1,300,000,000.

On February 9, 2009, the Board voted to approve, and to recommend that you approve at the 2009 Annual Meeting of Stockholders, this Proposal 1.

Approval of this Proposal 1 will cause clause (A) of Article IV of our Amended and Restated Certificate of Incorporation to be amended and restated in its entirety, as follows:

Article IV

(A) **Authorized Stock.** The total number of shares of stock that the Corporation shall have authority to issue is one billion three hundred and seven million (1,307,000,000), consisting of (i) one billion three hundred million (1,300,000,000) shares of Common Stock, par value $0.01 per share (hereinafter referred to as *Common Stock*) and (ii) seven million (7,000,000) shares of Preferred Stock, par value $0.01 per share (hereinafter referred to as *Preferred Stock*).

It is necessary to increase the number of authorized shares of common stock to allow for the conversion of the Series B Stock, as there are not currently sufficient shares authorized and unissued to allow for such conversion. Furthermore, additional authorized but unissued shares of common stock will enable the Company to take timely advantage of market conditions and the availability of favorable financing and acquisition opportunities without the delay and expense associated with convening a special stockholders meeting (unless otherwise required by the rules of any stock exchange on which the Company s common stock may then be listed). The shares of common stock could be used for issuing stock dividends (including stock splits issued in the form of stock dividends), the grant of stock options or other equity-based compensation under the 2005 incentive plan, acquisition by the Company of businesses or properties, equity financing and other general corporate purposes. With the exception of the potential conversion of the Series B Stock, the Company has no present plans, commitment or understandings in place with regard to use of such shares.

Unless required by law or by the rules of any stock exchange on which the Company s common stock may in the future be listed, no further vote by the stockholders will be sought for any issuance of shares of common stock. Under existing New York Stock Exchange, Inc. (NYSE) regulations, subject to certain exemptions, approval by a majority of the holders of common stock would nevertheless be required in connection with any transaction or series of related transactions that would result in the original issuance of additional shares of common stock, other than in a public offering for cash, if: (a) such additional shares of common stock (including securities convertible into or exercisable for common stock) has, or will have upon issuance, voting power equal to or in excess of 20 percent of the voting power outstanding before the issuance of the common stock; (b) the number of such additional shares of common stock is or will be equal to or in excess of 20 percent of the number of shares of common stock outstanding before the issuance of such additional shares, or (c) the issuance would result in a change in control of the Company.

Board Recommendation

The Board recommends to the stockholders that they vote FOR this Proposal 1. The vote required to amend the Amended and Restated Certificate of Incorporation to increase the number of authorized shares of common stock is a majority of the voting power of the common stock and B Stock outstanding and entitled to vote at the 2009 Annual Meeting of Stockholders, voting together as a single class.

Holders of the B Stock, who hold approximately 80.8 percent of the voting power of our stock, voting together as a single class with the common stockholders, have indicated their intention to vote in favor of this Proposal 1, thereby assuring its approval.

PROPOSAL 2: AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO EFFECT A REVERSE STOCK SPLIT AT THE DISCRETION OF OUR BOARD OF DIRECTORS

After careful consideration, the Board has unanimously determined that it would be in the best interests of the Company and our stockholders to authorize the Board to amend our Amended and Restated Certificate of Incorporation to effect a reverse stock split of our common stock, par value $0.01 per share, at its sole discretion. In addition, notwithstanding approval of this Proposal 2 by stockholders, the Board may determine not to effect, and could abandon, a reverse stock split without further action by our stockholders On February 9, 2009, the Board voted to approve, and to recommend that you approve at the 2009 Annual Meeting of Stockholders, this Proposal 2.

Reasons for a Reverse Stock Split

One of the primary objectives in effecting the reverse stock split would be to raise the per share trading price of our common stock in order to comply with the NYSE continued listing standards. However, the Board has noted that the NYSE has enacted a rule temporarily suspending the NYSE s $1 minimum price requirement through at least June 30, 2009. A second objective would be to increase the price per share in order to enhance the marketability of our common stock. Our Board believes that the current price per share of our common stock diminishes the effective marketability of such stock because of the reluctance of many leading brokerage firms to recommend lower-priced stock to their clients. Additionally, the policies and practices of a number of brokerage firms with respect to the payment of commissions based on stock price tend to discourage individual brokers within those firms from dealing in lower-priced stocks.

If approved, the Board would effect a reverse stock split only upon the Board s determination that a reverse stock split would be in the best interests of the stockholders at the time and would optimize the long-term value of our common stock and have the least impact on the short-term value of our stock. The Board believes it can best have the opportunity to achieve these objectives if the stockholders give the Board authority to effect a reverse stock split at its sole discretion.

Risks Associated with a Reverse Stock Split

While we believe that a higher stock price may help generate investor interest in our common stock, a reverse stock split may not result in a stock price that will attract brokers, institutional investors or investment funds or satisfy the investing guidelines of institutional investors or investment funds. The market price of our common stock is also based on our performance and other factors, which are unrelated to the number of shares of common stock outstanding. There are numerous factors and contingencies that could affect our stock price following a reverse stock split, including the status of the market for our stock at the time, our reported results of operations in future periods and general economic, market and industry conditions. Accordingly, although the price of our common stock is likely to increase with a reverse stock split, there can be no assurance that the market will sustain any such increase. If the market price of our common stock declines after a reverse stock split, our total market capitalization (the aggregate value of all of our outstanding common stock at the then existing market price) after a split will be lower than before the split. In addition, a decline in the market price of our common stock after a reverse stock split may result in a greater percentage decline than would occur in the absence of a split.

Following a reverse stock split, our outstanding shares would be reduced, which may lead to reduced trading volume and less liquidity for our common stock. That may increase the volatility of our stock price.

A reverse stock split may result in some stockholders owning odd lots of less than 100 shares of our common stock on a post-split basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell, than shares in lots of even multiples of 100 shares.

Timing and Effective Date

To effect a reverse stock split, the Board would determine the timing and specific ratio for such a split. No further action on the part of stockholders will be required to either implement or abandon a reverse stock split. We would communicate to the public prior to the effective date of a reverse stock split additional details regarding the reverse stock split, including the timing and specific ratio selected by the Board.

If the stockholders approve this Proposal 2 and the Board decides to implement a reverse stock split, we will file a Certificate of Amendment with the Delaware Secretary of State to amend our existing Amended and Restated Certificate of Incorporation to add a new subparagraph (F) to Article IV, as follows:

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Article IV

(F) **Reverse Stock Split.** At the close of the trading market on the filing date hereof with the Delaware Secretary of State, the issued and outstanding shares of the Corporation s Common Stock shall be reverse split, and each [___] shares thereof shall be deemed exchanged for one share of the Corporation s Common Stock without any further action by the holder thereof. Any resulting fractional shares will be rounded up to a whole share.

The text of the Certificate of Amendment is subject to modification to include such changes as may be required by the Delaware Secretary of State and as the Board deems necessary and advisable to effect the reverse stock split, including the applicable ratio for the reverse stock split as determined by the Board in its sole discretion. We would issue a press release and file a Current Report on Form 8-K to announce the amendment of our Amended and Restated Certificate of Incorporation. A reverse stock split will become effective at the close of the stock market on the date of filing the Certificate of Amendment, which is referred to as the effective date. Beginning on the effective date, each certificate representing pre-reverse stock split shares will be deemed for all corporate purposes to evidence ownership of the reduced number of post-reverse stock split shares (based on the ratio selected).

Effects of a Reverse Stock Split if Implemented

If a reverse stock split is approved and implemented, a reverse stock split would be effected simultaneously for all of our common stock and the exchange ratio would be equal for all of our common stock. A reverse stock split would affect all of our stockholders uniformly and would not affect any holder s percentage ownership interest in the Company, except to the extent that any fractional share resulting from a reverse stock split would be rounded up to the next whole share. Our reporting requirements under the Securities Exchange Act of 1934, as amended (the Exchange Act), would not be affected. If a reverse stock split is approved and implemented, our common stock would continue to be reported on the NYSE under the symbol MGI, but our CUSIP number would be changed. We would issue a press release and file a Current Report on Form 8-K to announce that our CUSIP number was changed.

If a reverse stock split is approved and implemented, it would reduce the number of our authorized shares based on the ratio selected by the Board. With respect to the Series B Stock, the Certificate of Designations, Preferences and Rights of each series of the Series B Stock provides that the Conversion Price and the Redemption Trigger Price in effect on the effective date of a reverse stock split shall be adjusted to the number obtained by multiplying each of the Conversion Price and the Redemption Trigger Price, respectively, in effect on the effective date of a reverse stock split by a fraction, the numerator of which is the number of shares of common stock outstanding immediately prior to such date, and the denominator of which is the number of shares of common stock outstanding immediately following such date. As of the record date, the Conversion Price of the B Stock was $2.50 and the Redemption Trigger Price of the B Stock was $15.00.

If a reverse stock split is approved and implemented, all outstanding equity awards under the MoneyGram International, Inc. 2004 Omnibus Incentive Plan, as amended (the 2004 incentive plan), and the 2005 incentive plan, as well as stock units issued under any of the Company s deferred compensation plans, will be adjusted by the ratio selected by the Board and will be rounded down to the nearest whole share. As of February 18, 2009, we had outstanding under the 2004 incentive plan options to purchase 2,444,745 shares of our common stock at prices ranging from $14.1546 to $22.4616 per share. Additionally, we had outstanding under the 2005 incentive plan options to purchase 519,634 shares of our common stock at prices ranging from $1.50 to $30.0150 per share. No cash payment will be made in respect of any fractional share. A reverse stock split will not affect the expiration date of outstanding stock options.

As soon as practicable after the effective date of a reverse stock split, our stock transfer agent would mail a transmittal form to each holder of record that holds certificates of our common stock that would be used in forwarding certificates for surrender and the exchange into new post-split common stock in book-entry form to which the holder is entitled as a consequence of the reverse stock split. The transmittal form would be accompanied by instructions specifying other details of the exchange.

After receipt of a transmittal form, each holder, as applicable, would surrender the certificates formerly representing shares of our common stock and, in exchange, would receive a book-entry statement reflecting the number of shares of common stock to which the holder is entitled following a reverse stock split. No stockholder would be required to pay a transfer or other fee to exchange his, her or its certificates. **Stockholders should not send in certificates until**

they receive a transmittal form from our stock transfer agent.

The number of shares of common stock you own would automatically be reduced without any further action on your part and without regard to the date that you physically surrender your certificates to our transfer agent. Each certificate representing pre-split shares of

common stock would, until surrendered and exchanged as described above, be deemed cancelled and, for all corporate purposes, would be deemed to represent only the number of post-split shares as a result of the reverse stock split. Note that you would not be entitled to receive any dividends or other distributions payable by us after the reverse stock split is effective until you surrender and exchange your certificates. If we issue and pay any dividends or make any distributions, these amounts would be withheld, accumulate and be paid to you, without interest, once you surrender your certificates for exchange. We have no current plans to pay any dividends or to make any distributions other than as required pursuant to the terms of our Series B Stock.

If you hold your shares in book entry form through our stock transfer agent, no action would be required on your part. The number of shares of common stock you own would automatically be reduced, our stock transfer agent would update its records accordingly, and a book-entry statement reflecting your new post-split common stock would be mailed to your address of record.

No Appraisal Rights

Under Delaware law, stockholders would not be entitled to exercise appraisal rights in connection with a reverse stock split, and the Company would not independently provide stockholders with any such right.

U.S. Federal Income Tax Consequences

The following is a summary of important tax considerations of a reverse stock split. It addresses only stockholders who hold the pre-reverse stock split common shares and post-reverse stock split common shares as capital assets, as defined in the Internal Revenue Code of 1986, as amended (the Code). It does not purport to be complete and does not address stockholders subject to special rules, such as financial institutions, tax-exempt organizations, insurance companies, dealers in securities, mutual funds, foreign stockholders, stockholders who hold the pre-reverse stock split shares as part of a straddle, hedge or conversion transaction, stockholders who are subject to the alternative minimum tax provisions of the Code and stockholders who acquired their pre-reverse stock split shares pursuant to the exercise of employee stock options or otherwise as compensation.

This summary is based upon current law, which may change, possibly even retroactively. It does not address tax considerations under state, local, foreign and other laws. We have not obtained a ruling from the Internal Revenue Service or an opinion of legal or tax counsel with respect to the consequences of a reverse stock split. Each stockholder is advised to consult his, her or its own tax advisor as to the tax consequences of a reverse stock split. A reverse stock split is intended to constitute a reorganization within the meaning of Section 368 of the Code. Assuming a reverse stock split qualifies as a reorganization, a stockholder generally would not recognize gain or loss on the reverse stock split. The aggregate tax basis of the post-split shares received would be equal to the aggregate tax basis of the pre-split shares exchanged therefor, and the holding period of the post-split shares received would include the holding period of the pre-split shares exchanged. The federal income tax consequences of rounding up to the next whole share in lieu of receiving a fractional interest are not clear, but may result in tax liabilities which are not expected to be material in amount due to the anticipated value of the fractional interest. No gain or loss would be recognized by the Company as a result of a reverse stock split.

Accounting Consequences

The implementation of a reverse stock split would result in an adjustment to all share, share equivalent and per share amounts as if the reverse stock split had occurred on the first day of each period presented. If the par value of our common stock is not adjusted in connection with the reverse stock split, amounts would also be reclassified between the common stock and additional paid-in capital components of our stockholders deficit, with no net change occurring.

Board Recommendation

The Board recommends to the stockholders that they vote FOR this Proposal 2. The vote required to amend the Amended and Restated Certificate of Incorporation to effect a reverse stock split at the discretion of the Board is a majority of the voting power of the common stock and B Stock outstanding and entitled to vote at the 2009 Annual Meeting of Stockholders, voting together as a single class.

Holders of the B Stock, who hold approximately 80.8 percent of the voting power of our stock, voting together as a single class with the common stockholders, have indicated their intention to vote in favor of this Proposal 2, thereby assuring its approval.

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PROPOSAL 3: AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO PROVIDE FOR PROPORTIONAL VOTING OF DIRECTORS

After careful consideration the Board has unanimously determined that it would be in the best interests of the Company and our stockholders to amend our Amended and Restated Certificate of Incorporation to provide for proportional voting of members of the Board, as described below. On February 9, 2009, the Board voted to approve, and to recommend that you approve at the 2009 Annual Meeting of Stockholders, this Proposal 3. If this proposal is approved, the Board will amend the Company s Bylaws to be consistent with this amendment to the Amended and Restated Certificate of Incorporation.

Purposes and Effects of the Amendment

Section 4.1(b) of the Purchase Agreement provides that the Investors shall be entitled to nominate and cause the Company to appoint individuals to the Board to serve as directors (each, a Board Representative) such that the Investors will appoint that number of directors as is proportionate to the Investors common stock ownership, calculated on a fully-converted basis (assuming the conversion of all shares of Series B Stock into common stock). In addition to the members of the Board designated by the Investors, the Board is required to have at least three independent directors not designated by or affiliated with the Investors and also has chosen to appoint two management directors. Because the Investors currently hold Series B Stock convertible into approximately 80.8 percent of the Company s common stock on a fully converted basis, and because such percentage will increase over time to the extent that dividends on the Series B Stock accrue, having a number of Board Representatives proportionate to the Investors common stock ownership, plus three independent directors and two management directors, would require having a Board with approximately 21 members. Given the Investors rights to proportional representation on the Board, the director proportional voting rights contemplated by this proposal will allow the Company to have a Board with fewer Board Representatives designated by the Investors. Having a Board with a more limited number of members will result in the Company incurring lower director expenses.

The Investors and the Company determined that having such a large Board would not be in the Investors or the Company s best interests. Accordingly, the Purchase Agreement provides that the Company will take action to provide each of the Board Representatives appointed by affiliates of THL (or their permitted successors or assigns) multiple votes such that a smaller number of Board Representatives will have a voting interest proportional to the Investors common stock ownership calculated on a fully-converted basis. Pursuant to Section 4.1(g) of the Purchase Agreement, the Company agreed to hold a meeting of stockholders to seek amendment to the Amended and Restated Certificate of Incorporation to provide that as long as the Investors have a right to designate Board Representatives pursuant to Section 4.1(b) of the Purchase Agreement, affiliates of Goldman Sachs (or its permitted successors or assigns) would have the right to designate one Board Representative, which Board Representative would have one vote, and THL (or its permitted successors or assigns) will have the right to designate two to four Board Representatives, which Board Representatives would be authorized to vote (with each such Board Representative having equal votes) on all matters occasioning action by the Board such number of votes equal to the number of directors that the Investors would be entitled to designate pursuant to Section 4.1(b) of the Purchase Agreement in the absence of the amendment to the Amended and Restated Certificate of Incorporation, minus the one vote of the Board Representative designated by Goldman Sachs. As a result of such amendment, as long as the Investors have a right to designate Board Representatives pursuant to Section 4.1(b) of the Purchase Agreement, each Board Representative designated by affiliates of THL (or their permitted successors or assigns) would have multiple votes and each other member of the Board would have one vote.

If this Proposal 3 is approved, the Board will have nine members, with THL s four Board Representatives having approximately 16 votes out of a total of 21 votes on the Board. To date, Goldman Sachs has not designated a member of the Board but is expected to do so upon approval of this Proposal 3.

Text and Legal Effectiveness of Proposed Amendment

Approval of this Proposal 3 will cause Article XIII to be added to our Amended and Restated Certificate of Incorporation, as follows:

Article XIII

(A) At any time the investors that are party to the Purchase Agreement (as defined below) or their respective affiliates (collectively, the *Investors*) have the right pursuant to Section 4.1(b) of the Purchase Agreement to appoint individuals to be nominated for election to the Board of Directors (*Board Representatives*) to serve as directors of the Corporation, affiliates of Goldman, Sachs & Co. (*Goldman Sachs*) (or its permitted successors or assigns) shall have the right to designate one (1) Board Representative (the *GS Board Representative*), which such Board Representative, if elected as a director, shall have one (1) vote, and affiliates of Thomas H. Lee Partners, L.P. (*THL*) (or its permitted successors or assigns) shall have the right to designate two (2) to four (4) Board

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Representatives (the *THL Board Representatives*), which THL Board Representatives, if elected as directors, together shall be authorized to vote (with each THL Board Representative having equal votes) on all matters occasioning action by the Board of Directors a total number of votes equal to (x) the number of directors that the Investors would be entitled to designate pursuant to Section 4.1(b) of the Purchase Agreement in order to have Proportional Representation (as defined below) on the Board of Directors in the absence of this Article XIII, minus (y) the one (1) vote of the GS Board Representative. Each director other than the THL Board Representatives shall have one (1) vote. For the purposes of this Amended and Restated Certificate of Incorporation, *Proportional Representation* shall mean the number of Board Representatives (rounded to the nearest whole number) that the Investors would need to appoint (in the absence of this Article XIII) in order for the number of Board Representatives appointed by the Investors as compared to the number of directors constituting the entire Board of Directors to be proportionate to the Investors common stock ownership, calculated on a fully-converted basis (assuming all shares of Series B Stock are converted into common stock). For the purposes of this Amended and Restated Certificate of Incorporation, the *Purchase Agreement* shall mean that certain Amended and Restated Purchase Agreement, dated as of March 17, 2008, between the Corporation and the purchasers named therein, including all schedules and exhibits thereto, as the same may be amended from time to time.

(B) At any time the right of the Investors to appoint Board Representatives pursuant to this Article XIII is in effect, all references in this Amended and Restated Certificate of Incorporation, the Bylaws of the Corporation and any other charter document of the Corporation, each as may be amended from time to time, to a majority of the directors, a majority of the remaining directors, a majority of the Whole Board, a majority of the total number of directors that the Corporation would have if there were no vacancies and similar phrases shall give effect to the proportional voting provisions of this Article XIII such that the references to a majority shall mean a majority of the votes of the directors.

The amendment will be effective as of the time the Amendment to the Amended and Restated Certificate of Incorporation is filed with the Delaware Secretary of State which, assuming Proposal 3 is approved, will be filed promptly after the results of the stockholder vote are certified.

Board Recommendation

The Board recommends to the stockholders that they vote FOR this Proposal 3. The vote required to amend the Amended and Restated Certificate of Incorporation to provide for proportional voting of directors as set forth in Article XIII Section (A) above and to add Article XIII Section (B) above is at least 80 percent of the voting power of the common stock and B Stock outstanding and entitled to vote at the 2009 Annual Meeting of Stockholders, voting together as a single class.

Holders of the B Stock, who hold approximately 80.8 percent of the voting power of our stock, voting together as a single class with the common stockholders, have indicated their intention to vote in favor of this Proposal 3, thereby assuring its approval.

PROPOSAL 4: AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF INCORPORATION TO DECLASSIFY OUR BOARD OF DIRECTORS

After careful consideration, the Board has unanimously determined that it would be in the best interests of the Company and our stockholders to amend our Amended and Restated Certificate of Incorporation to declassify the Board and provide for the annual election of all directors, as described below. On February 9, 2009, the Board voted to approve, and to recommend that you approve at the 2009 Annual Meeting of Stockholders, this Proposal 4.

MoneyGram s Current Classified Board Structure

Clause (C) of Article VIII of the Company s current Amended and Restated Certificate of Incorporation divides MoneyGram s directors into three classes as nearly equal in size as possible, with members of each class serving three-year terms of office. Consequently, at any given annual meeting of stockholders, MoneyGram s stockholders have the ability to elect only one class of directors, constituting roughly one-third of the entire Board. Clause (D) of Article VIII makes reference to the classified Board.

Proposed Declassification of the Board

Pursuant to Section 4.1(g) of the Purchase Agreement, the Company agreed to hold a meeting of stockholders to seek amendment to the Amended and Restated Certificate of Incorporation to provide that each member of the Board shall be elected annually for a one-year term.

Rationale for Declassification

The Board is committed to good corporate governance at MoneyGram. Accordingly, in determining whether to propose declassification as described above, the Board carefully reviewed the various arguments for and against a classified Board structure.

The Board recognizes that a classified structure may offer several advantages, such as promoting Board continuity and stability, and encouraging directors to take a long-term perspective. The Board also recognizes, conversely, that a classified structure may appear to reduce directors accountability to stockholders, since such a structure does not enable stockholders to express a view on each director s performance by means of an annual vote. The Board also believes that implementing annual elections for all directors would support MoneyGram s ongoing effort to adopt best practices in corporate governance.

In view of the considerations described above, the Board has unanimously determined that it is in the best interests of the Company and our stockholders to eliminate the classified Board structure as proposed.

Text and Legal Effectiveness of Proposed Amendment

Approval of this Proposal 4 will cause clauses (C) and (D) of Article VIII of our Amended and Restated Certificate of Incorporation to be amended and restated in their entirety, as follows:

Article VIII

(C) The directors shall be elected annually at each annual meeting of stockholders of the Corporation by a plurality vote of all votes cast at such meeting to hold office for a term expiring at the next annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified. The terms of office of each director whose term of office did not expire at the 2009 annual meeting of stockholders of the Corporation shall nonetheless expire upon the effectiveness of this Amendment to the Amended and Restated Certificate of Incorporation under the General Corporation Law of the State of Delaware (the Effective Time), such that the directors elected at the 2009 annual meeting of stockholders of the Corporation effective upon the Effective Time to succeed such directors shall commence their term of office at the Effective Time, for a term expiring at the next annual meeting of stockholders, with each such director to hold office until his or her successor shall have been duly elected and qualified.

(D) Subject to the rights of the holders of our Series B Participating Convertible Preferred Stock and Series B-1 Participating Convertible Preferred Stock (the *Series B Stock*) or any other series or class of stock, as set forth in this Amended and Restated Certificate of Incorporation, to elect additional directors under specified circumstances, vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause, and

newly created directorships resulting from any increase in the authorized number of directors, may be filled, unless the Board of Directors otherwise determines, only by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Board of Directors, or by the sole remaining director, and not by stockholders. Directors so chosen shall hold office for a term expiring at the next annual meeting of stockholders and until such director s successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Board of Directors shall shorten the term of any incumbent director.

The proposed amendment provides that at each annual meeting of stockholders, commencing with the 2009 Annual Meeting of Stockholders, all elected directors will hold office for a term expiring at the next annual meeting of stockholders, with each director to hold office until his or her successor shall have been duly elected and qualified.

The effect of this amendment, if approved by our stockholders, would be to declassify the Board effective upon the Company s filing of the Certificate of Amendment to the Amended and Restated Certificate of Incorporation with the Delaware Secretary of State. Assuming Proposal 4 is approved, the Company intends to file the Certificate of Amendment promptly after the results of the stockholder vote are certified. Upon filing of such Certificate of Amendment, the conditional unanimous written consent of the Board to amend the Bylaws of the Company to provide for annual election of directors will also become effective.

Board Recommendation

The Board recommends to the stockholders that they vote FOR this Proposal 4. The vote required to amend the Amended and Restated Certificate of Incorporation to declassify the Board is at least 80 percent of the voting power of the common stock and B Stock outstanding and entitled to vote at the 2009 Annual Meeting of Stockholders, voting together as a single class.

Holders of the B Stock, who hold approximately 80.8 percent of the voting power of our stock, voting together as a single class with the common stockholders, have indicated their intention to vote in favor of this Proposal 4, thereby assuring its approval.

PROPOSAL 5: AMENDMENTS TO THE MONEYGRAM INTERNATIONAL, INC. 2005 OMNIBUS INCENTIVE PLAN

Background

After careful consideration, the Board has unanimously determined that it would be in the best interests of the Company and our stockholders to make certain amendments to the 2005 incentive plan. On February 9, 2009, the Board voted to approve, and to recommend that you approve at the 2009 Annual Meeting of Stockholders, this Proposal 5.

If adopted by our stockholders, the amendments to the 2005 incentive plan would:

- increase the aggregate number of shares that may be issued under all awards under the 2005 incentive plan from 7.5 million to 47 million shares;
- increase the aggregate number of shares that may be granted to an eligible person in any calendar year under the 2005 incentive plan from 500,000 to 10 million shares;
- revise the definition of Fair Market Value from the average of the high and low sales prices of the shares on the NYSE on a given date to the closing sale price of the shares on the NYSE on a given date;
- add a definition of Change in Control ;
- update the 2005 incentive plan regarding Section 409A under the Code, including adding a definition of Qualifying Termination ; and
- permit the use of unsigned, electronic award agreements.

Rationale for Approval

The 2005 incentive plan was approved by our stockholders in May 2005 at the 2005 Annual Meeting of Stockholders. The purpose of the 2005 incentive plan is to promote the interests of MoneyGram and our stockholders by aiding us in attracting and retaining employees, officers, consultants, advisors and non-employee directors (eligible participants) who we expect will contribute to our growth and financial performance for the benefit of our stockholders.

The 2005 incentive plan authorizes the grant of stock options and other forms of stock-based compensation. The Board believes that stock-based compensation is a very important factor in attracting and retaining experienced and talented employees and non-employee directors who can contribute significantly to the management, growth and profitability of our business. Additionally, the Board believes that stock-based compensation aligns the interests of our management and non-employee directors with the interest of our stockholders. The availability of stock-based compensation not only increases employees focus on the creation of stockholder value, but also enhances employee retention and generally provides increased motivation for our employees to contribute to the future success of MoneyGram. The 2005 incentive plan is the only plan pursuant to which the Company can grant stock options and other forms of stock-based compensation, and the limited number shares remaining available under the 2005 incentive plan restricts the Board s ability to make stock-based awards. The substantial decline in the Company s stock price in recent years has greatly reduced the incentive value of existing shares available for awards as well as outstanding awards under the 2005 incentive plan. The Board therefore determined that the number of available shares would not be adequate to provide competitive levels of incentive compensation.

As of February 18, 2009 and without taking into account the amendment to increase the number of shares available under the 2005 incentive plan, 6.3 million shares remained available for future awards under the 2005 incentive plan. On January 21, 2009, the Board granted options to purchase 4.7 million shares to Pamela H. Patsley, our new Executive Chairman, subject to approval of this Proposal 5. If this Proposal 5 is not approved by our stockholders, only options to purchase 500,000 shares granted to Ms. Patsley would not be forfeited due to the 2005 incentive plan s current limitation on the aggregate number of shares that may be issued to an individual in any calendar year.

For the reasons discussed above, the Board believes that adoption of the amendments is needed to implement the Company s strategic plan and goals and is in the best interests of MoneyGram and our stockholders.

The following is a summary of the material terms of the 2005 incentive plan and is qualified in its entirety by reference to the 2005 incentive plan. A copy of the 2005 incentive plan, as amended, is attached as Appendix A to this proxy statement and is marked to show the changes.

Administration

The Human Resources and Nominating Committee administers the 2005 incentive plan and has full power and authority to determine when and to whom awards will be granted, and the type, amount, form of payment and other terms and conditions of each award, consistent with the provisions of the 2005 incentive plan. In addition, the committee can specify whether, and under what circumstances, awards to be received under the 2005 incentive plan or amounts payable under such awards may be deferred automatically or at the election of either the holder of the award or the committee. Subject to the provisions of the 2005 incentive plan, the committee may amend or waive the terms and conditions, or accelerate the exercisability, of an outstanding award. The committee has authority to interpret the 2005 incentive plan and establish rules and regulations for the administration of the 2005 incentive plan.

The committee may delegate its powers under the 2005 incentive plan to one or more directors, except that the committee may not delegate its powers to grant awards to executive officers or directors who are subject to Section 16 of the Exchange Act, or in a way that would violate Section 162(m) of the Code. In addition, the committee may authorize one or more of our non-director officers to grant stock options under the 2005 incentive plan, provided that stock option awards made by these officers may not be made to executive officers or directors who are subject to Section 16 of the Exchange Act. The Board may also exercise the powers of the committee at any time, so long as its actions would not violate Section 162(m) of the Code.

Eligible Participants

Any employee, officer, consultant, advisor or non-employee director providing services to us or any of our affiliates, who is selected by the committee, is eligible to receive an award under the 2005 incentive plan. As of the date of this proxy statement, approximately 1,900 employees, officers and directors were eligible as a class to be selected by the committee to receive awards under the 2005 incentive plan.

Shares Available For Awards

The aggregate number of shares of our common stock that may be issued under all stock-based awards made under the 2005 incentive plan is currently 7.5 million. If the 2005 incentive plan amendments are approved by our stockholders, the maximum number of shares authorized under the 2005 incentive plan will be increased by 39.5 million shares to 47 million. Certain awards under the 2005 incentive plan are subject to limitations as follows:

- In any calendar year, no person may be granted awards, the value of which is based solely on an increase in the value of our common stock after the date of grant of the award, of more than 500,000 shares in the aggregate. If the 2005 incentive plan amendments are approved by our stockholders, this limitation will be increased to 10 million shares.

- Our non-employee directors, as a group, may not be granted awards in the aggregate of more than 3% percent of the shares available for awards under the 2005 incentive plan.

- A maximum of 7.5 million shares are available for granting incentive stock options under the 2005 incentive plan, subject to the provisions of Section 422 or 424 of the Code or any successor provision.

The committee may adjust the number of shares and share limits described above in the case of a stock dividend or other distribution, including a stock split, merger or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be provided under the 2005 incentive plan.

If an award is terminated, forfeited or cancelled without the issuance of any shares or if shares covered by an award are not issued for any other reason, then the shares previously set aside for such award are available for future awards under the 2005 incentive plan. If shares of restricted stock awarded under the 2005 incentive plan are forfeited or otherwise reacquired by us prior to vesting, those shares are again available for awards under the 2005 incentive plan. In addition, shares withheld as payment of the purchase or exercise price of an award or in satisfaction of tax obligations relating to an award are again available for granting awards, except that, after May 10, 2015, any previously issued shares withheld in connection with the satisfaction of tax obligations relating to restricted stock will not be available again for granting awards. Prior to May 10, 2015, any previously issued shares that are used as payment of the purchase or exercise price of an award or in satisfaction of tax obligations relating to an award will again be available for awards under the 2005 incentive plan.

Types of Awards and Terms and Conditions

The 2005 incentive plan permits the granting of:

- stock options (including both incentive and non-qualified stock options);
- stock appreciation rights (SARs);
- restricted stock and restricted stock units;
- dividend equivalents;
- performance awards of cash, stock or property;
- stock awards; and
- other stock-based awards.

Awards may be granted alone, in addition to, in combination with or in substitution for, any other award granted under the 2005 incentive plan or any other compensation plan. Awards can be granted for no cash consideration or for any cash or other consideration as may be determined by the committee or as required by applicable law. Awards may provide that upon the grant or exercise thereof, the holder will receive cash, shares of our common stock, other securities or property, or any combination of these in a single payment, installments or on a deferred basis. The exercise price per share under any stock option and the grant price of any SAR may not be less than the fair market value of our common stock on the date of grant of such option or SAR except to satisfy legal requirements of foreign jurisdictions or if the award is in substitution for an award previously granted by an entity acquired by us. Determinations of fair market value under the 2005 incentive plan are made in accordance with methods and procedures established by the committee. The term of awards are not longer than 10 years from the date of grant.

Stock Options. The holder of an option is entitled to purchase a number of shares of our common stock at a specified exercise price during a specified time period, all as determined by the committee. The option exercise price may be payable either in cash or, at the discretion of the committee, in other securities or other property having a fair market value on the exercise date equal to the exercise price.

Stock Appreciation Rights. The holder of a SAR is entitled to receive the excess of the fair market value (calculated as of the exercise date or, at the committee s discretion, as of any time during a specified period before or after the exercise date) of a specified number of shares of our common stock over the grant price of the SAR. SARs vest and become exercisable in accordance with a vesting schedule established by the committee.

Restricted Stock and Restricted Stock Units. The holder of restricted stock will own shares of our common stock subject to restrictions imposed by the committee (including, for example, restrictions on the right to vote the restricted shares or to receive any dividends with respect to the shares) for a specified time period determined by the committee. The holder of restricted stock units will have the right, subject to any restrictions imposed by the committee, to receive shares of our common stock, or a cash payment equal to the fair market value of those shares, at some future date determined by the committee. The minimum vesting period for these awards is three years from the date of grant, unless the award is conditioned on personal performance, or the performance of MoneyGram or its affiliates, in which case the minimum vesting period is one year from the date of grant; provided, however, that such minimum vesting period will not apply to grants of up to 200,000 shares of restricted stock and restricted stock units to non-employee directors. The committee also may permit accelerated vesting in the case of a participant s death, disability or retirement, or a change in control of MoneyGram. If the participant s employment or service as a director terminates during the vesting period for any other reason, the restricted stock and restricted stock units will be forfeited, unless the committee determines that it would be in our best interest to waive the remaining restrictions.

Dividend Equivalents. The holder of a dividend equivalent is entitled to receive payments (in cash, shares of our common stock, other securities or other property) equivalent to the amount of cash dividends paid by us to our stockholders, with respect to the number of shares determined by the committee. Dividend equivalents are subject to

other terms and conditions determined by the committee.

Performance Awards. The committee may grant awards under the 2005 incentive plan that are intended to qualify as performance-based compensation within the meaning of Section 162(m) of the Code. A performance award may be payable in cash or stock and will be conditioned solely upon the achievement of one or more objective performance goals established by the committee in compliance with Section 162(m) of the Code. In order to comply with Section 162(m) of the Code, under the 2005 incentive plan, the committee is required to certify that the applicable performance goals have been met prior to payment of any performance awards to participants. The maximum amount that may be paid with respect to performance awards to any participant in the aggregate in any calendar year is $5,000,000 in value, whether payable in cash, stock (other than stock options) or other property. Subject to this limitation, the committee has sole discretion to designate participants and the type and amount of awards under the 2005 incentive plan. The committee must determine the length of the performance period, establish the performance goals for the performance period, and determine the amounts of the performance awards for each participant no later than 90 days after the beginning of each performance period according to the requirements of Section 162(m) of the Code.

Performance goals must be based solely on one or more of the following business criteria, applied on a corporate, subsidiary, division, business unit or line of business basis: sales, revenue, costs, expenses, earnings (including one or more of net profit after tax, gross profit, operating profit, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization and net earnings), earnings per share, earnings per share from continuing operations, operating income, pre-tax income, operating income margin, net income, margins (including one or more of gross, operating and net income margins), returns (including one or more of return on actual or proforma assets, net assets, equity, investment, capital and net capital employed), stockholder return (including total stockholder return relative to an index or peer group), stock price, economic value added, cash generation, cash flow, unit volume, working capital, market share, cost reductions and strategic plan development and implementation. The measure of performance may be set by reference to an absolute standard or a comparison to specified companies or groups of companies, or other external measures. The committee may establish rules during the first 90 days of a performance period to permit the committee to adjust any evaluation of the performance under the applicable goals to exclude the effect of certain events, including asset write-downs; litigation or claim judgments or settlements; changes in tax law, accounting principles or other such laws or provisions affecting reported results; severance, contract termination and other costs related to exiting certain business activities; and gains or losses from the disposition of businesses or assets or from the early extinguishment of debt.

Stock Awards. The committee may grant unrestricted shares of our common stock, subject to terms and conditions determined by the committee and the limitations in the 2005 incentive plan.

Other Stock-Based Awards. The committee is also authorized to grant other types of awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to our common stock, subject to terms and conditions determined by the committee and the limitations in the 2005 incentive plan.

Duration, Termination and Amendment. Unless discontinued or terminated by the Board, the 2005 incentive plan will expire on May 10, 2015. No awards may be made after that date. However, unless otherwise expressly provided in an applicable award agreement, any award granted under the 2005 incentive plan prior to expiration may extend beyond the expiration of the 2005 incentive plan through the award s normal expiration date.

The Board may amend, alter, suspend, discontinue or terminate the 2005 incentive plan at any time, although stockholder approval must be obtained for any action that would increase the number of shares of our common stock available under the 2005 incentive plan, increase the award limits under the 2005 incentive plan, permit awards of options or SARs at a price less than fair market value, permit repricing of options or SARs, or cause Section 162(m) of the Code to become unavailable with respect to the 2005 incentive plan. Stockholder approval is also required for any action that requires stockholder approval under the rules and regulations of the SEC, the NYSE or any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to us.

Prohibition on Repricing Awards

Without the approval of our stockholders, the committee will not reprice, adjust or amend the exercise price of any options or the grant price of any SAR previously awarded, whether through amendment, cancellation and replacement grant or any other means, except in connection with a stock dividend or other distribution, including a stock split,

merger or other similar corporate transaction or event, in order to prevent dilution or enlargement of the benefits, or potential benefits intended to be provided under the 2005 incentive plan.

Transferability of Awards

Unless otherwise provided by the committee, awards under the 2005 incentive plan may only be transferred by will or by the laws of descent and distribution.

Federal Income Tax Consequences

Grant of Options and SARs. The grant of a stock option or SAR is not expected to result in any taxable income for the recipient.

Exercise of Options and SARs. Upon exercising a non-qualified stock option, the optionee must recognize ordinary income equal to the excess of the fair market value of the shares of our common stock acquired on the date of exercise over the exercise price, and we will generally be entitled at that time to an income tax deduction for the same amount. The holder of an incentive stock option generally will have no taxable income upon exercising the option (except that an alternative minimum tax liability may arise), and we will not be entitled to an income tax deduction. Upon exercising a SAR, the amount of any cash received and the fair market value on the exercise date of any shares of our common stock received are taxable to the recipient as ordinary income and generally deductible by us.

Disposition of Shares Acquired Upon Exercise of Options and SARs. The tax consequence upon a disposition of shares acquired through the exercise of an option or SAR will depend on how long the shares have been held and whether the shares were acquired by exercising an incentive stock option or by exercising a non-qualified stock option or SAR. Generally, there will be no tax consequence to us in connection with the disposition of shares acquired under an option or SAR, except that we may be entitled to an income tax deduction in the case of the disposition of shares acquired under an incentive stock option before the applicable incentive stock option holding periods set forth in the Code have been satisfied.

Awards Other than Options and SARs. As to other awards granted under the 2005 incentive plan that are payable either in cash or shares of our common stock that are either transferable or not subject to substantial risk of forfeiture, the holder of the award must recognize ordinary income equal to (a) the amount of cash received or, as applicable, (b) the excess of (i) the fair market value of the shares received (determined as of the date of receipt) over (ii) the amount (if any) paid for the shares by the holder of the award. We will generally be entitled at that time to an income tax deduction for the same amount.

As to an award that is payable in shares of our common stock that are restricted from transfer and subject to substantial risk of forfeiture, unless a special election is made by the holder of the award under the Code, the holder must recognize ordinary income equal to the excess of (i) the fair market value of the shares received (determined as of the first time the shares become transferable or not subject to substantial risk of forfeiture, whichever occurs earlier) over (ii) the amount (if any) paid for the shares by the holder of the award. We will generally be entitled at that time to an income tax deduction for the same amount.

Income Tax Deduction. Subject to the usual rules concerning reasonable compensation, including our obligation to withhold or otherwise collect certain income and payroll taxes, and assuming that, as expected, stock options, SARs and certain other performance awards paid under the 2005 incentive plan are qualified performance-based compensation within the meaning of Section 162(m) of the Code, we will generally be entitled to a corresponding income tax deduction at the time a participant recognizes ordinary income from awards made under the 2005 incentive plan.

Application of Section 16. Special rules may apply to individuals subject to Section 16 of the Exchange Act. In particular, unless a special election is made pursuant to the Code, shares received through the exercise of a stock option or SAR may be treated as restricted as to transferability and subject to a substantial risk of forfeiture for a period of up to six months after the date of exercise. Accordingly, the amount of any ordinary income recognized and the amount of our income tax deduction will be determined as of the end of that period.

Application of Section 409A of the Code. The committee will administer and interpret the 2005 incentive plan and all award agreements in a manner consistent with the intent to satisfy the requirements of Section 409A of the Code to avoid any adverse tax results thereunder to a holder of an award. If any provision of the 2005 incentive plan or any award agreement would result in such adverse consequences, the committee may amend that provision or take other necessary action to avoid any adverse tax results and no such action will be deemed to impair or otherwise adversely affect the rights of any holder of an award under the 2005 incentive plan.

Delivery of Shares for Tax Obligation. Under the 2005 incentive plan, the committee may permit participants receiving or exercising awards, subject to the discretion of the committee and upon such terms and conditions as it may impose, to deliver shares of our common stock (either shares received upon the receipt or exercise of the award

or shares previously owned by the participant) to us to satisfy federal and state tax obligations.

New Plan Benefits

As described above, the award to Ms. Patsley was made under the 2005 incentive plan prior to the date of this Annual Meeting of Stockholders. Options to purchase only 500,000 of the 4.7 million shares granted to Ms. Patsley would not be forfeited if stockholders do not approve this Proposal 5.

The committee in its sole discretion will determine the number and types of awards that will be granted. Thus, it is not possible to determine the benefits that will be received by eligible participants in the future if the amended 2005 incentive plan were to be approved by the stockholders. The closing price of a share of our common stock as reported on the NYSE on March 16, 2009 was $__________.

Historical Awards Under the 2005 Incentive Plan

The following table sets forth the number of common shares covered by options and other awards granted to the executive officers named in the Summary Compensation Table in this proxy statement, director nominees and the specified groups set forth below under the 2005 incentive plan as of February 18, 2009:

Name and Principal Position	Stock Options Granted	Restricted Stock Granted	Performance-Based Restricted Stock Granted	Restricted Stock Units Granted
Anthony P. Ryan, President and CEO, and director nominee	30,900	26,800		
Philip W. Milne, Former Chairman, President and CEO	102,500	41,560		
David J. Parrin, Executive Vice President and Chief Financial Officer	34,100	21,490		
Teresa H. Johnson, Executive Vice President, General Counsel and Secretary	18,100	6,310		
Daniel J. O Malley, Senior Vice President, Global Payment Systems/ President Americas	12,700	9,620		
Mary A. Dutra, Executive Vice President, Global Payment Processing and Settlement	16,600	8,610		
Thomas E. Haider, former Senior Vice President and Chief Compliance Officer	8,200	970		
All current executive officers as a group (13 persons)	4,865,900	79,171		
All current directors who are not executive officers as a group (7 persons)	10,000	1,000		6,600
Thomas M. Hagerty, director nominee				
Jess T. Hay, director nominee	2,500			2,200
Scott L. Jaeckel, director nominee				
Seth W. Lawry, director nominee				
Pamela H. Patsley, director nominee	4,700,000(1)			
Ganesh B. Rao, director nominee				
Othón Ruiz Montemayor, director nominee	5,000	1,000		2,200
Albert M. Teplin, director nominee	2,500			2,200
Each associate of the above-mentioned directors, executive officers or nominees				
Each other person who received or is to receive five percent of such awards				
	311,200	2,500		

All current employees (other than executive officers) as a group (81 persons)

(1) Options to purchase only 500,000 of the 4.7 million shares granted to Ms. Patsley would not be forfeited if stockholders do not approve this Proposal 5.

Equity Compensation Plan Information

The following table provides information about our common stock that may be issued as of February 18, 2009 under the 2005 incentive plan and the 2004 incentive plan, which are our only existing equity compensation plans. The 2004 incentive plan was approved by Viad Corp (Viad), as our sole stockholder, prior to our becoming an independent public company on June 30, 2004 when all of our outstanding common stock was distributed to the stockholders of Viad in a tax-free spin-off transaction (referred to in this proxy statement as the Spin-Off). No further awards can be made pursuant to the 2004 incentive plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price ($) of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders	7,664,379(1)	$ 8.84	6,284,881(2)(3)
Equity compensation plans not approved by stockholders			
Total	7,664,379(1)	$ 8.84	6,284,881(2)(3)

(1) Column (a) does not include any restricted stock awards that have been issued under the 2005 incentive plan or the 2004 incentive plan or any stock units granted under any deferred compensation plan that are payable in shares of common stock issued under the

2005 incentive plan. As of February 18, 2009, 38,054 shares of restricted stock granted under the 2005 incentive plan and 0 shares of restricted stock granted under the 2004 incentive plan were outstanding. Options to purchase only 500,000 of the 4.7 million shares granted to Ms. Patsley would not be forfeited if stockholders do not approve this Proposal 5.

(2) The numbers reflected in this column are based on the 7.5 million shares authorized for issuance under the 2005 incentive plan and do not include 4.2 million shares of Ms. Patsley s 4.7 million option award as such shares are subject to forfeiture pending stockholder approval of this

Proposal 5.

(3) Securities remaining available for future issuance under equity compensation plans may be issued in any combination of securities, including options, rights, restricted stock, dividend equivalents and unrestricted stock.

Board Voting Recommendation

The Board recommends to the stockholders that they vote FOR this Proposal 5. The vote required to make certain amendments to the 2005 incentive plan is a majority of the voting power of the common stock and B Stock outstanding and entitled to vote at the 2009 Annual Meeting of Stockholders, voting together as a single class, provided the total number of shares that vote on the proposal represents a majority of the shares of common stock and B Stock outstanding on the record date.

Affiliates of THL have provided an executed Proxy appointing Teresa H. Johnson, the Corporation s Executive Vice President, General Counsel and Secretary, as attorney and proxy to vote their shares FOR certain of the amendments to the 2005 incentive plan at this annual meeting of stockholders. In addition, holders of the B Stock, who hold approximately 80.8 percent of the voting power of our stock, voting together as a single class with the common stockholders, have indicated their intention to vote in favor of this Proposal 5, thereby assuring its approval.

PROPOSAL 6: ELECTION OF DIRECTORS

Board Structure and Composition

The Company s Amended and Restated Certificate of Incorporation currently requires that directors of the Company be divided into three classes, as nearly equal in number as possible. Directors are elected for staggered terms of three years. If a vacancy occurs during the year, the vacant directorship may be filled by the affirmative vote of a majority of the remaining directors for a term expiring at the annual meeting of stockholders at which the term of office of the class to which such director has been elected expires. Each director holds office until a successor has been duly elected and qualified.

Prior to the Capital Transaction. Prior to the Capital Transaction, the Board was comprised of eleven members: Messrs. Monte E. Ford and Jess T. Hay, Ms. Judith K. Hofer, Messrs. Donald E. Kiernan, Robert C. Krueger and Philip W. Milne, Ms. Linda Johnson Rice and Messrs. Douglas L. Rock, Othón Ruiz-Montemayor, Albert M. Teplin and Timothy R. Wallace. Mr. Hay, Ms. Hofer, Messrs. Kiernan, Krueger and Milne, Ms. Johnson Rice and Messrs. Rock, Teplin and Wallace had served as directors of MoneyGram since the Spin-Off. Mr. Ford was appointed by the Board on August 17, 2006 in accordance with our bylaws to fill a newly created vacancy and was subsequently elected by our stockholders. Mr. Ruiz-Montemayor was appointed by the Board on August 18, 2005 in accordance with our Bylaws to fill a newly created vacancy and was subsequently elected by our stockholders.

Upon Completion of the Capital Transaction. Upon completion of the Capital Transaction, seven members of the Board agreed to resign and the Board appointed the Board Representatives, such that the size of the Board totaled six members and was comprised of two Board Representatives, three Independent Directors (as defined below) and Mr. Milne, the Company s former Chairman, President and Chief Executive Officer (CEO). An Independent Director means a director who has been nominated or approved by directors who are unaffiliated with the Investors, who was a member of the Board prior to the closing of the Capital Transaction (or a replacement thereof) and who satisfies all standards for independence under the NYSE listing standards, the Company s Corporate Governance Guidelines and any other applicable laws. Messrs. Hay, Ruiz-Montemayor and Teplin serve on the Board as the Independent Directors. Resignations were tendered and accepted from Mmes. Hofer and Johnson Rice and Messrs. Ford, Kiernan, Krueger, Rock and Wallace, effective on March 25, 2008 following the consummation of the Capital Transaction and the filing of the Company s Annual Report on Form 10-K for the year ended December 31, 2007 (the 2007 Form 10-K). On March 25, 2008, pursuant to the rights provided to THL in the Purchase Agreement, the Board elected two Board Representatives, Messrs. Scott L. Jaeckel and Seth W. Lawry, effective immediately following the filing of the 2007 Form 10-K. Each of Messrs. Jaeckel and Lawry were appointed as Class III directors with terms expiring at the 2010 Annual Meeting of Stockholders. In order to comply with the provisions of the Company s Amended and Restated Certificate of Incorporation requiring that the members of the Board be divided into three classes, as nearly equal in number as possible, Messrs. Hay and Teplin, both directors with terms expiring at the 2010 Annual Meeting of Stockholders, tendered their resignations and were immediately reappointed to the Board with different terms expiring at the 2009 Annual Meeting of Stockholders (Class II Director) and the 2008 Annual Meeting of Stockholders (Class I Director), respectively. As the Company did not hold an annual meeting of stockholders in 2008, our Bylaws provide that those directors with a term expiring at the 2008 Annual Meeting of Stockholders continue in office until their successors are elected and qualified. Mr. Ruiz-Montemayor continued as a member of the Board following the Capital Transaction as a Class II Director. On June 19, 2008, Mr. Milne resigned from his position on the Board. On November 19, 2008, pursuant to the rights provided to the Investors in the Purchase Agreement, the Board set the number of directors at nine and elected two additional Board Representatives, Messrs. Thomas M. Hagerty (designee of THL) and Ganesh B. Rao (designee of THL). Mr. Hagerty was appointed as a Class III Director and Mr. Rao was appointed as a Class II Director. On January 21, 2009, the Board elected Pamela H. Patsley and Anthony P. Ryan to fill the two remaining vacancies on the Board, each as a Class I Director.

If Proposal 4 is approved, the Board will be declassified upon the filing of a Certificate of Amendment to our Amended and Restated Certificate of Incorporation with the Delaware Secretary of State and each director of the Company will stand for election for a term expiring at the 2010 Annual Meeting of Stockholders. If Proposal 4 is not approved, our Board will remain classified and three directors will stand for election for a three-year term (Class II Directors) and three directors will stand for election for a two-year term (Class I Directors).

The Purchase Agreement provides that the Investors are entitled to appoint that number of directors as is proportionate to the Investors common stock ownership, calculated on a fully-converted basis (assuming the conversion of all shares of Series B Stock into common stock). If Proposal 3 is approved, the Board initially will have nine members, with THL s four Board Representatives having approximately 16 votes out of a total of 21 votes on the Board. Information about the nominees for election as directors is set forth below.

Majority Vote Standard. In November 2007, the Board of Directors approved an amendment to our bylaws to require directors to be elected by the majority of the votes cast with respect to such director in uncontested elections. A majority of the votes cast means that the voting power of the common stock voted FOR a director must exceed the voting power of the common stock cast AGAINST that director. In a contested election, a situation in which the number of nominees exceeds the number of directors to be elected as of a date that is 14 days in advance of the date of filing of the definitive proxy statement, the standard for election of directors would be a plurality of the voting power of the common stock represented in person or by proxy at any such meeting and entitled to vote on the election of directors. A plurality means that the nominees receiving the highest percentage of voting power of the common stock would be elected.

If a nominee who is serving as a director is not elected at the annual meeting, under Delaware law the director would continue to serve on the Board as a holdover director. However, under our bylaws, any director who fails to be elected must offer to tender his or her resignation to the Board. The Corporate Governance and Nominating Committee will then make a recommendation to the Board whether to accept or reject the resignation, or whether other action should be taken. The Board will act on the Corporate Governance and Nominating Committee s recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who tenders his or her resignation will not participate in the Board s decision. If a nominee who was not already serving as a director is not elected at the annual meeting, under Delaware law that nominee would not become a director and would not continue to serve on the Board as a holdover director. All nominees for the election of directors at the 2009 Annual Meeting of Stockholders are currently serving on the Board.

Director Nominees

If the stockholders approve Proposal 4, the following individuals are nominated as directors for terms expiring at the 2010 Annual Meeting of Stockholders: Ms. Patsley and Messrs. Hagerty, Hay, Jaeckel, Lawry, Rao, Ruiz Montemayor, Ryan and Teplin. They are all currently serving as directors of the Company.

If the stockholders do not approve Proposal 4, Ms. Patsley and Messrs. Ryan and Teplin (Class I directors) are nominated as directors for terms expiring at the 2011 Annual Meeting of Stockholders, Messrs. Hay, Rao and Ruiz Montemayor (Class II directors) are nominated as directors for terms expiring at the 2012 Annual Meeting of Stockholders and Messrs. Hagerty, Jaeckel and Lawry (Class III directors) will continue in office for terms expiring at the 2010 Annual Meeting of Stockholders.

Each of the nominees has consented to being named in this proxy statement, and to serve as a director if elected. Each nominee elected as a director will continue in office until his or her successor has been elected and qualified or until his or her death, resignation or retirement. We expect each nominee for election as a director to be able to serve. If any nominee is not able to serve, proxies will be voted in favor of the remaining nominees and may be voted for another person nominated by the Board.

Thomas M. Hagerty	Mr. Hagerty is a Managing Director at THL and has been with that firm since 1988. He currently serves as a director of MGIC Investment Corp., a private mortgage insurance company; Fidelity Sedgwick Holdings, Inc., a claims processing company; Hawkeye Energy Holdings LLC, an energy company; Fidelity National Financial, Inc., a title insurance company; and Fidelity National Information Services, Inc., a financial processing company. Age 46.
Jess T. Hay	Mr. Hay has served as Chairman of the Texas Foundation for Higher Education, a non-profit organization promoting higher education in the State of Texas, since 1987 and as Chairman of HCB Enterprises Inc., a private investment firm, since 1995. In January 1995, Mr. Hay retired after 29 years of service as Chairman and Chief Executive Officer of Lomas Financial Corporation, a diversified financial services company formerly engaged principally in mortgage banking, retail banking, commercial leasing and real estate lending, Lomas Mortgage USA, a mortgage banking institution, and Lomas & Nettleton Mortgage Investors, a real estate investment trust. He retired from service on the

board of SBC Communications Inc. (n/k/a AT&T Inc.), a telephone, wireless and data communications company, in 2004 and from service on the board of directors of Exxon Mobil Corporation, a petroleum production and refining company, in 2001. He is currently a director of Trinity Industries, Inc., a diversified industrial manufacturing company, and Viad, a travel and recreation service, exhibition and event services company. Age 77.

Scott L. Jaeckel	Mr. Jaeckel is a Managing Director at THL. Mr. Jaeckel worked at Thomas H. Lee Company (n/k/a THL) from 1994 to 1996, rejoining in 1998. From 1992 to 1994, Mr. Jaeckel worked at Morgan Stanley & Co. Incorporated, a global financial services company, in the Corporate Finance Department. He currently serves as a director of Ceridian Corporation, a processing services company; Paramax Capital Group I, LLC, a private capital company; Fidelity Sedgwick Holdings, Inc.; and Warner Music Group Corp., a music publishing company. Age 38.
Seth W. Lawry	Mr. Lawry is a Managing Director at THL. He is a director of various private and non-profit institutions. Mr. Lawry worked at Thomas H. Lee Company (n/k/a THL) from 1989 to 1990, rejoining in 1994. From 1987 to 1989 and 1992 to 1994, Mr. Lawry worked at Morgan Stanley & Co. Incorporated, a global financial services company, in the Mergers & Acquisitions, Corporate Finance and Equity Capital Markets Departments. He currently serves as a director of Warner Music Group Corp. Age 44.
Pamela H. Patsley	Ms. Patsley has been Executive Chairman of the Company since January 2009. Prior to that, Ms. Patsley served as Senior Executive Vice President of First Data Corporation, a global payment processing company, from March 2000 to October 2007, and President of First Data International from May 2002 to October 2007. From 1991 to 2000, Ms. Patsley served as President and Chief Executive Officer of Paymentech, Inc., prior to its acquisition by First Data Corporation. Ms Patsley also served as Chief Financial Officer of First USA, Inc. She currently serves as a director of the Molson Coors Brewing Company, a beverage company, Texas Instruments, Inc., an electronics company, and Dr. Pepper Snapple Group, Inc., a beverage company. Age 52.
Ganesh B. Rao	Mr. Rao is a Principal at THL. He worked at THL from 2000 to 2002, rejoining in 2004. From 1998 to 2000, Mr. Rao worked at Morgan Stanley & Co. Incorporated, a global financial services company, in the Mergers & Acquisitions Department. Age 32.
Othón Ruiz Montemayor	Mr. Ruiz is Chairman of Grupo Valores Operativos Monterrey S.A.P.I. de C.V. and Grupo Inversiones Monterrey S.A. de C.V., private investment groups with interests in non-banking finance, real estate, reinsurance brokerage and natural gas exploration, positions he has held since 2004. Additionally, he is the Chairman of the Executive Board of the Forum de las Culturas, an international cultural event that was held in Monterrey, Mexico in September 2007, a position he has held since September 2006. Mr. Ruiz was Chief Executive Officer of Grupo Financiero Banorte, S.A. de C.V., an integrated financial and banking group in Mexico, from 1996 to 2004. Prior to that, he served in various positions at Fomento Económico Mexicano, S.A. de C.V., a holding company whose principal businesses include the production and distribution of beverages and packaging materials, operation of convenience stores and logistics management, including Chief Financial Officer from 1974 until 1985 and Chief Executive Officer from 1985 until 1995. Mr. Ruiz also served as Chairman of the Board of Directors of Banregio Grupo Financiero, S.A. de C.V., a financial and banking group headquartered in Monterrey, Mexico, until September 2006. Age 64.
Anthony P. Ryan	Mr. Ryan has been President and CEO of the Company since January 2009. Prior to that, Mr. Ryan served as Executive Vice President and Chief Operating Officer since November 2007. He previously served as Executive Vice President/President, Global

	Payment Products and Services from August 2006 to November 2007, Executive Vice President/Division President Global Funds Transfer from November 2005 to August 2006 and Vice President and General Manager of Global Funds Transfer from 2001 to November 2005. Mr. Ryan previously served as Chief Financial Officer from 1997 to 2001 and as Controller from 1996 to 1997. Prior to joining the Company, Mr. Ryan spent 10 years at First Data Corporation, serving most recently as Director of Finance. Age 46.
Albert M. Teplin	Mr. Teplin is an economist and since 2003 has served as a consultant to the Board of Governors of the Federal Reserve System, the U.S. Department of Commerce, the International Monetary Fund, the European Central Bank and the Bank of Japan. Mr. Teplin served as Senior Economist for the Board of Governors of the Federal Reserve System from 2001 to 2003 and was Chief of the Flow

of Funds Section of the Board of Governors of the Federal Reserve System from 1989 to 2001. Mr. Teplin is also a director of Viad. Age 62.

Board Voting Recommendation

The Board recommends to the stockholders that they vote FOR the election of each director nominee. Each director nominee receiving a majority of the voting power of the common stock will be elected as a director. This means that the voting power of the common stock voted FOR a director nominee must exceed the voting power of the common stock voted AGAINST that director nominee in order for that nominee to be elected as a director. Shares not present at the meeting and shares voting ABSTAIN have no effect on the election of directors.

Holders of the B Stock, who hold approximately 80.8 percent of the voting power of our stock, voting together as a single class with the common stockholders, have indicated their intention to vote in favor of the director nominees listed this Proposal 6, thereby assuring approval.

BOARD OF DIRECTORS AND GOVERNANCE

Corporate Governance Guidelines

Our Board has adopted Corporate Governance Guidelines that describe:

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

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

Board Meetings

The Board held four regular and 21 special meetings during 2008. Each director attended at least 75 percent of the aggregate number of meetings of the Board and meetings of the committees on which the director served.

Director Independence

Because more than 50 percent of the voting power of our stock is held by the Investors, the Company has elected to be treated as a controlled company for purposes of the NYSE listing standards. As a result, the NYSE listing standards do not require our Board to be comprised of at least a majority of independent directors or our Human Resources and Nominating Committee to be comprised entirely of independent directors.

The NYSE listing standards do, however, require our Audit Committee to be comprised entirely of independent directors. The NYSE listing standards also require our Board to make a formal determination each year as to which of our directors are independent.

The Board has determined that the following directors are independent within the meaning of the NYSE listing standards, applicable SEC regulations and the categorical standards for independence contained in our Corporate Governance Guidelines: Messrs. Hay, Ruiz Montemayor and Teplin. The Board has adopted categorical standards to assist in the making of determinations of independence. The following commercial or charitable relationships will not be considered to be material relationships that would impair a director s independence: (a) if the director is an executive officer or employee, or their immediate family member is an executive officer, of another company that does business with MoneyGram or its affiliates and the annual sales to, or purchases from, MoneyGram or its affiliates are less than the greater of $1.0 million or one percent of the other company s annual consolidated gross revenues; (b) if the director is an executive officer of another company which is indebted to MoneyGram, or to which MoneyGram is indebted, and the total amount of either company s indebtedness to the other is less than one percent of the total consolidated assets of the company that he or she serves as an executive officer; or (c) if the director serves as an officer, director or trustee of a charitable organization and MoneyGram s annual charitable contributions to the organization are less than the greater of $200,000 or one percent of that organization s total annual charitable receipts, which shall not include MoneyGram s automatic matching of director charitable contributions.

Board Committees

Until closing of the Capital Transaction, the Board had four committees: Audit Committee, Corporate Governance and Nominating Committee, Finance and Investment Committee and Human Resources Committee. The Corporate Governance and Nominating Committee held one special meeting in 2008 prior to the Capital Transaction. The Finance and Investment Committee held one regular and one special meeting in 2008 prior to the Capital Transaction. The Human Resources Committee held one regular and two special meetings in 2008 prior to the Capital Transaction. After the closing of the Capital Transaction and the resulting decrease in the size of the Board, the Board disbanded the Finance and Investment Committee and combined the Corporate Governance and Nominating Committee and Human Resources Committee to form the Human Resources and Nominating Committee. As a result, the Board currently maintains two committees: Audit Committee and Human Resources and Nominating Committee. The Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Exchange Act. As a controlled company under the NYSE listing standards, MoneyGram is not required to maintain separate compensation and nominating committees. The Audit Committee held seven regular and three special meetings in 2008. The Human Resources and Nominating Committee held three regular and two special meetings in 2008. The Board has adopted a separate written charter for each committee that is available in the Investor Relations section of our website at www.moneygram.com. Copies of the committee charters are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 1550 Utica Avenue South, Suite 100, Minneapolis, Minnesota 55416, Attention: Corporate Secretary.

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

Audit Committee. Through closing of the Capital Transaction, the Audit Committee was comprised of Mr. Kiernan (Chair), Ms. Hofer and Messrs. Rock and Teplin. Upon closing of the Capital Transaction and through 2008, the Audit Committee was comprised of Messrs. Teplin (Chair), Hay and Ruiz Montemayor.

The Audit Committee appoints our independent registered public accounting firm and assists the Board in monitoring the quality and integrity of our financial statements, our compliance with legal and regulatory requirements and the independence and performance of our internal auditor and our independent registered public accounting firm. From time to time, the Audit Committee meets in executive session with our independent registered public accounting firm. The independent registered public accounting firm reports directly to the Audit Committee.

Membership on the Audit Committee is limited to independent directors and the Board has determined that each member of that committee is an independent director within the meaning of the NYSE listing standards, applicable SEC regulations and the categorical standards for independence contained in our Corporate Governance Guidelines The Board has determined that all members of the Audit Committee are financially literate under the NYSE listing standards and that Mr. Teplin qualifies as an audit committee financial expert under the rules of the SEC.

Human Resources and Nominating Committee. Through closing of the Capital Transaction, the Human Resources Committee was comprised of Mr. Hay (Chair), Mmes. Hofer and Johnson Rice and Mr. Wallace, and our Corporate Governance and Nominating Committee was comprised of Ms. Johnson Rice (Chair) and Messrs. Hay, Krueger and Wallace. Upon closing of the Capital Transaction, the Human Resources Committee and Corporate Governance and Nominating Committee were combined to form the Human Resources and Nominating Committee which is comprised of Messrs. Lawry (Chair), Hay and Jaeckel.

The Human Resources and Nominating Committee oversees development and implementation of a compensation strategy designed to enhance profitability and fundamental value. The Human Resources and Nominating Committee also reviews and approves the salary and other compensation of the Executive Chairman, the President and CEO and the other executive officers, as well as compensation of non-employee directors. It also determines incentive compensation targets and awards under various compensation plans and makes grants of stock options and other awards under our stock incentive plans, including grants of equity compensation to non-employee directors. The Human Resources and Nominating Committee has retained Hewitt Associates, LLC (Hewitt) as its compensation consultant. In 2008, Hewitt assisted the Human Resources and Nominating Committee with an evaluation of the Company s peer group and executive compensation matters.

The Human Resources and Nominating Committee is also responsible for recommending to the Board a slate of directors for election by the stockholders at each annual meeting and for proposing candidates to fill any vacancies on the Board. The Human Resources and Nominating Committee is also responsible for an assessment of the Board s performance. The Human Resources and Nominating Committee reviews, and from time to time proposes changes to, our Corporate Governance Guidelines and the compensation and benefits of non-employee directors.

Meetings of Non-Management Directors

The Board schedules regular executive sessions of the non-management directors. Through April 25, 2008, Mr. Hay served as the Presiding Director, presiding at executive sessions of the non-management directors. After the closing of the Capital Transaction and the resulting decrease in the size of the Board, the Board determined there was no longer a need for the position of Presiding Director. The Board now chooses one of its members to preside over each executive session of non-management directors. In 2008, the Board held four executive sessions of the non-management directors, which included all directors except Mr. Milne.

Meetings of and Voting by Independent Directors

Under our Corporate Governance Guidelines and the NYSE listing standards, the Board schedules an executive session of the Independent Directors at least annually. After the closing of the Capital Transaction, in accordance with each Certificate of Designations, Preferences and Rights of the Series B Stock, the Independent Directors are required to determine: (i) whether dividends on the Series B Stock should be paid quarterly in cash or accrued by the Company; (ii) the redemption of the Series B Stock by the Company; and (iii) any adjustment for unspecified action by the Company which would materially adversely affect the conversion rights of the holders of shares of the Series B Stock. In 2008, the Board held two executive sessions of the Independent Directors.

Attendance at Annual Stockholder Meetings

Under our Corporate Governance Guidelines, directors are expected to attend the annual meeting of stockholders, Board meetings and meetings of committees on which they serve. MoneyGram did not hold a 2008 Annual Meeting of Stockholders. All directors attended the 2007 Annual Meeting of Stockholders.

Director Nominations

Our Corporate Governance Guidelines describe the process for selection of director nominees, including desired qualifications. Although there are no minimum qualifications for nominees, a candidate for Board service must possess the ability to apply good business judgment, have demonstrated the highest level of integrity, be able to properly exercise the duties of loyalty and care in the representation of the interests of our stockholders and must be able to represent all of our stockholders fairly and equally. Candidates should also exhibit proven leadership capabilities, and experience in business, finance, law, education, technology or government. In addition, candidates should have an understanding regarding major issues facing public companies similar in scope to MoneyGram. Experience in payment or financial services would be an added benefit. Candidates must have, and be prepared to

devote, adequate time to the Board and its committees. The Human Resources and Nominating Committee will seek to promote through the nomination process an appropriate diversity on the Board of experience (including international experience), expertise, perspective,

age, gender and ethnicity. The Board will also consider the independence of a nominee under the NYSE listing standards, applicable SEC regulations and the Board s categorical standards for independence contained in our Corporate Governance Guidelines.

In general, candidates for membership as independent members of the Board are evaluated, regardless of the source of the nomination, by the Human Resources and Nominating Committee for recommendation to the Board in accordance with its charter and the procedures described in the Corporate Governance Guidelines. However, so long as the Investors or their affiliates own, in the aggregate, Series B Stock, D Stock or common stock representing an initial cost of not less than $75 million, they are entitled to nominate and cause the Company to appoint replacements for their respective Board Representatives.

A stockholder making a nominating recommendation for the election of a director must ensure that the nomination complies with our Bylaw provisions on making stockholder proposals at an annual meeting. For information regarding stockholder proposals for our 2010 Annual Meeting of Stockholders, see the section entitled Stockholder Proposals for the 2010 Annual Meeting in this proxy statement.

Communications with the Board

Stockholders or other interested parties may communicate with our non-management directors as a group, committees of the Board or individual directors in writing and sent to the attention of the Corporate Secretary at the following address: MoneyGram International, Inc., 1550 Utica Avenue South, Suite 100, Minneapolis, Minnesota 55416. Upon receipt, the Corporate Secretary will forward all such correspondence, as appropriate. Complaints and concerns regarding MoneyGram may also be reported anonymously and confidentially via MoneyGram s Always Honest Hotline at 888-218-0282. The text of our Policy on Communications with the Board is contained in our Corporate Governance Guidelines, which are posted in the Investor Relations section of our website at www.moneygram.com. Copies of the Guidelines are also available in print to any stockholder who submits a request to MoneyGram International, Inc., 1550 Utica Avenue South, Suite 100, Minneapolis, Minnesota 55416, Attention: Corporate Secretary.

Code of Ethics

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

Policy and Procedures Regarding Transactions with Related Persons

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

In addition, the Purchase Agreement provides that the Company is not permitted to engage in any Affiliated Transaction (as defined in the Purchase Agreement) with the Investors, or take certain other specified actions, without approval of the Independent Directors (as defined in the Purchase Agreement).

Transactions with Related Persons

Messrs. Hay and Teplin also serve as members of the Board of Viad. Mmes. Hofer and Johnson Rice and Messrs. Kiernan, Rock and Wallace, all former directors of the Company who served during 2008 and until the closing of the Capital Transaction, previously served as members of the Board of Viad.

In June 2004, we entered into various agreements with Viad governing our division of liabilities in connection with the Spin-Off, including, but not limited to, an Employee Benefits Agreement and a Tax Sharing Agreement.
In connection with the Spin-Off and pursuant to the Employee Benefits Agreement, all liabilities under the Deferred Compensation Plan for Directors of Viad Corp (the Viad director deferred compensation plan) were transferred to MoneyGram. As directors or former directors of Viad, Mmes. Hofer and Johnson Rice and Messrs. Hay, Kiernan, Rock, Teplin and Wallace are participants in the Viad director deferred compensation plan. Deferred accounts under such plan ceased receiving contributions on June 30, 2004, but are credited by MoneyGram quarterly with dividend equivalents (when declared), in the case of stock unit accounts, and interest at a long-term medium-quality bond rate, in the case of cash accounts. Deferred amounts are payable after a director ceases to be a member of both the Viad and MoneyGram Boards of Directors. MoneyGram accrued, for the benefit of participants in the Viad director deferred compensation plan, an aggregate of $103,523 in 2008 in interest and dividends in connection with such liabilities.
Upon resignation from the Company s Board on March 25, 2008, the resigning directors were entitled to receive distribution of all amounts previously accrued under the Viad director deferred compensation plan, the Deferred Compensation Plan for Directors of MoneyGram International, Inc. (the 2004 director deferred compensation plan) and the 2005 Deferred Compensation Plan for Directors of MoneyGram International, Inc. (the 2005 director deferred compensation plan), as applicable to each director. The following amounts were distributed under the Viad director deferred compensation plan: Ms. Hofer: $1,700,154; Ms. Johnson Rice: $255,214; Mr. Kiernan: $221,520; Mr. Rock: $496,305; and Mr. Wallace: $220,615. Also, the following amounts were distributed in cash under the 2004 director deferred compensation plan and the 2005 director deferred compensation plan: Mr. Ford: $17,034; Ms. Hofer: $15,151; Ms. Johnson Rice: $15,151; Mr. Kiernan: $74,192; Mr. Krueger: $17,039; Mr. Rock: $112,502; and Mr. Wallace: $95,260. In addition, 2,200 shares of common stock which were deferred under the 2005 director deferred compensation plan were distributed to each of Mr. Ford, Mmes. Hofer and Johnson Rice and Messrs. Kiernan, Krueger, Rock and Wallace. All amounts distributed under the aforementioned plans represented compensation and the related earnings or appreciation that had previously been deferred by the director.
In addition, in conjunction with the Spin-Off, MoneyGram assumed liability for the Viad Director s Charitable Award Program (the Charitable Award Program). The liability assumed by MoneyGram includes (i) payment of monies to the charitable organization designated by the applicable director upon death and as provided in the Charitable Award Program and (ii) payment of premiums, or reduction in cash surrender value, on life insurance policies taken out by Viad on certain of the members of the Viad Board covered by the Charitable Award Program (including Mmes. Hofer and Johnson Rice and Messrs. Hay, Rock and Wallace) to fund benefits under the program. Viad has assigned such life insurance policies to MoneyGram and MoneyGram is now the beneficiary of such policies. In 2008, the cash surrender value decreased by approximately $45,000 in lieu of payment of premiums, and MoneyGram made payments totaling $100,000 to certain charitable organizations designated by a deceased director of Viad.
Equity Purchase Agreement
To effect the Capital Transaction, on March 17, 2008, we entered into the Purchase Agreement with the Investors, and on March 25, 2008, we completed the transactions contemplated by the Purchase Agreement. Pursuant to the Purchase Agreement, we, among other things, sold to the Investors 495,000 shares of B Stock and 265,000 shares of B-1 Stock for an aggregate purchase price of $760,000,000. The B Stock was issued to THL and the B-1 Stock was issued to Goldman Sachs.
The Purchase Agreement contains customary public company representations and warranties by us to the Investors and customary representations and warranties from the Investors to us. We agreed in the Purchase Agreement to indemnify the Investors and certain parties related to the Investors from and against damages relating to the authorization, execution, delivery and performance of the Purchase Agreement and documents related to the Purchase Agreement.
The Investors have been provided with certain rights with respect to representation on and observation of the Board and committees of the Board, which has resulted in a change to the composition of the majority of the Board. For additional information, see Proposal 6: Election of Directors Board Structure and Composition in this proxy statement. Additionally, the Investors are entitled to appoint that number of directors as is proportionate to the Investors common stock ownership, calculated on a fully-converted basis (assuming the conversion of all shares of

Series B Stock into common stock). For so long as the Investors are entitled to appoint Board Representatives, the Investors shall also be entitled to representation on all committees of the Board, with a minimum of one Board Representative serving on each committee of the Board, subject to certain exceptions and applicable laws and regulations. For additional information, see Proposal 3: Amendment to Amended and Restated Certificate of Incorporation to Provide for Proportional Voting of Directors in this proxy statement.

The Series B Stock provides for payment of a cash dividend of ten percent, or, at the Company s option, we may accrue dividends at a rate of 12.5 percent in lieu of paying a cash dividend. Dividends may be accrued for up to five years from the date of the Capital Transaction. After five years, if we are unable to pay the dividends in cash, dividends will accrue at a rate of 15 percent. To date, the Company has accrued all dividends on the Series B Stock and expects it will continue to do so for the foreseeable future. The Series B Stock also participates in dividends with the common stock on an as-converted basis. The B Stock is convertible into shares of common stock of the Company at a price of $2.50 per share, subject to adjustment. The B-1 Stock is automatically converted into B Stock upon transfer to any stockholder other than Goldman Sachs and its affiliates. While held by Goldman Sachs and its affiliates, the B-1 Stock is convertible into D Stock, which is a non-voting common equivalent stock.

The Series B Stock may be redeemed at the option of the Company if, after five years from the date of the Capital Transaction, the common stock trades above $15.00, subject to adjustment, for a period of thirty consecutive trading days. The Series B Stock is redeemable at the option of the Investors after ten years and upon a change of control.

The B Stock votes as a class with the common stock and the holders have a number of votes equal to the number of shares of common stock issuable if all outstanding shares of B Stock were converted plus the number of shares of common stock issuable if all outstanding shares of B-1 Stock were converted into B Stock and subsequently converted into common stock. As of the record date, the holders of B Stock have approximately 80.8 percent of the voting power of our stock. The B-1 Stock held by Goldman Sachs is non-voting stock except for the rights of Goldman Sachs to vote on specific actions as set forth in the Certificate of Designations, Preferences and Rights of the B-1 Stock of the Company. Each share of B-1 Stock will automatically convert into one share of B Stock upon transfer to any holder other than the Goldman Sachs Group.

The Purchase Agreement also provides that at this 2009 Annual Meeting of Stockholders we must seek approval of the amendments to our Amended and Restated Certificate of Incorporation described in Proposals 1, 3 and 4.

Equity Registration Rights Agreement

The Company and the Investors also entered into a Registration Rights Agreement (the Equity Registration Rights Agreement) on March 25, 2008, with respect to the Series B Stock and D Stock, and the common stock owned by the Investors and their affiliates (collectively, the Registrable Securities). Under the terms of the Equity Registration Rights Agreement, we are required, after a specified holding period, to use our reasonable best efforts to promptly file with the SEC a shelf registration statement relating to the offer and sale of the Registrable Securities. We are obligated to keep such shelf registration statement continuously effective under the Securities Act of 1933, as amended (the Securities Act), until the earlier of (1) the date as of which all of the Registrable Securities have been sold, (2) the date as of which each of the holders of the Registrable Securities is permitted to sell its Registrable Securities without registration pursuant to Rule 144 under the Securities Act and (3) fifteen years. The holders of the Registrable Securities are also entitled to five demand registrations and unlimited piggyback registrations during the term of the Equity Registration Rights Agreement.

Note Purchase Agreement and Indenture

In connection with the anticipated completion of the Capital Transaction, our wholly-owned subsidiary, MoneyGram Payment Systems Worldwide, Inc. (Worldwide), entered into a second amended and restated note purchase agreement (the Second Amended Note Purchase Agreement) dated as of March 17, 2008, with affiliates of Goldman Sachs (the Initial Purchasers) and THL Credit Partners L.P., a Delaware limited partnership (THL CP). Pursuant to the Second Amended Note Purchase Agreement, the Initial Purchasers acquired from Worldwide $500 million aggregate principal amount of its 13.25 percent senior secured second lien notes due 2018 (the Notes) pursuant to an indenture (the Indenture), by and among MoneyGram, Worldwide, the other guarantors party thereto and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent (the Trustee). On April 7, 2008, THL CP acquired $20 million aggregate principal amount of the Notes from the Initial Purchasers.

The interest rate on the Notes is 13.25 percent per year unless interest is capitalized, in which case the interest rate increases to 15.25 percent. Prior to March 25, 2011, the Company has the option to capitalize interest of 14.75 percent, but must pay in cash 0.50 percent of the interest payable. To date, the Company has paid all interest under the Notes as currently due, and expects that it will continue to do so, barring unforeseen circumstances. The Notes contain covenants that, among other things, limit the Company s ability to: incur or guarantee additional

indebtedness; pay dividends or make other restricted payments; make certain investments; create or incur certain liens; sell assets or subsidiary stock; transfer all or substantially all of their assets or enter into merger or consolidation transactions and enter into transactions with affiliates. The covenants also substantially restrict the Company s ability to

incur additional debt, create or incur liens and invest assets that are subject to restrictions for the payment of payment service obligations. The Company is also required to maintain at least a 1:1 ratio of certain assets to outstanding payment service obligations.

The Company can redeem the Notes after five years at specified premiums. Prior to the fifth anniversary, the Company may redeem some or all of the Notes at a price equal to 100 percent of the principal amount thereof, plus accrued and unpaid interest, if any, plus a premium equal to the greater of one percent or an amount calculated by discounting the sum of (a) the redemption payment that would be due upon the fifth anniversary plus (b) all required interest payments due through such fifth anniversary using the treasury rate plus 50 basis points. Upon a change of control, the Company is required to make an offer to repurchase the Notes at a price equal to 101 percent of the principal amount plus accrued and unpaid interest. The Company is also required to make an offer to repurchase the Notes with proceeds of certain asset sales that have not been reinvested in accordance with the terms of the Note or have not been used to repay certain debt.

Notes Registration Rights Agreement

In connection with the issuance of the Notes, MoneyGram, Worldwide, the other guarantors party thereto and the Initial Purchasers entered into a registration rights agreement (the Notes Registration Rights Agreement), pursuant to which we and the other guarantors party thereto have agreed, upon the occurrence of certain events, to file a registration statement under the Securities Act to register the resale of the Notes by certain holders thereof.

Capital Transaction and Related Fees

In connection with the Capital Transaction, we paid total transaction costs of approximately $61,900,000 to, or on behalf of, the Investors. Included in this amount is $20,000,000 and approximately $7,700,000 of fees and expenses, respectively, paid to THL and $22,500 000 and approximately $4,200,000 of fees and expenses, respectively, paid to Goldman Sachs. Also included in this amount is $7,500,000 paid to the Goldman Sachs Group on behalf of the Investors and at the direction of Goldman Sachs for an investment banking advisory fee payable to Goldman Sachs. In lieu of cash, this fee was paid through the issuance of 7,500 shares of B-1 Stock to the Goldman Sachs Group pursuant to a Subscription Agreement dated March 25, 2008. Since the closing of the Capital Transaction until December 2008, we have reimbursed certain legal expenses and out-of pocket expenses incurred by THL and Goldman Sachs in connection with their oversight of and consultation with the Company in the areas of information technology and operations, and various corporate matters, including Board matters, litigation, public disclosure, and ongoing business structuring and transactions. Amounts reimbursed on behalf of THL totaled approximately $669,000, and on behalf of Goldman Sachs totaled approximately $372,000.

HUMAN RESOURCES AND NOMINATING COMMITTEE REPORT

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

Respectfully Submitted,

Seth W. Lawry (Chair)
Jess T. Hay
Scott L. Jaeckel

COMPENSATION DISCUSSION AND ANALYSIS

Overview

Through closing of the Capital Transaction on March 25, 2008, the Human Resources Committee of the Company s Board of Directors, comprised of Mr. Hay (Chair), Mmes. Hofer and Johnson Rice and Mr. Wallace, administered and made decisions regarding the Company s executive compensation and benefit programs. Upon closing of the Capital Transaction, the Company s former Human Resources Committee and the former Corporate Governance and Nominating Committee were merged into the Human Resources and Nominating Committee which is comprised of Messrs. Lawry (Chair), Jaeckel and Hay. Certain changes were also made to the Committee charter, giving the Committee the authority to determine CEO compensation. References to the Committee throughout the Compensation Discussion and Analysis are to the Human Resources Committee for periods prior to March 25, 2008 and to the Human Resources and Nominating Committee for periods after March 25, 2008.

The following discussion should be read in conjunction with the Summary Compensation Table and related tables and narrative disclosure under Executive Compensation in this proxy statement that describe the compensation of the Company s President and CEO and the other current and former executive officers named in the Summary Compensation Table (the Named Executives). The Named Executives for 2008 are Anthony P. Ryan, who during 2008 served as Executive Vice President and Chief Operating Officer (interim principal executive officer) and as of January 21, 2009 was appointed President and CEO and a member of the Company s Board of Directors; Philip W. Milne, former Chairman of the Board, President and CEO; David J. Parrin, Executive Vice President and Chief Financial Officer; Teresa H. Johnson, Executive Vice President, General Counsel and Secretary; Daniel J. O Malley, Senior Vice President, Global Payment Systems/President Americas; Mary A. Dutra, Executive Vice President, Global Payment Processing and Settlement; and Thomas E. Haider, former Senior Vice President and Chief Compliance Officer. Mr. Milne and MoneyGram mutually agreed that Mr. Milne s employment with MoneyGram and its subsidiaries would terminate effective June 19, 2008. Mr. Haider and MoneyGram mutually agreed that Mr. Haider s employment with MoneyGram and its subsidiaries would terminate effective May 23, 2008. For a description of the separation arrangements of Messrs. Milne and Haider, see footnotes 12 and 13, respectively, to the Details Behind all Other Compensation Column Table under Executive Compensation in this proxy statement.

The Company realized substantial net securities losses in its investment portfolio during the latter half of 2007 and first quarter of 2008, which resulted in the Capital Transaction on March 25, 2008. The losses had a significant impact on the Committee s decisions for 2008 executive compensation. The Committee considered these events, the concentration of the substantial securities losses in the investment portfolio, the performance of the Company s operating units excluding the losses and the need to retain key operating personnel, when determining 2008 executive compensation.

Executive Compensation Philosophy and Objectives

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

- support growth and long-term value creation for stockholders;
- align compensation with short-term and long-term business and financial objectives
- encourage the highest level of performance and accountability for the overall success of MoneyGram;
- position MoneyGram competitively in an effort to recruit, from a scarce talent pool, high-caliber, experienced leaders and managers critical to the Company s long-term success; and
- support the long-term retention of the Company s executives in order to maximize opportunities for teamwork, continuity of management and overall effectiveness.

Each element of the Company s executive compensation and benefit program is designed to support and advance these general objectives.

Roles of the Committee, Outside Compensation Advisor and Management in Compensation Decisions

The Committee s goal is to assist the Company s Board of Directors in fulfilling its oversight responsibilities related to setting, monitoring and implementing the Company s compensation strategy and programs. The Committee holds meetings from time to time, as needed, throughout the year and may also consider and take action by written consent in lieu of meeting.

Prior to the changes to the Committee Charter on March 25, 2008, the Committee had the authority to review and approve the compensation for the Company s executive officers, including the Named Executives. Following the Charter Amendment, the Committee is responsible for approving all of the Named Executives base salaries, annual cash incentive and long-term incentives

(together referred to as Direct Compensation) and other benefits and perquisites provided. The Committee is also responsible for recommending compensation for the CEO to the Board of Directors.

The Committee meets annually to conduct a comprehensive review of Named Executives compensation. For the Named Executives other than the CEO, the Committee gives serious consideration to the recommendations of the CEO. These recommendations are based on the Company and individual performance evaluations, competitive market data and feedback provided by the Company s human resources staff and Hewitt Associates, LLC (Hewitt), the Committee s outside compensation advisor. In 2008, following the Capital Transaction, the Committee s review process focused on merit and market adjustment increases in salary and annual incentives.

Hewitt reports directly to the Committee and works collaboratively, as directed by the Chairman of the Committee and with management. Hewitt s primary responsibilities include providing market data and interpretation, information on executive compensation best practices and trends and context for recommendations on executive compensation packages for the Named Executives. The Committee periodically evaluates Hewitt s ability to provide independent advice and after review in 2008, concluded that Hewitt was independent with regard to its services to the Committee because (i) it reported directly to the Committee and the Committee could solicit advice and consultation without management s direct involvement and (ii) its scope of service was primarily related to work requested by the Committee. The Committee was aware of instances when Hewitt provided information to management that was relevant to the compensation of employees other than Named Executives and believed such services were immaterial and did not compromise Hewitt s independence.

Analytical Tools and Considerations for Setting Compensation

The Committee considered a variety of information in setting compensation, including Company performance, competitive market data and the individual circumstances of the particular Named Executive, such as tenure, experience, individual performance and internal equity. Analytical tools used and the Company s individual performance evaluation process are described in more detail below.

Competitive Benchmarking

To ensure that the Company s compensation programs are fair and competitive in the marketplace, the Committee typically reviews and evaluates specific compensation levels for each Named Executive relative to market data on an annual basis. The analysis involves reviewing data from two sources: (1) a custom peer group and (2) broad-based executive compensation surveys.

The Committee approves a custom peer group of publicly traded companies that the Committee believes are representative of the executive talent pool for which we compete on the basis of industry focus, as well as scope of operations (the Compensation Peer Group). The data from this Compensation Peer Group is utilized when considering executive compensation. The market data is adjusted to account for size differences between MoneyGram and the companies in the Compensation Peer Group. The adjustment uses a revenue-based regression technique to compare MoneyGram s revenue, adjusted when appropriate, to that of the Compensation Peer Group.

The companies in the 2008 Compensation Peer Group, as selected in November, 2007, were:

A.G. Edwards & Sons, Inc.
Acxiom Corporation
Advanta Corporation
Alliance Data Systems Corp
Alliant Techsystems Inc.
ChoicePoint Inc.
CME Group Inc.
Convergys Corporation
Cullen/Frost Bankers Inc.
DST Systems, Inc.
efunds Corporation
Equifax Inc.
Euronet Worldwide, Inc.
Fidelity National Info Svcs
Fiserv, Inc.
Global Payments Inc.
Heartland Payment Systems, Inc.
Jones Lang Lasalle Inc.
Lawson Software, Inc.
Marshall & Ilsley Corporation
Mastercard Inc.
Synovus Financial Corp
Total System Services Inc.
TransUnion, LLC
Western Union Company

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Elements of Compensation

Prior to 2008, the Company s executive compensation and benefits program consisted of the elements outlined in the table below:

Direct Compensation	Other Compensation
Base salary	Change of control severance agreements
Annual cash incentives	Non-qualified deferred compensation
Long-term incentives	Supplemental executive retirement plan
	401(k) plan
	Welfare benefits
	Perquisites

During 2008, the Committee either deferred consideration or changed certain compensation elements on a prospective basis, for long-term incentives and severance agreements as described more fully below.

Base Salary

Base salary provides a level of competitive compensation necessary to attract and retain high-caliber, top-executive talent. Increases to base salary for the Company s Named Executives may be comprised of merit, promotion or market adjustments. Merit increases are determined on an annual basis, usually in the first quarter, reflecting performance for the previous year. Promotions and market adjustments to base salary are considered by the Committee when appropriate, throughout the year.

Base salary increases for the Company s Named Executives are generally determined by the Committee based on competitive benchmarking data, CEO recommendations (other than for the CEO), individual performance evaluations and salary increase guidelines set by the Committee. Prior to 2008, the Committee targeted the base salary for the Company s Named Executives at the median (50th percentile) of the Compensation Peer Group and nationally recognized broad based executive compensation surveys, which reflected its belief that this competitive level of base pay was warranted based on the demands placed on the Company s Named Executives. Named Executives could be paid above or below the median depending on their individual performance and experience. Salary increase guidelines for 2008 were tied directly to competitive compensation data and individual performance.

The only adjustments to annual base salary rates for the Named Executives in 2008 were as follows: Mr. Ryan and Ms. Johnson received a 5.2 percent and 10.2 percent increase, respectively, effective May 2008, based on their considerable experience, responsibilities, value to the Company, and in consideration of competitive compensation market data. Mr. O Malley received a 6 percent merit increase effective April 2008, based on his individual performance and achievement of operating objectives.

Annual Cash Incentive Plan

The annual cash incentive plan was designed to focus Named Executives on achieving the annual financial goals, and, by extension, to drive value creation for shareholders. The Committee established a target incentive opportunity for each Named Executive that was expressed as a percentage of base salary paid during the applicable year. Annual incentive payments could exceed the targeted level, up to a maximum percentage of twice the annual target incentive opportunity, if performance exceeded targeted levels. At the threshold level, the annual target incentive opportunity is decreased by 50 percent, and could decrease to zero if performance falls below threshold levels. Actual cash incentive awards depended on achievement of annual performance goals established by the Committee for MoneyGram, and overall individual performance. The Committee, with input from management, determined the financial objectives for the Named Executives in order to place the appropriate focus on desired results and key initiatives.

On March 24, 2008, the Board of Directors of MoneyGram amended and restated the annual cash incentive plan. The amendment authorized the Committee to establish a limit on the annual bonus to be paid to each participant in the annual cash incentive plan based on performance goals selected from those included in the stockholder-approved 2005 incentive plan. The amendment also provided the Committee the ability, in its discretion, to pay bonuses less than the established limits based on factors that the Committee determines.

The Committee reviewed annual incentive targets to ensure market competitiveness of the Company s executive compensation program. On May 7, 2008, the Committee increased annual incentive targets for Mr. Ryan (from

60 percent to 65 percent of base earnings) and Ms. Johnson and Mr. O Malley (from 50 percent to 55 percent of base earnings), based on its review of the competitive market data.

On May 7, 2008 the Committee determined the 2008 target award opportunity for each Named Executive under the annual cash incentive plan as follows:

Target Opportunity

Name	Percent of Base Earnings
Anthony P. Ryan	65%
David J. Parrin	60%
Teresa H. Johnson	55%
Daniel J. O Malley	55%
Mary A. Dutra	50%
Former Officers	
Philip W. Milne	100%
Thomas E. Haider	40%

Performance Metrics and Results

In 2008, the key corporate financial objectives and weighting were: net revenue 20 percent; earnings before interest, taxes, depreciation and amortization (EBITDA), adjusted for certain items as approved by the Committee (Adjusted EBITDA) 60 percent; and capital expenditure efficiency, including payment of agent signing bonuses 20 percent. The target performance level for net revenue, Adjusted EBITDA and capital expenditure efficiency were $699.8 million, $216.1 million and less than $145.0 million, respectively. Threshold levels are set such that they may be attained with satisfactory company performance. Maximum levels are set such that they may only be attained with exceptional company performance. The threshold and maximum performance levels for net revenue varied from target by approximately 1 percent. The threshold and maximum performance levels for Adjusted EBITDA varied from target by approximately 3 to 4 percent. The capital expenditure efficiency requirement for threshold was reduced by 3.5 percent from target and was the same as target at maximum. The 2008 level of achievement for the Named Executives was 160 percent of target, based on achievement of the maximum levels of Adjusted EBITDA at $223.6 million and capital expenditure efficiency at $114.4 million, and achievement of net revenue below the threshold level.

Funding Limits

An annual incentive funding limit is established for each Named Executive based on EBITDA of MoneyGram. Once the formula has been applied, the Committee may adjust the actual incentive amounts in accordance with the annual cash incentive plan but not in excess of the funding limit for Named Executives. The Committee did not exercise any discretion to adjust actual incentives for Named Executives upward or downward in 2008.

Long-Term Incentives

The Committee did not grant any long-term incentive awards in 2008 due to continuing disruptions in the capital markets, and the re-positioning of certain of the Company s products and services. Moreover, the Committee determined it would be prudent to appoint a new CEO prior to the determination of any long-term incentives. Historically, the Committee granted performance-based stock units under the MoneyGram International, Inc. Performance Unit Incentive Plan (performance-based stock unit plan). For the 2006-2008 performance period, the key corporate financial objectives and weighting were 70 percent earnings per share and 30 percent net revenue. The threshold performance level for earnings per share and net revenue were $1.30 and $573,602, respectively. The target performance level for earnings per share and net revenue were $1.49 and $658,438, respectively. The maximum performance level for earnings per share and net revenue were $1.62 and $716,919, respectively. Due to substantial losses in the Company s investment portfolio, the performance-based stock unit plan financial objectives were not attained for the 2006-2008 performance period. Consequently, the Named Executives did not earn a payout under the performance-based stock unit plan for the performance period.

Restructuring Bonuses

On February 28, 2008, the Board of Directors of MoneyGram authorized the payment of discretionary restructuring bonuses, contingent upon the closing of a restructuring transaction of the Company. The contingent bonuses were intended to be paid to key employees who expended extraordinary efforts and were key to driving the restructuring of the Company, including each of the

Named Executives. Although the Company completed the Capital Transaction on March 25, 2008, restructuring bonuses were not paid to Messrs. Ryan, Milne, Parrin and Ms. Dutra. Restructuring bonuses in the amount of $30,000 were paid to Messrs. O Malley and Haider and the restructuring bonus originally awarded to Ms. Johnson was reduced to $100,000. These changes were made in order to adhere to the closing conditions of the Capital Transaction.

Other Compensation and Benefits

A portion of the Named Executives compensation includes other market competitive, non-variable compensation and benefits. These programs help us effectively recruit and retain high-caliber talent, compete for talent with other companies that commonly offer similar programs and maximize the time that a Named Executive has available to focus on the Company s business.

Retirement Benefits and Deferred Compensation

The Company s retirement benefits and deferred compensation plans consist of the following:

- the MoneyGram International, Inc. 401(k) Plan (the 401(k) plan);
- the MoneyGram Pension Plan (the pension plan);
- the MoneyGram Supplemental Pension Plan (the supplemental pension plan); and
- the MoneyGram International, Inc. Deferred Compensation Plan (the deferred compensation plan).

Each of these plans is discussed in Executive Compensation Retirement Plans and Executive Compensation Deferred Compensation Plans in this proxy statement.

Perquisites

The objective of the Company s perquisites program is to provide certain benefits that help recruit and retain Named Executives. In 2008, certain of the Named Executives were eligible for, but may not have received, the following perquisites:

Executive Benefit	**Description**
Financial planning services	$10,150 annually + tax gross up of ~$5,000-$6,000
Car allowance	$14,400 annually for Mr. Milne; $9,600 for each other Named Executive
Country club dues	Annual reimbursement ranging from $4,026 to $10,842
Personal use of company aircraft	For Mr. Milne, up to 25 hours of personal travel annually and additional time upon approval of the Chair of the Committee; as well as tax reimbursement for imputed income. For each other Named Executive, based on discretion of CEO.

Additional information on the value of perquisites offered to each Named Executive in 2008, as well as the valuation methods for such perquisites, can be found in Executive Compensation Summary Compensation Table in this proxy statement.

Stock Ownership Guidelines and Policy Regarding Trading in Company Stock

Stock ownership guidelines were adopted in 2005 to further align the interests of approximately 15 of the Company s top executives with those of stockholders. Under the guidelines, certain executives were expected to acquire and hold common stock with a value equal to a multiple of their base salary as determined by their position: five times base salary for the CEO, three times base salary for all executives reporting to the CEO and 1.5 times base salary for other executives. Because the guidelines are set in dollars as a multiple of salary, and not as a number of shares, guideline compliance is sensitive to changes in stock price. Although the Company s executives had previously met or made meaningful progress according to the ownership guidelines, as a result of adverse business conditions and a related decline in stock price in 2007, none of the Company s executives are presently in compliance with their ownership guidelines. Accordingly, on September 4, 2008, the Board of Directors, upon recommendation of the Committee, temporarily suspended the stock ownership guidelines for executive officers and directors. The Committee acknowledged that stock ownership guidelines are desirable and guidelines will be re-considered when appropriate.

MoneyGram has policies and procedures for transactions in MoneyGram securities that are designed to ensure compliance with all insider trading rules. This policy also prohibits officers and directors from engaging in any transaction in which they may profit from short-term speculative swings in the value of MoneyGram securities, including short sales (selling borrowed securities that the seller

hopes can be purchased at a lower price in the future), short sales against the box (selling owned, but not delivered securities) and hedging transactions.

Severance Benefits

The Company s existing severance benefits were instituted prior to and in certain instances amended in connection with the Capital Transaction. The objective of the Company s severance benefits is to provide financial protection in the event of a change of control or other termination that could disrupt the careers of the Named Executives. The severance plan allows the Named Executives to focus on corporate performance and maximizing value for the benefit of stockholders, while alleviating the Named Executives concerns over possible loss of employment in the event of a change of control or other termination. Severance benefits provide an economic means for the Named Executives to transition away from MoneyGram employment.

The executive severance plan and special severance plan (referenced below) cover all Named Executives and certain other executives. Generally, executives hired following the Capital Transaction have not been eligible to participate in the executive severance plan or special severance plan. Participation by an executive in either plan requires approval by the Committee. For a description of the Company s executive severance plan and special severance plan, see Executive Compensation Severance Plans in this proxy statement.

Executive Severance Plan

The Amended and Restated MoneyGram International, Inc. Executive Severance Plan (Tier I and Tier II) (the executive severance plan) is how MoneyGram provides change of control severance benefits to the Named Executives.

Selected executives, including each of the Named Executives are eligible to participate in the executive severance plan. The executive severance plan provides that if within a specified period of time after a change of control of MoneyGram, the executives employment is terminated either by MoneyGram without cause, or by the executive for good reason, then the executive will be entitled to a lump sum payment and certain other benefits.

In connection with the Capital Transaction, a number of amendments were made to the executive severance plan. First, the Committee determined that the Capital Transaction did not constitute a change of control under the compensation plans of the Company, including, without limitation, the executive severance plan. Additionally, the amendments made to the executive severance plan eliminated the rights of Named Executives to voluntarily terminate employment without good reason (as defined in the executive severance plan) and receive benefits.

Special Severance Plan

The MoneyGram International, Inc. Special Executive Severance Plan (Tier I and Tier II) (the special severance plan), adopted in connection with the Capital Transaction on March 25, 2008, provides severance benefits to participating Named Executives whose employment is terminated either by MoneyGram without cause, or by the Named Executive for good reason, provided that the separation occurs within twenty-four months after the effective date of the Capital Transaction. The potential payments and benefits a Named Executive would receive under the special plans are reduced by the service period from the date of the Capital Transaction through the date of separation. The special severance plan expires on March 24, 2010.

Messrs. Milne and Haider received benefits under the special severance plan following termination of their employment.

Policy for Deductibility of Compensation

The Company s ability to deduct compensation expense for federal income tax purposes is subject to the limitations of Section 162(m) of the Internal Revenue Code (Code). Section 162(m) limits deductibility to $1 million for certain executive officers unless certain conditions are met. To date, the Company has designed and administered its executive compensation and benefit program so that all compensation paid by MoneyGram to the Named Executives, other than severance, qualified as deductible compensation expense. Although the Committee was mindful of the limitation imposed by Section 162(m) of the Code, it also recognized that in subsequent periods facts and circumstances may render compliance with those limitations inappropriate, at odds with the best interests of MoneyGram or out of step with then prevailing competitive market conditions. In such event, the Committee s priority would be protection of MoneyGram s best interests rather than compliance with the technical limitations imposed by the Code.

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Other Agreements

On May 27, 2008, the Company entered into a three-month Consulting Agreement with Mr. Haider under which Mr. Haider provided consulting services in the areas of government affairs and regulatory compliance. Mr. Haider received $60,000 for services under the Consulting Agreement, which expired by its terms on August 27, 2008.

Each of the Named Executives has entered into an Employee Trade Secret, Confidential Information and Post-Employment Restriction Agreement. Under this agreement, each Named Executive agrees to confidentiality and non-disparagement obligations that extend indefinitely. In addition, under this agreement, each Named Executive agrees to non-competition provisions not to solicit any of the Company s employees or customers for defined periods of time.

Clawbacks

Each plan affecting Direct Compensation provides that the Committee may seek reimbursement of incentives paid to a Named Executive if after payment it is determined that the Named Executive engaged in misconduct, acted in a manner significantly contrary to MoneyGram s interest or breached a non-competition agreement. To date, the Committee has not exercised this right with respect to any plan award previously paid.

2009 Compensation Decisions

Executive Chairman

On June 30, 2008, the Board of Directors engaged Heidrick & Struggles to conduct the search for the Chairman of the Board and CEO, and delegated authority to the Human Resources and Nominating Committee to manage the search process. After an extensive search and interview process by the Committee, the Board was presented with a slate of qualified candidates. On January 21, 2009, the Board of Directors appointed Pamela H. Patsley as Executive Chairman of the Company and elected her Chairman of the Board, and determined the CEO role would be separated.

In connection with Ms. Patsley s appointment, she entered into an Employment Agreement with MoneyGram, effective January 21, 2009, which continues, subject to the agreement s termination provisions, for a period of four years. In determining Ms. Patsley s total compensation package, the Committee undertook an analysis of the scope and responsibilities of the position, as well as data from the Compensation Peer Group and broad-based executive compensation surveys. Under the terms of the Employment Agreement, Ms. Patsley is required to devote 50 percent of her time to MoneyGram, receive an initial annual base salary of $500,000, subject to annual review. Ms. Patsley is eligible to receive the benefits generally provided to senior executives of the Company. Ms. Patsley will participate in the Company s annual incentive plan covering the other Named Executives. Her annual incentive target bonus opportunity will be 50 percent of base salary earnings, and could exceed the target level, up to a maximum percentage of twice the annual target incentive level, if performance exceeds the target level. If Ms. Patsley s employment is terminated for a reason other than cause (as defined in the agreement), death or disability, or if she terminates for good reason (as defined in the agreement) she is entitled to receive a severance allowance in an amount equal to one times her then-current base salary plus a pro rata portion of her then-current annual cash incentive target bonus. In addition, MoneyGram will continue certain benefits and accelerate the vesting of a portion of stock option awards. Under the agreement, Ms. Patsley is subject to a one-year post-employment non-competition provision.

In addition, in connection Ms. Patsley s appointment, Ms. Patsley was granted non-qualified stock options to purchase 4.7 million shares of common stock of MoneyGram, with an exercise price of $1.50. The grant was made under the 2005 incentive plan. Options for 50 percent of the shares are considered time vested and options for 50 percent of the shares are considered performance vested. Except with respect to options to purchase 500,000 shares (allocated pro-rata between time vested and performance vested), the options will not vest and are subject to forfeiture if the stockholders of MoneyGram do not approve Proposal 5. Affiliates of THL have provided an executed Proxy appointing Teresa H. Johnson, MoneyGram s Executive Vice President, General Counsel and Secretary, as attorney and proxy to vote FOR Proposal 5. For additional information, see Proposal 5: Amendments to the MoneyGram International, Inc. 2005 Omnibus Incentive Plan in this proxy statement.

The time vested options will vest in equal installments over four years on the anniversary of the grant date. The performance vested options will vest as follows: options for 50 percent of the shares will vest when the value of the common stock of MoneyGram has reached $3.00 per share for a period of 20 consecutive trading days during the five-year period following the grant date; and options for 50 percent of the shares will vest when the value of the

common stock of MoneyGram has reached $4.50 per share for a period of 20 consecutive trading days during the five-year period following the grant date. If the shares of common stock of MoneyGram are not publicly traded, then the performance vested options will vest based on value realized by certain of the Company s investors.

Chief Executive Officer

On January 21, 2009, in conjunction with the hiring of Ms. Patsley as Executive Chairman, the Board of Directors separated the roles of Executive Chairman and CEO and appointed Anthony P. Ryan the President and CEO of MoneyGram, a position he also holds at MoneyGram s principal operating subsidiaries, and elected him a member of the Board of Directors. Mr. Ryan previously held the role of Chief Operating Officer for the Company.

2009 Base Salary Changes

Due to economic conditions and the Company s focus on cost control in 2009, no merit increases to base salary levels have been implemented for employees in 2009, including the Named Executives.

2009 Performance Objectives for Annual Cash Incentive

To align the Named Executives annual incentive compensation opportunities with the Company s plan and its growth objectives, the Committee set the 2009 executives annual incentive compensation award targets for corporate performance as follows: net revenue for the core products of money transfer and urgent bill payment 30 percent, Adjusted EBITDA 60 percent, and capital expenditure efficiency, including the payment of agent signing bonuses 10 percent.. The corporate objectives and weighting at the maximum performance level are net revenue for the core products of money transfer and urgent bill payment 60 percent, Adjusted EBITDA 130 percent, and capital expenditure efficiency, including the payment of agent signing bonuses 10 percent. The plan design for 2009 is largely similar to the previous year, except for the weightings for each objective.

2009 Compensation Peer Group

The Committee added the following companies to the Compensation Peer Group for 2009: Dun & Bradstreet Corp, Metavante Technologies, Inc. and On-line Resources, Inc. The following companies were removed from the Compensation Peer Group for 2009: A.G. Edwards, Alliant Techsystems, Inc., ChoicePoint Inc., CME Group, Cullen/Frost Bankers Inc., efunds Corporation, Marshall & Ilsley Corporation and Mastercard Inc.

The companies in the 2009 Compensation Peer Group are:

Acxiom Corporation	Dun & Bradstreet Corp.	Heartland Payment Systems, Inc.	TransUnion, LLC.
ACI Worldwide	Equifax, Inc.	Jones Lang LaSalle	Western Union Company
Advanta Corp.	Euronet Worldwide, Inc.	Lawson Software	
Alliance Data Systems Corp.	Fidelity National Info Svcs	Metavante Technologies, Inc.	
Convergys Corporation	Fiserv, Inc.	Online Resources, Inc.	
DST Systems, Inc.	Global Payments, Inc.	Total Systems Services, Inc.	

The Committee generally maintains the continuity of the Compensation Peer Group from year to year. However, changes in the composition of the group sometimes occur as companies enter or exit the publicly traded marketplace, are involved in mergers and acquisitions, experience significant downward results, change in relative size or geography or in instances in which compensation data is otherwise unavailable.

2009 Perquisites

On February 9, 2009, the Committee approved the elimination of certain perquisites for eligible Named Executives, in keeping with the Company s expense control initiatives. The Committee believes that its perquisite program remains market competitive following these changes. The following perquisites were eliminated for 2009: country club dues; tax reimbursement for financial planning services; car allowance; personal use of company aircraft. The company aircraft is currently for sale and is not being used for business purposes as part of the Company s cost control initiatives.

2009 Other Compensation and Benefits

On February 9, 2009, the Committee eliminated the matching feature of up to four percent of compensation that was previously provided under the deferred compensation plan.

EXECUTIVE COMPENSATION

The following tables and accompanying narrative disclosure should be read in conjunction with the Compensation Discussion and Analysis above, which sets forth the objectives of MoneyGram s executive compensation and benefit program.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)(5)	All Other Compensation ($)(6)	Total ($)
Anthony P. Ryan	2008	451,250		15,980	132,247	469,300	47,749	50,129	1,166,655
President and Chief	2007	395,723		277,806	147,702		96,574	71,525	989,330
Executive Officer	2006	353,854		264,817	78,871	671,010	62,216	68,923	1,499,691
Philip W. Milne (7)	2008	418,269		117,500	442,008		(954)	13,309,013	14,285,836
Former President,	2007	714,039		587,238	530,989		365,862	351,777	2,549,905
Chief Executive Officer and Chairman of the Board	2006	642,692		684,382	309,567	2,630,700	233,581	308,770	4,809,692
David J. Parrin	2008	375,580		20,680	143,710	360,600	48,891	59,037	1,008,498
Executive Vice	2007	370,308		241,771	166,214		88,278	99,041	965,612
President and Chief Financial Officer	2006	351,485		142,608	96,447	748,000	56,432	83,800	1,478,772
Teresa H. Johnson	2008	313,342	100,000	8,225	76,560	275,700	53,586	55,803	883,216
Executive Vice	2007(8)								
President, General Counsel and Secretary	2006	278,223		80,167	57,354	491,031	84,920	56,011	1,047,706
Daniel J. O Malley *Senior Vice President, Global Payment Systems/ President Americas*	2008	315,432	30,000		54,720	277,600	40,691	21,618	740,061
Mary A. Dutra	2008	295,400		7,910	72,621	236,300	30,065	52,778	695,075
Executive Vice President, Global Payment Processing and Settlement	2007	291,253		224,501	86,512		194,311	54,282	850,859

Thomas E. Haider (9) *Former Senior Vice President and Chief Compliance Officer*	2008	119,371	30,000	36,493	(66)	1,642,564	1,828,362

(1) The following amounts were deferred pursuant to the deferred compensation plan and are reported in the 2008 Nonqualified Deferred Compensation table below: Mr. Ryan, $19,786 for 2007 and $17,693 for 2006; Mr. Milne, $16,731 for 2008, $28,561 for 2007 and $32,135 for 2006; Mr. Parrin, $17,574 for 2006; Ms. Johnson, $12,534 for 2008 and $13,911 for 2006; and Ms. Dutra, $11,816 for 2008 and $14,563 for 2007.

(2) In 2008, MoneyGram awarded restructuring bonuses relating to the Capital Transaction which are

recorded under the Bonus column of this table. In 2008, 2007 and 2006, MoneyGram also awarded bonuses based solely on MoneyGram s achievement of certain performance targets established under incentive plans, which bonus amounts, if any, are recorded under the Non-Equity

Incentive Plan Compensation column of this table.

(3) Includes amounts for stock awards and stock options granted in 2003, 2004, 2005, 2006, 2007 and 2008 to the extent the vesting period for such grants fell in 2008, 2007 or 2006, respectively. The amounts in these columns exclude estimated forfeitures. Refer to Footnotes 3 and 14 of Item 8 of the 2008 Form 10-K for our policy and assumptions made in the valuation of share-based payments.

(4) Non-equity incentive plan compensation represents awards earned during 2008, 2007 and 2006, respectively, in recognition of achievement of performance goals under the annual cash incentive plan and the performance-based stock unit plan. Due to losses in our investment portfolio during 2007, the financial objectives under

the annual cash incentive plan for 2007 and the performance-based stock unit plan for the 2005-2007 and the 2006-2008 performance periods were not attained. Consequently, the Named Executives did not earn an annual cash incentive plan payout or performance-based stock unit payout in 2007 or a performance-based stock unit payout in 2008. The following amounts were earned based on achievement of the performance goals at a level between target and maximum for 2008 and the maximum level for 2006, respectively:

Mr. Ryan, for 2008, under the annual cash incentive plan, $469,300 and for 2006, under the annual cash incentive plan, $389,200 and under the performance-based stock unit plan, $281,810;

Mr. Milne, for 2006, under the annual cash incentive plan, $1,156,800 and under the performance-based

stock unit plan, $1,473,900; Mr. Parrin, for 2008, under the annual cash incentive plan, $360,600 and for 2006, under the annual cash incentive plan, $386,600 and under the performance-based stock unit plan, $361,400; Ms. Johnson, for 2008, under the annual cash incentive plan, $275,700 and for 2006, under the annual cash incentive plan, $278,200 and under the performance-based stock unit plan, $212,831; Mr. O Malley, for 2008, under the annual cash incentive plan, $277,600; and Ms. Dutra, for 2008, under the annual cash incentive plan, $236,300.

(5) This column represents both changes in pension value for the Named Executives and above market earnings on deferred compensation. The changes in pension values (pension plan and

supplemental pension plan) were as follows: Mr. Ryan, $46,250 for 2008, $96,574 for 2007 and $62,178 for 2006; Mr. Milne, $(7,375) for 2008, $365,044 for 2007 and $231,999 for 2006; Mr. Parrin, $44,408 for 2008, $87,942 for 2007 and $56,391 for 2006; Ms. Johnson, $51,084 for 2008 and $84,429 for 2006; Mr. O Malley, $40,614 for 2008; Ms. Dutra, $29,114 for 2008 and $194,311 for 2007; and Mr. Haider, $(67) for 2008.

Above market earnings is defined as the difference between the interest rate paid by MoneyGram and 120 percent of the applicable federal long term rate. The above market earnings on deferred compensation were as follows: Mr. Ryan, $1,499 for 2008 and $38 for 2006; Mr. Milne, $6,421 for 2008, $818 for 2007 and $1,582 for 2006; Mr. Parrin, $4,483 for 2008, $336 for 2007 and $41 for

2006; Ms. Johnson, $2,502 for 2008 and $491 for 2006; Mr. O Malley, $77 for 2008; Ms. Dutra, $951 for 2008; and Mr. Haider, $1 for 2008. For Mr. Milne, above market earnings in 2006 included amounts earned under the deferred compensation plan and a Viad deferred compensation plan assumed by MoneyGram (the Viad deferred compensation plan). For 2007 and beyond, all amounts are earned under the deferred compensation plan because the Viad accounts were merged into the deferred compensation plan.

(6) For a breakdown of the components which comprise all other compensation for the Named Executives, refer to the table entitled 2008 Details Behind All Other Compensation Column Table immediately below.

(7) MoneyGram entered into an employment agreement with Mr. Milne effective July 1, 2005, as

amended and restated on November 5, 2007 (the Milne employment agreement). The three-year term of the agreement would have expired on July 1, 2008, subject to an automatic one-year renewal. The Milne employment agreement provided that Mr. Milne was eligible to participate in the annual cash incentive plan and the performance-based stock unit plan, and was eligible to certain perquisites as described below and in Compensation Discussion and Analysis Perquisites in this proxy statement. On June 18, 2008, Mr. Milne and MoneyGram mutually agreed that Mr. Milne s employment with MoneyGram and its subsidiaries would terminate effective June 19, 2008 (the Milne Separation). For a description of Mr. Milne s separation arrangements, see footnote 12 to the 2008 Details Behind All Other Compensation

Column Table immediately below.

(8) Ms. Johnson was not a Named Executive for the year ended December 31, 2007.

(9) On May 16, 2008, Mr. Haider and MoneyGram mutually agreed that Mr. Haider s employment with MoneyGram and its subsidiaries would terminate effective May 23, 2008 (the Haider Separation). For a description of Mr. Haider s separation arrangements, see footnote 13 to the 2008 Details Behind All Other Compensation Column Table immediately below.

2008 DETAILS BEHIND ALL OTHER COMPENSATION COLUMN TABLE

Name	Year	Perquisites and Other Personal Benefits ($)	Registrant Contributions to Defined Contribution Plans ($)(8)	Insurance Premiums ($)(9)	Tax Reimbursements ($)(10)	Severance	Other ($)(11)	Total ($)
Anthony P. Ryan	2008	26,101(1)	13,800	90	5,713		4,425	50,129
Philip W. Milne	2008	55,122(2)	9,200	144	5,929	13,169,994(12)	68,624	13,309,013
David J. Parrin	2008	33,451(3)	13,800	90	8,784		2,912	59,037
Teresa H. Johnson	2008	22,000(4)	13,800	90	5,713		14,201	55,803
Daniel J. O Malley	2008	6,004(5)	13,800	90	15		1,709	21,618
Mary A. Dutra	2008	20,068(6)	13,800	90	5,697		13,124	52,778
Thomas E. Haider	2008	9,318(7)	4,775	90	474,372	1,093,962(13)	60,047	1,642,564

(1) Perquisites provided to Mr. Ryan were comprised of: annual car allowance, annual financial counseling services and reimbursement of country club membership fees or dues, including all costs of membership.

(2) Perquisites provided to Mr. Milne were comprised of: annual car allowance, annual financial counseling

services, reimbursement of country club membership fees or dues, including all costs of membership, and 14.4 hours of personal aircraft travel valued at $11,071. Such amount was calculated using the aggregate incremental cost method and based on the variable operating costs to MoneyGram of such travel, including fuel costs, mileage, landing fees, flight planning, crew travel expenses and other miscellaneous variable costs. Fixed costs which do not change based on usage, such as pilot salaries and the cost of the corporate aircraft, are excluded. The Company has determined to sell its corporate aircraft and eliminated all personal use of aircraft beginning in May 2008.

In addition, MoneyGram paid 100 percent of the premiums for Mr. Milne s medical and dental plans. Such plans provided 100 percent coverage to Mr. Milne, his spouse and dependents up to age 25. The amount included in this column represents the premiums paid by MoneyGram on Mr. Milne s behalf.

(3) Perquisites provided to Mr. Parrin were comprised of: annual car allowance, annual financial counseling services and reimbursement of country club membership fees or dues, including all costs of membership.

(4) Perquisites provided to Ms. Johnson were comprised of: annual car allowance, annual financial counseling services, reimbursement for health club

membership and annual executive physical examination.

(5) Perquisites provided to Mr. O Malley were comprised of: reimbursement of country club membership fees or dues, including all costs of membership, and reimbursement for health club membership.

(6) Perquisites provided to Ms. Dutra were comprised of: annual car allowance, annual financial counseling services and reimbursement for health club membership.

(7) Perquisites provided to Mr. Haider were comprised of: annual car allowance and annual financial counseling services.

(8) The 401(k) plan allows employees to defer up to 50 percent of

eligible compensation on a pre-tax basis subject to federal tax law limits. MoneyGram matches 100 percent of the first three percent and 50 percent of the next two percent of compensation deferred. The 401(k) plan also gives the Board the right to grant an annual discretionary profit sharing contribution. In February 2009, the Board approved a discretionary contribution of two percent of compensation related to 2008.

Each of the Named Executives (except Mr. Haider) received $9,200 as matching contributions pursuant to the 401(k) plan and Mr. Haider received $4,775. Each of the Named Executives (except Messrs. Milne and Haider) received profit

sharing contributions of $4,600 pursuant to the 401(k) plan.

(9) Represents premiums paid by MoneyGram in 2008 for life insurance covering each of the Named Executives.

(10) Represents tax reimbursements paid to each of the Named Executives associated with financial planning services and aircraft usage. In addition, Messrs. Milne and Parrin received tax reimbursement attributable to taxes they incurred for personal use of our aircraft of $3,451 and $3,776, respectively. Tax reimbursements for all benefits have been eliminated beginning in 2009.

With respect to Mr. Haider, the amount includes a $471,124 excise tax and

gross up on his
severance
package. For
additional

information regarding tax reimbursements in connection with the Milne Separation and Haider Separation, see footnotes 12 and 13 of this table below.

(11) The deferred compensation plan was established for executives and other select employees who are limited as to the amount of deferrals allowed under the 401(k) plan or are limited by federal tax law as to the amount of profit sharing contributions that may be allocated to them. In addition, the deferred compensation plan allows selected participants to defer the receipt of salary and incentive payments. At MoneyGram s discretion, employees may be granted matching credits with respect to compensation and incentive pay deferrals on a dollar-for-dollar basis, up to four percent of eligible compensation.

The Named Executives

received the following matching contributions pursuant to the deferred compensation plan: Ms. Johnson, $12,534; and Ms. Dutra, $11,816. In addition, the Named Executives received the following supplemental profit sharing contributions pursuant to the deferred compensation plan: Mr. Ryan, $4,425; Mr. Parrin, $2,912; Ms. Johnson, $1,667, Mr. O Malley, $1,709; and Ms. Dutra, $1,308.

With respect to Messrs. Milne and Haider, the amounts reflected include $68,624 and $47, respectively, in distributions that were made from the deferred compensation plan.

With respect to Mr. Haider, the amount includes $60,000 paid in connection with a three-month Consulting Agreement entered into on May 27, 2008.

(12) MoneyGram and Mr. Milne were parties to the Milne employment agreement and Mr. Milne was also a participant in the Tier I special severance plan. MoneyGram and Mr. Milne entered into a Separation Agreement and Release of all Claims (the Milne separation agreement) dated as of June 18, 2008, which provided for Mr. Milne s resignation as MoneyGram s President and CEO, as well as Chairman of MoneyGram s Board effective June 19, 2008. Under the Milne separation agreement, Mr. Milne received the severance benefits to which he was entitled under the terms of the Tier I special severance plan. These benefits were as follows: (i) $2,054,167 as salary severance; (ii) $3,277,600 as bonus severance under the annual cash incentive plan; (iii) $4,176,050 as bonus severance under the performance-based stock unit plan;

(iv) an increase in the retirement benefits under the supplemental pension plan approximating the incremental amount of the retirement benefits that would have been payable if Mr. Milne s employment had continued through March 24, 2011, payable over ten years commencing in 2014 when Mr. Milne first attains retirement age, a benefit valued at approximately $3,444,443 as of December 31, 2008; (v) a payment in the amount of $149,231 in lieu of certain perquisites; and (vi) certain other benefits including continuation of life, medical and dental insurance for a period of three years and outplacement benefits. In general, cash payments, other than those with respect to the supplemental pension plan, were made in January 2009. Under the Milne separation agreement, Mr. Milne agreed that, for a period of

two years following the separation date, he will not (i) engage in any activities in competition with the business of MoneyGram or (ii) solicit employees or customers of MoneyGram. The special severance plan provides for, and the Milne separation agreement acknowledges, that to the extent any of the payments are subject to the excise tax under Section 280G of the Code, an additional payment will be made in an amount sufficient to allow Mr. Milne to pay all excise taxes without a reduction in severance payments. At the present time, based on the value to the Company of the non-competition and non-solicitation provisions contained in the Milne separation agreement, the Company does not anticipate paying any excise tax or gross up in connection with the special severance plan. Mr. Milne also relinquished all of his rights

under the employment agreement, including (i) his right to receive lifetime medical and dental insurance coverage and (ii) the right to accelerated vesting of his stock option and restricted stock grants. Subject to certain limitations, MoneyGram agreed to indemnify Mr. Milne in any action, suit, claim or proceeding arising out of Mr. Milne s performance of services for MoneyGram and to pay attorneys fee in connection with the Milne separation agreement. The Milne separation agreement also includes confidentiality, non-disparagement and non-disclosure obligations.

(13) Mr. Haider was a participant in the Tier II special severance plan. MoneyGram and Mr. Haider entered into a Separation Agreement and Release of all Claims (the Haider separation agreement) dated as of May 16, 2008, which provides for

Mr. Haider s resignation as MoneyGram s Senior Vice President and Chief Compliance Officer and stated that Mr. Haider would provide transition consulting services to the Company under a three-month Consulting Agreement. Mr. Haider also received the severance benefits to which he was entitled under the terms of the Tier II special severance plan. These benefits were as follows: (i) $440,642 as salary severance; (ii) $371,366 as bonus severance under the annual cash incentive plan and performance-based stock unit plan; (iv) an increase in the special retirement benefits under the supplemental pension plan approximating the incremental amount of the retirement benefits that would have been payable to Mr. Haider under the supplemental pension plan if Mr. Haider s employment had continued through March 25, 2010,

payable over his lifetime commencing in 2013 when Mr. Haider first attains retirement age, a benefit valued at approximately $175,677 as of December 31, 2008; (v) a payment in the amount of $55,669 in lieu of certain perquisites; and (vi) certain other benefits including continuation of life, medical and dental insurance for a period of 22 months and outplacement benefits. In general,

cash payments, other than those with respect to the supplemental pension plan, were made in December 2008. In addition, the Tier II special severance plan provides that, to the extent any of the payments are subject to the excise tax under section 280G of the Code, an additional payment will be made in an amount sufficient to allow Mr. Haider to pay all excise taxes without a reduction in severance payments. The amount of the excise tax and gross up was $471,125. Under the Haider separation agreement, Mr. Haider affirmed that, for a period of one year following the separation date, he will not solicit employees or customers of MoneyGram. The Haider separation agreement also includes confidentiality, non-disparagement and non-disclosure obligations.

2008 GRANTS OF PLAN-BASED AWARDS

There were no grants of equity and non-equity plan-based awards in 2008.

The following tables summarize the total outstanding equity awards as of December 31, 2008, for each Named Executive, as well as the number of option awards exercised and restricted stock awards vested during 2008. With respect to our common stock, the following table utilizes the market value, measured as the average of the high and low price on December 31, 2008, which was $1.00 per share.

OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2008

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options Exercisable (#)(1)(2)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)(1)(2)**	**Option Exercise Price ($/Sh)(3)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(4)**	**Market Value (as of December 31, 2008) of Shares or Units of Stock That Have Not Vested ($)(5)**
Anthony P. Ryan						
Grant Date:						
05/10/99	4,200		22.4616	05/10/09		
02/17/00	5,300		18.6069	02/17/10		
02/15/01	11,375		19.1875	02/15/11		
11/15/01	20,000		15.6774	11/15/11		
03/26/02	8,200		20.7979	03/26/12		
02/19/03	10,000		15.6165	02/19/13		
02/18/04	9,681	2,419	19.3208	02/18/11		
02/16/05	14,500		20.51	02/16/15		
02/15/06	7,734	3,866	27.245	02/15/16		
02/15/06					21,690	21,690
02/14/07	6,434	12,866	29.255	02/14/17		
02/14/07					5,110	5,110
Philip W. Milne (6)						
David J. Parrin						
Grant Date:						
07/01/02	11,000		19.3208	07/01/12		
02/19/03	12,500		15.6165	02/19/13		
02/18/04	9,200	2,300	19.3208	02/18/11		
02/16/05	18,600		20.51	02/16/15		
02/15/06	9,867	4,933	27.245	02/15/16		
02/15/06					6,380	6,380
02/14/07	6,434	12,866	29.255	02/14/17		
02/14/07					15,110	15,110
Teresa H. Johnson						
Grant Date:						
05/10/99	4,100		22.4616	05/10/09		
02/17/00	5,800		18.6069	02/17/10		

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)(1)(2)	**Number of Securities Underlying Unexercised Options Unexercisable (#)(1)(2)**	**Option Exercise Price ($/Sh)(3)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)(4)**	**Market Value (as of December 31, 2008) of Shares or Units of Stock That Have Not Vested ($)(5)**
02/15/01	8,575		19.1875	02/15/11		
12/21/01	5,000		17.1165	12/21/11		
03/26/02	7,900		20.7979	03/26/12		
02/19/03	8,500		15.6165	02/19/13		
02/18/04	5,200	1,300	19.3208	02/18/11		
02/16/05	11,000		20.5100	02/16/15		
02/15/06	5,934	2,966	27.2450	02/15/16		
02/15/06					2,605	2,605
02/14/07	3,067	6,133	29.2550	02/14/17		
02/14/07					1,642	1,642
Daniel J. O Malley						
Grant Date:						
02/17/00	3,500		18.6069	02/17/10		
02/15/01	6,375		19.1875	02/15/11		
03/26/02	7,800		20.7979	03/26/12		
02/19/03	8,000		15.6165	02/19/13		
02/18/04	4,160	1,040	19.3208	02/18/11		
02/16/05	7,300		20.5100	02/16/15		
02/15/06	3,534	1,766	27.2450	02/15/16		
02/15/06					7,670	7,670
02/14/07	2,467	4,933	29.2550	02/14/17		
02/14/07					1,950	1,950
Mary A. Dutra						
Grant Date:						
05/10/99	3,600		22.4616	05/10/09		
02/17/00	4,500		18.6069	02/17/10		
02/15/01	6,900		19.1875	02/15/11		
11/15/01	10,000		15.6774	11/15/11		
03/26/02	5,100		20.7979	03/26/12		
02/19/03	8,500		15.6165	02/19/13		
02/18/04	6,560	1,640	19.3208	02/18/11		
02/16/05	10,400		20.5100	02/16/15		
02/15/06	5,667	2,833	27.2450	02/15/16		
02/15/06					1,662	1,662
02/14/07	2,700	5,400	29.2550	02/14/17		

02/14/07	4,132	4,132
Thomas E. Haider (7)		

(1) The total number of options granted on 5/10/1999, 2/17/2000, 2/15/2001, 11/15/2001, 3/26/2002, 7/1/2002, 2/19/2003 and 2/18/2004 represents the grant on each such date of both an incentive stock option (ISO) award and a non-qualified stock option (NQSO), containing the same expiration date and exercise price. Not all Named Executives have awards on each of the foregoing dates, as reflected in the table above.

For each Named Executive, the total number of options outstanding consist of the following: Mr. Ryan, 32,873 ISO and 83,702 NQSO; Mr. Parrin, 20,509 ISO and 67,191 NQSO; Ms. Johnson, 28,471 ISO and

47,004 NQSO; Mr. O Malley, 23,872 ISO and 27,003 NQSO; and Ms. Dutra, 31,443 ISO and 42,357 NQSO.

(2) The options granted in 1998 through 2002 vested in two equal annual installments, beginning one year from the date of grant and have a ten year term; the options granted in 2003, 2005, 2006 and 2007 vest or vested, as applicable, in three equal annual installments, beginning one year from the date of grant and have a ten year term; and the options granted in 2004 vest in five equal annual installments, beginning one year from the date of grant and have a seven year term.

(3) For options granted after July 1, 2004, the exercise price is equal to the fair market value of our common stock on the

date of grant, as defined in the 2005 incentive plan. Options granted prior to July 1, 2004 represent the number of shares underlying options granted by Viad prior to the Spin-Off that were converted in the Spin-Off into options to acquire common stock. At the time of the Spin-Off, each Viad option that was outstanding immediately prior to the Spin-Off was converted into two options: (i) an option to purchase shares of Viad common stock and (ii) an option to purchase shares of common stock. The exercise price of each MoneyGram stock option resulting from the conversion of these Viad stock options equals the exercise price of the related Viad stock option times a fraction, the numerator of

which is the
closing price of
a share of
common stock
on the first

trading day after the Spin-Off and the denominator of which is that price plus the closing price of a share of Viad common stock on the first trading day after the Spin-Off (divided by four to reflect the post-spin Viad reverse stock split).

(4) The restricted stock vests in full on the third anniversary of the date of grant.

(5) Market value of shares or units of stock was computed by multiplying the number of shares or units that have not vested by the average of the high and low price of MoneyGram s stock on the NYSE on December 31, 2008.

(6) After the Milne Separation, all outstanding equity awards expired in accordance with

their terms.

(7) After the Haider Separation, all outstanding equity awards expired in accordance with their terms.

OPTION EXERCISES AND STOCK VESTED TABLE

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting(1) ($)**
Anthony P. Ryan			3,400	15,980
Philip W. Milne			25,000	117,500
David J. Parrin			4,400	20,680
Teresa H. Johnson			1,750	8,225
Daniel J. O Malley				
Mary A. Dutra			1,683	7,910
Thomas E. Haider				

(1) The value realized on vesting of the stock awards is the fair market value of our common stock at the time of vesting. The fair market value used for purposes of this table is the average market price of our common stock on the date of exercise or vesting.

Retirement Plans

401(k) Plan

The 401(k) plan is a defined contribution plan that allows employees whose customary employment is for not less than 1,000 hours per year to defer up to 50 percent of their eligible compensation on a pre-tax basis subject to limitations under the Code. MoneyGram matches 100 percent of the first three percent and 50 percent of the next two percent of compensation deferred by an eligible employee each pay period. If an employee s matching contribution for

a plan year is less than 100 percent of the first three percent and 50 percent of the next two percent of eligible compensation, MoneyGram will make a true up contribution at year-end. In addition, a discretionary contribution may be granted annually by our Board. Prior to 2008, employer contributions were initially invested in MoneyGram stock, and participants could make investment changes at any time subject to applicable trading restrictions required by securities laws or Company policy. Effective January 1, 2008, employer contributions are initially invested according to participant s investment election for employee contributions. Employees can transfer employer-sourced funds into and out of the MoneyGram stock investment as long as the transfer will not result in more than ten percent of the account balance being invested in MoneyGram stock. Participants are 100 percent vested immediately in their contributions and employer contributions.

Pension Plan

The pension plan is a noncontributory, qualified defined benefit plan. Through December 31, 2000, the pension plan was structured using a traditional defined benefit plan formula based primarily on the eligible employee s credited length of service and covered compensation during certain years of the participant s employment period, subject to limits set by federal regulations. From January 1, 2001 through December 31, 2003, benefits accrued under a cash accumulation account formula based upon a percentage of eligible pay plus interest. Effective December 31, 2003, all benefit accruals and participation under the pension plan were frozen and all participants in the pension plan who were actively employed as of the freeze date became fully vested in their accrued benefits and cash accumulation benefits. Cash accumulation accounts continue to be credited with interest credits, but not pay credits, until distributed. In addition to normal retirement benefits at age 65, participants who are age 55 and have 10 years of service are eligible for an early retirement benefit. The pension plan also provides for disability, death, termination and spousal benefits. The pension

plan provides for the following forms of payment: single life annuity, 75 percent joint and survivor annuity, 50 percent joint and survivor annuity, 100 percent joint and survivor annuity, ten-year certain and life.

Supplemental Pension Plan

The supplemental pension plan provides pension benefits for Named Executives and select employees in addition to the benefits provided by the pension plan. The participants accrue benefits using an enhanced pension formula without regard to compensation limits. The supplemental pension plan benefits accrue under a formula which takes into account both years of service and pay, including salary and payments under the annual cash incentive plan. Participants are fully vested after five years of service.

The benefit for a Named Executive, except Messrs. O Malley and Haider, is calculated as two percent of the final average earnings multiplied by the credited service of the participant, less two percent of the primary social security benefit multiplied by the credited service of the participant (as such terms are defined in the supplemental pension plan).

For the purposes of the preceding benefit formula, credited service does not exceed 25 years.

Except for Messrs. O Malley and Haider, participants who have more than 25 years of credited service are eligible for a special benefit. The special benefit is equal to the product of the final average earnings of the participant and 0.5 percent for each additional full year of credited service from 25 to 30 years. The service component of the formula rewards the participant for tenure. In addition, participants may receive the full value of the age 65 benefit, at age 60 if they have 30 or more years of credited service.

Messrs. O Malley and Haider receive benefits under the supplemental pension plan which are a continuation of the benefits provided under the pension plan on a nonqualified basis, providing ongoing accruals of service and pay, including pay beyond qualified plan limitations under Section 401(a)(17) of the Code.

All of the Named Executives, except Messrs. O Malley and Haider, elected to receive their supplemental pension plan benefit in 10 annual installments at retirement. Messrs. O Malley and Haider are not required to elect their form of payment until they initiate payment from the supplemental pension plan. The supplemental pension plan also provides for early retirement, disability, death, termination and spousal benefits.

In 2006, the Executive Compensation Trust was established to provide a source of funding for the expected liabilities under the supplemental pension plan. The funds held in the trust remain subject to the claims of the creditors of MoneyGram.

The following table summarizes the present accumulated value of the Named Executives pension benefits as of December 31, 2008.

2008 PENSION BENEFITS TABLE

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)(1)	Payments During Last Fiscal Year ($)
Anthony P. Ryan	Pension plan	13.633	54,080	
	Supplemental pension plan	13.633	357,916	
	Total		411,996	
Philip W. Milne	Pension plan (2)			
	Supplemental pension plan (2)			
	Total			
David J. Parrin	Pension plan	6.562	5,164	
	Supplemental pension plan	6.562	300,284	
	Total		305,448	
Teresa H. Johnson	Pension plan	11.214	65,847	
	Supplemental pension plan	11.214	398,248	
	Total		464,095	
Daniel J. O'Malley	Pension plan	20.50	64,704	
	Supplemental pension plan	20.50	223,312	
	Total		288,016	
Mary A. Dutra	Pension plan	20.745	186,972	
	Supplemental pension plan	20.745	696,976	
	Total		883,948	
Thomas E. Haider	Pension plan (3)			
	Supplemental pension plan (3)			
	Total			

(1) The present value of the accumulated benefit is calculated in accordance with Statement of Financial Accounting

Standards (SFAS) No. 87, *Employers Accounting for Pensions.* Refer to Footnote 11 of Item 8 of the 2008 Form 10-K for our policy and assumptions made in the valuation of this accumulated benefit.

(2) For additional detail regarding the pension plan and supplemental pension plan payments pursuant to the Milne Separation, see footnote 12 to the 2008 Details Behind All Other Compensation Column Table in this proxy statement.

(3) For additional detail regarding the pension plan and supplemental pension plan payments pursuant to the Haider Separation, see footnote 13 to the 2008 Details Behind All Other Compensation Column Table

in this proxy
statement.

Deferred Compensation

The deferred compensation plan was established for executives and other select employees who are limited as to the amount of deferrals allowed under our tax-qualified 401(k) plan or are limited by federal tax law as to the amount of profit sharing contributions that may be allocated to them. In addition, the deferred compensation plan allows selected participants to defer the receipt of salary and incentive payments. Thus, the following compensation may be deferred under the deferred compensation plan: (i) compensation (base salary and commissions); (ii) incentive pay (annual cash incentive plan and performance-based stock unit plan payments); and (iii) supplemental profit sharing contributions. With respect to compensation deferrals, participants in the deferred compensation plan must make the election to defer such amounts prior to the start of each plan year and may defer up to 50 percent of eligible compensation. With respect to incentive pay deferrals, an election must be made by the participant to defer by June 30 of the relevant plan year and the participant may defer up to 100 percent of incentive pay. No election is required with respect to supplemental profit sharing contributions, as participants are automatically enrolled and any discretionary contributions made above the Internal Revenue Service qualified plan limits will be credited to the participant s deferral account.

At MoneyGram s discretion, employees may be granted matching credits with respect to compensation and incentive pay deferrals made under the deferred compensation plan. Until 2009, MoneyGram matched dollar-for-dollar up to four percent of eligible compensation. This matching benefit was eliminated effective January 1, 2009. Accounts established under the deferred compensation plan earn interest. The current rate used is equal to the yield on the Merrill Lynch Taxable Bond Index Long Term Medium Quality (A3) Industrial Bonds. Participants are 100 percent vested in amounts in their accounts at all times.

If elected at the time of enrollment, participants may take an in-service distribution of compensation or incentive pay deferrals three years after the end of the plan year in which the deferral was made. In-service distributions are not allowed for supplemental profit sharing deferrals. All amounts in a participant s account are immediately distributable in a lump sum upon death or disability. Upon termination of employment with MoneyGram, the participant s account becomes immediately distributable in a lump sum or annual installments (not to exceed five years), according to the participants irrevocable election.

Prior to the Spin-Off, Mr. Milne and Ms. Johnson deferred the receipt of incentive compensation under the Viad deferred compensation plan. In 2007, the deferred compensation plan was amended to assume the Viad deferred compensation plan obligations which are now governed under the terms of the deferred compensation plan. The former Viad accounts continue to be credited with dividends in MoneyGram stock units and interest, as applicable. Pursuant to the terms of the deferred compensation plan, payment may commence as early as 2008.

The Executive Compensation Trust provides a source of funding for the expected liabilities under the deferred compensation plan. The funds held in the trust remain subject to the claims of the creditors of MoneyGram.

2008 NONQUALIFIED DEFERRED COMPENSATION TABLE

Name	Executive Contributions in Last FY ($)(1)	Registrant Contributions in Last FY ($)(2)	Aggregate Earnings in Last FY ($)(3)	Aggregate Withdrawals/ Distributions ($)(4)	Aggregate Balance at Last FYE ($)(5)
Anthony P. Ryan		3,414	6,137		92,914
Philip W. Milne	16,731	9,781	24,901	68,624	345,105
David J. Parrin		2,906	18,094		272,808
Teresa H. Johnson	12,534	13,859	11,011		192,789
Daniel J. O Malley		1,451	389		6,092
Mary A. Dutra	11,816	13,141	4,733		88,879
Thomas E. Haider		45	2	47	

(1) Represents the election to defer salary earned in 2008 and/or bonuses paid in 2008 and reported in the Summary Compensation Table.

(2) Represents supplemental profit sharing contributions

made in 2008 (earned in 2007) pursuant to the deferred compensation plan as follows: Mr. Ryan, $3,414; Mr. Milne, $9,781; Mr. Parrin, $2,906; Ms. Johnson, $1,325; Mr. O Malley, $1,451; Ms. Dutra, $1,325; and Mr. Haider, $45. Amounts in this column do not include supplemental profit sharing contributions earned in 2008 and paid in 2009. See footnote 11 to the Details Behind All Other Compensation Column Table in this proxy statement. This column also represents matching contributions made in 2008 on compensation deferrals pursuant to the deferred compensation plan as follows: Ms. Johnson, $12,534; and Ms. Dutra, $11,816.

(3) For Mr. Milne, the amount represents $12,493 of interest earned pursuant to the deferred compensation plan and $12,408 of interest earned on cash deferrals made under the Viad deferred compensation plan. For Ms. Johnson, the amount represents $4,485 of interest earned pursuant to the deferred compensation plan and $6,525 of interest earned on cash deferrals made under the Viad deferred compensation plan. For each Named Executive (except Mr. Milne and Ms. Johnson), the amount represents interest earned pursuant to the deferred compensation plan.

(4) The distributions to Mr. Milne were made pursuant

to irrevocable elections under the Viad deferred compensation plan and the deferred compensation plan.

(5) For Mr. Milne and Ms. Johnson, the amount includes balances transferred into the deferred compensation plan from the Viad deferred compensation plan pursuant to the plan amendment.

Severance Plans

The following tables reflect the amount of compensation that each of the Named Executives, with the exception of Messrs. Milne and Haider, would have received in the event of termination of such Named Executive s employment with MoneyGram under a variety of circumstances, assuming that termination was effective as of December 31, 2008 and includes all amounts earned through that date. The amounts represent the compensation and benefits due and payable upon the different termination events as provided for in the applicable agreements and plans in existence as of December 31, 2008 and do not contemplate changes to existing plans or new plans adopted after December 31, 2008, or any discretion that the Board may exercise to modify a benefit at termination. While the summaries below may provide an estimate of the payments that may be made to the Named Executive, actual payments to a Named Executive upon the various events of termination can only be determined at the time of such Named Executive s actual termination. With respect to Messrs. Milne and Haider, the amounts reflected are the actual amounts that each executive received as a result of his separation from the Company.

The tables include only those benefits, if any, which are enhanced or increased as a result of the event of termination and do not include benefits that the Named Executive is entitled to receive regardless of the event of termination, including but not limited to: (i) any base salary earned but not yet paid; (ii) amounts contributed to or accrued and earned under broad-based employee benefit plans, such as the 401(k) plan, deferred compensation plan, pension plan and supplemental pension plan; and (iii) basic continuation of medical, dental, life and disability benefits. With regard to the accelerated vesting of options, the valuation is based upon the spread between the exercise price and the closing market price of our common stock on December 31, 2008. With regard to the accelerated vesting of restricted stock, the valuation is based on the closing market price of our common stock on December 31, 2008.

The executive severance plans (Tiers I and II) and special severance plans (Tiers I and II) provide that the Company will pay excise taxes a participating executive may incur as a result of payments under the plans. None of the Company s severance plans provide benefits to an executive who separates employment with the Company as a result of death, disability or retirement. The executive severance plans (Tiers I and II) and special severance plans (Tiers I and II) also contain provisions such that if benefits were awardable under both plans, benefits awardable under one plan would be applied to and set off against benefits awardable under another plan. The terms change of control, cause and good reason are defined in the severance plan documents. The following sections describe the benefits each Named Executive would receive (or in the case of Messrs. Milne and Haider did receive) under our severance plans.

Amended and Restated MoneyGram International, Inc. Executive Severance Plan (Tiers I and II)

Selected executives, including each of the Named Executives, participate in one of our two tiers of executive severance plans. The executive severance plan (Tier I) provides that if within twenty-four months after a change of control of MoneyGram the executive s employment is terminated either by MoneyGram without cause, or by the executive for good reason, then the executive will be entitled to a lump-sum payment calculated as follows: (a) the executive s highest annual salary fixed while the executive was a MoneyGram employee, plus (b) the largest cash bonus paid to the executive under the Company s annual cash incentive plan during the preceding four years or the target cash bonus under the Company s annual cash incentive plan for the fiscal year in which the change of control occurs, plus (c) the greater of (i) the largest cash bonus paid to the executive under the Company s performance-based stock unit plan during the preceding four years or (ii) the aggregate value of Company stock earned under any performance-related restricted stock award during the preceding four years or (iii) the aggregate value of Company stock awarded under any performance-related restricted stock program for the fiscal year in which the change of control occurs. The amount is then multiplied by three times a fraction, the numerator of which is 36 minus the number of full months from the date of the change of control through the last day of the executive s employment, and the denominator of which is 36. Messrs. Ryan and Parrin and Mmes. Johnson and Dutra are participants in our executive severance plan (Tier I). Mr. Milne was a participant in our executive severance plan (Tier I) until June 19, 2008.

The executive severance plan (Tier II) provides that if within eighteen months after a change of control of MoneyGram the executive is terminated either by MoneyGram without cause, or by the executive for good reason, then the executive will be entitled to a lump-sum payment calculated as follows: (a) two times the sum of the executive s highest annual salary fixed while the executive was a MoneyGram employee, plus (b) the greater of (i) the

largest cash bonus paid to the executive under the Company s annual cash incentive plan during the preceding four years or (ii) the target bonus under the Company s annual cash incentive plan for the fiscal year in which the change of control occurs, plus (c) the greater of (i) the largest cash bonus paid to the executive under the Company s performance-based stock unit plan during the preceding four years or (ii) the aggregate value of Company stock earned under any performance-related restricted stock award during the preceding four years or (iii) the aggregate value of Company stock awarded under any performance-related restricted stock program for the fiscal year in which the change of control occurs. The amount is then multiplied by a fraction, the numerator of which is 24 minus the number of months from the date of the change of control through the

last day of the executive s employment, and the denominator of which is 24. Mr. O Malley is a participant in our executive severance plan (Tier II). Mr. Haider was a participant in our executive severance plan (Tier II) until May 23, 2008.

Executive Severance Plans Potential Payments and Benefits upon Termination (Change of Control)

In addition to the executive severance plans, several of MoneyGram s compensation and benefit plans contain provisions for enhanced benefits upon a change of control of MoneyGram. Under the 2005 incentive plan, a change of control triggers immediate vesting of stock options, restricted stock and performance-based restricted stock. In addition, a pro-rata portion of the annual cash bonus under the annual cash incentive plan would become payable and a cash payment pursuant to any outstanding performance-based stock unit plan awards would become payable. Pursuant to the supplemental pension plan, the Named Executives would be entitled to accelerated vesting of benefits and would receive a lump sum distribution of their benefits if the acquiring entity does not have a credit rating from Standard & Poor Corporation of A or better.

The following table sets forth the benefits each Named Executive (other than Messrs. Milne and Haider) would receive under our executive severance plans as of December 31, 2008.

Benefit	**Anthony P. Ryan (1)**	**Philip W. Milne (1)(2)**	**David J. Parrin (1)**	**Teresa H. Johnson (1)**	**Daniel J. O'Malley (1)**	**Mary A. Dutra (1)**	**Thomas E. Haider (1)(3)**
Severance payment (4)	$3,393,030		$3,370,740	$2,448,093	$1,436,807	$2,322,657	
Bonus (annual cash incentive plan)(5)	$ 469,300		$ 360,600	$ 275,700	$ 277,600	$ 236,300	
Accelerated vesting of equity awards	$ 27,336		$ 21,920	$ 4,332	$ 9,812	$ 5,910	
Performance-based stock unit plan (6)	$ 11,785		$ 10,081	$ 5,396	$ 4,454	$ 4,954	
Retirement benefits (7)	$ 766,681		$ 827,328	$ 882,910	$ 271,283	$1,188,272	
Welfare benefits (8)	$ 31,374		$ 31,374	$ 22,806	$ 20,916	$ 11,250	
Perquisites(9)	$ 90,850		$ 107,123	$ 79,341	$ 11,399	$ 77,203	
Excise tax and gross-up(10)	$2,204,502		$2,226,060	$1,770,890	$ 793,525	$1,798,155	
Outplacement	$ 25,000		$ 25,000	$ 25,000	$ 25,000	$ 25,000	
Total	$7,019,858		$6,980,226	$5,514,468	$2,850,796	$5,669,701	

(1) In the first quarter of 2008 in connection with the completion of the Capital Transaction, the executive severance plan was amended. The amendment eliminates severance

payments to Named Executives who terminate their employment without good reason during the 30-day period following the first anniversary of a change of control (the window period). The amendment also provides that severance benefits are to be paid to Named Executives whose employment is terminated without cause or who terminate for good reason within 24, rather than 36, months following a change of control. Finally, on March 24, 2008, the Human Resources Committee of the Board determined that the Capital Transaction did not constitute a change of control under certain compensation plans of the Company, including, without limitation, the executive severance plan.

(2) For additional detail regarding the Milne Separation, see footnote 12 to the 2008 Details Behind All Other Compensation Column Table in

this proxy statement.

(3) For additional detail regarding the Haider Separation, see footnote 13 to the 2008 Details Behind All Other Compensation Column Table in this proxy statement.

(4) For a description of the calculation of the severance payment provided for under the executive severance plans, see Severance Plans Amended and Restated MoneyGram International, Inc. Executive Severance Plans (Tier I and II) in this proxy statement.

(5) Amount represents a pro rata 2008 annual cash incentive plan payment calculated on the basis of achievement of performance goals through December 31, 2008, the assumed date of the employment termination.

(6) Amount represents a pro rata performance-based stock unit plan

payment calculated as if each of the pre-defined financial goals for each performance-based stock unit plan award were achieved at the 100 percent level and pro rated from the date of the grant to the assumed date of the change of control.

(7) Amount represents special retirement benefits under the supplemental pension plan and paid in accordance with the supplemental pension plan and the applicable severance plan. The executive severance plans each provide that a Named Executive who is accruing benefits under the supplemental pension plan immediately prior to the Named Executive s separation is entitled special retirement benefits under the supplemental pension plan as and when the Named Executive or the Named Executive s beneficiaries become entitled to benefits under the supplemental pension plan, equal to the

excess of (i) the retirement benefits that would be payable to the Named Executive had the Named Executive s employment continued through the applicable severance period, assuming all of the Named Executive s benefits under the supplemental pension plan were fully vested, and the Named Executive s final average compensation was equal to the Named Executive s final average compensation computed in accordance with the supplemental pension plan and less severance payment made under a severance plan over (ii) the total benefits actually payable to the Named Executive or the Named Executive s beneficiaries

under the supplemental pension plan

(8) Amount represents the value of continued welfare benefits during the applicable severance period, assuming the maximum of three years for Tier I and two years for Tier II participants.

(9) The Named Executives are entitled to continue to receive perquisites for the applicable severance period. Only those perquisites that a Named Executive is eligible for and using immediately prior to the change of control shall continue, thus a change of control does not entitle a Named Executive to any new perquisites. Additionally, the perquisite continuation shall be subject to an annual (or pro rated) dollar

limit which is equal to the annualized value of all perquisites received by the Named Executive immediately prior to the change of control.

(10) Amounts represent assumed tax gross-ups to make the Named Executives whole for any federal excise taxes on change of control payments.

MoneyGram International, Inc. Special Executive Severance Plan (Tiers I and II)

Selected executives, including each of the Named Executives, participate in one of our two tiers of special severance plans The special severance plan (Tier I), which was adopted in connection with the Capital Transaction, provides severance benefits to a participating executive whose employment is terminated either by MoneyGram without cause, or by the executive for good reason, during the three years following the Capital Transaction that are similar to severance benefits provided by the executive severance plan (Tier I). However, the potential payments and benefits a Named Executive would receive under the special severance plan (Tier I) are reduced by 1/36 of the lump-sum payment calculation set forth in the executive severance plan (Tier I) above for each full month during the two-year period following the closing of the Capital Transaction. Messrs. Ryan and Parrin and Mmes. Johnson and Dutra are participants in our special severance plan (Tier I). Mr. Milne was a participant in our special severance plan (Tier I) until June 19, 2008.

The special severance plan (Tier II), which was adopted in connection with the Capital Transaction, provides severance benefits to a participating executive whose employment is terminated either by MoneyGram without cause, or by the executive for good reason, during the two years following the Capital Transaction that are similar to severance benefits provided by the executive severance plan (Tier II). However, the potential payments and benefits a Named Executive would receive under the special severance plan (Tier II) are reduced by 1/24 of the lump-sum payment calculation set forth in the executive severance plan (Tier II) above for each full month during the two-year period following the closing of the Capital Transaction. Mr. O Malley is a participant in our special severance plan (Tier II). Mr. Haider was a participant in our special severance plan (Tier II) until May 23, 2008.

Special Severance Plans Potential Payments and Benefits Upon Termination (Outside Change of Control)

The following table sets forth the benefits each Named Executive would receive (or in the case of Messrs. Milne and Haider did receive) under our special severance plans as of December 31, 2008.

Benefit	**Anthony P. Ryan**	**Philip W. Milne (1)**	**David J. Parrin**	**Teresa H. Johnson**	**Daniel J. O Malley**	**Mary A. Dutra**	**Thomas E. Haider (2)**
Severance payment (3)	$2,017,505		$2,076,305	$1,570,031	$ 861,157	$1,489,219	
Retirement benefits (4)	$ 526,928		$ 566,688	$ 655,571	$ 151,759	$ 880,372	
Welfare benefits (5)	$ 24,644		$ 24,644	$ 17,915	$ 13,256	$ 8,839	
Perquisites(6)	$ 67,453		$ 79,535	$ 58,907	$ 10,493	$ 57,320	
Excise tax and gross-up(7)			$3,051,811	$2,652,423		$2,737,150	
Outplacement	$ 15,000		$ 15,000	$ 15,000	$ 10,000	$ 15,000	
Total	$2,651,530		$5,813,983	$4,969,847	$1,046,665	$5,187,900	

(1) For additional detail regarding the Milne Separation, see footnote 12 to the 2008 Details Behind All Other Compensation Column Table in this proxy statement.

(2) For additional detail regarding the Haider Separation, see footnote 13 to the 2008 Details Behind All Other Compensation Column Table in this proxy statement.

(3) For a description of

the calculation of the severance payment provided for under the special severance plans, see Severance Plans MoneyGram International, Inc. Special Executive Severance Plans (Tier I and II) in this proxy statement. As of December 31, 2008, with regard to Tier I, the numerator was 27 and with regard to Tier II, the numerator was 15.

(4) Amount represents special retirement benefits under the supplemental pension plan and paid in accordance with the supplemental pension plan and the applicable severance plan. The special severance plans each provide that a Named Executive who is accruing benefits under the supplemental

pension plan
immediately
prior to the
Named
Executive s
separation is
entitled to
special
retirement
benefits under
the
supplemental
pension plan as
and when the
Named
Executive or the
Named
Executive s
beneficiaries
become entitled
to benefits
under the
supplemental
pension plan,
equal to the
excess of (i) the
retirement
benefits that
would be
payable to the
Named
Executive had
the Named
Executive s
employment
continued
through the
applicable
severance
period,
assuming all of
the Named
Executive s
benefits under
the
supplemental
pension plan
were fully
vested, and the
Named
Executive s final

average compensation was equal to the Named Executive s final average compensation computed in accordance with the supplemental pension plan and less severance payment made under a severance plan over (ii) the total benefits actually payable to the Named Executive or the Named Executive s beneficiaries under the supplemental pension plan.

(5) Amount represents the value of continued welfare benefits during the applicable severance period, assuming the maximum of 27 months for Tier I and 15 months for Tier II participants.

(6) The Named Executives are entitled to continue to receive

perquisites for the applicable severance period. Only those perquisites that a Named Executive is eligible for and using immediately prior to their termination shall continue. Additionally, the perquisite continuation shall be subject to an annual (or pro rated) dollar limit which is equal to the annualized value of all perquisites received by the Named Executive immediately prior to their termination.

(7) Amounts represent assumed tax gross-ups to make the Named Executives whole for any federal excise taxes on severance payments.

Potential Payments and Benefits upon Retirement, Death or Disability

The columns of the table represent payments that would be due to each of the Named Executives (other than Messrs. Milne and Haider who each terminated employment prior to December 31, 2008) in the event of a qualified retirement (age 55 with ten years of service), death or disability outside the context of a change of control and that would not otherwise be a termination by the Company for cause or a resignation by the Named Executive for good reason. In any of these events, MoneyGram is not obligated to provide any cash severance. However, the Named Executives do receive pro rata payments under certain incentive plans, acceleration of vesting for stock options and full ownership of restricted stock.

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Name	Retirement ($)(1)(2)(3)	Death ($)(1)(2)(3)(4)	Disability ($)(1)(2)(3)
Anthony P. Ryan	$508,421	$808,421	$508,421
Philip W. Milne (5)			
David J. Parrin	$392,601	$692,601	$392,601
Teresa H. Johnson	$285,428	$585,428	$285,428
Daniel J. O Malley	$291,866	$591,866	$291,866
Mary A. Dutra	$247,164	$547,164	$247,164
Thomas E. Haider (6)			

(1) Includes the value of the accelerated restricted stock for the Named Executives as of December 31, 2008 (utilizing the closing market value of our common stock on December 31, 2008, which was $1.02 per share), as follows: Mr. Ryan, $27,336; Mr. Parrin, $21,920; Ms. Johnson, $4,332; Mr. O Malley, $9,812; and Ms. Dutra $5,910. While beneficial ownership of restricted stock arises in each of these circumstances, the restrictions must lapse according to the schedule set forth in the applicable award agreement before a Named Executive will receive the shares.

(2) Includes the value of any outstanding performance-based stock unit plan awards at the date of termination, pro rated for the period of time from the date of grant to the date of death, disability or retirement, as applicable. The performance-based stock unit plan payment due is a pro rata portion of the actual benefit earned for the year of termination, payable within 75 days following the close of the applicable performance period. The pro rata performance-based stock unit plan payment for the Named Executives as of December 31, 2008 (utilizing the closing market value of our common stock on December 31, 2008, which was $1.02 per share) would be as follows: Mr. Ryan, $11,785; Mr. Parrin, $10,081; Ms. Johnson, $5,396; Mr. O Malley, $4,454; and Ms. Dutra, $4,954.

(3) Includes payments to be made under

the annual incentive plan for the Named Executives as of December 31, 2008, as follows: Mr. Ryan, $469,300; Mr. Parrin, $360,600; Ms. Johnson, $275,700; Mr. O Malley, $277,600; and Ms. Dutra, $236,300.

(4) Includes a total of $300,000 in life insurance comprised of a life insurance payment of $50,000 upon death and $250,000 for each Named Executive if death occurred while traveling on MoneyGram business pursuant to life insurance policies purchased by the Company.

(5) For additional detail regarding the Milne Separation, see footnote 12 to the 2008 Details Behind All Other Compensation Column Table in this proxy statement.

(6) For additional detail regarding the Haider Separation, see footnote 13 to the 2008 Details Behind All Other

Compensation Column Table in this proxy statement.

2008 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($	Option Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
Monte E. Ford (4)	62,986		9,780	19	72,784
Thomas M. Hagerty (5)	13,935				13,935
Jess T. Hay	174,600		14,824	109,398	298,823
Judith K. Hofer (4)	54,186		14,824	606	69,616
Scott L. Jaeckel (6)	104,159				104,159
Donald E. Kiernan (4)	63,970		14,824	2,095	80,889
Robert C. Krueger (4)	48,286		14,824	19	63,129
Seth W. Lawry (6)	109,282				109,282
Ganesh B. Rao (5)	13,936				13,936
Linda Johnson Rice (4)	54,528		14,824	19	69,371
Douglas L. Rock (4)	60,627		14,824	42	75,494
Othón Ruiz Montemayor	147,600		11,798	1,786	161,184
Albert M. Teplin	173,246		14,824	6,936	195,006
Timothy R. Wallace (4)	49,782		14,824	35	64,641

(1) In order to comply with the blackout trading restriction in effect in February 2008 that prevented directors from acquiring stock units, the annual grant of stock units, with a grant date value totaling $65,000 (the stock unit retainer) for the 2008 plan period that would have been credited to directors Stock Unit Retainer accounts in February 2008 was not credited to the 2005 director deferred compensation

plan. Thereafter, in connection with the Capital Transaction, the Board determined that a pro rata portion of the value of the Stock Unit Retainer would be credited in cash (as opposed to stock units) to the voluntary deferral accounts of the directors who were in office in February 2008 (see additional discussion under the captions Annual Retainers and Meeting Fees in 2008 and Deferred Compensation below) and thus the deferral amount is included under Fees Earned or Paid in Cash. Messrs. Rock, Ruiz Montemayor, Teplin and Wallace elected to defer meeting fees and/or the annual cash retainer, and Messrs. Ford and Hay, Ms. Hofer, Messrs. Kiernan and Krueger, Ms. Johnson Rice and Messrs. Rock, Ruiz Montemayor,

Teplin and Wallace had the automatic deferral of the Stock Unit Retainer, earned in 2008 and thus the following amounts are included under the Fees Earned or Paid in Cash: Mr. Ford, $15,096; Mr. Hay, $65,000; Ms. Hofer, $15,096; Mr. Kiernan, $15,096; Mr. Krueger, $15,096; Ms. Johnson Rice, $15,096; Mr. Rock, $60,627; Mr. Ruiz Montemayor, $147,600; Mr. Teplin, $123,000; and Mr. Wallace, $49,782. Fees earned by Messrs. Hagerty, Jaeckel, Lawry and Rao are paid directly to THL Managers VI, LLC.

(2) At December 31, 2008, options to purchase the following number of shares were outstanding for the directors: Mr. Hay, 10,000; Mr. Ruiz Montemayor,

5,000; and Mr. Teplin, 10,000. The amounts in these columns exclude estimated forfeitures. Refer to Footnotes 3 and 14 of Item 8 of the 2008 Form 10-K for our policy and assumptions made in the valuation of share-based payments.

The outstanding stock options shown above for Messrs. Hay and Teplin do not include stock options that such directors received as a conversion of outstanding Viad options (received as a director on the Viad board) at the time of the Spin-Off.

(3) Includes interest and dividends on deferred fees earned in 2008 under the Viad director deferred compensation plan, 2004 director deferred compensation plan and/or 2005 director deferred compensation in the following amounts: Mr. Ford, $19;

Mr. Hay, $104,398; Ms. Hofer, $606; Mr. Kiernan, $95; Mr. Krueger, $19; Ms. Johnson Rice, $19; Mr. Rock, $42; Mr. Ruiz Montemayor, $1,786; Mr. Teplin, $1,936; and Mr. Wallace, $35.

Also includes the following corporate matching of charitable contributions made by the director pursuant to the MoneyGram International, Inc. Directors Matching Gift Program (the directors matching gift program) which provides for corporate matching of charitable contributions made by non-employee directors, on a dollar-for-dollar basis, up to an aggregate maximum of $5,000 per year: Mr. Hay, $5,000; Mr. Kiernan, $2,000; and Mr. Teplin,

$5,000.

(4) Resigned from the Board effective on March 25, 2008.

(5) Appointed to the Board effective on November 19, 2008.

(6) Appointed to the Board effective on March 25, 2008.

Director Compensation Arrangements for 2008

Each non-employee director received compensation for service on the Board and its committees. Directors who were also officers or employees of MoneyGram (only Mr. Milne) did not receive any special or additional remuneration for service on the Board or any of its committees. MoneyGram s philosophy was to provide competitive compensation and benefits consistent with attracting and retaining quality non-employee directors. The Board believed that a substantial portion of director compensation should consist of equity-based compensation.

Annual Retainers and Meeting Fees in 2008

Non-employee directors received an annual cash retainer of $40,000. The Chair of the Human Resources and Nominating Committee received an additional annual retainer of $7,500. The Chair of the Audit Committee received an additional annual retainer of $15,000. Through April 25, 2008, the Presiding Director received an additional annual retainer of $15,000 on a pro rata basis. The retainers were paid quarterly, in arrears. Non-employee directors also received a fee of $1,600 for each Board meeting attended and a fee of $1,500 for each committee meeting attended. The annual retainer and meeting fees for non-employee directors were not changed as a result of closing the Capital Transaction. Fees earned by Messrs. Hagerty, Jaeckel, Lawry and Rao are paid directly to THL Managers VI, LLC.

On September 4, 2008, the Board approved a modification to the compensation arrangements for non-employee directors, effective January 1, 2009, by eliminating the stock unit retainer and providing an annual cash retainer in the amount of $105,000 paid quarterly in arrears (pro rated for any partial quarters of service). No new participants may be added to the 2005 director deferred compensation plan after March 25, 2008. Therefore, for the remainder of 2008, Messrs. Hay, Ruiz Montemayor and Teplin each received an additional pro rata amount of the value of the 2008 stock unit retainer credited in cash quarterly in arrears pursuant to the 2005 director deferred compensation plan.

Messrs. Hagerty, Jaeckel, Lawry and Rao each received a pro rata amount of the value of the 2008 stock unit retainer in cash quarterly in arrears. For additional discussion regarding the stock unit retainer, see footnote 1 to the 2008 Director Compensation Table above.

Deferred Compensation

After the Spin-Off, MoneyGram s non-employee directors were eligible to defer, in the form of cash or MoneyGram stock units, retainers and meeting fees earned through December 31, 2004 pursuant to the 2004 director deferred compensation plan. Deferrals were discontinued under that plan on December 31, 2004 and the Board adopted the 2005 director deferred compensation plan pursuant to which participants could defer retainers and meeting fees earned since January 1, 2005. In November 2005, the 2005 director deferred compensation plan was amended to allow directors to defer their annual restricted stock awards beginning with the 2006 award. On September 4, 2008, the 2005 director deferred compensation plan was amended to eliminate the stock unit retainer and to freeze new contributions into the plan as of December 31, 2008.

Voluntary deferrals under the 2004 director deferred compensation plan and the 2005 director deferred compensation plan are credited quarterly and are payable in cash after termination of a director s service on the Board. Amounts deferred in the form of cash receive interest at the rate of long-term medium-quality bonds. Amounts deferred in the form of stock units are converted to units based on the 12-month average fair market value of our common stock with respect to the 2004 director deferred compensation plan or the value of our common stock on the last business day of the quarter with respect to the 2005 director deferred compensation plan, and are payable upon distribution in cash based on the value of our common stock calculated in accordance with the terms of the applicable plan. In February 2007, the 2005 director deferred compensation plan was further amended to provide for the annual grant of stock unit retainers. All amounts accrued in each director s stock unit retainer account will be converted into common stock on a one-for-one basis at the time such director terminates his or her service as a director of MoneyGram. Dividends payable on the stock unit retainers will be credited in cash to the directors voluntary deferral account in an amount equal to any dividends paid to MoneyGram stockholders. The 2004 director deferred compensation plan and the 2005 director deferred compensation plan are plans covered under the MoneyGram International, Inc. Outside Directors Deferred Compensation Trust, a grantor trust established to fund obligations under the plans in the event of an actual or potential change of control (as defined in the trust).

For a description of the amounts of deferred compensation paid to directors upon resignation from the Board, see Board of Directors and Governance Transactions with Related Persons in this proxy statement.

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Directors Matching Gift Program

MoneyGram maintains the directors matching gift program which provides for corporate matching of charitable contributions made by non-employee directors, on a dollar-for-dollar basis, up to an aggregate maximum of $5,000 per director each year.

Other Benefits

MoneyGram provides each non-employee director with accidental death and dismemberment insurance benefits of $300,000 and travel accident insurance benefits of $300,000, when they are traveling on MoneyGram business.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth information concerning beneficial ownership of our common stock by those persons known by us to be the beneficial owners of more than five percent of our outstanding common stock as of February 18, 2009. Except as otherwise indicated, a person has sole voting and investment power with respect to the common stock beneficially owned by that person. We have determined beneficial ownership in accordance with the rules of the SEC. Under these rules, beneficial ownership generally includes voting or investment power over securities. The number of shares shown as beneficially owned in the tables below are calculated pursuant to Rule 13d-3(d)(1) of the Exchange Act. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. Therefore the aggregate beneficial ownership percentages shown in the table below total more than 100 percent.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Thomas H. Lee Advisors, LLC(2)	221,413,728(3)	52.0%
The Goldman Sachs Group, Inc.(4)	121,904,343(5)	28.6%
Blum Capital Partners, L.P.(6)	17,661,738(7)	21.4%
The Guardian Life Insurance Company of America(8)	12,244,092(9)	14.8%

(1) Applicable percentage ownership is based on 82,540,662 shares of common stock outstanding as of February 18, 2009 for all stockholders other than Thomas H. Lee Advisors, LLC (THL Advisors) and the Goldman Sachs Group. With regard to THL Advisors and the Goldman Sachs Group, applicable percentage ownership is based on 425,843,765

shares of common stock outstanding, which gives effect to the 495,000 shares of B Stock and 272,500 shares of B-1 Stock that are immediately convertible into 343,303,103 shares of common stock. The 495,000 shares of B Stock are immediately convertible into 221,413,728 shares of common stock. The 272,500 shares of B-1 Stock are immediately convertible into 109,000 shares of D Stock, which are immediately convertible by a holder other than the Goldman Sachs Group, into 121,889,375 shares of common stock. The B Stock is convertible at any time at the holder s election. Because the ownership percentages with respect to each of the listed parties other than THL

Advisors and the Goldman Sachs Group do not include in the total number of shares outstanding the shares of common stock issuable upon the conversion of the Series B Stock, the ownership percentages with respect to such other listed parties would be substantially lower if the calculations reflected the shares of common stock issuable upon the conversion of the Series B Stock.

(2) The address of THL Advisors is 100 Federal Street, Boston, MA 02110. The address of Putnam Investments Holdings, LLC; Great-West Investors L.P. and Putnam Investments Employees Securities Company III LLC is One Post Office Square, Boston, MA 02109. The address of Silver Point

Capital, L.P.; Silver Point Capital Management, LLC; Edward A. Mule and Robert J. O Shea is Two Greenwich Plaza, First Floor, Greenwich, CT 06830. The address for the remaining entities set forth in footnote (3) is the same as for THL Advisors.

(3) Share ownership is based on (a) a Schedule 13D filed with the SEC on April 4, 2008 on behalf of the following: THL Advisors; THL Equity Advisors VI, LLC; Thomas H. Lee Equity Fund VI, L.P.; Thomas H. Lee Parallel Fund VI, L.P.; Thomas H. Lee Parallel (DT) Fund VI, L.P.; THL Equity Fund VI Investors (MoneyGram), LLC; THL Coinvestment Partners, L.P.; THL Operating Partners, L.P.; Putnam Investments Holdings, LLC;

Great-West Investors L.P. and Putnam Investments Employees Securities Company III LLC (the THL Entities) and (b) a Schedule 13D filed with the SEC on April 4, 2008 on behalf on the following: Silver Point Capital, L.P.; Silver Point Capital Management, LLC; Edward A. Mule and Robert J. O Shea (the Silver Point Group). The THL Entities may be deemed to beneficially own and have shared voting power over all of the outstanding Series B Stock. The Series B Stock votes as a class with the common stock and the holders have a number of votes equal to the number of shares of common stock issuable if all outstanding shares of B Stock were converted plus the number of

shares of common stock issuable if all outstanding shares of B-1 Stock were converted into B Stock and subsequently converted into common stock. The holders of B Stock have approximately 80.6 percent of the voting power of our stock, voting as a single class with common stockholders. Together with the Goldman Entities (as defined in footnote (6) below) and the Silver Point Group, the THL Entities may be deemed to beneficially own 343,303,103 shares of common stock issuable upon the conversion of all of the Company s Series B Stock. Each of the THL Entities disclaims beneficial ownership of such shares except to the extent of its pecuniary interest therein.

Of these shares: THL Advisors has shared voting power over 221,413,728 shares and shared dispositive power over 221,413,728 shares; THL Equity Advisors VI, LLC has shared voting power over 219,432,651 shares and shared dispositive power

219,432,651
shares; Thomas
H. Lee Equity
Fund VI, L.P.
has shared
voting power
over
123,949,819
shares and
shared
dispositive
power over
123,949,819
shares; Thomas
H. Lee Parallel
Fund VI, L.P.
has shared
voting power
over 80,903,342
shares and
shared
dispositive
power over
80,903,342
shares; Thomas
H. Lee Parallel
(DT) Fund VI,
L.P. has shared
voting power
over 14,132,190
shares and
shared
dispositive
power over
14,132,190
shares; THL
Equity Fund VI
Investors
(MoneyGram),
LLC has shared
voting power
over 447,300
shares and
shared
dispositive
power over
447,300 ; THL
Coinvestment
Partners, L.P.

has shared
voting power
over 341,280
shares and
shared
dispositive
power over
341,280 shares;
THL Operating
Partners, L.P.
has shared
voting power
over 420,462
shares and
shared
dispositive
power over
420,462 shares;
Putnam
Investments
Holdings, LLC
has shared
voting power
over 609,548
shares and
shared
dispositive
power over
609,548 shares;
Great-West
Investors L.P.
has shared
voting power
over 609,785
shares and
shared
dispositive
power over
609,785 shares;
and Putnam
Investments
Employees
Securities
Company III
LLC has shared
voting power
over 609,548
shares and
shared
dispositive
power over

609,548 shares.

Of these shares Silver Point Capital, L.P.; Silver Point Capital Management, LLC; Edward A. Mule and Robert J. O Shea may be deemed to have shared voting power over 4,473,005 shares and shared dispositive power over 4,473,005 shares. Each of Silver Point Capital, L.P., Silver Point Capital Management, LLC, Edward A. Mule and Robert J. O Shea has expressly disclaimed beneficial ownership of any securities of the Company held by any person or entity other than, to the extent of any pecuniary interest therein, Silver Point Capital Fund, L.P. and Silver Point Capital Offshore Fund, Ltd.

(4) The address of the Goldman Sachs Group is

85 Broad Street, New York, NY 10004.

(5) Share ownership is based on a Schedule 13D filed with the SEC on April 4, 2008 on behalf of the following: the Goldman Sachs Group; Goldman Sachs; GSCP VI Advisors, L.L.C.; GS Capital Partners VI Fund, L.P.; GS Advisors VI, L.L.C.; GSCP VI Offshore Advisors, L.L.C.; GS Capital Partners VI Offshore Fund, L.P.; Goldman, Sachs Management GP GmbH; GS Capital Partners VI Parallel, L.P.; GS Capital Partners VI GmbH & Co. KG; GSMP V Onshore US, Ltd.; GS Mezzanine Partners V Onshore Fund, L.P.; GS Mezzanine Partners V Onshore Fund, L.L.C.; GSMP V Institutional US, Ltd.; GS Mezzanine Partners V

Institutional Fund, L.P.; GS Mezzanine Partners V Institutional Fund, L.L.C.; GSMP V Offshore US, Ltd.; GS Mezzanine Partners V Offshore Fund, L.P.; and GS Mezzanine Partners V Offshore Fund, L.L.C. (the Goldman Entities). Together with the THL Entities and the Silver Point Group, the Goldman Entities may be deemed to beneficially own 307,000,000 shares of common stock issuable upon the conversion of all of the Company s Series B Stock. The Goldman Entities disclaim beneficial ownership of such shares beneficially owned by (i) any client accounts with respect to which the Goldman Entities or their employees have voting or investment

discretion, or
both, and
(ii) certain
investment
entities of which
the Goldman
Entities act as
the general
partner,
managing
general partner
or other
manager, to the
extent interests
in such entities
are held by
persons other
than the
Goldman
Entities.

Of these shares:
the Goldman
Sachs Group
has shared
voting power
over
121,900,281
shares and
shared
dispositive
power over
121,904,343
shares;
Goldman Sachs
has shared
voting power
over
118,545,528 and
shared
dispositive
power over
118,549,590
shares; GSCP
VI Advisors,
L.L.C. has
shared voting
power over
44,264,687
shares and
shared

dispositive
power over
44,264,687
shares; GS
Capital Partners
VI Fund, L.P.
has shared
voting power
over 44,264,687
and shared
dispositive
power over
44,264,687
shares; GS
Advisors VI,
L.L.C. has
shared voting
power over
12,172,034 and
shared
dispositive
power over
12,172,034
shares; GSCP
VI Offshore
Advisors,
L.L.C. has
shared voting
power over
36,817,808
shares and
shared
dispositive
power over
36,817,808
shares; GS
Capital Partners
VI Offshore
Fund, L.P. has
shared voting
power over
36,817,808
shares and
shared
dispositive
power over
36,817,808
shares;
Goldman, Sachs
Management
GP GmbH has

shared voting
power over
1,573,167
shares and
shared
dispositive
power over
1,573,167
shares; GS
Capital Partners
VI Parallel, L.P.
has shared
voting power
over 12,172,034
shares and
shared
dispositive
power over
12,172,034
shares; GS
Capital Partners
VI GmbH &
Co. KG has
shared voting
power over
1,573,167 and
shared
dispositive
power over
1,573,167
shares; GSMP
V Onshore US,
Ltd. has shared
voting power
over 9,149,295
shares and
shared
dispositive
power over
9,149,295
shares; GS
Mezzanine
Partners V
Onshore Fund,
L.P. has shared
voting power
over 9,149,295
shares and
shared
dispositive
power over

9,149,295
shares; GS
Mezzanine
Partners V
Onshore Fund,
L.L.C. has
shared voting
power over
9,149,295
shares and
shared
dispositive
power over
9,149,295
shares; GSMP
V Institutional
US, Ltd. has
shared voting
power over
886,986 shares
and shared
dispositive
power over
886,986 shares;
GS Mezzanine
Partners V
Institutional
Fund, L.P. has
shared voting
power over
886,986 shares
and shared
dispositive
power over
886,986 shares;
GS Mezzanine
Partners V
Institutional
Fund, L.L.C.
has shared
voting power
over 886,986
shares and
shared
dispositive
power over
886,986 shares;
GSMP V
Offshore US,
Ltd. has shared
voting power

over 13,670,644 shares and shared dispositive power over 13,670,644 shares; GS Mezzanine Partners V Offshore Fund, L.P. has shared voting power over 13,670,644 shares and shared dispositive power over 13,670,644 shares; and GS Mezzanine Partners V Offshore Fund, L.L.C. has shared voting power over 13,670,644 shares and shared dispositive power over 13,670,644 shares.

The B-1 Stock held by the Goldman Entities and their affiliates is non-voting except for the rights of Goldman Sachs to vote on specific actions set forth in the Certificate of Designations, Preferences and Rights of the B-1 Stock of the Company.

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(6) The address of Blum Capital Partners, L.P. is 909 Montgomery Street, Suite 400, San Francisco, CA 94133.

(7) Based on a Schedule 13D/A filed with the SEC on January 2, 2009 on behalf of Blum Capital Partners, L.P., Richard C. Blum & Associates, Inc., Blum Strategic GP III, L.L.C., Blum Strategic GP III, L.P., Blum Strategic Partners III, L.P., Blum Strategic GP IV, L.L.C., Blum Strategic GP IV, L.P., Blum Strategic Partners IV, L.P. and Saddlepoint Partners GP, L.L.C. (the Blum Group). According to that filing, each of the Blum Group are deemed to beneficially own 17,661,738 shares of common stock, with shared voting power over 17,661,738 shares and shared

dispositive power over 17,661,738 shares.

(8) The address of The Guardian Life Insurance Company of America is 7 Hanover Square, H-26-E, New York, NY 10004.

(9) Share ownership is based on a Schedule 13G/A filed with the SEC on February 10, 2009. The Guardian Life Insurance Company of America, Guardian Investor Services LLC and RS Investment Management Co. LLC each have shared voting and dispositive power over 12,244,092 shares. Additionally, RS Partners Fund has shared voting and dispositive power over 8,961,217 shares. RS Investment Management Co. LLC serves as an investment adviser to various

investment company clients that no one client (other than RS Partners Fund) accounts for more than five percent of the total outstanding common stock. The Guardian Life Insurance Company of America is the parent company of Guardian Investor Services LLC and RS Investment Management Co. LLC. Guardian Investor Services LLC is an investment adviser and the parent company of RS Investment Management Co. LLC.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information as of February 18, 2009 concerning beneficial ownership of our common stock, stock units and B Stock that are immediately convertible into shares of common stock by each director, each of the Named Executives and all of our directors and executive officers as a group. Except as otherwise indicated, a person has sole voting and investment power with respect to the common stock beneficially owned by that person.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)(3)	Percent of Class(3)(4)	Stock Units (5)
Thomas M. Hagerty	221,413,728(6)	52.0%	
Jess T. Hay	48,709	*	61,495
Scott L. Jaeckel	221,413,728(6)	52.0%	
Seth W. Lawry	221,413,728(6)	52.0%	
Pamela H. Patsley	0	*	
Ganesh B. Rao	221,413,728(6)	52.0%	
Othón Ruiz-Montemayor	7,900	*	68,551
Albert M. Teplin	23,200	*	42,816
Anthony P. Ryan	159,074	*	
Philip W. Milne	115,062	*	15,671
David J. Parrin	118,136	*	
Teresa H. Johnson	90,062	*	8,058
Daniel J. O Malley	68,859	*	
Mary A. Dutra	107,294	*	
Thomas E. Haider	4,893	*	
All Directors and Executive Officers as a Group (22) persons total)	222,366,680(7)	73.0%	196,591

* Less than 1 percent

(1) Includes shares of restricted stock (for which individuals have sole voting power and no investment power) and shares underlying options exercisable within 60 days of February 18, 2009, as follows: Mr. Hay: 28,700 shares subject to options; Mr. Ruiz Montemayor: 5,000 shares

subject to options; Mr. Teplin: 20,000 shares subject to options; Mr. Ryan: 5,110 shares of restricted stock and 110,142 shares subject to options; Mr. Parrin: 15,110 shares of restricted stock and 81,267 shares subject to options; Ms. Johnson: 1,642 shares of restricted stock and 72,409 shares subject to options; Mr. O Malley: 1,950 shares of restricted stock and 48,409 shares subject to options; and Ms. Dutra: 4,132 shares of restricted stock and 71,100 shares subject to options.

(2) Includes the following shares held in the 401(k) Plan, for which participants have shared voting power and sole investment power, as follows: Mr. Ryan: 5,575 shares; Mr. Milne: 10,812 shares; Mr. Parrin: 2,182 shares; Ms. Johnson: 3,163 shares; Mr. O Malley: 4,176 shares; Ms. Dutra: 5,060 shares; and Mr. Haider: 3,593 shares.

(3) Includes 2,200 stock units payable in common stock that have been included in the beneficial ownership totals and the percent of ownership for Messrs. Hay, Ruiz-Montemayor and Teplin. Stock units payable in cash are not included in the beneficial ownership totals or in the percent of ownership.

(4) Applicable percentage ownership is based on 82,540,662 shares of common stock outstanding as of February 18, 2009. With regard to Messrs. Hagerty, Jaeckel, Lawry and Rao, because they are each members of THL Advisors, applicable percentage ownership is based on 303,954,390 shares of common stock outstanding, which gives effect to the 495,000 shares of B Stock that are immediately convertible into 221,413,728 shares of common stock.

(5) Stock units are held by directors and officers who participate in one or more of the deferred compensation plans described above under Executive Compensation Deferred Compensation and Executive Compensation 2008 Director Compensation Table in this proxy statement.

(6) Because Messrs. Hagerty, Jaeckel, Lawry and Rao are each members of THL Advisors, each of them may be deemed to beneficially own the shares of common stock that may be deemed to be beneficially owned by THL Advisors. Each of Messrs. Hagerty, Jaeckel, Lawry and Rao disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Please see footnotes (1) and (3) to the Security Ownership of Certain Beneficial Owners table above for more information regarding the shares of common stock that THL Advisors may be deemed to beneficially own.

(7) Includes 35,554 shares of restricted stock, 593,287 shares

underlying options exercisable within 60 days of February 18, 2009, 6,600 shares underlying stock units held by non-employee directors, 50,702 shares held in the 401(k) Plan, 495,000 shares of B Stock that are immediately convertible into 221,413,728 shares of common stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our directors and executive officers, and persons who own more than 10 percent of a registered class of our equity securities, file reports of ownership and changes in ownership of our securities with the SEC and the NYSE. Based on our records and written representations from reporting persons, we believe that all reports for directors and executive officers that were required to be filed were filed in 2008 on a timely basis, except for one Form 4 reporting one transaction that was filed late pertaining to Mr. Ruiz Montemayor and one Form 4 reporting one transaction that was filed late pertaining to Mr. Teplin.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board is currently comprised of the following non-employee directors: Messrs. Teplin (Chair), Hay and Ruiz Montemayor. All of the members of the Audit Committee are independent within the meaning of the NYSE listing standards, applicable SEC regulations and the categorical standards for independence in our Corporate Governance Guidelines. In addition, the Board has determined that all members of the Audit Committee are financially literate under the NYSE listing standards and that Mr. Teplin qualifies as an audit committee financial expert under the rules of the SEC.

The Audit Committee operates under a written charter adopted by the Board, which is evaluated annually. The charter of the Audit Committee is available in the Investor Relations section of our website at www.moneygram.com. The Audit Committee selects, evaluates and, where deemed appropriate, replaces MoneyGram s independent registered public accounting firm. The Audit Committee also pre-approves all audit services, engagement fees and terms and all permitted non-audit services.

Management is responsible for MoneyGram s internal controls and the financial reporting process. MoneyGram s independent registered public accounting firm is responsible for performing an independent audit of MoneyGram s consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and issuing a report on MoneyGram s consolidated financial statements. The Audit Committee s responsibility is to monitor and oversee these processes.

The Audit Committee reviewed MoneyGram s audited financial statements for fiscal 2008 and met and held discussions with management and Deloitte & Touche LLP (Deloitte), our independent registered public accounting firm. Management represented to the Audit Committee, and Deloitte concurred, that MoneyGram s consolidated financial statements for fiscal 2008 were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee discussed the consolidated financial statements with Deloitte. The Audit Committee discussed with Deloitte matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor s Communication With Those Charged With Governance) (American Institute of Certified Public Accountants, Professional Standards, Volume 1, AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T.

The Audit Committee also reviewed and discussed with management its assessment and report on the effectiveness of MoneyGram s internal control over financial reporting as of December 31, 2008, and with Deloitte its attestation report on internal control over financial reporting. These reports are included in the 2008 Form 10-K.

Deloitte also provided to the Audit Committee its written disclosures and letter required by applicable requirements of the PCAOB regarding Deloitte s communications with the Audit Committee concerning independence, and the Audit Committee discussed with Deloitte the accounting firm s independence.

Based upon the Audit Committee s review and discussions, the Audit Committee recommended to the Board that the audited consolidated financial statements be included in the 2008 Form 10-K filed with the SEC.

Respectfully submitted,

Albert M. Teplin (Chair)
Jess T. Hay
Othón Ruiz Montemayor

INFORMATION REGARDING INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The aggregate fees billed to MoneyGram for fiscal years 2008 and 2007 by Deloitte are as follows (in thousands):

	2008	2007
Audit fees(1)	$ 1,531	$ 1,844
Audit-related fees(2)	$ 435	$ 551
Tax fees		
All other fees	$ 92	
Total fees	$ 2,058	$ 2,395

(1) Audit fees for 2008 and 2007 include the audit of MoneyGram s consolidated financial statements, including quarterly reviews, the audit of management s assessment of the design and effectiveness of MoneyGram s internal control over financial reporting, international statutory audits and the separate audits of the financial statements of our subsidiaries Worldwide. and MoneyGram Payment Systems, Inc., as required for compliance and regulatory purposes.

(2) Audit-related fees for 2008 and 2007 include professional services rendered in connection with an audit of the internal controls relating to each of the official check processing and electronic payments businesses and the Company s general computer controls (Statement on Auditing Standard 70 service organization report), regulatory compliance filings in certain countries and audits of MoneyGram benefit plans.

The Audit Committee pre-approves all audit and permitted non-audit services provided by the independent registered public accounting firm, including the fees and terms for those services. The Audit Committee has adopted a policy and procedures governing the pre-approval process for audit, audit-related and permitted non-audit services. The Audit Committee pre-approves audit and audit-related services in accordance with its review and approval of the engagement letter and annual service plan with the independent registered public accounting firm. Tax consultation and compliance services are considered by the Audit Committee on a project-by-project basis. Non-audit and other services will be considered by the Audit Committee for pre-approval based on business purpose, reasonableness of estimated fees and the potential impact on the firm s independence. The Chair of the Audit Committee is authorized to grant pre-approval of audit or permissible non-audit services on behalf of the Audit Committee and is required to review such pre-approvals with the full Audit Committee at its next meeting.

PROPOSAL 7: RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2009

The Audit Committee of our Board has selected Deloitte as the independent registered public accounting firm to audit MoneyGram s books and accounts for the fiscal year ending December 31, 2009, subject to ratification by the stockholders. Deloitte has audited the books and accounts of MoneyGram since 2004. Representatives of Deloitte are expected to be present at the meeting with the opportunity to make a statement and to respond to appropriate questions. Stockholder ratification of the appointment of Deloitte as our independent registered public accounting firm

is not required by our Bylaws or otherwise. However, the Board is submitting the appointment of Deloitte to the stockholders for ratification as a matter of good corporate practice. In the event this appointment is not ratified by our stockholders, the Audit Committee will reconsider its selection. Even if the appointment is ratified, the Audit Committee, which is solely responsible for appointing and terminating our independent registered public accounting firm, may in its discretion, direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of MoneyGram and its stockholders.

Board Voting Recommendation

Holders of the B Stock, who hold approximately 80.8 percent of the voting power of our stock, voting together as a single class with the common stockholders, have indicated their intention to vote in favor of this Proposal 7, thereby assuring its approval.

The Board recommends to the stockholders that they vote FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2009. The vote required to ratify the appointment is a majority of the voting power of the common stock and B Stock outstanding and entitled to vote at the 2009 Annual Meeting of Stockholders, voting together as a single class.

VOTING PROCEDURES

Voting Procedures

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 set forth herein. The holders of our B Stock are entitled to vote on all matters voted on by holders of our common stock, voting as a single class with the common stockholders, and the holders of B Stock have a number of votes equal to the number of shares of common stock issuable if all outstanding shares of B Stock were converted plus the number of shares of common stock issuable if all outstanding shares of B-1 Stock were converted into B Stock and subsequently converted into common stock on the record date. There is no cumulative voting.

The presence at the annual meeting, in person or by proxy, of a majority of voting power of our common stock and B Stock issued and outstanding and eligible to vote will constitute a quorum for the transaction of business at the meeting. In general, shares of common stock and B Stock either represented by a properly signed and returned proxy card, or properly voted by telephone or on the Internet, will be counted as present and entitled to vote at the meeting for purposes of determining a quorum. Proxies received but marked as abstentions (or withhold authority with respect to one or more directors) will be included in the voting power considered to be present at the meeting for purposes of determining a quorum.

Proxies will be voted as specified by the stockholder. Signed proxies that lack any specification will be voted FOR the approval of each of the amendments to our Amended and Restated Certificate of Incorporation, FOR the amendment of the 2005 incentive plan, FOR the election of all nominees for directors listed in this proxy statement and FOR the ratification of Deloitte as our independent registered public accounting firm for 2009, except with respect to the 401(k) Plan as described below.

Approval of Amendment to our Amended and Restated Certificate of Incorporation to Increase Authorized Shares of Common Stock (Proposal 1). The affirmative vote of a majority of the voting power of the common stock and B Stock, voting together as a single class, outstanding and entitled to vote is required for the approval of this proposal. A proxy marked abstain with regard to this proposal will have the effect of a vote against this proposal.

Approval of Amendment to our Amended and Restated Certificate of Incorporation to Effect a Reverse Stock Split at the Discretion of our Board of Directors (Proposal 2). The affirmative vote of a majority of the voting power of the common stock and B Stock, voting together as a single class, outstanding and entitled to vote is required for the approval of this proposal. A proxy marked abstain with regard to this proposal will have the effect of a vote against this proposal.

Approval of Amendment to our Amended and Restated Certificate of Incorporation to Provide for Proportional Voting of Directors (Proposal 3). The affirmative vote of at least 80 percent of the voting power of the common stock and B Stock, voting together as a single class, outstanding and entitled to vote is required for the approval of this proposal. A proxy marked abstain with regard to this proposal will have the effect of a vote against this proposal.

Approval of Amendment to our Amended and Restated Certificate of Incorporation to Declassify our Board of Directors to Provide for One-Year Terms of Office for All Directors (Proposal 4). The affirmative vote of at least 80 percent of the voting power of the common stock and B Stock, voting together as a single class, outstanding and entitled to vote is required for the approval of this proposal. A proxy marked abstain with regard to this proposal will have the effect of a vote against this proposal.

Approval of Amendment to MoneyGram International, Inc. 2005 Omnibus Incentive Plan to Increase the Number of Shares Available for Awards and certain other changes (Proposal 5). The affirmative vote of a majority of the voting power of the common stock and B Stock, voting together as a single class, outstanding and entitled to vote is required for the approval of this proposal, provided the total number of shares that vote on the proposal represents a majority of the shares of common stock and B stock outstanding on the record date. A proxy marked abstain with regard to this proposal will have the effect of a vote against this proposal. Affiliates of THL have provided an executed Proxy appointing Ms. Johnson as attorney and proxy to vote their shares FOR certain of the amendments to the 2005 incentive plan at this annual meeting of stockholders.

Election of Directors (Proposal 6). Each director nominee receiving a majority of the voting power of the common stock will be elected as a director. This means that the voting power of the common stock voted FOR a director nominee must exceed the voting power of the common stock voted AGAINST that director nominee in order for that

nominee to be elected as a director. Shares not present at the meeting and shares voting ABSTAIN have no effect on the election of directors.

Ratification of Independent Registered Public Accounting Firm (Proposal 7). The affirmative vote of a majority of the voting power of the common stock and B Stock, voting together as a single class, outstanding and entitled to vote is required for the approval of this proposal. A proxy marked abstain with regard to this proposal will have the effect of a vote against this proposal.

If you hold your shares in street name and do not provide voting instructions to your broker, the shares may be counted as present at the meeting for the purpose of determining a quorum and may be voted on Proposals 2, 4, 6 and 7 at the discretion of your broker. Such shares will not be voted at the discretion of your broker on Proposals 1, 3 or 5 and will have the effect of a vote against those proposals.

If you are a participant in the 401(k) Plan, your proxy will serve as a voting instruction to the Independent Fiduciary (as defined in the 401(k) Plan). The Independent Fiduciary shall instruct the Trustee. The Independent Fiduciary shall follow each participant s instructions unless it determines that doing so would be contrary to the Employee Retirement Income Security Act of 1974, as amended (ERISA). If no voting instructions are received from a participant in the 401(k) Plan, the Trustee will vote those shares in accordance with the majority of shares voted in the 401(k) Plan for which instructions were received, unless the Independent Fiduciary determines that doing so would be contrary to ERISA and instructs the Trustee to so vote such shares differently.

Revoking Your Proxy

Proxies may be revoked if you:

- deliver a signed, written revocation letter, dated later than the proxy, to Teresa H. Johnson, Executive Vice President, General Counsel and Secretary, at our Minneapolis address first listed at the beginning of this Proxy Statement;

- deliver a signed proxy, dated later than the prior proxy, to MoneyGram International, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11763;

- vote again by telephone or on the Internet prior to the meeting; or

- attend the meeting and vote in person rather than by proxy. Your attendance at the meeting will not revoke your proxy unless you choose to vote in person.

Solicitation of Proxies

The cost of solicitation will be borne by MoneyGram. Proxies may be solicited on our behalf by directors, officers or employees, in person or by telephone, electronic transmission and facsimile transmission. No additional compensation will be paid to such persons for such solicitation. MoneyGram will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to beneficial owners of shares.

STOCKHOLDER PROPOSALS FOR THE 2010 ANNUAL MEETING

In order for a stockholder proposal, including a director nomination, to be considered for inclusion in our proxy statement for the 2010 Annual Meeting of Stockholders, the written proposal must be received at our principal executive offices at 1550 Utica Avenue South, Minneapolis, Minnesota 55416, Attention: Corporate Secretary, on or before November 30, 2009. The proposal must comply with SEC regulations regarding the inclusion of stockholder proposals in company-sponsored proxy materials.

In accordance with our Bylaws, in order for a stockholder proposal not included in our proxy statement to be properly brought before the 2010 Annual Meeting of Stockholders, a stockholder s notice of the matter the stockholder wishes to present must comply with the requirements set forth in our Bylaws, and specifically, must be delivered to the Corporate Secretary of MoneyGram at our principal executive offices at 1550 Utica Avenue South, Minneapolis, Minnesota 55416 not less than 90 nor more than 120 days prior to the first anniversary of the date of this year s annual meeting. As a result, any notice given by or on behalf of a stockholder pursuant to these provisions of our Bylaws (and not pursuant to the SEC s Rule 14a-8) must be received no earlier than January 12, 2010 and no later than February 11, 2010.

2008 FORM 10-K

Our 2008 Form 10-K, including financial statements for the year ended December 31, 2008, is available on the Internet at www.moneygram.com. Stockholders who wish to obtain a paper copy of our 2008 Form 10-K may do so without charge by writing to MoneyGram International, Inc., 1550 Utica Avenue South, Minneapolis, Minnesota 55416, Attention: Investor Relations.

OTHER MATTERS

We do not know of any other matters that may be presented for consideration at the annual meeting. If any other business does properly come before the annual meeting, the persons named as proxies on the enclosed proxy card will vote as they deem in the best interests of MoneyGram.

/s/ Teresa H. Johnson
TERESA H. JOHNSON
Executive Vice President, General Counsel
and Secretary

Dated: March 30, 2009

Appendix A

MONEYGRAM INTERNATIONAL, INC.
2005 OMNIBUS INCENTIVE PLAN
As ~~Adopted May 10, 2005~~Amended February 9, 2009

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MONEYGRAM INTERNATIONAL, INC.
2005 OMNIBUS INCENTIVE PLAN

Section 1. Purpose.

The purpose of the Plan is to promote the interests of the Company and its stockholders by aiding the Company in attracting and retaining employees, officers, consultants, advisors and non-employee Directors capable of assuring the future success of the Company, to offer such persons incentives to put forth maximum efforts for the success of the Company s business and to compensate such persons through various stock-based arrangements and provide them with opportunities for stock ownership in the Company, thereby aligning the interests of such persons with the Company s stockholders.

Section 2. Definitions.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) Affiliate shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, in each case as determined by the Committee.

(b) Award shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Dividend Equivalent, Performance Award, Stock Award or Other Stock-Based Award granted under the Plan.

(c) Award Agreement shall mean any written agreement, contract or other instrument or document evidencing an Award granted under the Plan. An Award Agreement may be in an electronic medium and need not be signed by a representative of the Company or the Participant. Each Award Agreement shall be subject to the applicable terms and conditions of the Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Committee.

(d) Board shall mean the Board of Directors of the Company.

(e) Change in Control shall have the meaning ascribed to such term in an Award Agreement, or any other applicable employment, severance or change in control agreement between the Participant and the Company.

(f) ~~(e)~~ Code shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(g) ~~(f)~~ Committee shall mean the Human Resources and Nominating Committee of the Board or any successor committee of the Board designated by the Board to administer the Plan. The Committee shall be comprised of not less than such number of Directors as shall be required to permit Awards granted under the Plan to qualify under Rule 16b-3, and each member of the Committee shall be a Non-Employee Director within the meaning of Rule 16b-3 and an outside director within the meaning of Section 162(m) of the

Code. The Company expects to have the Plan administered in accordance with the requirements for the award of qualified performance-based compensation within the meaning of Section 162(m) of the Code.

(h) ~~(g)~~ Company shall mean MoneyGram International, Inc., a Delaware corporation, or any successor corporation.

(i) ~~(h)~~ Director shall mean a member of the Board.

(j) ~~(i)~~ Dividend Equivalent shall mean any right granted under Section 6(d) of the Plan.

(k) ~~(j)~~ Eligible Person shall mean any employee, officer, consultant, advisor or non-employee Director providing services to the Company or any Affiliate whom the Committee determines to be an Eligible Person. An Eligible Person must be a natural person.

(l) ~~(k)~~ Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

(m) ~~(l)~~ Fair Market Value shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. Notwithstanding the foregoing, unless otherwise determined by the Committee, the Fair Market Value of Shares on a given date for purposes of the Plan shall be the ~~average of the high and low sales prices~~ closing sale price of the Shares on the New York Stock Exchange as reported in the consolidated transaction reporting system on such date or, if such Exchange is not open for trading on such date, on the most recent preceding date when such Exchange is open for trading.

(n) ~~(m)~~ Incentive Stock Option shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision.

(o) ~~(n)~~ Non-Qualified Stock Option shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.

(p) ~~(o)~~ Option shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(q) ~~(p)~~ Other Stock-Based Award shall mean any right granted under Section 6(g) of the Plan.

(r) ~~(q)~~ Participant shall mean an Eligible Person designated to be granted an Award under the Plan.

(s) ~~(r)~~ Performance Award shall mean any right granted under Section 6(e) of the Plan.

(t) ~~(s)~~ Performance Goal shall mean one or more of the following performance goals, either individually, alternatively or in any combination, applied on a corporate, subsidiary, division, business unit or line of business basis: sales, revenue, costs, expenses, earnings (including one or more of net profit after tax, gross profit, operating profit, earnings before interest and taxes, earnings before interest, taxes, depreciation and amortization and net earnings), earnings per share, earnings per share from continuing operations, operating income, pre-tax income, operating income margin, net income, margins (including one or more of gross, operating and net income margins), returns (including one or more of return on actual or proforma assets, net assets, equity, investment, capital and net capital employed), stockholder return (including total stockholder return relative to an index or peer group), stock price, economic value added, cash generation, cash flow, unit volume, working capital, market share, cost reductions and strategic plan development and implementation. Such goals may reflect absolute entity or business unit performance or a relative comparison to the performance of a peer group of entities or other external measure of the selected performance criteria. Pursuant to rules and conditions adopted by the Committee on or before the 90th day of the applicable performance period for which Performance Goals are established, the Committee may appropriately adjust any evaluation of performance under such goals to exclude the effect of certain events, including any of the following events: asset write-downs; litigation or claim judgments or settlements; changes in tax law, accounting principles or other such laws or provisions affecting reported results; severance, contract termination and other costs related to exiting certain business activities; and gains or losses from the disposition of businesses or assets or from the early extinguishment of debt.

(u) ~~(t)~~ Person shall mean any individual or entity, including a corporation, partnership, limited liability company, association, joint venture or trust.

(v) ~~(u)~~ Plan shall mean this MoneyGram International, Inc. 2005 Omnibus Incentive Plan, as amended from time to time.

(w) Qualifying Termination shall have the meaning ascribed to it in any applicable Award Agreement, and, if not defined in any applicable Award Agreement, shall mean termination of employment under circumstances that, in the judgment of the Committee, warrant acceleration of the exercisability of Options or Stock Appreciation Rights or the lapse of restrictions relating to Restricted Stock, Restricted Stock Units or other Awards under the Plan. Without limiting the generality of the foregoing, a Qualifying Termination may apply to large scale terminations of employment relating to the disposition or divestiture of business or legal entities or similar circumstances.

(x) ~~(v)~~ Restricted Stock shall mean any Share granted under Section 6(c) of the Plan.

(y) ~~(w)~~ Restricted Stock Unit shall mean any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(z) ~~(x)~~ Rule 16b-3 shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Exchange Act or any successor rule or regulation.

(aa) ~~(y)~~ Section 162(m) shall mean Section 162(m) of the Code and the applicable Treasury Regulations promulgated thereunder.

(bb) Section 409A shall mean Section 409A of the Code, or any successor provision, and applicable Treasury Regulations and other applicable guidance thereunder.

(cc) ~~(z)~~ Shares shall mean shares of Common Stock, par value of $0.01 per share, of the Company or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan.

(dd) Specified Employee shall mean a specified employee as defined in Code Section 409A(a)(2)(B) or applicable proposed or final regulations under Code Section 409A.

(ee) ~~(aa)~~ Stock Appreciation Right shall mean any right granted under Section 6(b) of the Plan.

(ff) ~~(bb)~~ Stock Award shall mean any Share granted under Section 6(f) of the Plan.

Section 3. Administration.

(a) Power and Authority of the Committee. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or the method by which payments or other rights are to be calculated in connection with) each Award; (iv) determine the terms and conditions of any Award or Award Agreement; (v) amend the terms and conditions of any Award or Award Agreement, provided, however, that, except as otherwise provided in Section 4(c) hereof, the Committee shall not reprice, adjust or amend the exercise price of Options or the grant price of Stock Appreciation Rights previously awarded to any Participant, whether through amendment, cancellation and replacement grant, or any other means; (vi) accelerate the exercisability of any Award or the lapse of restrictions relating to any Award; (vii) determine whether, to what extent and under what circumstances Awards may be exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended; (viii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder of the Award or the Committee; (ix) interpret and administer the Plan and any instrument or agreement, including any Award Agreement, relating to the Plan; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or Award Agreement shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or

beneficiary of any Award or Award Agreement, and any employee of the Company or any Affiliate.

(b) Delegation. The Committee may delegate its powers and duties under the Plan to one or more Directors (including a Director who is also an officer of the Company) or a committee of Directors, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion; provided, however, that the Committee shall not delegate its powers and duties under the Plan (i) with regard to officers or directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act or (ii) in such a manner as would cause the Plan not to comply with the requirements of Section 162(m) of the Code. In addition, the Committee may authorize one or more officers of the Company to grant Options under the Plan, subject to the limitations of Section 157 of the Delaware General Corporation Law; provided, however, that such officers shall not be authorized to grant Options to officers or directors of the Company or any Affiliate who are subject to Section 16 of the Exchange Act.

(c) Power and Authority of the Board of Directors. Notwithstanding anything to the contrary contained herein, the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan, unless the exercise of such powers and duties by the Board would cause the Plan not to comply with the requirements of Section 162(m) of the Code.

Section 4. Shares Available for Awards.

(a) Shares Available. Subject to adjustment as provided in Section 4(c) of the Plan, the aggregate number of Shares that may be issued under all Awards under the Plan shall be ~~7,500,000.~~47,000,000. Shares to be issued under the Plan will be authorized but unissued Shares, Shares that have been reacquired by the Company and designated as treasury shares or Shares held by the MoneyGram Employee Equity Trust. If an Award terminates or is forfeited or cancelled without the issuance of any Shares, or if any Shares covered by an Award or to which an Award relates are not issued for any other reason, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such termination, forfeiture, cancellation or other event, shall again be available for granting Awards under the Plan. If Shares of Restricted Stock are forfeited or otherwise reacquired by the Company prior to vesting, whether or not dividends have been paid on such Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award of Restricted Stock, to the extent of any such forfeiture or reacquisition by the Company, shall again be available for granting Awards under the Plan. Shares that are withheld in full or partial payment to the Company of the purchase or exercise price relating to an Award or in connection with the satisfaction of tax obligations relating to an Award shall again be available for granting Awards under the Plan, except that, after May 10, 2015, any Shares withheld in connection with the satisfaction of tax obligations relating to Restricted Stock shall not be available for granting Awards. Prior to May 10, 2015, any previously issued Shares that are used by a Participant as full or partial payment to the Company of the purchase or exercise price relating to an Award or in connection with the satisfaction of tax obligations relating to an Award shall again be available for granting Awards under the Plan.

(b) Accounting for Awards. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan.

(c) Adjustments. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) that thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the purchase or exercise price with respect to any Award and (iv) the limitations contained in Section 4(d) of the Plan.

(d) Award Limitations Under the Plan.

(i) Section 162(m) Limitation for Certain Types of Awards. No Eligible Person may be granted Options, Stock Appreciation Rights or any other Award or Awards under the Plan, the value of which Award or Awards is based solely on an increase in the value of the Shares after the date of grant of such Award or Awards, for more than ~~500,000~~10,000,000 Shares (subject to adjustment as provided in Section 4(c) of the Plan) in the aggregate in any calendar year.

(ii) Section 162(m) Limitation for Performance Awards. The maximum amount payable pursuant to all Performance Awards to any Participant in the aggregate in any calendar year shall be $5,000,000 in value, whether payable in cash, Shares or other property. This limitation does not apply to any Award subject to the limitation contained in Section 4(d)(i) of the Plan.

(iii) Limitation on Awards Granted to Non-Employee Directors. Directors who are not also employees of the Company or an Affiliate may not be granted Awards in the aggregate for more than 3% of the Shares available for Awards under the Plan, subject to adjustment as provided in Section 4(c) of the Plan.

(iv) Limitation on Incentive Stock Options. The number of Shares available for granting Incentive Stock Options under the Plan shall not exceed 7,500,000, subject to adjustment as provided in Section 4(c) of the Plan and subject to the provisions of Section 422 or 424 of the Code or any successor provision.

Section 5. Eligibility.

Any Eligible Person shall be eligible to be designated a Participant. In determining which Eligible Persons shall receive an Award and the terms of any Award, the

Committee may take into account the nature of the services rendered by the respective Eligible Persons, their present and potential contributions to the success of the Company or such other factors as the Committee, in its discretion, shall deem relevant. Notwithstanding the foregoing, an Incentive Stock Option may only be granted to full-time or part-time employees (which term as used herein includes, without limitation, officers and Directors who are also employees), and an Incentive Stock Option shall not be granted to an employee of an Affiliate unless such Affiliate is also a subsidiary corporation of the Company within the meaning of Section 424(f) of the Code or any successor provision. Further, notwithstanding the foregoing, Options and Stock Appreciation Rights shall not be granted to an Eligible Person providing direct services to an Affiliate unless the Company has a controlling interest in such Affiliate within the meaning of Treas. Reg. Sec. 1.409A-1(b)(5)(iii)(E)(1).

Section 6. Awards

(a) Options. The Committee is hereby authorized to grant Options to Eligible Persons with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee and shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option; provided, however, that the Committee may designate a per share exercise price below Fair Market Value on the date of grant (A) to the extent necessary or appropriate, as determined by the Committee, to satisfy applicable legal or regulatory requirements of a foreign jurisdiction or (B) if the Option is granted in substitution for a stock option previously granted by an entity that is acquired by or merged with the Company or an Affiliate.

(ii) Option Term. The term of each Option shall be fixed by the Committee but shall not be longer than 10 years from the date of grant.

(iii) Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the applicable exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(b) Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Eligible Persons subject to the terms of the Plan and any applicable Award Agreement. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine, at any time during a specified period before or after the date of exercise) over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right; provided, however, that the Committee may designate a per share grant price below Fair Market Value on the date of grant (A) to the extent necessary or appropriate, as determined by the Committee, to

satisfy applicable legal or regulatory requirements of a foreign jurisdiction or (B) if the Stock Appreciation Right is granted in substitution for a stock appreciation right previously granted by an entity that is acquired by or merged with the Company or an Affiliate. Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) Restricted Stock and Restricted Stock Units. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Eligible Persons with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate. The minimum vesting period of such Awards shall be three years from the date of grant, unless the Award is conditioned on performance of the Company or an Affiliate or on personal performance (other than continued service with the Company or an Affiliate), in which case the Award may vest over a period of at least one year from the date of grant; provided, however, that such minimum vesting period shall not apply to grants of up to 200,000 shares of Restricted Stock and Restricted Stock Units to non-employee Directors. Notwithstanding the foregoing, the Committee may permit acceleration of vesting of such Awards in the event of the Participant s death, disability or retirement or a change in control of the Company.

(ii) Issuance and Delivery of Shares. Any Restricted Stock granted under the Plan shall be issued at the time such Awards are granted and may be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the restrictions applicable to such Restricted Stock. Shares representing Restricted Stock that is no longer subject to restrictions shall be delivered to the Participant promptly after the applicable restrictions lapse or are waived. In the case of Restricted Stock Units, no Shares shall be issued at the time such Awards are granted. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units evidencing the right to receive Shares, such Shares shall be issued and delivered to the holder of the Restricted Stock Units.

(iii) Forfeiture. Except as otherwise determined by the Committee, upon a Participant s termination of employment or resignation or removal as a Director (in either case, as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units held by the Participant at such time shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive

in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

(d) Dividend Equivalents. The Committee is hereby authorized to grant Dividend Equivalents to Eligible Persons under which the Participant shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan and any applicable Award Agreement, such Dividend Equivalents may have such terms and conditions as the Committee shall determine.

(e) Performance Awards. The Committee is hereby authorized to grant to Eligible Persons Performance Awards which are intended to be qualified performance-based compensation within the meaning of Section 162(m). A Performance Award granted under the Plan may be payable in cash or in Shares (including, without limitation, Restricted Stock). Performance Awards shall, to the extent required by Section 162(m), be conditioned solely on the achievement of one or more objective Performance Goals, and such Performance Goals shall be established by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m). Subject to the terms of the Plan and any applicable Award Agreement, the Performance Goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee. The Committee shall also certify in writing that such Performance Goals have been met prior to payment of the Performance Awards to the extent required by Section 162(m).

(f) Stock Awards. The Committee is hereby authorized to grant to Eligible Persons Shares without restrictions thereon, as deemed by the Committee to be consistent with the purpose of the Plan. Subject to the terms of the Plan and any applicable Award Agreement, such Stock Awards may have such terms and conditions as the Committee shall determine.

(g) Other Stock-Based Awards. The Committee is hereby authorized to grant to Eligible Persons such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan. The Committee shall determine the terms and conditions of such Awards, subject to the terms of the Plan and the Award Agreement. Shares, or other securities delivered pursuant to a purchase right granted under this Section 6(g), shall be purchased for consideration having a value equal to at least 100% of the Fair Market Value of such Shares or other securities on the date the purchase right is granted. The consideration paid by the Participant may be paid by such method or methods and in such form or forms (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof), as the Committee shall determine.

(h) General.

(i) Consideration for Awards. Awards may be granted for no cash consideration or for any cash or other consideration as may be determined by the Committee or required by applicable law.

(ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any other plan of the Company or any Affiliate. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) Forms of Payment under Awards. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(iv) Term of Awards. The term of each Award shall be for a period not longer than 10 years from the date of grant.

(v) Limits on Transfer of Awards. Except as otherwise provided by the Committee or the terms of this Plan, no Award and no right under any such Award shall be transferable by a Participant other than by will or by the laws of descent and distribution. The Committee may establish procedures as it deems appropriate for a Participant to designate a Person or Persons, as beneficiary or beneficiaries, to exercise the rights of the Participant and receive any property distributable with respect to any Award in the event of the Participant s death. The Committee, in its discretion and subject to such additional terms and conditions as it determines, may permit a Participant to transfer a Non-Qualified Stock Option to any family member (as such term is defined in the General Instructions to Form S-8 (or any successor to such Instructions or such Form) under the Securities Act of 1933, as amended) at any time that such Participant holds such Option, provided that such transfers may not be for value (*i.e.*, the transferor may not receive any consideration therefor) and the family member may not make any subsequent transfers other than by will or by the laws of descent and distribution. Each Award under the Plan or right under any such Award shall be exercisable during the Participant s lifetime only by the Participant (except as provided herein or in an Award Agreement or amendment thereto relating to a Non-Qualified Stock Option) or, if permissible under applicable law, by the Participant s guardian or legal representative. No Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge,

alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(vi) Restrictions; Securities Exchange Listing. All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may cause appropriate entries to be made or legends to be placed on the certificates for such Shares or other securities to reflect such restrictions. If the Shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

(vii) Section 409A Provisions. Notwithstanding anything in the Plan or any Award Agreement to the contrary, to the extent that any amount or benefit that constitutes deferred compensation to a Participant under Section 409A of the Code and applicable guidance thereunder is otherwise payable or distributable to a Participant under the Plan or any Award Agreement solely by reason of the occurrence of a Change in Control or due to the Participant s disability or separation from service (as such term is defined under Section 409A), such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless the Committee determines in good faith that (i) the circumstances giving rise to such Change in Control, disability or separation from service meet the definition of a change in ownership or control, disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable proposed or final regulations, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise. Any payment or distribution that otherwise would be made to a Participant who is a Specified Employee (as determined by the Committee in good faith) on account of separation from service may not be made before the date which is 6 months after the date of the Specified Employee s separation from service (or if earlier, upon the Specified Employee s death) unless the payment or distribution is exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise.

Section 7. Amendment and Termination; Corrections.

(a) Amendments to the Plan. The Board may amend, alter, suspend, discontinue or terminate the Plan at any time; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, prior approval of the stockholders of the Company shall be required for any amendment to the Plan that:

(i) requires stockholder approval under the rules or regulations of the Securities and Exchange Commission, the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company;

(ii) increases the number of shares authorized under the Plan as specified in Section 4(a) of the Plan;

(iii) increases the number of shares subject to the limitations contained in Section 4(d) of the Plan;

(iv) permits repricing of Options or Stock Appreciation Rights which is prohibited by Section 3(a)(v) of the Plan;

(v) permits the award of Options or Stock Appreciation Rights at a price less than 100% of the Fair Market Value of a Share on the date of grant of such Option or Stock Appreciation Right, contrary to the provisions of Sections 6(a)(i) and 6(b)(ii) of the Plan; and

(vi) would cause Section 162(m) of the Code to become unavailable with respect to the Plan.

(b) Amendments to Awards. Subject to the provisions of the Plan, the Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. Except as otherwise provided in the Plan, the Committee may amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, but no such action may adversely affect the rights of the holder of such Award without the consent of the Participant or holder or beneficiary thereof. The Company intends that Awards under the Plan shall satisfy the requirements of Section 409A to avoid any adverse tax results thereunder, and the Committee shall administer and interpret the Plan and all Award Agreements in a manner consistent with that intent. If any provision of the Plan or an Award Agreement would result in adverse tax consequences under Section 409A, the Committee may amend that provision (or take any other action reasonably necessary) to avoid any adverse tax results and no action taken to comply with Section 409A shall be deemed to impair or otherwise adversely affect the rights of any holder of an Award or beneficiary thereof.

(c) Correction of Defects, Omissions and Inconsistencies. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Plan.

Section 8. Income Tax Withholding.

In order to comply with all applicable federal, state, local or foreign income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state, local or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant. In order to assist a Participant in paying all or a portion of the applicable taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (a) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes or (b) delivering to the Company Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal

to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

Section 9. General Provisions.

(a) No Rights to Awards. No Eligible Person, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.

(b) Award Agreements. No Participant shall have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company and, if requested by the Company, signed by the Participant, or until such Award Agreement is delivered and accepted through any electronic medium in accordance with procedures established by the Company.

(c) No Rights of Stockholders. Except with respect to Restricted Stock and Stock Awards, neither a Participant nor the Participant s legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any Shares issuable upon the exercise or payment of any Award, in whole or in part, unless and until the Shares have been issued.

(d) No Limit on Other Compensation Plans or Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation plans or arrangements, and such plans or arrangements may be either generally applicable or applicable only in specific cases.

(e) No Right to Employment or Directorship. The grant of an Award shall not be construed as giving a Participant the right to be retained as an employee of the Company or any Affiliate, or a Director to be retained as a Director, nor will it affect in any way the right of the Company or an Affiliate to terminate a Participant s employment at any time, with or without cause. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement.

(f) Governing Law. The internal law, and not the law of conflicts, of the State of Delaware, shall govern all questions concerning the validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award.

(g) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(h) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(i) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Share or whether such fractional Share or any rights thereto shall be canceled, terminated or otherwise eliminated.

(j) Headings. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 10. Effective Date of the Plan.

The Plan shall be subject to approval by the stockholders of the Company at the annual meeting of stockholders of the Company to be held on May 10, 2005 and the Plan shall be effective as of the date of such stockholder approval.

Section 11. Term of the Plan.

The Plan shall terminate at midnight on May 10, 2015, unless terminated before then by the Board. Awards may be granted under the Plan until the Plan terminates or until all Shares available for Awards under the Plan have been purchased or acquired; provided, however, that Incentive Stock Options may not be granted following the 10-year anniversary of the Board s adoption of the Plan. The Plan shall remain in effect as long as any Awards are outstanding.

MONEYGRAM INTERNATIONAL, INC. ANNUAL MEETING OF STOCKHOLDERS Tuesday, May 12, 2009 8:30 a.m. Central Time Graves 601 Hotel 601 First Avenue North Minneapolis, Minnesota 55403 MONEYGRAM INTERNATIONAL, INC. 1550 Utica Avenue South Minneapolis, Minnesota 55416 proxy This proxy is solicited on behalf of the Board of Directors for use at the Annual Meeting of Stockholders to be held on Tuesday, May 12, 2009. The shares of stock you hold in your account will be voted as you specify on the reverse side. **If no choice is specified, the proxy will be voted FOR Items 1, 2, 3, 4, 5, 6 (6A and 6B) and 7, except that if you are a participant in the MoneyGram International, Inc. 401(k) Plan, the plan s Trustee will vote those shares in accordance with the majority of shares voted in such Plan for which instructions were received, unless the Independent Fiduciary instructs the Trustee to so vote such shares differently.** By signing the proxy, you revoke all prior proxies and appoint Anthony P. Ryan and Teresa H. Johnson (the Named Proxies), and each of them, as attorneys and proxies, with full power of substitution, to vote your shares on the matters shown on the reverse side and any other matters which may come before the Annual Meeting and all adjournments. **It is important that you vote, sign, date and return your proxy as soon as possible, whether or not you plan on attending the meeting.** *See reverse for voting instructions.*

COMPANY # There are three ways to vote your Proxy VOTE BY PHONE TOLL FREE 1-800-690-6903 QUICK * EASY *** IMMEDIATE** · Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Time on Monday, May 11, 2009. · Please have your proxy card in hand when you call. You will be prompted to enter your 12-digit Control Number which is located below and then follow the simple instructions the Vote Voice provides you. **Your telephone vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. VOTE BY INTERNET www.proxyvote.com QUICK *** EASY *** IMMEDIATE** · Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Time on Monday, May 11, 2009. · Please have your proxy card in hand when you access the web site. You will be prompted to enter your 12-digit Control Number which is located below to obtain your records and create an electronic voting instruction form. **Your Internet vote authorizes the Named Proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card. VOTE BY MAIL** Mark, sign and date your proxy card and return it in the postage-paid envelope provided or return it to MoneyGram International, Inc., c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717 **If you vote by Phone or Internet, please do not mail your Proxy Card** *Please detach here* **The Board of Directors Recommends a Vote FOR Items 1, 2, 3, 4, 5, 6 (6A and 6B) and 7. 1**.Amend our Amended and Restated Certificate £ For£ Against £ Abstain of Incorporation to increase authorized shares of common stock. **2**.Amend our Amended and Restated Certificate £ For£ Against £ Abstain of Incorporation to effect a reverse stock split at the discretion of our Board of Directors. **3**.Amend our Amended and Restated Certificate £ For£ Against £ Abstain of Incorporation to provide for proportional voting of directors. **4**.Amend our Amended and Restated Certificate £ For£ Against £ Abstain of Incorporation to declassify our Board of Directors and to provide for one-year terms of office for all directors. **5**.Approve amendments to the MoneyGram £ For £ Against £ Abstain International, Inc. 2005 Omnibus Incentive Plan.

6.Election of Directors (Record your votes with respect to both item 6A and 6B) 6A. If Proposal 4 is approved, elect nine directors to serve one-year terms 01 Thomas M. Hagerty £ For £ Against £ Abstain 02 Jess T. Hay £ For £ Against £ Abstain 03 Scott L. Jaeckel £ For £ Against £ Abstain 04 Seth W. Lawry £ For £ Against £ Abstain 05 Pamela H. Patsley £ For £ Against £ Abstain 06 Ganesh B. Rao £ For £ Against £ Abstain 07 Othón Ruiz Montemayor £ For £ Against £ Abstain 08 Anthony P. Ryan £ For £ Against £ Abstain 09 Albert M. Teplin £ For £ Against £ Abstain 6B. If Proposal 4 fails, elect six directors, three of whom to serve two-year terms and three of whom to serve three-year terms 01 Jess T. Hay £ For £ Against £ Abstain 02 Pamela H. Patsley £ For £ Against £ Abstain 03 Ganesh B. Rao £ For £ Against £ Abstain 04 Othón Ruiz Montemayor £ For £ Against £ Abstain 05 Anthony P. Ryan £ For £ Against £ Abstain 06 Albert M. Teplin £ For £ Against £ Abstain **7.** Ratify the appointment of Deloitte & Touche LLP £ For £ Against £ Abstain as our independent registered public accounting firm for 2009. **THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR ITEMS 1, 2, 3, 4, 5, 6 (6A and 6B) and 7, EXCEPT THAT IF YOU ARE A PARTICIPANT IN THE MONEYGRAM INTERNATIONAL, INC. 401(K) PLAN, THE PLAN S TRUSTEE WILL VOTE THOSE SHARES AS TO WHICH NO DIRECTION IS GIVEN IN ACCORDANCE WITH THE MAJORITY OF SHARES VOTED IN SUCH PLAN FOR WHICH INSTRUCTIONS WERE RECEIV ED, UNLESS THE INDEPENDENT FIDUCIARY INSTRUCTS THE TRUSTEE TO SO VOTE SUCH SHARES DIFFERENTLY.** Address Change? Mark Box £ Date Indicate changes below: Signature(s) in Box Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title

$13.61

Leases Ended at Expiration:

Number of Leases
31 1 32 46 2 48 33 1 34
Gross Leaseable Area (sq.ft.)
61,986 42,354 104,340 114,069 49,100 163,169 124,345 35,000 159,345
Base Rent/Sq.Ft. ($/sq.ft.)
$12.50 $6.00 $9.86 $11.76 $6.89 $9.30 $9.25 $7.50 $8.87

Lease-Up of Vacant Space:

Number of Leases
60 14 74 70 5 75 64 8 72
Gross Leaseable Area (sq.ft.)
171,077 901,778 1,072,855 245,839 470,274 716,113 250,263 416,129 666,392
Base Rent/Sq.Ft. ($/sq.ft.)
$11.93 $6.02 $6.96 $13.05 $3.98(1) $7.09 $11.54 $8.05 $9.36
% Increase/(Decrease) from Portfolio Average
13.1% 9.2% (2.1)% 19.9% (27.4)% 0.8% 2.5% 36.6% 25.8%
Portfolio Average Base Rent/Sq.Ft
$10.55 $5.51 $7.11 $10.88 $5.48 $7.04 $11.26 $5.89 $7.44

(1) New leases for anchor tenants include three land leases with an average rental rate of $3.20 per square foot.

Employees

At December 31, 2001, we employed 82 corporate employees, including six executives and two executive support personnel, 25 employees in asset management, nine employees in development and construction, two employees in acquisitions, 16 employees in financial and treasury services, 13 employees in lease administration, six employees in human resources and office services and three employees in information

services. In addition, at December 31, 2001, we employed 42 on-site shopping center maintenance personnel. None of our employees are unionized.

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Insurance

We carry all risk replacement cost insurance, commercial general liability insurance and pollution liability insurance on our properties. We believe that the coverage levels and types of insurance we currently maintain adequately protect us from the risk of loss, damage or destruction of our properties and from any potential liabilities associated with the operation of our business.

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SELECTED FINANCIAL DATA

The following selected financial data as of December 31, 1997, 1998, 1999, 2000 and 2001, and for each of the years in the five-year period ended December 31, 2001 have been derived from our audited financial statements, some of which appear elsewhere in this prospectus together with the report of Deloitte & Touche LLP, independent auditors. This selected financial data might not be a good indicator of our results for 2002. You should read the selected financial data together with our financial statements and notes to our financial statements and with Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this prospectus.

	Year Ended December 31,				
	1997	1998	1999	2000	2001
Operating Data:					
Revenues:					
Rental revenues	$58,492	$75,997	$83,302	$85,857	$85,788
Fees and management income					2,485
Interest and other income	752	758	997	2,675	2,700
Total revenues	59,244	76,755	84,299	88,532	90,973
Expenses:					
Real estate taxes	6,230	7,354	7,810	9,449	10,168
Recoverable operating expenses	11,462	12,763	14,391	15,104	14,286
Depreciation and amortization	8,216	12,189	13,311	15,274	17,083
Other operating	1,130	1,092	1,418	1,460	1,464
General and administrative	4,597	5,548	5,964	5,520	8,337
Interest expense	14,753	25,396	25,421	27,756	26,332
Total expenses	46,388	64,342	68,315	74,563	77,670
Operating income	12,856	12,413	15,984	13,969	13,303
Earnings (loss) from unconsolidated entities	(314)	(304)	(204)	198	813
Income before gain on sale of real estate and minority interest	12,542	12,109	15,780	14,167	14,116
Gain on sale of real estate			974	3,795	5,550
Minority interest	(3,344)	(3,451)	(4,915)	(4,942)	(5,803)
Net income before cumulative effect of change in accounting principle	9,198	8,658	11,839	13,020	13,863
Cumulative effect of change in accounting principle				(1,264)	
Net income	$ 9,198	$ 8,658	$11,839	$11,756	$13,863
Net income available to common shareholders	$ 8,920	$ 7,044	$ 8,432	$ 8,396	$10,503

	Year Ended December 31,				
	1997	1998	1999	2000	2001
Basic and diluted earnings per share before cumulative effect of change in accounting principle:					
Basic	$ 1.25	$ 0.99	$ 1.17	$ 1.34	$ 1.48
Diluted	$ 1.25	$ 0.98	$ 1.17	$ 1.34	$ 1.47
Basic and diluted earnings per share after cumulative effect of change in accounting principle:					
Basic	$ 1.25	$ 0.99	$ 1.17	$ 1.17	$ 1.48
Diluted	$ 1.25	$ 0.98	$ 1.17	$ 1.17	$ 1.47
Weighted average shares outstanding:					
Basic	7,123	7,133	7,218	7,186	7,105
Diluted	7,148	7,165	7,218	7,187	7,125
Pro Forma(1):					
Pro forma amount assuming the change in accounting method for percentage rent revenue is applied retroactively:					
Net income (loss)	$ 8,907	$ 8,546	$ 11,656	$ 11,756	$ 13,863
Basic earnings (loss) per share	$ 1.25	$ 0.97	$ 1.14	$ 1.17	$ 1.48
Diluted earnings (loss) per share	$ 1.25	$ 0.97	$ 1.14	$ 1.17	$ 1.47
Other Data:					
Funds from operations Basic(2)	$ 20,500	$ 22,716	$ 25,461	$ 26,766	$ 28,247
Funds from operations Diluted(2)	20,778	24,330	28,868	30,126	31,607
Cash flows provided by (used in):					
Operating activities	17,026	16,794	23,954	17,126	24,556
Investing activities	(153,183)	(38,280)	(10,703)	(12,779)	5,774
Financing activities	137,649	21,003	(12,057)	(7,152)	(27,727)
Number of properties at end of period	50	54	54	56	57
Company owned GLA	8,372	9,029	9,213	10,043	9,789
Cash distributions declared per share	$ 1.68	$ 1.68	$ 1.68	$ 1.68	$ 1.68
Occupancy rate	93.6%	93.1%	93.0%	93.7%	95.5%

	At December 31,				
	1997	1998	1999	2000	2001
Balance Sheet Data:					
Cash and cash equivalents	$ 5,033	$ 4,550	$ 5,744	$ 2,939	$ 5,542
Accounts receivable net	6,035	9,864	12,791	15,954	17,627
Investment in real estate (before accumulated depreciation)	473,213	535,980	542,955	557,995	557,349
Total assets	484,682	544,404	550,506	560,284	552,729
Mortgages and notes payable	295,618	328,248	337,552	354,008	347,275
Total liabilities	314,436	348,727	358,662	374,439	371,167
Minority interest	42,282	48,535	48,396	47,301	48,157
Shareholders equity	127,964	147,142	143,448	138,544	133,405

(1) In 2000, we changed our method of accounting for percentage rental revenue in accordance with SEC Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. See Note 12 in the accompanying financial statements.

(2) We generally consider funds from operations, also known as FFO, an appropriate supplemental measure of our financial performance because it is predicated on cash flow analyses. We have adopted the most recent National Association of Real Estate Investment Trusts definition of FFO, which was amended effective January 1, 2000. Under that definition, FFO represents income before minority interest, excluding extraordinary items, as defined under accounting principles generally accepted in the United States of America, gains on sales of depreciable property, plus real estate related depreciation and amortization (excluding amortization of financing costs), and after adjustments for unconsolidated partnerships and joint ventures. Our computation of FFO may, however, differ from the methodology for calculating FFO utilized by other real estate companies, and therefore, may not be comparable to these other real estate companies.

FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and should not be considered an alternative to net income as an indication of our performance or to cash flows from operating activities as a measure of liquidity or our ability to pay distributions. Furthermore, while net income and cash generated from operating, investing and financing activities, determined in accordance with accounting principles generally accepted in the United States of America, consider capital expenditures which have been and will be incurred in the future, the calculation of FFO does not.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following analysis of our financial condition and results of operations should be read together with the preceding section, Selected Financial Data . Additionally, you should read and analyze our financial statements and notes to our financial statements, as well as other data included in this prospectus, in combination with the analysis below. See also the Forward-Looking Statements section. Dollars are in thousands.

Overview

Our operating results are dependant primarily upon rental income received from tenants under existing leases. Our future success is dependent in part on our ability to collect rental payments, maintain occupancy and increase rental rates as leases expire. An economic slowdown could result in increases in our overall vacancy rates or declines in the rent we can charge to re-lease properties upon expiration of current leases.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. It is our opinion that we fully disclose our significant accounting policies in the notes to our consolidated financial statements. Consistent with our disclosure policies we include the following discussion related to what we believe to be our most critical accounting policies that require our most difficult, subjective or complex judgment:

Reserve for Bad Debts

We provide for bad debt expense based upon the reserve method of accounting. Historically, we have provided approximately 0.5% of rental revenues as our annual bad debt reserve based on the level of bad debt we have experienced. Due to the economic downturn in the retail industry and the increase in the number of retail companies filing for bankruptcy protection (including Kmart Corporation during January 2002), we increased the bad debt expense to approximately 0.9% of rental revenue for the year ended December 31, 2001.

We continuously monitor the collectability of our accounts receivable (billed, unbilled and straight-line) from tenants and based on our judgment, adjust the allowance for bad debts as necessary. It is our policy to cease recording rental income from tenants when we believe such amounts would be uncollectible. Management believes the allowance is adequate to absorb currently estimated bad debts. However, if we experience bad debts in excess of the reserves we have established, our operating income would be reduced.

Bad debt expense amounted to $735, $330 and $559 for the three years ended December 31, 2001, 2000 and 1999, respectively.

Revenue Recognition

Shopping center space is generally leased to retail tenants under leases which are accounted for as operating leases. We recognize minimum rents on the straight-line method over the terms of the leases, as required under Statement of Financial Accounting Standard No. 13. Certain of the leases also provide for additional revenue based on contingent percentage income which is recorded on an accrual basis once the specified target that triggers this type of income is achieved. The leases also typically provide for tenant recoveries of common area maintenance, real estate taxes and other operating expenses. These recoveries are recognized as revenue in the period the applicable costs are incurred.

Straight line rental income was greater than the current amount required to be paid by our tenants by $2,135, $3,383 and $2,705 for the years ended December 31, 2001, 2000 and 1999, respectively. Accounts receivable include unbilled straight-line rent receivables of $10,560 at December 31, 2001 and $9,865 at December 31, 2000. Straight line rent receivable at December 31, 2001, includes approximately $1,997 due from Kmart Corporation.

Real Estate

We record real estate assets at the lower of cost or fair value if impaired. Costs incurred for the acquisition, development and construction of properties are capitalized. For redevelopment of an existing operating property, the undepreciated net book value plus the cost for the construction (including demolition costs) incurred in connection with the redevelopment are capitalized to the extent such costs do not exceed the estimated fair value when complete. To the extent such costs exceed the estimated fair value of such property, the excess is charged to expense.

We evaluate the recoverability of our investment in real estate whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. Our assessment of recoverability of our real estate assets includes, but is not limited to recent operating results, expected net operating cash flow and our plans for future operations. For the years ended, December 31, 2001, 2000 and 1999, none of our assets were considered impaired.

During 2001, we have completed redevelopment projects aggregating approximately 212,300 square feet at a total cost of approximately $9,100 at three of our shopping centers. We are currently expanding or redeveloping two shopping centers for a total cost of approximately $12,000.

In 2002 we will begin the redevelopment of our Tel-Twelve shopping center from an enclosed regional mall to an open-air center for a total cost of approximately $17,000. In connection with the redevelopment, we will demolish approximately 20% of the gross leasable area (133,000 square feet) of the shopping center and construct a 139,600 square foot building for a nationally recognized home improvement retailer.

Other Assets

Other assets consist primarily of prepaid expenses, proposed development and acquisition costs, and financing and leasing costs which are amortized using the straight-line method over the terms of the respective agreements.

Proposed development and acquisition costs amounted to $8,394 at December 31, 2001 and $5,190 at December 31, 2000, and included our investment of $5,140 in an entity that is currently developing a shopping center. The cost method is used to account for our investment in the entity because we do not have the ability to exercise significant influence over the investee s operating and financial policies.

Using our best estimates based on reasonable and supportable assumptions and projections, we review for impairment such assets whenever events or changes in circumstances indicate that the carrying amount of these assets might not be recoverable.

Result of Operations

Comparison of Year Ended December 31, 2001 to Year Ended December 31, 2000

Total revenue increased 2.8% or $2,441 to $90,973 for the year ended December 31, 2001 as compared to $88,532 for the year ended December 31, 2000. Of the $2,441

increase, $815 was the result of increased minimum rents. The sale of White Lake MarketPlace and Athens Town Center in 2001 resulted in a reduction of $2,532 in minimum rents offset by a $3,347 increase in minimum rents in our portfolio when compared to the year ended December 31, 2000.

Recoveries from tenants decreased $581, or 2.4% to $23,303 for the twelve months ended December 31, 2001, as compared to $23,884 for the twelve months ended December 31, 2000. The overall recovery ratio was 95.3% for the year ended December 31, 2001, compared to 97.3% for the year ended December 31, 2000. The decline in this ratio is a result of decreased occupancy during redevelopment of four shopping centers and the sale of White Lake MarketPlace and Athens Town Center.

In January 2001, we sold White Lake MarketPlace to Pontiac Mall Limited Partnership for cash of $20,200, resulting in a gain on sale of $5,300. Various of our executive officers and trustees are partners in that partnership. The property was offered for sale utilizing the services of a national real estate brokerage firm, and we accepted the highest offer from an unrelated party. Subsequently, that party cancelled the agreement. Pontiac Mall Limited Partnership presented a comparable offer which resulted in more favorable economic benefits to us. The sale of the property was entered into upon the unanimous approval of the independent members of our Board of Trustees.

Since January 1, 2001, Ramco-Gershenson, Inc., our management company providing property management services to us and to other entities, has been consolidated in our financial statements. As of January 1, 2001, Ramco-Gershenson, Inc. elected to be a taxable real estate investment trust subsidiary for federal income tax purposes. In conjunction with the tax election, we entered into an option agreement to purchase the remaining voting common stock of Ramco-Gershenson, Inc. In prior years this entity was accounted for using the equity method of accounting. Fees and management income earned by Ramco-Gershenson, Inc. contributed $2,485 to the increase in revenue for the year ended December 31, 2001.

For the twelve months ended December 31, 2001, percentage rents decreased $303 to $1,442, as compared to $1,745 for the twelve months ended December 31, 2000. The decrease is the result of tenant changes associated with redevelopment projects and our efforts to convert percentage rent to higher minimum rent when renewing leases. Interest and other income increased $25, to $2,700 for the twelve months ended December 31, 2001.

Total expenses for the year ended December 31, 2001 increased 4.2%, or $3,107 to $77,670, compared to $74,563 for the year ended December 31, 2000. The increase was due to a $1,809 increase in depreciation and amortization; a $2,817 increase in general and administrative expenses; and a $4 increase in other operating expenses. The increase was offset by a $99 decrease in total recoverable expenses, including real estate taxes, and a $1,424 decrease in interest expense.

Depreciation and amortization increased 11.8% in 2001 to $17,083 from $15,274 in 2000. The increase is primarily due to the redevelopment projects completed during 2001 and amortization of leasing commissions and financing costs. The consolidation of Ramco-Gershenson, Inc. in 2001 contributed $299 to the increase.

General and administrative expenses were $8,337 and represented 9.2% of total revenue for the year ended December 31, 2001, as compared to $5,520 and 6.2% of total revenue for the same period in 2000. The $2,817 increase is principally attributable to consolidating Ramco-Gershenson, Inc. in our financial statements in 2001. Fee and management income of $2,485 included in total revenue for the year ended December 31, 2001, were offset against our management fee paid to Ramco-Gershenson, Inc. prior to 2001.

Interest expense decreased $1,424, from $27,756 to $26,332 for the twelve months ended December 31, 2001. The 5.1% decrease is the result of lower balances on our credit

facility and mortgages as well as reduced interest rates, offset by a reduction in our capitalization of interest on development and redevelopment projects. Capitalized interest amounted to $1,310 during the twelve months ended December 31, 2000, and related to construction of Auburn Mile and redevelopment projects, as compared to $348 of capitalized interest for redevelopment projects for the same period in 2001. For the year ended December 31, 2001, weighted average interest rates decreased to 7.2% compared to 8.3% for the same period in 2000.

Earnings from unconsolidated entities increased $615, from $198 in 2000 to $813 for the year ended December 31, 2001. Our share of Rossford Development LLC s income increased from $24 in 2000 to $262 in 2001. The two joint ventures we invested in during 2001 contributed $15 to the increase. In addition, depreciation and amortization expense arising from our net basis in the unconsolidated entities assets decreased by $148 from $267 in 2000 to $119 for the year ended December 31, 2001.

During the year ended December 31, 2001, we completed $29,045 in asset sales and recognized net gains of $5,550. The sales of properties included White Lake MarketPlace and Athens Town Center, as well as the sale of four parcels of land.

The increase in minority interest is the result of higher income before minority interest for the twelve months ended December 31, 2001 when compared to the twelve months ended December 31, 2000.

Comparison of Year Ended December 31, 2000 to Year Ended December 31, 1999

Total revenue increased 5.0% or $4,233 to $88,532 for the year ended December 31, 2000, compared to $84,299 for the year ended December 31, 1999. Of this increase, minimum rents increased by $449, or 0.8%, to $60,228 in 2000 from $59,779 in 1999. Recoveries from tenants increased $2,398 or 11.2% to $23,884 for the year ended December 31, 2000, compared to $21,486 for the year ended December 31, 1999.

The sale of Chester Springs and Rivertowne Square in August 1999 to RPT/ Invest, LLC and the disposition of Commack (Toys R Us) and Trinity Corners Shopping Center in December 1999 accounted for a reduction in minimum rent of $3,066 for the year ended December 31, 2000. Development projects at White Lake MarketPlace and Auburn Mile contributed $2,441 to minimum rent when compared to 1999. The balance of the increase in minimum rents is primarily attributable to five redevelopment projects completed during 2000.

Recoveries from tenants increased $2,398, or 11.2%, and is primarily due to a higher level of recoverable operating expenses and real estate taxes associated with White Lake MarketPlace and Auburn Mile developments. The overall recovery ratio was 97.3% for the year ended December 31, 2000, compared to 96.8% for the year ended December 31, 1999.

For the twelve months ended December 31, 2000, percentage rents decreased $292 to $1,745, compared to $2,037 for the twelve months ended December 31, 1999. This decrease is primarily the result of our initiative to convert tenants to higher minimum rent, reducing our reliance on percentage rents as a potential source of revenue. Interest and other income increased $1,678, from $997 for the twelve months ended December 31, 1999 to $2,675. Lease termination fees were $1,001 greater in the twelve months ended December 31, 2000 when compared to the same period in 1999 and kiosk license income increased $255 for the period. Gain on sale of land options during the twelve months ended December 31, 2000 accounted for $238 of the increase.

Total expenses for the year ended December 31, 2000 increased 9.1%, or $6,248 to $74,563, compared to $68,315 for the year ended December 31, 1999. The increase was due to a $2,352 increase in operating expenses, including recoverable operating expenses and real estate taxes, a $1,963 increase in depreciation and amortization, a $42 increase in other

operating expenses, a $2,335 increase in interest expense, and a $444 decrease in general and administrative expenses.

Real estate taxes increased $1,639, or 21.0%, from $7,810 to $9,449 for the year ended December 31, 2000. White Lake MarketPlace and Auburn Mile development projects contributed $1,228 to the increase in real estate taxes when compared to 1999.

The $1,963 increase in depreciation is primarily due to the redevelopment projects we completed during 2000 and amortization for current year additions of tenant improvements and leasing commissions. Depreciation and amortization for White Lake MarketPlace contributed $286 to the increase.

General and administrative expenses were $5,520 and represented 6.2% of total revenue for the year ended December 31, 2000, compared to $5,964 and 7.1% of total revenue for the same period in 1999. The decrease is primarily attributable to a $249 gain on sale of real estate recognized by Ramco-Gershenson Inc., one of our unconsolidated entities in 2000, and by increased leasing and developments fees earned by the unconsolidated entity, which reduced our reimbursement obligation.

Interest expense increased $2,335, from $25,421 to $27,756 for the twelve months ended December 31, 2000. The 9.2% increase is the result of higher interest rates on variable rate debt for the twelve months ended December 31, 2000, increased borrowings on our credit facility and increased borrowings on the construction loans used to finance White Lake MarketPlace and the Auburn Mile developments.

Earnings from unconsolidated entities increased $402, to $198 in 2000 from a loss of $204 in 1999. Improved operating results of the unconsolidated entities increased $208, from $257 in 1999 to $465 for the year ended December 31, 2000. In addition, depreciation and amortization expense arising from our net basis in the unconsolidated entities   assets decreased by $194 for the year ended December 31, 2000.

During the year ended December 31, 2000, we completed $5,431 in asset sales and recognized net gains of $3,795. The sales of properties included land parcels at Tel-Twelve Mall in April 2000 and Roseville Plaza in December 2000.

The increase in minority interest is the result of higher income before minority interest for the twelve months ended December 31, 2000 when compared to the twelve months ended December 31, 1999.

Liquidity and Capital Resources

We generated $24,556 in cash from operating activities and $5,774 from investing activities for the year ended December 31, 2001. Redevelopment of four shopping centers and improvements to existing properties used $21,727 and additional investments in unconsolidated entities used $2,469 during the year ended December 31, 2001. Proceeds from the sale of real estate provided $29,045 during the year. Financing activities used $27,727 during the twelve months ended December 31, 2001. Borrowings under our credit facility provided $470, net of repayments of $4,950, and repayments on construction loans used $13,575. Cash distributions to shareholders, holders of operating partnership units, and dividends paid to preferred shareholders amounted to $20,247.

Following is a summary of our contractual cash obligations at December 31, 2001.

		Payments Due by Period			
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
			(in thousands)		
Long-term debt	$347,275	$ 8,287	$157,194	$154,680	$27,114
Operating leases	908	363	545		
Unconditional construction cost obligations	5,300	5,300			
Total contractual cash obligations	$353,483	$13,950	$157,739	$154,680	$27,114

Our mortgages and notes payable amounted to $347,275 at December 31, 2001 with a weighted average interest rate of 7.2%. The debt consists of 12 loans secured by various properties, plus one unsecured term loan and our credit facility, as described below. Ten of the mortgage loans amounting to $195,290 have maturities ranging from 2006 to 2011, monthly payments which include regularly scheduled amortization, and have fixed interest rates ranging between 6.8% to 8.8%. One of the mortgage loans, evidenced by tax free bonds, amounting to $6,560 and secured by Oak Brook Square Shopping Center, matures in 2010 and carries a floating interest rate equal to 75% of the new issue long term Capital A rated utility bonds, plus interest to the lender sufficient to cause the lender s overall yield on its investment in the bonds to be equal to 200 basis points over the applicable LIBOR rate (6.4% at December 31, 2001).

In April 2001, we executed a $10,340 mortgage loan with LaSalle Bank N.A., secured by the property at Madison Shopping Center. The loan has a fixed interest rate of 7.5% and matures in May 2011.

In November 2001, we converted a construction loan to finance the Auburn Mile shopping center development located in Auburn Hills, Michigan to a new $21,000 mortgage loan. The loan carries an interest rate of 200 basis points over LIBOR, an effective rate of 4.8% at December 31, 2001, and matures in September 2005.

Our credit facility bears interest between 162.5 and 225 basis points over LIBOR depending on certain debt ratios (effective interest rate of 6.6% at December 31, 2001) and matures in September 2003. The credit facility is secured by mortgages on various properties and contains financial covenants relating to liabilities-to-assets ratios, minimum operating coverage ratios and a minimum equity value. As of December 31, 2001, we were in compliance with the covenant terms.

Outstanding letters of credit issued under our credit facility amounted to $818 at December 31, 2001.

Under the terms of our credit facility, we are required to maintain interest rate swap agreements to reduce the impact of changes in interest rates on our variable rate debt. We have interest rate swap agreements with an aggregate notional amount of $75,000 at December 31, 2001. Based on rates in effect at December 31, 2001, the agreements provide for fixed rates ranging from 7.0% to 8.3% and expire on various dates through March 2004. We are exposed to credit loss in the event of non-performance by the counter party to the interest rate swap agreements; however, we do not anticipate non-performance by the counter party.

After taking into account the impact of converting our variable rate debt into fixed rate debt by use of interest rate swap agreements, at December 31, 2001, our variable rate debt accounted for approximately $77.0 million of outstanding debt with a weighted average interest rate of 5.1%. Variable rate debt accounted for approximately 22.2% of our total debt and 14.2% of our total capitalization.

Our debt to total market capitalization (our debt plus the market value of our equity) ratio was 64.3% at December 31, 2001.

The properties in which Ramco-Gershenson Properties, L.P., our operating partnership, owns an interest and which we account for using the equity method of accounting are subject to non-recourse mortgage indebtedness. At December 31, 2001, our pro rata share of non-recourse mortgage debt of these properties held by unconsolidated entities was $25,796, with a weighted average interest rate of 6.2%.

The mortgage loans (other than our credit facility) encumbering our properties, including properties held by our unconsolidated joint ventures, are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental liabilities. In addition, upon the occurrence of certain of such events, such as fraud or filing of a bankruptcy petition by the borrower, we would be liable for the entire outstanding balance of the loan, all accrued interest and certain other costs, penalties and expenses.

With respect to the Crossroads Centre shopping center, which is owned by a joint venture in which we have a 10% interest, we have guaranteed to the joint venture the completion of the center by October 17, 2002, and we have entered into a master lease with the joint venture under which we are obligated to provide net operating income sufficient to provide a 1.2 to 1.0 debt service coverage ratio. In the event that the center is not completed by the scheduled completion date, we would be obligated to the joint venture for any damages it incurs due to such failure. We believe that the construction of the center has been substantially completed in accordance with the terms of our agreement. We have the option to purchase the Crossroads Centre shopping center from the joint venture, exercisable by notice on or before July 16, 2002, and if we do not exercise this option, we will be obligated to make a payment of $3.3 million to the 90% owner of this joint venture on July 17, 2002.

Our capital structure at December 31, 2001 includes property-specific mortgages, an unsecured term loan, our credit facility, our series A preferred shares, our common shares and the minority interest in our operating partnership. At December 31, 2001, the minority interest in our operating partnership represented a 29.3% ownership interest in the operating partnership which may, under certain conditions, be exchanged for an aggregate of 2,944,977 of our common shares.

At December 31, 2001, the units in our operating partnership were exchangeable for our common shares on a one-for-one basis. As the sole general partner of our operating partnership, we have the option, but not the obligation, to settle exchanged units in our operating partnership in cash based on the current trading price of our common shares. Assuming the exchange of all limited partnership interests in our operating partnership, there would have been 10,036,503 of our common shares outstanding at December 31, 2001, with a market value of approximately $161,086 at December 31, 2001 (based on the closing price of $16.05 per common share on December 31, 2001).

The principal uses of our liquidity and capital resources are for acquisitions, development and redevelopment, including expansion and renovation programs, and debt repayment. To maintain our qualification as a REIT under the Internal Revenue Code, we are required to distribute to our shareholders at least 90% of our adjusted REIT taxable income (as defined in the Internal Revenue Code).

We have historically funded, and may continue to fund, some of our acquisition and development activities by entering into joint venture transactions with third parties in which we own 50% or less of the joint venture entity.

As part of our business plan to improve our capital structure and reduce debt, we will continue to pursue the strategy of selling fully-valued properties and to dispose of shopping centers that no longer meet the criteria established for our portfolio. Our ability to obtain acceptable selling prices and satisfactory terms will impact the timing of future sales. Net proceeds from the sale of properties are expected to reduce outstanding debt.

The conversion of our Tel-Twelve shopping center from an enclosed regional mall to an open-air center is currently in process along with the redevelopment of the Shoppes of Lakeland. These redevelopments will include demolition and rebuilding of a portion of Tel-Twelve, as well as retenanting of the Shoppes of Lakeland. As a result of reduced rental income during the redevelopment period, it is our estimate that net income will decrease by approximately $3,400 for these two centers for the year ended December 31, 2002.

We anticipate that the combination of the availability under our credit facility, possible equity offerings, the sale of existing properties, and potential new debt will satisfy our expected working capital requirements through at least the next 12 months. We anticipate adequate liquidity for the foreseeable future to fund future developments, expansions and repositionings, to continue our currently planned capital programs and to make distributions to our shareholders in accordance with the Internal Revenue Code s requirements applicable to REITs. Although we believe that the combination of factors discussed above will provide sufficient liquidity, no such assurance can be given.

Sensitivity Analysis

We are exposed to interest rate risk on our variable rate debt obligations. Based on our debt, interest rates and the interest rate swap agreements in effect at December 31, 2001, a 100 basis point change in interest rates would affect our earnings and cash flows by approximately $768.

Funds From Operations

We generally consider funds from operations, also known as FFO, an appropriate supplemental measure of our financial performance because it is predicated on cash flow analyses. We have adopted the most recent National Association of Real Estate Investment Trusts definition of FFO, which was amended effective January 1, 2000. Under that definition, FFO represents income before minority interest, excluding extraordinary items, as defined under accounting principles generally accepted in the United States of America, gains on sales of depreciable property, plus real estate related depreciation and amortization (excluding amortization of financing costs), and after adjustments for unconsolidated partnerships and joint ventures. Our computation of FFO may, however, differ from the methodology for calculating FFO utilized by other real estate companies, and therefore, may not be comparable to these other real estate companies.

FFO does not represent cash generated from operating activities in accordance with accounting principles generally accepted in the United States of America and should not be considered an alternative to net income as an indication of our performance or to cash flows from operating activities as a measure of liquidity or our ability to pay distributions. Furthermore, while net income and cash generated from operating, investing and financing activities, determined in accordance with accounting principles generally accepted in the United States of America, consider capital expenditures which have been and will be incurred in the future, the calculation of FFO does not.

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The following table illustrates the calculation of FFO for the years ended December 31, 1999, 2000 and 2001:

	Year Ended December 31,		
	1999	2000	2001
		(in thousands)	
Net Income	$11,839	$11,756	$13,863
Less: Gain on sale of property(1)	(1,225)	(3,420)	(5,207)
Add: Depreciation and amortization	13,339	15,584	17,148
Cumulative effect of change in accounting principle		1,264	
Minority interest in partnership	4,915	4,942	5,803
Funds from operations diluted	28,868	30,126	31,607
Less: Preferred share dividends	(3,407)	(3,360)	(3,360)
Funds from operations basic	$25,461	$26,766	$28,247
Weighted average equivalent shares outstanding(2)			
Basic	10,170	10,131	10,050
Diluted	12,170	12,132	12,070
Supplemental disclosure:			
Straight-line rental income	$ 2,705	$ 3,383	$ 2,135
Amortization of management contracts and covenants not to compete	$ 422	$ 224	$ 224

(1) Includes $251 gain on sale of property of an unconsolidated entity in 1999 and excludes gain on sale of undepreciated land of $375 in 2000 and $343 in 2001.

(2) For basic, represents the weighted average total shares outstanding, assuming the redemption of all units in our operating partnership for common shares. For diluted, represents the weighted average total shares outstanding, assuming the redemption of all units in our operating partnership for common shares, the series A preferred shares converted to common shares and the common shares issuable under the treasury stock method upon exercise of stock options.

Capital Expenditures

During 2001, we spent approximately $6,193 on revenue-generating capital expenditures, including tenant allowances, leasing commissions paid to third-party brokers, legal costs relative to lease documents and capitalized leasing and construction costs. These types of costs generate a return through rents from tenants over the term of their leases. Revenue-enhancing capital expenditures, including expansions, renovations and repositionings, were approximately $12,884.

Impact of Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board, also known as the FASB, issued Statement of Financial Accounting Standard No. 141, Business Combinations. This statement requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. This statement prohibits the use of the pooling-of-interests method of accounting for business combinations. We do not expect the provisions of this statement to have a material impact on our consolidated financial statements.

The FASB issued Statement of Financial Accounting Standard No. 142, Goodwill and Other Intangible Assets (SFAS 142) in June 2001. This statement changes the accounting for the amortization of goodwill and other intangible assets acquired in a business combination from an amortization method to an impairment-only method. The implementation of this

statement may require the use of significant judgment to determine how to measure the fair value of intangible assets. We do not expect the provisions of this statement to have a material impact on our consolidated financial statements. We will adopt SFAS 142 as required for our first quarterly filing of our 2002 fiscal year.

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). This statement supersedes FASB Statement No. 122, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS 144 requires an impairment loss to be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. This statement requires the use of one of two present value techniques to measure the fair value of an asset. In addition, this statement would require us to account for the sale of shopping centers as discontinued operations and not as part of our ongoing operations. We do not expect SFAS 144 to have a material impact on our consolidated financial statements, and SFAS 144 is effective as of January 1, 2002.

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). This statement, as amended, requires us to measure all derivatives at fair value and to recognize them in our consolidated balance sheet as an asset or liability, depending on our rights and obligations under each derivative contract. If the derivative is designated as a cash flow hedge, the effective portions of change in the fair value of the derivative are deferred and recorded as a component of other comprehensive income until the hedged transactions occur and are recognized in earnings. If the derivative is designated as a fair value hedge, the changes in fair value of the derivative and the ineffective portion of a hedged derivative are recognized in earnings in the current period. The adoption of SFAS 133 resulted in a transition adjustment in other comprehensive income (loss) of $348 as of January 1, 2001. This is attributable to fair value losses on interest rate swap agreements designated as cash flow hedges. For the year ended December 31, 2001, the change in fair market value of our interest rate swap agreements increased other comprehensive loss by $2,831, to $3,179.

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INDEBTEDNESS OUTSTANDING AFTER THIS OFFERING

Credit Facility

We maintain a credit facility through Fleet National Bank, with which we have a 35-year relationship, allowing us to borrow up to $110.0 million, which is secured by mortgages on various properties that have an approximate net book value of $164.7 million as of December 31, 2001. As of December 31, 2001, $102.3 million was outstanding under this credit facility. The credit facility expires in September 2003 and could be terminated by our lenders upon the occurrence of customary events of default. We use our credit facility to fund our acquisition, development and redevelopment activities as well as for general corporate purposes. The interest rate on this credit facility varies between 162.5 and 225.0 basis points over LIBOR depending on certain debt ratios and was 200.0 basis points over LIBOR at December 31, 2001.

Unsecured Term Loan

We have an unsecured term loan from Fleet National Bank under which $22.1 million was outstanding as of December 31, 2001. This term loan requires principal payments of $875,000 each on March 31, 2002, June 30, 2002 and September 30, 2002 and quarterly principal payments of $1,125,000 each beginning on December 31, 2002 until maturity in September 2003, and could be terminated by our lenders upon the occurrence of customary events of default. The interest rate on our term loan varies between 325.0 and 450.0 basis points over LIBOR depending on certain debt ratios and was 400.0 basis points over LIBOR at December 31, 2001.

Mortgage Indebtedness

As of December 31, 2001, we had the following outstanding mortgage indebtedness (other than the secured credit facility described above):

Property Securing Loan	Principal Balance as of 12/31/01	Maturity Date(1)	Balance Due At Maturity(2)	Interest Rate
Eight property portfolio	$ 71,816,805	January 2006	$65,143,737	8.3%
Seven property portfolio	47,891,484	December 2007(3)	43,480,830	6.8%
Ten property portfolio	24,636,467	January 2006	23,164,920	8.8%
Auburn Mile	21,000,000	September 2005	8,800,000	4.8%(7)
Aquia Town Center	14,643,590	March 2008(4)	13,242,747	7.4%
Madison Shopping Center	10,294,156	May 2011(5)	9,152,743	7.5%
Jackson West	7,635,669	January 2006	6,464,078	7.2%
Oakbrook Square	6,560,000	January 2010	3,120,000	6.4%(8)
West Oaks II	6,243,874	April 2006	4,367,103	8.3%
Spring Meadows	5,446,447	April 2006	3,809,365	8.3%
West Oaks I	4,000,273	January 2006	3,608,363	7.8%
Highland Square	2,681,206	February 2008(6)		8.4%
Total	$222,849,970			

(1) Except as otherwise noted, all the mortgages can be prepaid at any time, in whole or in part, subject to prepayment penalties typically calculated on a yield maintenance basis.

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(2) Assumes no prepayment of principal is made prior to the maturity date other than scheduled amortization.

(3) This mortgage may not be prepaid until September 1, 2007, 90 days prior to the maturity date. The loan can be defeased any time after June 2000 and we have certain rights regarding property substitutions.

(4) This mortgage may not be prepaid until February 1, 2008, 30 days prior to the maturity date. The loan can be defeased at any time after April 1, 2001.

(5) This mortgage may not be prepaid prior to February 1, 2011, 90 days prior to the maturity date. The loan can be defeased at any time beginning April 2004.

(6) This mortgage may not be prepaid until January 1, 2004, at which time this mortgage can be prepaid subject to a prepayment penalty calculated on a yield maintenance basis.

(7) Variable rate of interest based on prime or LIBOR plus 200.0 basis points.

(8) Variable rate of interest at 75% of the rate of the long-term Capital A-rated utility bonds plus supplemental interest equal to LIBOR plus 200.0 basis points.

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AFFILIATED TRANSACTIONS

Ramco-Gershenson, Inc., our subsidiary which provides property management and leasing services to properties owned by our operating partnership and our other affiliates, as well as to other third party property owners, provides property management, accounting and other administrative services to various entities and properties owned and/or controlled by Messrs. Joel Gershenson, Dennis Gershenson, Richard Gershenson, Bruce Gershenson and Michael Ward, each of whom is one of our executive officers and/or trustees. We believe that these services are provided on terms no less favorable than terms that we could obtain on an arm s length basis. During the year ended December 31, 2001, Ramco-Gershenson, Inc. charged an aggregate of approximately $630,000 in respect of these services to entities owned and/or controlled by Messrs. Gershenson and Ward for approximately 1.9 million square feet under management and was owed approximately $355,000 by such entities as of December 31, 2001 for those services.

In November 2001, we invested $1.7 million in a 40% interest in Ramco/ Shenandoah LLC. The remaining 60% of this company is owned by an entity a portion of which is beneficially owned by various family partnerships and trusts under the control of two uncles of Joel Pashcow, one of our trustees, and a portion of which is beneficially owned by various trusts for the benefit of members of Mr. Pashcow s immediate family. Mr. Pashcow is a trustee of several of these trusts. In November 2001, Ramco/ Shenandoah LLC acquired the Shenandoah Square shopping center and engaged Ramco-Gershenson, Inc. to provide property management, accounting and other administrative services to the company and the shopping center which has approximately 119,000 square feet. We believe that the terms of our management agreement with Ramco/ Shenandoah LLC are no less favorable than terms that we could obtain on an arm s length basis. During the year ended December 31, 2001, Ramco-Gershenson, Inc. charged approximately $171,000 in respect of these services to Ramco/ Shenandoah LLC and was owed approximately $9,000 as of December 31, 2001 for those services.

In January 2001, we sold White Lake MarketPlace to Pontiac Mall Limited Partnership for $20.2 million in cash, resulting in a gain on sale to us of $5.3 million. Pontiac Mall Limited Partnership is owned 50.2% by two entities which are owned by Messrs. Joel Gershenson, Dennis Gershenson, Richard Gershenson, Bruce Gershenson and Michael Ward equally and 49.2% by a trust of which Messrs. Joel Gershenson, Dennis Gershenson, Richard Gershenson and Bruce Gershenson are equal beneficiaries and of which Bruce Gershenson serves as trustee. The remaining portion is owned by an unrelated party. This property was offered for sale utilizing the services of a national real estate brokerage firm, and we accepted the highest offer from an unrelated party which subsequently cancelled the agreement. Pontiac Mall Limited Partnership presented a comparable offer which resulted in more favorable economic benefits to us. We obtained the unanimous approval of the members of our Board of Trustees other than Joel Gershenson and Dennis Gershenson for the sale of this property to Pontiac Mall Limited Partnership.

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MANAGEMENT

Trustees and Executive Officers

Our executive officers and trustees are as follows:

Name	Age	Position
Joel D. Gershenson(3)	60	Chairman of the Board of Trustees
Dennis E. Gershenson(3)	58	President, Chief Executive Officer and Trustee
Bruce A. Gershenson	53	Executive Vice President and Treasurer
Richard D. Gershenson	56	Executive Vice President and Secretary
Richard J. Smith	51	Chief Financial Officer
Michael A. Ward	59	Executive Vice President and Chief Operating Officer
Stephen R. Blank(1)(2)	56	Trustee
Arthur H. Goldberg(2)	59	Trustee
Selwyn Isakow(1)(2)(4)	49	Trustee
Robert A. Meister(2)	60	Trustee
Joel M. Pashcow(3)	59	Trustee
Mark K. Rosenfeld(1)(4)	55	Trustee

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Executive Committee

(4) Member of the Nominating Committee

Joel D. Gershenson. Mr. Joel Gershenson has served as Chairman of the Board of Trustees and a Trustee since May 1996. He was the President of Ramco-Gershenson, Inc. from 1976 to 1996 and spent fifteen years directing its Property Management/ Asset Management Department.

Dennis E. Gershenson. Mr. Dennis Gershenson has served as our President and Chief Executive Officer and a Trustee since May 1996. Previously, he served as Vice President Finance and Treasurer of Ramco-Gershenson, Inc. from 1976 to 1996 and arranged all of the financing of Ramco s initial developments, expansions and acquisitions. Mr. Gershenson currently serves on the Board of Directors of Hospice of Southeastern Michigan, the Merrill Palmer Institute and the Metropolitan Affairs Coalition and has served as Regional Director of the International Council of Shopping Centers, also known as the ICSC.

Bruce A. Gershenson. Mr. Bruce Gershenson has served as our Executive Vice President and Treasurer since May 1996. Previously, he served as Vice President Land Acquisitions and Sales of Ramco-Gershenson, Inc. from 1972 to 1996. Mr. Gershenson currently serves on the Board of Trustees of the Karmanos Cancer Institute and the Jewish Community Center of Detroit.

Richard D. Gershenson. Mr. Richard Gershenson has served as our Executive Vice President and Secretary since May 1996. Previously, he served as Vice President Development and Construction of Ramco-Gershenson, Inc. from 1970 to 1996. Mr. Gershenson currently serves on the Board of Directors of the Detroit Urban League and New Detroit and is a member of the ICSC s Governmental Affairs Committee.

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Richard J. Smith. Mr. Smith has served as our Chief Financial Officer since May 1996. Previously, he was Vice President of Financial Services of the Hahn Company from January 1996 to May 1996, and he served as Chief Financial Officer and Treasurer of Glimcher Realty Trust, an owner, developer and manager of community shopping centers and regional and super regional malls, from 1993 to 1996. Mr. Smith was Controller and Director of Financial Services of the Taubman Company, an owner, developer and manager of regional malls, from 1978 to 1988.

Michael A. Ward. Mr. Ward has served as our Executive Vice President and Chief Operating Officer since May 1996. Previously, he was Executive Vice President of Ramco-Gershenson, Inc. from 1966 to 1996.

Stephen R. Blank. Mr. Blank has served as a Trustee since 1988. He is currently a Senior Fellow, Finance at the Urban Land Institute and has served in such position since December 1998. Previously, Mr. Blank was Managing Director of CIBC Oppenheimer Corp. from November 1993 to November 1998. He also serves on the Board of Trustees of Atlantic Realty Trust, a real estate investment trust, and on the Board of Directors of West Coast Hospitality Corporation and BNP Residential Properties, Inc.

Arthur H. Goldberg. Mr. Goldberg has served as a Trustee since 1988. He is currently the President of Manhattan Associates, LLC, a merchant and investment banking firm, and has served in such position since February 1994. Mr. Goldberg also serves on the Board of Trustees of Atlantic Realty Trust and on the Board of Directors of Educational Video Conferencing Inc.

Selwyn Isakow. Mr. Isakow has served as a Trustee since 1996. He is the founder and President of Oxford Investment Group, Inc., a private investment and development group investing in manufacturing, financial services and selected other companies, and has served in such position since 1985. Mr. Isakow also serves on the Board of Directors of Champion Enterprises, Inc., and as Chairman of Bloomfield Bancorporation and Oxford Automotive, Inc.

Robert A. Meister. Mr. Meister has served as a Trustee since 1996. He is the Vice Chairman of Aon Risk Services Companies, Inc., an insurance brokerage, risk consulting, reinsurance and employee benefits company and a subsidiary of Aon Corporation, and he has served in such position since March 1991.

Joel M. Pashcow. Mr. Pashcow has served as a Trustee since 1980. He is the Chairman of the Board of Trustees of Atlantic Realty Trust and has served in such position since May 1996. Mr. Pashcow served as our Chairman from 1988 to May 1996. He also serves on the Board of Directors of Hi Rise Recycling Solutions, Inc.

Mark K. Rosenfeld. Mr. Rosenfeld has served as a Trustee since 1996. He is the Chairman and Chief Executive Officer of Wilherst Developers Inc. and has served in such position since July 1997. Mr. Rosenfeld served as Chairman of the Board (from 1993 to 1996) and Chief Executive Officer (from 1992 to 1996) of Jacobson Stores Inc., a retail fashion merchandiser, and served as a director and member of the Executive Committee of the Board of Directors of Jacobson.

Messrs. Joel Gershenson, Dennis Gershenson, Richard Gershenson and Bruce Gershenson are brothers.

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Committees

Our Board of Trustees has four standing committees, the Audit Committee, the Compensation Committee, the Executive Committee and the Nominating Committee, which have the following duties:

Audit Committee

reviewing our financial statements periodically

recommending the engagement of our independent certified public accountants to the Board of Trustees

reviewing the plans for and results of the audit by our independent certified public accountants

Compensation Committee

reviewing all compensation arrangements with our officers and employees

considering changes and/or additions to such arrangements

Executive Committee

exercising all powers and authority of the Board of Trustees, except as limited by applicable law and our bylaws

Nominating Committee

reviewing the performance of our trustees

recommending nominees for election as trustees to our shareholders

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RESTRICTIONS ON OWNERSHIP AND TRANSFER OF SHARES

In order for us to qualify as a REIT, no more than 50% in value of our outstanding shares of beneficial interest may be owned, actually or constructively, by five or fewer individuals (as determined under certain attribution rules in the Internal Revenue Code), during the last half of a taxable year (other than the first year for which an election to be treated as a REIT has been made) or during a proportionate part of a shorter taxable year. In addition, if we, or an owner of 10% or more of us, actually or constructively owns 10% or more of one of our tenants (or a tenant of any partnership in which we are a partner), the rent we receive (either directly or through any such partnership) from that tenant will not be qualifying income for purposes of the REIT gross income tests of the Internal Revenue Code (as described below). A REIT s shares also must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of twelve months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be treated as a REIT has been made).

Because our Board of Trustees believes it is desirable for us to qualify as a REIT, our Declaration of Trust (as amended and restated), subject to customary exceptions, provides that no holder may own, or be deemed to own by virtue of the applicable attribution rules of the Internal Revenue Code, more than the ownership limit described below. The ownership attribution rules under the Internal Revenue Code are complex and may cause common shares actually or constructively owned by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of our common shares (or the acquisition of an interest in an entity that owns, actually or constructively, common shares) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of our outstanding common shares and thus subject those common shares to the ownership limit. Our Board of Trustees may, in its sole discretion and upon the vote of 75% of its members, grant an exemption from the ownership limit with respect to one or more persons who would not be treated as individuals for purposes of the Internal Revenue Code if that person submits to the board information satisfactory to the board, in its reasonable discretion, demonstrating that:

- the person is not an individual for purposes of the Internal Revenue Code,
- such ownership will not cause a person who is an individual to be treated as owning common shares in excess of the ownership limit, applying the applicable ownership attribution rules, and
- such ownership will not otherwise jeopardize our status as a REIT.

As a condition of a waiver, our Board of Trustees may, in its reasonable discretion, require undertakings or representations from the applicant to ensure that the conditions described above are satisfied and will continue to be satisfied as long as the person owns shares in excess of the ownership limit. Under some circumstances, our Board of Trustees may, in its sole discretion and upon the vote of 75% of its members, grant an exemption for individuals to acquire preferred shares in excess of the ownership limit. Our Board of Trustees has granted an exemption for the initial purchasers of our series A preferred shares. The ownership limit we refer to in this section means:

- with respect to our common shares, 9.8% (in value or number of shares, whichever is more restrictive) of our outstanding common shares, and
- with respect to any class or series of our preferred shares, 9.8% (in value or number of shares, whichever is more restrictive) of the outstanding shares of the applicable class or series of our preferred shares.

Our Board of Trustees has the authority to increase the ownership limit from time to time, but it does not have the authority to do so to the extent that after giving effect to an increase, five beneficial owners of our common shares could beneficially own in the aggregate more than 49.5% of our outstanding common shares.

Our Declaration of Trust further prohibits:

- any person from actually or constructively owning our shares of beneficial interest that would result in us being closely held under Section 856(h) of the Internal Revenue Code or otherwise cause us to fail to qualify as a REIT, and

- any person from transferring our shares of beneficial interest if the transfer would result in our shares of beneficial interest being owned by fewer than 100 persons.

Any person who acquires, or attempts or intends to acquire, actual or constructive ownership of our shares of beneficial interest that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give notice immediately to us and provide us with any information as we may request in order to determine the effect of the transfer on our status as a REIT.

If any purported transfer of our shares of beneficial interest or any other event would otherwise result in any person violating the ownership limit or the other restrictions in our Declaration of Trust, then the purported transfer will be void and of no force or effect with respect to the purported transferee as to that number of shares that exceeds the ownership limit and the purported transferee will acquire no right or interest (or, in the case of any event other than a purported transfer, the person or entity holding record title to any shares in excess of the ownership limit will cease to own any right or interest) in these excess shares. Any excess shares described above will be transferred automatically, by operation of law, to a trust, the beneficiary of which will be a qualified charitable organization selected by us. This automatic transfer will be deemed to be effective as of the close of business on the business day (as defined in our Declaration of Trust) prior to the date of the violating transfer. Within 20 days of receiving notice from us of the transfer of shares to the trust, the trustee of the trust (who will be designated by us and be unaffiliated with us and the purported transferee or owner) will be required to sell the excess shares to a person or entity who could own those shares without violating the ownership limit and distribute to the purported transferee an amount equal to the lesser of the price paid by the purported transferee for the excess shares or the sales proceeds received by the trust for the excess shares. In the case of any excess shares resulting from any event other than a transfer, or from a transfer for no consideration (such as a gift), the trustee will be required to sell the excess shares to a qualified person or entity and distribute to the purported owner an amount equal to the lesser of the fair market value of the excess shares as of the date of the event or the sales proceeds received by the trust for the excess shares. In either case, any proceeds in excess of the amount distributable to the purported transferee or owner, as applicable, will be distributed to the beneficiary of the trust. Prior to a sale of any excess shares by the trust, the trustee will be entitled to receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to the excess shares, and also will be entitled to exercise all voting rights with respect to the excess shares. Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee will have the authority (at the trustee s sole discretion and subject to applicable law) (i) to rescind as void any vote cast by a purported transferee prior to the discovery by us that its shares have been transferred to the trust and (ii) to recast votes in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust. Any dividend or other distribution paid to the purported transferee or owner (prior to the discovery by us that its shares had been automatically transferred to a trust as described above) will be required to be repaid to the trustee upon demand for distribution to the beneficiary of the trust. If the transfer to the trust as described above is not automatically effective (for any reason) to prevent violation of the

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ownership limit, then our Declaration of Trust provides that the transfer of the excess shares will be void.

In addition, our shares of beneficial interest held in the trust will be deemed to have been offered for sale to us, or our designee, at a price per share equal to lesser of (a) the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market value at the time of that devise or gift) and (b) the market value of such shares on the date we, or our designee, accept the offer. We will have the right to accept the offer until the trustee has sold the shares of beneficial interest held in the trust. Upon the sale to us, the interest of the beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the purported owner.

All certificates evidencing our shares of beneficial interest will bear a legend referring to the restrictions described above and a statement that we will furnish a copy of our Declaration of Trust to a shareholder on request and without charge.

All persons who own, directly or by virtue of the attribution provisions of the Internal Revenue Code, more than 5% (or other percentage between 1/2 of 1% and 5% as provided in the applicable rules and regulations under the Internal Revenue Code) of the lesser of the number or value of our outstanding shares of beneficial interest must give a written notice to us by January 30 of each year. In addition, each shareholder will, upon demand, be required to disclose to us in writing information with respect to the direct, indirect and constructive ownership of our shares of beneficial interest as our Board of Trustees deems reasonably necessary to comply with the provisions of the Internal Revenue Code applicable to a REIT, to comply with the requirements of any taxing authority or governmental agency or to determine our compliance with such provisions or requirements.

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FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material federal income tax consequences and considerations relating to the acquisition, holding, and disposition of our common shares. For purposes of this section under the heading Federal Income Tax Considerations, we, our, us, and the Company refer to Ramco-Gershenson Properties Trust, including its predecessor Ramco-Gershenson Properties Trust (formerly known as RPS Realty Trust), a Massachusetts business trust, but excluding all its subsidiaries and affiliated entities, and the Operating Partnership refers to Ramco-Gershenson Properties, L.P. This summary is based upon the Internal Revenue Code of 1986, as amended, the regulations promulgated by the U.S. Treasury Department (which are referred to in this section as Treasury Regulations), rulings and other administrative pronouncements issued by the IRS, and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any description of the tax consequences summarized below. No advance ruling has been or will be sought from the IRS regarding any matter discussed in this prospectus. This summary is also based upon the assumption that our operation and the operation of each of our subsidiaries and affiliated entities will be in accordance with any applicable organizational documents or partnership or limited liability company operating agreement. This summary is for general information only, and does not purport to discuss all aspects of federal income taxation that may be important to a particular investor in light of its investment or tax circumstances, or to investors subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- broker-dealers;
- regulated investment companies;
- holders who receive common shares through the exercise of employee stock options or otherwise as compensation;
- persons holding common shares as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investmen

and, except to the extent discussed below:

- tax-exempt organizations; and
- foreign investors.

This summary assumes that investors will hold their common shares as capital assets, which generally means as property held for investment.

The federal income tax treatment of holders of common shares depends in some instances on determinations of fact and interpretations of complex provisions of federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences of holding common shares to any particular holder will depend on the holder s particular tax circumstances. You are urged to consult your own tax advisor regarding the federal, state, local, and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of common shares.

Taxation of the Company

We first elected to qualify as a REIT for the taxable year ended December 31, 1988 under Sections 856 through 860 of the Internal Revenue Code and applicable provisions of the Treasury Regulations, which set forth the requirements for qualifying as a REIT. Our policy has been and is to operate in such a manner as to qualify as a REIT for federal income tax purposes. If we so qualify, then we will generally not be subject to corporate income tax on amounts we pay as distributions to our shareholders. For any year in which we do not meet the requirements for qualifying as a REIT, we will be taxed as a corporation. See Failure to Qualify below.

We have received an opinion from Honigman Miller Schwartz and Cohn LLP, our special tax counsel, to the effect that since the commencement of our taxable year which began January 1, 2002, we have been organized in conformity with the requirements for qualification as a REIT under the Internal Revenue Code, and that our actual method of operation has enabled, and our proposed method of operation will enable, us to meet the requirements for qualification and taxation as a REIT. A copy of this opinion is filed as an exhibit to the registration statement of which this prospectus is a part. It must be emphasized that the opinion of Honigman Miller Schwartz and Cohn LLP is based on various assumptions relating to our organization and operation, and is conditioned upon representations and covenants made by our management regarding our assets and the past, present, and future conduct of our business operations. While we intend to operate so that we will qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Honigman Miller Schwartz and Cohn LLP or by us that we will so qualify for any particular year. The opinion was expressed as of the date issued, and will not cover subsequent periods. Honigman Miller Schwartz and Cohn LLP will have no obligation to advise us or the holders of our common shares of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS or any court, and no assurance can be given that the IRS will not challenge, or a court will not rule contrary to, the conclusions set forth in such opinions.

Our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual operating results, distribution levels, and diversity of stock ownership, various qualification requirements imposed upon REITs by the Internal Revenue Code, the compliance with which has not been, and will not be, reviewed by Honigman Miller Schwartz and Cohn LLP. In addition, our ability to qualify as a REIT depends in part upon the operating results, organizational structure and entity classification for federal income tax purposes of certain of our affiliated entities, the status of which may not have been reviewed by Honigman Miller Schwartz and Cohn LLP. Accordingly, no assurance can be given that the actual results of our operations for any taxable year satisfy such requirements for qualification and taxation as a REIT.

Taxation of REITs in General

As indicated above, our qualification and taxation as a REIT depend upon our ability to meet, on a continuing basis, various qualification requirements imposed upon REITs by the Internal Revenue Code. The material qualification requirements are summarized below under Requirements for Qualification General below. While we intend to operate so that we qualify as a REIT, no assurance can be given that the IRS will not challenge our qualification, or that we will be able to operate in accordance with the REIT requirements in the future.

As a REIT, we will generally be entitled to a deduction for dividends that we pay and therefore will not be subject to federal corporate income tax on our net income that is currently distributed to our shareholders. This treatment substantially eliminates the double taxation at

the corporate and shareholder levels that generally results from investment in a corporation or an entity treated as a corporation for federal income tax purposes. Rather, income generated by a REIT generally is taxed only at the shareholder level upon a distribution of dividends by the REIT. Net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to the shareholders of the REIT, subject to special rules for certain items such as capital gains recognized by REITs. See Taxation of Shareholders below.

As a REIT, we will nonetheless be subject to federal tax in the following circumstances:

We will be taxed at regular corporate rates on any undistributed income, including undistributed net capital gains.

We may be subject to the alternative minimum tax on our items of tax preference, including any deductions of net operating losses.

If we have net income from prohibited transactions, which are, in general, sales or other dispositions of property held primarily for sales to customers in the ordinary course of business, other than foreclosure property, such income will be subject to a 100% excise tax. See Prohibited Transactions and Foreclosure Property below.

If we elect to treat property that we acquire in connection with a foreclosure of a mortgage loan or certain leasehold terminations as foreclosure property, we may thereby avoid the 100% excise tax on gain from a resale of that property (if the sale would otherwise constitute a prohibited transaction), but the income from the sale or operation of the property may be subject to corporate income tax at the highest applicable rate (currently 35%).

If we should fail to satisfy the 75% gross income test or the 95% gross income test discussed below, but nonetheless maintain our qualification as a REIT because other requirements are met, we will be subject to a 100% tax on an amount equal to (1) the amount by which we fail the 75% gross income test or the amount by which we fail the 95% gross income test (whichever is greater), multiplied by (2) a fraction intended to reflect our profitability.

If we should fail to distribute during each calendar year at least the sum of (1) 85% of our REIT ordinary income for such year, (2) 95% of our REIT capital gain net income for such year, and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of such sum over the amounts actually distributed plus retained amounts on which income tax is paid at the corporate level.

We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet certain record keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT s shareholders, as described below in Requirements for Qualification General below.

A 100% excise tax may be imposed on some items of income and expense that are directly or constructively paid between a REIT and a taxable REIT subsidiary (described below) if and to the extent the IRS successfully adjusts the reported amounts of these items.

If we own assets that were held on the first day of a taxable year for which we first requalify as a REIT after being subject to tax as a corporation under subchapter C of the Internal Revenue Code, or if we acquire any asset from a subchapter C corporation in a transaction in which gain or loss is not recognized, and we subsequently recognize gain on the disposition of any such asset during the ten-year period (referred to in this section as the Recognition Period) beginning on the date on which we requalify as a REIT or we acquire the asset (as the case may be), then the excess of (i) the fair

market value of the asset as of the beginning of the Recognition Period, over (ii) our adjusted basis in such asset as of the beginning of such Recognition Period (such excess referred to in this section as Built-in Gain) will generally be (with certain adjustments) subject to tax at the highest corporate income tax rate then in effect. (The rule described in the immediately preceding sentence is referred to in this section as the Built-in Gain Rule.) In lieu of such taxation of the Built-in Gain, we may make an election so that, in the case of assets we held on the first day of the taxable year of requalification as a REIT, we would recognize the Built-in Gain the day before such first day, and, in the case of assets we acquire from a subchapter C corporation, the Built-in Gain would be recognized by such corporation on the day before such acquisition. (The rule described in the immediately preceding sentence is referred to in this section as the Deemed Sale Rule.) See Tax Consequences of Re-election of REIT Status below.

Certain of our subsidiaries are corporations the earnings of which are subject to corporate income tax. In addition, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes, and state and local income, property and other taxes on our assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Requirements for Qualification General

The Internal Revenue Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest;

(3) that would be taxable as a domestic corporation but for the special Internal Revenue Code provisions applicable to REITs;

(4) that is neither a financial institution nor an insurance company subject to certain provisions of the Internal Revenue Code;

(5) the beneficial ownership of which is held by 100 or more persons;

(6) not more than 50% in value of the outstanding stock of which is owned, directly or indirectly through the application of certain attribution rules, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) during the last half of each taxable year; and

(7) that meets other tests described below, including tests with respect to the nature of its income and assets.

The Internal Revenue Code provides that conditions (1) through (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. We satisfy the requirements set forth in (1) through (5) above and believe that we satisfy the requirement set forth in (6) above. In addition, our Declaration of Trust (as amended and restated) currently includes certain restrictions regarding transfer of our shares of beneficial interest which are intended (among other things) to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above.

To monitor compliance with the share ownership requirements, we are generally required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of significant percentages of our shares in which the record holders are to disclose the actual owners of such shares (that is, the persons

required to include in gross income the dividends we paid). A list of those persons failing or refusing to comply with this demand must be maintained as part of our records. Our failure to comply with these record keeping requirements could subject us to monetary penalties. A shareholder that fails or refuses to comply with the demand is required by Treasury Regulations to submit a statement with its tax return disclosing the actual ownership of the shares and other information.

In addition, a trust generally may not elect to become a REIT unless its taxable year is the calendar year. We satisfy this requirement.

Effect of Subsidiary Entities

Ownership of Partnership Interests. In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that the REIT is deemed to own its proportionate share of the partnership s assets, and to earn its proportionate share of the partnership s income, for purposes of the asset and gross income tests applicable to REITs described below. In addition, the assets and gross income of the partnership are deemed to retain the same character in the hands of the REIT. Thus, our proportionate share of the assets and items of income of the Operating Partnership and our other subsidiary partnerships are treated as our assets and items of income for purposes of applying the REIT requirements described below. A summary of certain rules governing the federal income taxation of partnerships and their partners is provided below in Tax Aspects of Investment in the Operating Partnership.

Disregarded Subsidiaries. If a REIT owns a corporate subsidiary that is a qualified REIT subsidiary, that subsidiary is disregarded for federal income tax purposes, and all assets, liabilities and items of income, deduction and credit of the subsidiary are treated as assets, liabilities and items of income, deduction and credit of the REIT itself, including for purposes of applying the gross income and asset tests applicable to REITs summarized below. A qualified REIT subsidiary is any corporation, other than a taxable REIT subsidiary (described below), that is wholly-owned by a REIT, or by other disregarded subsidiaries, or by a combination of the two. We have two qualified REIT subsidiaries. Other entities we wholly own, including single member limited liability companies, are also generally disregarded as separate entities for federal income tax purposes, including for purposes of applying the REIT income and asset tests. Disregarded subsidiaries, along with our subsidiary partnerships, are sometimes referred to as pass-through subsidiaries.

In the event that any of our disregarded subsidiaries ceases to be wholly-owned (for example, if any equity interest in the subsidiary is acquired by a person other than us or another of our disregarded subsidiaries), the subsidiary s separate existence would no longer be disregarded for federal income tax purposes. Instead, it would have multiple owners and would be treated as either a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% (as measured by either voting power or value) of the securities of another corporation. See Income Tests and Asset Tests below

Taxable Subsidiaries. Effective after 2000, a REIT, in general, may jointly elect with a subsidiary corporation, whether or not wholly-owned, to treat the subsidiary corporation as a taxable REIT subsidiary of the REIT. (A taxable REIT subsidiary is referred to in this section as a TRS.) We have made a joint election with Ramco-Gershenson, Inc. effective January 1, 2001, to treat Ramco-Gershenson, Inc. as a TRS. The separate existence of a TRS (such as Ramco-Gershenson, Inc.) or other taxable corporation, unlike a disregarded subsidiary as discussed above, is not ignored for federal income tax purposes. Accordingly, such an entity would generally be subject to corporate income tax on its earnings, which may reduce the cash

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flow we and our subsidiaries generate in the aggregate, and our ability to make distributions to our shareholders.

A parent REIT is not treated as holding the assets of a taxable subsidiary corporation or as receiving any undistributed income that the subsidiary earns. Rather, the stock issued by the subsidiary is an asset in the hands of the parent REIT, and the REIT recognizes as income, the dividends, if any, that it receives from the subsidiary. This treatment can affect the income and asset test calculations that apply to the REIT. Because a parent REIT does not include the assets and income of taxable subsidiary corporations in determining the parent s compliance with the REIT requirements, these entities may be used by the parent REIT indirectly to undertake activities that the applicable rules might otherwise preclude the parent REIT from doing directly or through pass-through subsidiaries (for example, activities that give rise to certain categories of income, such as management fees, that do not qualify under the 75% and 95% gross income tests described immediately below).

Income Tests

In order to maintain qualification as a REIT, we must annually satisfy two gross income requirements. First, at least 75% of our gross income for each taxable year, excluding gross income from sales of inventory or dealer property in prohibited transactions, must derive from (1) investments in real property or mortgages on real property, including rents from real property, dividends received from other REITs, interest income derived from mortgage loans secured by real property (including certain types of mortgage backed securities), and gains from the sale of real estate assets, or (2) certain kinds of temporary investment of new capital. Second, at least 95% of our gross income in each taxable year, excluding gross income from prohibited transactions, must derive from some combination of such income from investments in real property and temporary investment of new capital (that is, income that qualifies under the 75% income test described above), as well as other dividends, interest, and gain from the sale or disposition of stock or securities, which need not have any relation to real property.

For purposes of satisfying the gross income tests described above, rents from real property generally include rents from interests in real property, charges for services customarily furnished or rendered in connection with the rental of real property (whether or not such charges are separately stated), and rent attributable to personal property which is leased under, or in connection with, a lease of real property. However, the inclusion of these items as rents from real property is subject to the conditions described immediately below.

Any amount received or accrued, directly or indirectly, with respect to any real or personal property cannot be based in whole or in part on the income or profits of any person from such property. However, an amount received or accrued generally will not be excluded from rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales. In addition, amounts received or accrued based on income or profits do not include amounts received from a tenant based on the tenant s income from the property if the tenant derives substantially all of its income with respect to such property from the leasing or subleasing of substantially all of such property, provided that the tenant receives from subtenants only amounts that would be treated as rents from real property if received directly by a REIT.

Amounts received from a tenant generally will not qualify as rents from real property in satisfying the gross income tests if the REIT directly, indirectly, or constructively owns, (1) in the case of a tenant which is a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote or 10% or more of the total value of shares of all classes of stock of such tenant, or, (2) in the case of a tenant which

is not a corporation, an interest of 10% or more in the assets or net profits of such tenant. (Such a tenant is referred to in this section as a Related Party Tenant.)

If rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property. The determination whether more than 15% of the rents received by a REIT from a property are attributable to personal property is based upon a comparison of the fair market value of the personal property leased by the tenant to the fair market value of all the property leased by the tenant.

Rents from real property do not include any amount received or accrued directly or indirectly by a REIT for services furnished or rendered to tenants of a property or for managing or operating a property, unless the services furnished or rendered, or management or operation provided, are of a type that a tax-exempt organization can provide to its tenants without causing its rental income to be unrelated business taxable income under the Internal Revenue Code (that is, unless they are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered primarily for the tenant s convenience). Services, management, or operation which, if provided by a tax-exempt organization, would give rise to unrelated business taxable income (referred to in this section as Impermissible Tenant Services) will not be treated as provided by the REIT if provided by either an independent contractor (as defined in the Internal Revenue Code) who is adequately compensated and from whom the REIT does not derive any income, or by a TRS. If an amount received or accrued by a REIT for providing Impermissible Tenant Services to tenants of a property exceeds 1% of all amounts received or accrued by the REIT with respect to such property in any year, none of such amounts will constitute rents from real property. For purposes of this test, the income received from Impermissible Tenant Services is deemed to be at least 150% of the direct cost of providing the services. If the 1% threshold is not exceeded, only the amounts received for providing Impermissible Tenant Services will not qualify as rents from real property.

Substantially all of our income derives from the Operating Partnership. The Operating Partnership s income derives largely from rent attributable to the properties described above in Description of the Company Properties (which properties are referred to in this section as the Properties). The Operating Partnership also derives income from Ramco-Gershenson, Inc. to the extent that Ramco-Gershenson, Inc. pays dividends on shares owned by the Operating Partnership. The Operating Partnership does not charge, and is not expected to charge, rent that is based in whole or in part on the income or profits of any person except for rent based on a fixed percentage or percentages of receipts or sales. The Operating Partnership is not anticipated to derive rent attributable to personal property leased in connection with real property that exceeds 15% of the total rent.

In addition, we do not believe that we derive (through the Operating Partnership) rent from a Related Party Tenant. However, the determination of whether we own 10% or more (as measured by either voting power or value) of any tenant is made after the application of complex attribution rules under which we will be treated as owning interests in tenants that are owned by our Ten Percent Shareholders. In identifying our Ten Percent Shareholders, each individual or entity will be treated as owning shares held by related individuals and entities. Accordingly, we cannot be absolutely certain whether all Related Party Tenants have been or will be identified. Although rent derived from a Related Party Tenant will not qualify as rents from real property and, therefore, will not be qualifying income under the 75% or 95% gross income tests, we believe that the aggregate amount of such rental income (together with any other nonqualifying income) in any taxable year will not cause us to exceed the limits on nonqualifying income under such gross income tests.

The Operating Partnership provides certain services with respect to the Properties (and will provide such services with respect to any newly acquired properties) through Ramco-Gershenson, Inc. Because Ramco-Gershenson, Inc. is a TRS, the provision of such services will not cause the amounts received by us (through our ownership interest in the Operating Partnership) with respect to the Properties to fail to qualify as rents from real property for purposes of the 75% and 95% gross income tests.

We may indirectly receive distributions from TRSs or other corporations that are neither REITs nor qualified REIT subsidiaries. These distributions will be classified as dividend income to the extent of the earnings and profits of the distributing corporation. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test, but not for purposes of the 75% gross income test.

In sum, our investment in real properties through the Operating Partnership and the provision of services with respect to those properties through Ramco-Gershenson, Inc. gives and will give rise mostly to rental income qualifying under the 75% and 95% gross income tests. Gains on sales of such properties, or of our interest in the Operating Partnership, will generally qualify under the 75% and 95% gross income tests. We anticipate that income on our other investments will not result in our failing the 75% or 95% gross income test for any year.

If we fail to satisfy one or both of the 75% and 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for such year if we are entitled to relief under certain provisions of the Internal Revenue Code. These relief provisions generally will be available if (1) our failure to meet such tests was due to reasonable cause and not due to willful neglect, (2) we attached a schedule of the sources of our income to our return, and (3) any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. As discussed above in Taxation of REITs in General, even if these relief provisions apply, a tax would be imposed with respect to the excess gross income.

Asset Tests

At the close of each calendar quarter of our taxable year, we must also satisfy the following four tests relating to the nature of our assets. For purposes of each of these tests, our assets are deemed to include the assets of any disregarded subsidiary and our share of the assets of any subsidiary partnership, such as the Operating Partnership.

- At least 75% of the value of our total assets must be represented by some combination of real estate assets, cash, cash items, U.S. government securities, and, under some circumstances, stock or debt instruments purchased with new capital. For this purpose, real estate assets include interests in real property, such as land, buildings, leasehold interests in real property, stock of corporations that qualify as REITs, and some kinds of mortgage backed securities and mortgage loans.

- The value of any one issuer s securities owned by us may not exceed 5% of the value of our assets. This asset test does not apply to securities of TRSs.

- We may not own more than 10% of any one issuer s outstanding securities, as measured by either voting power or value. This asset test does not apply to securities of TRSs or to straight debt having specified characteristics.

- The aggregate value of all securities of TRSs we hold may not exceed 20% of the value of our total assets.

Notwithstanding the general rule that, for purposes of the REIT income and asset tests, we are treated as owning our proportionate share of the underlying assets of our subsidiary

partnerships, if we hold indebtedness issued by such a partnership, the indebtedness will be subject to, and may cause a violation of, the asset tests, unless it is a qualified mortgage asset or otherwise satisfies the rules for straight debt.

After meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If the failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, the failure can be cured by a disposition of sufficient nonqualifying assets within 30 days after the close of that quarter. We believe that we maintain adequate records with respect to the nature and value of our assets to ensure compliance with the asset tests and to enable us to take such action within 30 days after the close of any quarter as may be required to cure any noncompliance. There can be no assurance, however, that we will always successfully take such action.

We believe that our holdings of securities and other assets have complied and will continue to comply with the foregoing REIT asset requirements, and we intend to monitor compliance on an ongoing basis. No independent appraisals have been obtained, however, to support our conclusions as to the value of our total assets, or the value of any particular security or securities. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. Accordingly, there can be no assurance that the IRS will not contend that we fail to meet the REIT asset requirements by reason of our interests in our subsidiaries or in the securities of other issuers or for some other reason. The IRS has asserted that, during the third quarter of 1994, we violated the requirement that not more than 25% of our total assets be represented by securities other than those in the 75% asset class. See Tax Audit below.

Annual Distribution Requirements

In order to qualify as a REIT, we are required to distribute dividends (other than capital gain dividends) to our shareholders each year in an amount at least equal to: (1) the sum of (a) 90% of our REIT taxable income (computed without regard to the dividends paid deduction, our net capital gain and net income from foreclosure property, and with certain other adjustments) and (b) 90% of our net income, if any, from foreclosure property (described below); minus (2) the sum of certain items of non-cash income.

These distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for the taxable year to which they relate and if paid on or before the first regular dividend payment after such declaration. In order for distributions to be counted for this purpose, and to give rise to a tax deduction by us, they must not be preferential dividends. A dividend is not a preferential dividend if it is pro rata among all outstanding shares within a particular class, and is in accordance with the preferences among different classes of shares as set forth in our organizational documents. In addition, any dividend we declare in October, November, or December of any year and payable to a shareholder of record on a specified date in any such month will be treated as both paid by us and received by the shareholder on December 31 of such year, provided that we actually pay the dividend before the end of January of the following calendar year.

To the extent that we distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be subject to tax at ordinary corporate rates on the retained portion. We may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect to have our shareholders include their proportionate share of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax we paid. Our shareholders would then increase the adjusted basis of their common shares by the difference between the designated amounts included in their long-term capital gains and the tax deemed paid with respect to their shares.

To the extent that we had available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. Such losses, however, will generally not affect the character, in the hands of the shareholders, of any distributions that are actually made by us, which are generally taxable to the shareholders to the extent that we have current or accumulated earnings and profits. See Taxation of Shareholders Taxation of Taxable Domestic Shareholders Distributions below.

If we fail to distribute during each calendar year at least the sum of: (1) 85% of our REIT ordinary income for that year; (2) 95% of our REIT capital gain net income for that year; and (3) any undistributed taxable income from prior periods, we would be subject to a 4% excise tax on the excess of such sum over the amounts actually distributed plus retained amounts on which income tax is paid at the corporate level. We believe that we have made, and intend to continue to make, timely distributions so that we are not subject to the 4% excise tax.

In addition, if we dispose of any asset subject to the Built-in Gain Rule (described above), then depending on the character of the asset, we might be required to distribute 90% of the Built-in Gain (less our tax on such gain), if any, recognized on the disposition of such asset under the 90% distribution requirement described above.

We intend to make timely distributions sufficient to satisfy the annual distribution requirements. In this regard, the partnership agreement of the Operating Partnership stipulates that we, as general partner, must use our best efforts to cause the Operating Partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements. It is possible that we, from time to time, may not have sufficient cash or other liquid assets to meet the 90% distribution requirement, as a result of timing differences between the actual receipt of cash (including distributions from the Operating Partnership) and actual payment of expenses on the one hand, and the inclusion of such income and deduction of such expenses in computing our REIT taxable income on the other hand. To avoid any failure to comply with the 90% distribution requirement, we will closely monitor the relationship between our REIT taxable income and cash flow, and if necessary, will borrow funds (or cause the Operating Partnership or other affiliates to borrow funds) in order to satisfy the distribution requirement.

Under certain circumstances, we may be able to rectify a failure to meet the distribution requirement for a year by paying deficiency dividends to shareholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends. We will be required to pay interest, however, based upon the amount of any deduction taken for deficiency dividends.

Failure to Qualify

If we fail to qualify for taxation as a REIT in any taxable year, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to shareholders in any year in which we fail to qualify will not be deductible by us, nor will they be required to be made. In such event, to the extent of current and accumulated earnings and profits, all distributions to shareholders will be taxable as ordinary income, and, subject to certain limitations in the Internal Revenue Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, we will also be disqualified from taxation as a REIT for the four taxable years following the year our REIT status was terminated. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

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Prohibited Transactions

Net income derived from a prohibited transaction is subject to a 100% excise tax. The term prohibited transaction generally includes a sale or other disposition of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. The Operating Partnership owns interests in real property that is situated on the periphery of certain of the Properties. We and the Operating Partnership believe that this peripheral property is not held for sale to customers and that the sale of such peripheral property will not be in the ordinary course of the Operating Partnership s business. We intend to conduct our operations so that no asset owned by us or our pass-through subsidiaries will be held for sale to customers, and that a sale of any such asset will not be in the ordinary course of our business. Whether property is held primarily for sale to customers in the ordinary course of our business depends, however, on the facts and circumstances as they exist from time to time, including those relating to a particular property. As a result, no assurance can be given that we can avoid being deemed to own property that the IRS later characterizes as property held primarily for sale to customers in the ordinary course of our business, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment.

Foreclosure Property

Foreclosure property is real property and any personal property incident to such real property (1) that is acquired by a REIT as the result of the REIT s having bid in the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (2) the loan or lease related to which was acquired by the REIT at a time when default was not imminent or anticipated, and (3) which such REIT makes a proper election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate rate (currently 35%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% excise tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property in the hands of the selling REIT.

Tax Audit

During the third quarter of 1994, we held more than 25% of the value of our total assets in short-term Treasury Bill reverse repurchase agreements, which could be viewed as non-qualifying assets for purposes of applying the 75% asset test. (Our ownership of the short-term Treasury Bill reverse repurchase agreements is referred to in this section as the Asset Issue.) We requested that the IRS enter into a closing agreement with us that the Asset Issue would not adversely affect our status as a REIT. The IRS deferred any action relating to the Asset Issue pending the further examination of our taxable years ended December 31, 1991 through 1994. As discussed below, the field examination has since been completed and the IRS has proposed to disqualify us as a REIT for our taxable year ended December 31, 1994 based on the Asset Issue. Our former tax counsel, Battle Fowler LLP, had rendered an opinion on March 6, 1996 that our investment in the short-term Treasury Bill reverse repurchase agreements would not adversely affect our REIT status. This opinion, however, is not binding upon the IRS or any court.

In connection with the incorporation and distribution of all of the shares of Atlantic Realty Trust (which is referred to in this section as Atlantic) in May 1996, we entered into a tax agreement with Atlantic under which Atlantic assumed all our tax liability arising out of the IRS

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then ongoing examination, excluding any tax liability relating to any actions or events occurring, or any tax return position taken, after May 10, 1996, but including liabilities for additions to tax, interest, penalties and costs relating to covered taxes. (This tax agreement is referred to in this section as the Tax Agreement.) Under the Tax Agreement, a group of our trustees consisting of Stephen R. Blank, Arthur Goldberg and Joel Pashcow has the right to control, conduct and effect the settlement of any claims for taxes for which Atlantic assumed liability. Accordingly, Atlantic does not have any control as to the timing of the resolution or disposition of any such claims. In addition, the Tax Agreement provides that, to the extent any tax covered by the Tax Agreement can be avoided through the declaration of a deficiency dividend (that is, our declaration and payment of a current distribution that is permitted to relate back to the year for which the IRS determines a deficiency in order to satisfy the distribution requirement for such year), we will make, and Atlantic will reimburse us for the amount of, such deficiency dividend.

In addition to examining our taxable years ended December 31, 1991 through 1994, the IRS examined our taxable year ended December 31, 1995. The IRS revenue agent issued an examination report on March 1, 1999 (which is referred to in this section as the First Report). As previously noted, the First Report proposes to disqualify us as a REIT for our taxable year ended December 31, 1994 based on the Asset Issue. In addition, the First Report proposes to increase our REIT taxable income for our taxable years ended December 31, 1991, 1992, 1993, and 1995. In this regard, we and Atlantic received an opinion from special tax counsel, Wolf, Block, Schorr and Solis-Cohen, on March 25, 1996 that, to the extent there is a deficiency in our REIT taxable income for our taxable years ended December 31, 1991 through 1994, and provided we timely pay a deficiency dividend, our status as a REIT for those taxable years would not be affected. The First Report acknowledges that we can avoid disqualification as a REIT for failure to meet the distribution requirement with respect to a year for which our REIT taxable income is increased by payment of a deficiency dividend. However, the First Report notes that the payment of a deficiency dividend cannot cure our disqualification as a REIT for the taxable year ended December 31, 1994 based on the Asset Issue.

We believe that most of the positions set forth in the First Report are unsupported by the facts and applicable law. Accordingly, on April 30, 1999, we filed a protest with the Appeals Office of the IRS to contest most of the positions set forth in the First Report. The Appeals Officer returned the case file to the revenue agent for further development. On October 29, 2001, the revenue agent issued a new examination report (which is referred to in this section as the Second Report) that arrived at very much the same conclusions as the First Report. We filed a protest of the Second Report with the IRS on November 29, 2001 and expect to have a meeting with the appellate conferee in the near future. If a satisfactory result cannot be obtained through the administrative appeals process, judicial review of the determination is available to us.

If, notwithstanding the above-described opinions of legal counsel, the IRS successfully challenges our status as a REIT for any taxable year, we will be able to re-elect REIT status commencing with the fifth taxable year following the initial year of disqualification (or possibly an earlier taxable year if we meet certain relief provisions under the Internal Revenue Code). Thus, for example, if the IRS successfully challenges our status as a REIT solely for our taxable year ended December 31, 1994 based on the Asset Issue, we will be able to re-elect REIT status no later than our taxable year which began January 1, 1999.

In addition to the above-described examination, the IRS is currently conducting an examination of us for the taxable years ended December 31, 1996 and 1997, and of the Operating Partnership for the taxable years ended December 31, 1997 and 1998.

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In the notes to the consolidated financial statements made part of Atlantic s quarterly report on Form 10-Q filed with the Securities and Exchange Commission for the quarter ended September 30, 2001, Atlantic has disclosed its liability for the tax deficiencies (and interest and penalties on the tax deficiencies) proposed to be assessed against us by the IRS for the taxable years ended December 31, 1991 through 1995, as reflected in each of the First Report and Second Report. We believe, but can provide no assurance, that Atlantic currently has sufficient net assets to pay such tax deficiencies, interest and penalties. If the amount of tax, interest and penalties assessed against us ultimately exceeds the amounts proposed in each of the First Report and Second Report, however, because interest continues to accrue on the proposed tax deficiencies, or additional tax deficiencies are proposed or for any other reason, then Atlantic may not have sufficient assets to reimburse us for all amounts we must pay to the IRS, and we would be required to pay the difference out of our own funds. Accordingly, the ultimate resolution of any controversy over tax liabilities covered by the Tax Agreement may have a material adverse effect on our financial position, results of operations or cash flows, including if we are required to distribute deficiency dividends to our shareholders and/or pay additional taxes, interest and penalties to the IRS in amounts that exceed the value of Atlantic s net assets. Moreover, the IRS may assess us with taxes that Atlantic is not required under the Tax Agreement to pay, such as taxes arising from the recently-commenced examination of us for the taxable years ended December 31, 1996 and 1997, and of the Operating Partnership for the taxable years ended December 31, 1997 and 1998. There can be no assurance, therefore, that the IRS will not assess us with substantial taxes, interest and penalties which Atlantic cannot, is not required to, or otherwise does not pay.

Tax Consequences of Re-election of REIT Status

As discussed above under Tax Audit, if the IRS is successful in its challenge of our REIT status for any taxable year, we will be able to re-elect REIT status commencing with the fifth succeeding taxable year (or possibly an earlier taxable year if we meet certain relief provisions under the Internal Revenue Code). Under Temporary Treasury Regulations effective for transactions in which a subchapter C corporation qualifies as a REIT (including, in the case of a subchapter C corporation that formerly qualified as a REIT, requalification as a REIT) or in which a REIT acquires (without the recognition of gain or loss) any asset from a subchapter C corporation on or after January 2, 2002, the Built-in Gain Rule applies unless the REIT elects to have the Deemed Sale Rule apply. See Taxation of the Company Taxation of REITs in General above.

Under Temporary Treasury Regulations effective for transactions in which a subchapter C corporation qualifies as a REIT (including, in the case of a subchapter C corporation that formerly qualified as a REIT, requalification as a REIT) or in which a REIT acquires (without the recognition of gain or loss) any asset from a subchapter C corporation on or after June 10, 1987 and before January 2, 2002, the Deemed Sale Rule applies unless the REIT elects to have the Built-in Gain Rule apply. A REIT can retroactively elect to have the Built-in Gain Rule apply if it makes the election on any federal income tax return filed by it before March 15, 2003 (provided, however, that the REIT has reported consistently with the election for all prior periods).

Both sets of Temporary Treasury Regulations, are (and each of the Deemed Sale Rule and the Built-in Gain Rule is) inapplicable to any requalification as a REIT by a corporation that, (1) immediately prior to requalifying as a REIT, was taxed as a subchapter C corporation for a period not exceeding two taxable years, and, (2) immediately prior to being taxed as a subchapter C corporation, was taxed as a REIT for a period of at least one taxable year. In addition, if the REIT had an asset subject to the Built-in Gain Rule before the REIT became subject to tax as a subchapter C corporation, then the Recognition Period with respect to such asset is reduced by the portion of the Recognition Period that expired before the REIT became

subject to tax as a subchapter C corporation and by the ensuing period of time that the corporation was subject to tax as a subchapter C corporation.

If we are disqualified as a REIT for any taxable year as a result of the recently-concluded or pending IRS examination described in Tax Audit above, and we re-elect REIT status beginning with the fifth succeeding taxable year after such taxable year, (i) the Deemed Sale Rule would apply if our election to requalify as a REIT is effective on or after June 10, 1987 and before January 2, 2002, unless we elect to have the Built-in Gain Rule apply, and (ii) the Built-in Gain Rule would apply to all of our assets held on the first day of the fifth succeeding taxable year after disqualification if our election to requalify as a REIT is effective on or after January 2, 2002 (and we would begin a new Recognition Period on the first day of such fifth succeeding taxable year), unless we elect to have the Deemed Sale Rule apply. We intend to elect to have the Built-in Gain Rule apply for the period after June 9, 1987 and before January 2, 2002, but we do not intend to elect to have the Deemed Sale Rule apply for the period after January 1, 2002. In any event, if we were able to re-elect REIT status beginning with the first or second succeeding taxable year after the taxable year of disqualification, the rules under the Temporary Treasury Regulations would not apply under the exception to such rules described in the immediately preceding paragraph.

In addition, if we are disqualified as a REIT for any taxable year or years and we re-elect REIT status in a subsequent taxable year, the earnings and profits we accumulated as a subchapter C corporation would have to be distributed to our shareholders by the close of the first taxable year for which we re-elect REIT status. For taxable years beginning before August 6, 1997, a distribution is treated for this purpose as being made from the most recently accumulated earnings and profits instead of the earliest accumulated earnings and profits. Conversely, for taxable years beginning after August 5, 1997 and before 2001, a distribution is treated for this purpose as being made from the earliest accumulated earnings and profits rather than from the most recently accumulated earnings and profits. For taxable years after 2000, a distribution is treated for this purpose as first coming from earnings and profits that the REIT accumulated while subject to tax as a subchapter C corporation. Therefore, if we are disqualified as a REIT for any taxable year or years and we re-elect REIT status in a subsequent taxable year beginning after August 5, 1997, any distributions in such subsequent taxable year would likely be treated as first having been made from the earnings and profits we accumulated while subject to tax as a subchapter C corporation. Moreover, if we re-elect to be a REIT for a taxable year and fail to distribute such accumulated earnings and profits by the close of such year, we may distribute them (less an interest charge payable to the IRS on half the amount of the accumulated earnings and profits) in a subsequent year in which there is a determination that we would not otherwise qualify as a REIT for the taxable year of the re-election, provided that such determination contains a finding that the failure to distribute such accumulated earnings and profits by the close of the year of re-election was not due to fraud with intent to evade tax.

Tax Aspects of Investment in the Operating Partnership

General

We hold a direct interest in the Operating Partnership and, through the Operating Partnership, hold an indirect interest in certain other partnerships and in limited liability companies classified as partnerships for federal income tax purposes (which, together, are referred to in this section as the Partnerships). In general, partnerships are pass-through entities which are not subject to federal income tax. Rather, partners are allocated their proportionate shares of the items of income, gain, loss, deduction, and credit of a partnership, and are potentially subject to tax thereon, without regard to whether the partners receive a distribution from the partnership. We will include our proportionate share of the foregoing partnership items for purposes of the various REIT income tests and in computing our REIT taxable income. See Taxation of the Company Income Tests above. Any resultant

increase in our REIT taxable income will increase the amount we must distribute to satisfy the REIT distribution requirements (see Taxation of the Company Annual Distribution Requirements above) but will not be subject to federal income tax in our hands provided that we distribute such income to our shareholders. Moreover, for purposes of the REIT asset tests (see Taxation of the Company Asset Tests above), we will include our proportionate share of the assets held by the Partnerships.

Entity Classification

Our interests in the Partnerships involve special tax considerations, including the possibility of a challenge by the IRS of the status of the Operating Partnership or any other Partnership as a partnership (as opposed to an association taxable as a corporation) for federal income tax purposes. If the Operating Partnership or any of the other Partnerships were to be treated as an association, it would be taxable as a corporation and therefore subject to an entity-level tax on its income. In such a situation, the character of our assets and items of gross income would change, which would likely preclude us from satisfying the asset tests and possibly the income tests (see Taxation of the Company Income Tests and Taxation of the Company Asset Tests above), and in turn would prevent us from qualifying as a REIT. See Taxation of the Company Failure to Qualify above for a discussion of the effect of our failure to meet such tests for a taxable year. In addition, any change in the status of any of the Partnerships for federal income tax purposes might be treated as a taxable event, in which case we could have taxable income that is subject to the REIT distribution requirements without receiving any cash.

In general, under certain Treasury Regulations which became effective January 1, 1997 (referred to in this section as the Check-the-Box Regulations), an unincorporated entity with at least two members may elect to be classified either as a corporation or as a partnership for federal income tax purposes. If such an entity does not make an election, it generally will be treated as a partnership for federal income tax purposes. For such an entity that was in existence prior to January 1, 1997, such as the Operating Partnership and most of the other Partnerships, the entity will have the same classification (unless it elects otherwise) that it claimed under the rules in effect prior to the Check-the-Box Regulations. In addition, the federal income tax classification of an entity that was in existence prior to January 1, 1997 will be respected for all periods prior to January 1, 1997 if (1) the entity had a reasonable basis for its claimed classification, (2) the entity and all members of the entity recognized the federal income tax consequences of any changes in the entity s classification within the 60 months prior to January 1, 1997, and (3) neither the entity nor any member of the entity was notified in writing by a taxing authority on or before May 8, 1996 that the classification of the entity was under examination. We believe that the Operating Partnership and each of the other Partnerships which existed prior to January 1, 1997 reasonably claimed partnership classification under the Treasury Regulations relating to entity classification in effect prior to January 1, 1997, and such classification should be respected for federal income tax purposes. Each of them intends to continue to be classified as a partnership for federal income tax purposes, and none of them will elect to be treated as an association taxable as a corporation under the Check-the-Box Regulations.

Tax Allocations with Respect to the Properties

Pursuant to Section 704(c) of the Internal Revenue Code and applicable Treasury Regulations, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership (such as the Properties contributed to the Operating Partnership by the limited partners of the Operating Partnership) must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or

unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (referred to in this section as the Book-Tax Difference). Such allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The Operating Partnership was formed with contributions of appreciated property (including the Properties contributed by the limited partners of the Operating Partnership). Consequently, the Operating Partnership s partnership agreement requires allocations to be made in a manner consistent with Section 704(c) of the Internal Revenue Code and the applicable Treasury Regulations. Where a partner contributes cash to a partnership at a time when the partnership holds appreciated (or depreciated) property, the applicable Treasury Regulations provide for a similar allocation of these items to the other (that is, the non-contributing) partners. These rules may apply to any contribution by us to the Operating Partnership or the other Partnerships of cash proceeds received in offerings of our shares, including the offering of our common shares contemplated by this prospectus.

In general, the limited partners that contributed appreciated Properties to the Partnerships will be allocated less depreciation, and increased taxable gain on sale, of such Properties. This will tend to eliminate the Book-Tax Difference. However, the special allocation rules of Section 704(c) and the applicable Treasury Regulations do not always rectify the Book-Tax Difference on an annual basis or with respect to a specific taxable transaction such as a sale. Under the applicable Treasury Regulations, special allocations of income and gain and depreciation deductions must be made on a property-by-property basis. Depreciation deductions resulting from the carryover basis of a contributed property are used to eliminate the Book-Tax Difference by allocating such deductions to the non-contributing partners (for example, the Company) up to the amount of their share of book depreciation. Any remaining tax depreciation for the contributed property would be allocated to the partners who contributed the property. Each Partnership has elected the traditional method of rectifying the Book-Tax Difference under the applicable Treasury Regulations, pursuant to which if depreciation deductions are less than the non-contributing partners share of book depreciation, then the non-contributing partners lose the benefit of the tax deductions in the amount of the difference. When the property is sold, the resulting tax gain is used to the extent possible to eliminate any remaining Book-Tax Difference. Under the traditional method, it is possible that the carryover basis of the contributed assets in the hands of a Partnership may cause us to be allocated less depreciation and other deductions than would otherwise be allocated to us. This may cause us to recognize taxable income in excess of cash proceeds, which might adversely affect our ability to comply with the REIT distribution requirements. See Taxation of the Company Annual Distribution Requirements above.

With respect to property purchased by (and not contributed to) the Operating Partnership, such property will initially have a tax basis equal to its fair market value and Section 704(c) of the Internal Revenue Code and the applicable Treasury Regulations will not apply.

Sale of the Properties

Our share of any gain realized by the Operating Partnership or any other Partnership on the sale of any dealer property generally will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. See Taxation of the Company Prohibited Transactions above. Whether property is dealer property is a question of fact that depends on all the facts and circumstances with respect to the particular transaction. The Partnerships intend to hold the Properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing, owning, and operating the Properties and other shopping centers and to make such occasional sales of the Properties as are consistent with our investment objectives. Based upon such investment objectives, we believe that, in general, the Properties should not

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be considered dealer property and that the amount of income from prohibited transactions, if any, will not be material. Whether property is dealer property depends, however, on the particular facts and circumstances. No assurance can be given that any property sold by us or any of our Partnerships will not be dealer property, or that we can comply with certain safe-harbor provisions of the Internal Revenue Code that would prevent such treatment.

Taxation of Ramco-Gershenson, Inc.

A portion of the amounts to be used to fund distributions to our shareholders is expected to come from distributions made by Ramco-Gershenson, Inc., our TRS, to the Operating Partnership. In general, Ramco-Gershenson, Inc. pays federal, state and local income taxes on its taxable income at normal corporate rates. Any federal, state or local income taxes that Ramco-Gershenson, Inc. is required to pay will reduce our cash flow from operating activities and our ability to make distributions to holders of our securities, including our common shares.

Taxation of Shareholders

Taxation of Taxable Domestic Shareholders

Distributions. As a REIT, distributions made to our taxable domestic shareholders out of current or accumulated earnings and profits, and not designated as capital gain dividends, will be taken into account by them as ordinary income and will not be eligible for the dividends received deduction for corporations. The maximum federal income tax rate applicable to corporations is 35% and that applicable to ordinary income of individuals is currently 38.6% (37.6% for 2004 and 2005, and 35% for 2006 through 2010). Distributions that are designated as capital gain dividends will be taxed to shareholders as long-term capital gains, to the extent that they do not exceed our actual net capital gain for the taxable year, without regard to the period for which the shareholder has held its common shares. A similar treatment will apply to long-term capital gains we retain, to the extent that we elect the application of provisions of the Internal Revenue Code that treat shareholders of a REIT as having received, for federal income tax purposes, undistributed capital gains of the REIT, while passing through to shareholders a corresponding credit for taxes paid by the REIT on such retained capital gains. Corporate shareholders may be required to treat up to 20% of some capital gain dividends as ordinary income. Long-term capital gains are generally taxable at maximum federal rates of 20% in the case of shareholders who are individuals, and 35% for corporations. Capital gains attributable to the sale of depreciable real property held for more than 12 months are subject to a 25% maximum federal income tax rate for taxpayers who are individuals, to the extent of previously claimed depreciation deductions. Pursuant to Treasury Regulations to be promulgated by the U.S. Treasury Department, a portion of our distributions may be subject to the alternative minimum tax to the extent of our items of tax preference, if any, allocated to the shareholders.

Distributions in excess of current and accumulated earnings and profits will not be taxable to a shareholder to the extent that they do not exceed the adjusted basis of the shareholder s common shares in respect of which the distributions were made, but rather, will reduce the adjusted basis of these common shares. To the extent that such distributions exceed the adjusted basis of a shareholder s common shares, they will be included in income as long-term capital gain, or short-term capital gain if the common shares have been held for one year or less. In addition, any dividend we declare in October, November or December of any year and payable to a shareholder of record on a specified date in any such month will be treated as both paid by us and received by the shareholder on December 31 of such year, provided that we actually pay the dividend before the end of January of the following calendar year.

To the extent that we have available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that must be made in

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order to comply with the REIT distribution requirements. See Taxation of the Company Annual Distribution Requirements above. Such losses, however, are not passed through to our shareholders and do not offset income of shareholders from other sources, nor would they affect the character of any distributions that we actually make, which are generally subject to tax in the hands of our shareholders to the extent that we have current or accumulated earnings and profits.

We will be treated as having sufficient earnings and profits for a year to treat as a dividend any distribution we make for such year up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed in Taxation of the Company above. As a result, taxable domestic shareholders may be required to treat certain distributions as taxable dividends even though we may have no overall, accumulated earnings and profits. Moreover, any deficiency dividend will be treated as a dividend (an ordinary dividend or a capital gain dividend, as the case may be) regardless of our earnings and profits for the year in which we pay the deficiency dividend. See Tax Audit above.

Disposition of Common Shares. In general, capital gains recognized by individuals and other non-corporate shareholders upon the sale or disposition of common shares will be subject to a maximum federal income tax rate of 20% (applicable to long-term capital gains) if the common shares are held for more than 12 months, and will be taxed at rates of up to 38.6% (37.6% for 2004 and 2005, and 35% for 2006 through 2010) (applicable to short-term capital gains) if the common shares are held for 12 months or less. Gains recognized by shareholders that are corporations are subject to federal income tax at a maximum rate of 35%, whether or not classified as long-term capital gains. Capital losses recognized by a shareholder upon the disposition of common shares held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available first to offset long-term capital gain income (which is taxed at capital gain rates) and then short-term capital gain income (which is taxed at ordinary income rates) of the shareholder, but not ordinary income of the shareholder (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). Capital losses recognized by a shareholder upon the disposition of common shares held for not more than one year are considered short-term capital losses and are generally available first to offset short-term capital gain income and then long-term capital gain income of the shareholder, but not ordinary income of the shareholder (except in the case of individuals, who may offset up to $3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of common shares by a shareholder who has held the shares for six months or less, after applying holding period rules, will be treated as long-term capital loss to the extent of distributions received from us that are required to be treated by the shareholder as long-term capital gain.

Passive Activity Loss and Investment Interest Limitations. Taxable dividends that we distribute and gain from the disposition of common shares will not be treated as passive activity income, and therefore, shareholders generally will not be able to apply any passive losses against such income. Taxable dividends that we distribute and gain from the disposition of common shares generally may be treated as investment income for purposes of applying the limitation on the deductibility of investment interest.

Taxation of Non-U.S. Shareholders

The following is a summary of certain United States federal income and estate tax consequences of the ownership and disposition of common shares applicable to non-U.S. shareholders. A non-U.S. shareholder is any person other than:

a citizen or resident of the United States,

a corporation or partnership created or organized in the United States or under the laws of the United States, or of any state thereof, or the District of Columbia,

- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source, or

- a trust if a United States court is able to exercise primary supervision over the administration of such trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust.

The following summary is based on current law and is for general information only. The summary addresses only selective and not all aspects of United States federal income and estate taxation.

Ordinary Dividends. The portion of dividends received by non-U.S. shareholders payable out of our earnings and profits which are not attributable to our capital gains and which are not effectively connected with a U.S. trade or business of the non-U.S. shareholder will be subject to U.S. withholding tax at the rate of 30%, unless reduced by treaty.

In general, non-U.S. shareholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of common shares. In cases where the dividend income from a non-U.S. shareholder s investment in common shares is, or is treated as, effectively connected with the non-U.S. shareholder s conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to U.S. income tax at graduated rates, in the same manner as domestic shareholders are taxed with respect to such dividends, and may also be subject to the 30% branch profits tax in the case of a non-U.S. shareholder that is a corporation.

Non-Dividend Distributions. Unless our common shares constitute a U.S. real property interest (referred to in this section as a USRPI), distributions by us which are not dividends out of our earnings and profits will generally not be subject to U.S. federal income tax. If it cannot be determined at the time at which a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the entire distribution will be subject to withholding at the rate applicable to dividends. However, the non-U.S. shareholder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits. If the common shares constitute a USRPI, as discussed below, distributions by us in excess of the sum of our earnings and profits plus the shareholder s basis in its common shares will be taxed under the Foreign Investment in Real Property Tax Act of 1980 (which is referred to in this section as FIRPTA) at the rate of tax, including any applicable capital gains rates, that would apply to a domestic shareholder of the same type (that is, an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding at a rate of 10% of the amount by which the distribution exceeds the shareholder s share of our earnings and profits.

Capital Gain Dividends. Under FIRPTA, a distribution made by us to a non-U.S. shareholder, to the extent attributable to gains from dispositions of USRPIs held by us directly or through pass-through subsidiaries (referred to in this section as USRPI capital gains), will be considered effectively connected with a U.S. trade or business of the non-U.S. shareholder and will be subject to U.S. income tax at the rates applicable to U.S. individuals or corporations (as the case may be), without regard to whether the distribution is designated as a capital gain dividend. In addition, we will be required to withhold tax equal to 35% of the amount of dividends to the extent the dividends constitute USRPI capital gains. Distributions subject to FIRPTA may also be subject to a 30% branch profits tax in the hands of a non-U.S. shareholder that is a corporation.

Dispositions of Common Shares. Unless common shares constitute a USRPI, a sale of the shares by a non-U.S. shareholder generally will not be subject to U.S. taxation under FIRPTA. The common shares will not be treated as a USRPI if less than 50% of our assets throughout a

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prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor.

Even if the foregoing test is not met, common shares nonetheless will not constitute a USRPI if we are a domestically-controlled REIT. A domestically-controlled REIT is a REIT in which, at all times during a specific testing period, less than 50% in value of its shares is held directly or indirectly by non-U.S. shareholders. We believe that we are, and we expect to continue to be, a domestically-controlled REIT and, therefore, the sale of the common shares should not be subject to taxation under FIRPTA. Because common shares will be publicly traded, however, no assurance can be given that we are or will be a domestically-controlled REIT.

In the event that we do not constitute a domestically-controlled REIT, a non-U.S. shareholder s sale of common shares nonetheless will generally not be subject to tax under FIRPTA as a sale of a USRPI, provided that (i) the common shares are regularly traded, as defined by applicable Treasury Regulations, on an established securities market, and (ii) the selling non-U.S. shareholder held 5% or less of our outstanding shares at all times during a specified testing period.

If gain on the sale of common shares were subject to taxation under FIRPTA, the non-U.S. shareholder would be subject to the same treatment as a U.S. shareholder with respect to such gain, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the shares could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gain from the sale of common shares that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. shareholder in two cases: (i) if the non-U.S. shareholder s investment in the common shares is effectively connected with a U.S. trade or business conducted by such non-U.S. shareholder, the non-U.S. shareholder will be subject to the same treatment as a U.S. shareholder with respect to such gain, or (ii) if the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, the nonresident alien individual will be subject to a 30% tax on the individual s capital gain.

Estate Tax. Common shares owned or treated as owned by an individual who is not a citizen or resident (as specially defined for U.S. federal estate tax purposes) of the United States at the time of death will be includable in the individual s gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise, and may therefore be subject to U.S. federal estate tax.

Taxation of Tax-Exempt Shareholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income (which is referred to in this section as UBTI). While many investments in real estate generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity do not constitute UBTI. Based on that ruling, and provided that (1) a tax-exempt shareholder has not held its common shares as debt financed property within the meaning of the Internal Revenue Code (that is, where the acquisition or holding of the property is financed through a borrowing by the tax-exempt shareholder), and (2) the common shares are not otherwise used in an unrelated trade or business, distributions from us and income from the sale of the common shares should not give rise to UBTI to a tax-exempt shareholder.

Tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from

federal income taxation under Sections 501(c)(7), (9), (17) and (20) of the Internal Revenue Code, respectively, are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

In certain circumstances, a pension trust that owns more than 10% of the value of our shares could be required to treat a percentage of the dividends from us as UBTI if we are a pension-held REIT. We will not be a pension-held REIT unless either (1) one pension trust owns more than 25% of the value of our shares, or (2) a group of pension trusts, each individually holding more than 10% of the value of our shares, collectively owns more than 50% of our shares. We believe that we currently are not a pension-held REIT.

Tax-exempt shareholders are urged to consult their tax advisor regarding the federal, state, local and foreign tax consequences of an investment in our common shares.

Other Tax Considerations

Information Reporting Requirements and Backup Withholding Tax

Under certain circumstances, shareholders of common shares may be subject to backup withholding at a rate of 30% (29% for 2004 and 2005, and 28% for 2006 through 2010) on payments made with respect to, or cash proceeds of a sale or exchange of, common shares. Backup withholding will apply only if the holder (1) fails to furnish its taxpayer identification number, referred to in this section as a TIN (which, for an individual, would be his or her social security number), (2) furnishes an incorrect TIN, (3) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (4) under certain circumstances, fails to certify, under penalty of perjury, that it has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. Shareholders should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a shareholder will be allowed as a credit against such shareholder s United States federal income tax liability and may entitle such shareholder to a refund, provided that the required information is furnished to the IRS.

Additional issues may arise pertaining to information reporting and backup withholding with respect to non-U.S. shareholders, and non-U.S. shareholders should consult their tax advisors with respect to any such information reporting and backup withholding requirements. Backup withholding with respect to non-U.S. shareholders is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a non-U.S. shareholder will be allowed as a credit against any United States federal income tax liability of such non-U.S. shareholder. If withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is furnished to the IRS.

Dividend Reinvestment Plan

To the extent that a shareholder receives common shares pursuant to a dividend reinvestment plan, the federal income tax treatment of the shareholder and us will generally be the same as if the distribution had been made in cash. See Taxation of Shareholders and Taxation of the Company Annual Distribution Requirements above.

Legislative or Other Actions Affecting REITs

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. Changes

to the federal tax laws and interpretations of federal tax laws could adversely affect an investment in our common shares.

State and Local Taxes

We are, and our shareholders may be, subject to state, local, or other taxation in various state, local, or other jurisdictions, including those in which we or our shareholders transact business, own property or reside. The tax treatment in such jurisdictions may differ from the federal income tax consequences discussed above. Consequently, prospective shareholders should consult their own tax advisors regarding the effect of state, local, and other tax laws on their investment in our common shares.

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UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representatives, Deutsche Banc Alex. Brown Inc., McDonald Investments Inc. and Robertson Stephens, Inc., have severally agreed to purchase from us the following respective number of common shares at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriters	Number of Shares
Deutsche Banc Alex. Brown Inc.	
McDonald Investments Inc.	
Robertson Stephens, Inc.	
Total	3,000,000

The underwriting agreement provides that the obligations of the several underwriters to purchase the common shares offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the common shares offered by this prospectus, other than those covered by the over-allotment option described below, if any of these shares are purchased.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the common shares to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of $ per share under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than $ per share to other dealers. After the public offering, representatives of the underwriters may change the offering price and other selling terms.

We have granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to 450,000 additional common shares at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the common shares offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to conditions, to purchase approximately the same percentage of these additional common shares as the number of common shares to be purchased by it in the above table bears to the total number of common shares offered by this prospectus. We will be obligated, pursuant to the option, to sell these additional common shares to the underwriters to the extent the option is exercised. If any additional common shares are purchased, the underwriters will offer the additional shares on the same terms as those on which the 3,000,000 shares are being offered.

The underwriting discounts and commissions per share are equal to the public offering price per common share less the amount paid by the underwriters to us per common share. The underwriting discounts and commissions are % of the public offering price. We have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters over-allotment option:

		Total Fees	
	Fee per Share	Without Exercise of Over-Allotment Option	With Full Exercise of Over-Allotment Option
Discounts and commissions paid by us	$	$	$

In addition, we estimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $1,250,000.

We have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

Each of our officers and trustees have agreed not to offer, sell, contract to sell or otherwise dispose of, or enter into any transaction that is designed to, or could be expected to, result in the disposition of any of our common shares or other securities convertible into, exchangeable into or exercisable for our common shares or derivatives of our common shares owned by these persons prior to this offering or common shares issuable upon exercise of options or warrants held by these persons for a period of 90 days after the date of this prospectus without the prior written consent of Deutsche Banc Alex. Brown Inc. This consent may be given at any time without public notice. We have entered into a similar agreement with the representatives of the underwriters except that without such consent we may grant options and sell shares pursuant to our share option plans, and we may issue our common shares or units of our operating partnership in connection with a strategic partnering transaction or in exchange for all or substantially all of the equity or assets of a company in connection with a merger or acquisition. There are no agreements between the representatives and any of our officers and trustees releasing them from these lock-up agreements prior to the expiration of the 90-day period.

In order to facilitate the offering of our common shares, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the market price of our common share. Specifically, the underwriters may over-allot our common shares in connection with this offering, thus creating a short sales position in our common shares for their own account. A short sales position results when an underwriter sells more common shares than that underwriter is committed to purchase. A short sales position may involve either covered short sales or naked short sales. Covered short sales are sales made for an amount not greater than the underwriters over-allotment option to purchase additional shares in the offering described above. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Naked short sales are sales in excess of the over-allotment option. The underwriters will have to close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

Accordingly, to cover these short sales positions or to stabilize the market price of our common shares, the underwriters may bid for, and purchase, our common shares in the open market. These transactions may be effected on The New York Stock Exchange or otherwise.

Additionally, the representatives, on behalf of the underwriters, may also reclaim selling concessions allowed to an underwriter or dealer if the underwriting syndicate repurchases shares distributed by that underwriter or dealer. Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales or to stabilize the market price of our common shares may have the effect of raising or maintaining the market price of our common shares or preventing or mitigating a decline in the market price of our common shares. As a result, the price of our common shares may be higher than the price that might otherwise exist in the open market. The underwriters are not required to engage in these activities and, if commenced, may end any of these activities at any time.

This prospectus is being made available in electronic format on Internet web sites maintained by one or more of the lead underwriters of this offering and may be made available on web sites maintained by other underwriters. Other than this prospectus in electronic format, the information on any underwriter s web site and any information contained in any other web site maintained by an underwriter is not part of this prospectus or the registration statement of which this prospectus forms a part.

Affiliates of each of Deutsche Banc Alex. Brown Inc., McDonald Investments Inc. and Robertson Stephens, Inc. act as lenders to us under our credit facility. Since we intend to use the net proceeds of this offering initially to reduce the outstanding balance of our credit facility, those affiliates may receive over 10% of the net proceeds. Accordingly, this offering is being made in compliance with the requirements of Rule 2710(c)(8) of the Conduct Rules of the National Association of Securities Dealers, Inc.

Some of the underwriters or their affiliates have provided commercial and investment banking services to us in the past and may do so in the future. They have received customary fees and commissions for these services.

LEGAL MATTERS

The validity of the issuance of the common shares offered by this prospectus will be passed upon for us by Ballard Spahr Andrews & Ingersoll, LLP, Baltimore, Maryland. Certain tax matters will be passed upon for us by Honigman Miller Schwartz and Cohn LLP, Detroit, Michigan. Certain legal matters will be passed upon for the underwriters by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York.

EXPERTS

The financial statements and related financial statement schedule as of December 31, 2000 and 2001, and for each of the three years in the period ended December 31, 2001, included in this prospectus have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports, which are included herein and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

FINANCIAL INFORMATION

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RAMCO-GERSHENSON PROPERTIES TRUST

INDEPENDENT AUDITORS REPORT

To the Board of Trustees of

Ramco-Gershenson Properties Trust:

We have audited the accompanying consolidated balance sheets of Ramco-Gershenson Properties Trust and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders equity and comprehensive income and cash flows for each of the three years in the period ended December 31, 2001. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Ramco-Gershenson Properties Trust and subsidiaries as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, in 2001, Ramco-Gershenson Properties Trust and subsidiaries changed its method of accounting for derivative instruments to conform to Statement of Financial Accounting Standards No. 133, as amended or interpreted.

/s/ Deloitte & Touche LLP

Detroit, Michigan
March 6, 2002 (March 14, 2002 as to Note 14)

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RAMCO-GERSHENSON PROPERTIES TRUST

CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

	2001	2000
	(In thousands, except per share amounts)	
ASSETS		
Investment in real estate net	$496,269	$509,629
Cash and cash equivalents	5,542	2,939
Accounts receivable net	17,627	15,954
Equity investments in and advances to unconsolidated entities	7,837	9,337
Other assets net	25,454	22,425
Total Assets	$552,729	$560,284
LIABILITIES AND SHAREHOLDERS EQUITY		
Mortgages and notes payable	$347,275	$354,008
Distributions payable	5,062	5,076
Accounts payable and accrued expenses	18,830	15,355
Total Liabilities	371,167	374,439
Minority Interest	48,157	47,301
Commitments and Contingencies		
SHAREHOLDERS EQUITY		
Preferred Shares, par value $.01, 10,000 shares authorized; 1,400 Series A convertible shares issued and outstanding, liquidation value of $35,000	33,829	33,829
Common Shares of Beneficial Interest, par value $.01, 30,000 shares authorized; 7,092 and 7,128 issued and outstanding, respectively	71	71
Additional paid-in capital	150,186	150,728
Accumulated other comprehensive loss	(3,179)	
Cumulative distributions in excess of net income	(47,502)	(46,084)
Total Shareholders Equity	133,405	138,544
Total Liabilities and Shareholders Equity	$552,729	$560,284

See notes to consolidated financial statements.

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RAMCO-GERSHENSON PROPERTIES TRUST

CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2001, 2000 and 1999

	2001	2000	1999
		(In thousands, except per share amounts)	
REVENUES			
Minimum rents	$61,043	$60,228	$59,779
Percentage rents	1,442	1,745	2,037
Recoveries from tenants	23,303	23,884	21,486
Fees and management income	2,485		
Interest and other income	2,700	2,675	997
Total Revenues	90,973	88,532	84,299
EXPENSES			
Real estate taxes	10,168	9,449	7,810
Recoverable operating expenses	14,286	15,104	14,391
Depreciation and amortization	17,083	15,274	13,311
Other operating	1,464	1,460	1,418
General and administrative	8,337	5,520	5,964
Interest expense	26,332	27,756	25,421
Total Expenses	77,670	74,563	68,315
Operating income	13,303	13,969	15,984
Earnings (Loss) from unconsolidated entities	813	198	(204)
Income before gain on sale of real estate and minority interest	14,116	14,167	15,780
Gain on sale of real estate	5,550	3,795	974
Minority interest	(5,803)	(4,942)	(4,915)
Net income before cumulative effect of change in accounting principle	13,863	13,020	11,839
Cumulative effect of change in accounting principle		(1,264)	
Net income	13,863	11,756	11,839
Preferred stock dividends	3,360	3,360	3,407
Net income available to common shareholders	$10,503	$ 8,396	$ 8,432
Basic and diluted earnings per share before cumulative effect of change in accounting principle:			
Basic	$ 1.48	$ 1.34	$ 1.17
Diluted	$ 1.47	$ 1.34	$ 1.17
Basic and diluted earnings per share after cumulative effect of change in accounting principle:			
Basic	$ 1.48	$ 1.17	$ 1.17

Diluted	$ 1.47	$ 1.17	$ 1.17
Weighted average shares outstanding:			
Basic	7,105	7,186	7,218
Diluted	7,125	7,187	7,218

See notes to consolidated financial statements.

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RAMCO-GERSHENSON PROPERTIES TRUST

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
AND COMPREHENSIVE INCOME
Years Ended December 31, 2001, 2000 and 1999**

	Preferred Stock	Common Stock Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Cumulative Earnings/ Distributions	Total Shareholders Equity
	(In thousands, except share amounts)					
Balance, January 1, 1999	$33,829	$ 72	$151,973	$	$(38,732)	$147,142
Cash distributions declared					(12,126)	(12,126)
Preferred Shares dividends declared					(3,407)	(3,407)
Net income and comprehensive income					11,839	11,839
Balance, December 31, 1999	33,829	72	151,973		(42,426)	143,448
Cash distributions declared					(12,054)	(12,054)
Preferred Shares dividends declared					(3,360)	(3,360)
Purchase and retirement of common shares		(1)	(1,245)			(1,246)
Net income and comprehensive income					11,756	11,756
Balance, December 31, 2000	33,829	71	150,728		(46,084)	138,544
Cash distributions declared					(11,921)	(11,921)
Preferred Shares dividends declared					(3,360)	(3,360)
Purchase and retirement of common shares			(654)			(654)
Stock options exercised			112			112
	33,829	71	150,186		(61,365)	122,721
Components of comprehensive income (loss):						
Net income					13,863	13,863
Cumulative effect of change in accounting principle				(348)		(348)
Unrealized losses on interest rate swaps				(2,831)		(2,831)
Total Comprehensive Income				(3,179)	13,863	10,684
Balance, December 31, 2001	$33,829	$ 71	$150,186	$(3,179)	$(47,502)	$133,405

See notes to consolidated financial statements.

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RAMCO-GERSHENSON PROPERTIES TRUST

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2001, 2000 and 1999

	2001	2000	1999
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 13,863	$ 11,756	$ 11,839
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization	17,083	15,274	13,311
Amortization of deferred financing costs	785	375	635
Gain on sale of real estate	(5,550)	(3,795)	(974)
(Earnings) Loss from unconsolidated entities	(813)	(198)	204
Minority Interest	5,803	4,942	4,915
Changes in operating assets and liabilities:			
Accounts receivable	(1,231)	(4,089)	(2,927)
Other assets	(4,688)	(7,421)	(3,796)
Accounts payable and accrued expenses	(696)	282	747
Cash Flows Provided By Operating Activities	24,556	17,126	23,954
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(21,727)	(27,332)	(43,178)
Investment in unconsolidated entities	(2,469)	(1,430)	(2,329)
Proceeds from sale of real estate	29,045	5,431	34,425
Collection of note receivable from unconsolidated entity		9,326	
Advances from unconsolidated entities	122	924	92
Distributions received from unconsolidated entities	803	302	287
Cash Flows Provided by (Used In) Investing Activities	5,774	(12,779)	(10,703)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash distributions to shareholders	(11,942)	(12,091)	(12,126)
Cash distributions to operating partnership unit holders	(4,947)	(4,948)	(5,227)
Cash dividends paid on preferred shares	(3,358)	(3,374)	(3,253)
Repayment of Credit Facility	(4,950)	(20,120)	(34,388)
Repayment of unsecured loan	(2,875)	(20,000)	
Principal repayments on mortgage debt	(4,076)	(5,605)	(3,179)
Purchase and retirement of common shares	(654)	(1,246)	
Payments of deferred financing costs	(205)	(1,949)	(658)
Purchase of operating partnership units			(97)
Borrowings on Credit Facility	5,420	33,250	25,100
Borrowings on fixed rate mortgage	10,340	25,000	
Borrowings on variable rate mortgage	2,983		
(Repayment) borrowings on construction loans	(13,575)	3,931	21,771
Proceeds from exercise of stock options	112		
Cash Flows Used In Financing Activities	(27,727)	(7,152)	(12,057)
Net Increase (Decrease) in Cash and Cash Equivalents	2,603	(2,805)	1,194
Cash and Cash Equivalents, Beginning of Period	2,939	5,744	4,550
Cash and Cash Equivalents, End of Period	$ 5,542	$ 2,939	$ 5,744

Supplemental Disclosures of Cash Flow Information:			
Cash Paid for Interest During the Period	$ 25,110	$ 28,905	$ 26,361

See notes to consolidated financial statements.

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2001, 2000 and 1999
(Dollars in thousands)

1. Organization

We are engaged in the business of owning, developing, acquiring, managing and leasing community shopping centers, regional malls and single tenant retail properties. At December 31, 2001, we had a portfolio of 57 shopping centers, with more than 11,400,000 square feet of gross leasable area, located in the midwestern, southeastern and mid-Atlantic regions of the United States. Our centers are usually anchored by discount department stores or supermarkets and the tenant base consists primarily of national and regional retail chains and local retailers. Our credit risk, therefore, is concentrated in the retail industry.

The economic performance and value of our real estate assets are subject to all the risks associated with owning and operating real estate, including risks related to adverse changes in national, regional and local economic and market conditions. The economic condition of each of our markets may be dependent on one or more industries. An economic downturn in one of these industries may result in a business downturn for our tenants, and as a result, these tenants may fail to make rental payments, decline to extend leases upon expiration, delay lease commencements or declare bankruptcy.

Any tenant bankruptcies, leasing delays, or failure to make rental payments when due could result in the termination of the tenant s lease, causing material losses to us and adversely impacting our operating results. If our properties do not generate sufficient income to meet our operating expenses, including future debt service, our income and results of operations would be adversely affected. During 2001, seven of our tenants filed for bankruptcy protection, representing a total of 15 locations. These tenants represented approximately 1.7% of our aggregate base rental income during 2001. During January 2002, two more of our tenants filed for bankruptcy protection, including Kmart Corporation which represented approximately 6.1% of our annualized base rental income at December 31, 2001.

Revenues from our largest tenant, Wal-Mart, amounted to 8.7%, 9.2% and 10.2% of our annualized base rent for the years ended December 31, 2001, 2000 and 1999, respectively.

2. Summary of Significant Accounting Policies

Principles of Consolidation The consolidated financial statements include the accounts of the Company and our majority owned subsidiary, the Operating Partnership, Ramco-Gershenson Properties, L.P. (70.7% owned by us at December 31, 2001 and 70.8% at December 31, 2000), our wholly owned subsidiary, Ramco Properties Associates Limited Partnership, a financing subsidiary and Ramco-Gershenson, Inc, our management company. See Note 4 to the Consolidated Financial Statements. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition Shopping center space is generally leased to retail tenants under leases which are accounted for as operating leases. We recognize minimum rents on the straight-line method over the terms of the leases, as required under Statement of Financial

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accounting Standard No. 13. Certain of the leases also provide for additional revenue based on contingent percentage income and is recorded on an accrual basis once the specified target that triggers this type of income is achieved. The leases also typically provide for tenant recoveries of common area maintenance, real estate taxes and other operating expenses. These recoveries are recognized as revenue in the period the applicable costs are incurred.

Straight line rental income was greater than the current amount required to be paid by our tenants by $2,135, $3,383 and $2,705 for the years ended December 31, 2001, 2000 and 1999, respectively.

Cash and Cash Equivalents We consider all highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Income Tax Status We conduct our operations with the intent of meeting the requirements applicable to a real estate investment trust (REIT) under Sections 856 through 860 of the Internal Revenue Code of 1986 as amended, also known as the Code, . In order to maintain qualification as a real estate investment trust, the REIT is also required to distribute annually at least a minimum percentage (90% for tax years beginning after December 31, 2000, and 95% for earlier tax years) of its REIT Taxable Income (as defined in the IRC) to its shareholders. As a real estate investment trust, the REIT will generally not be liable for federal corporate income taxes. Thus, no provision for federal income taxes has been included in the accompanying financial statements.

Real Estate We record real estate assets at the lower of cost or fair value if impaired. Costs incurred for the acquisition, development and construction of properties are capitalized. For redevelopment of an existing operating property, the undepreciated net book value plus the cost for the construction (including demolition costs) incurred in connection with the redevelopment are capitalized to the extent such costs do not exceed the estimated fair value when complete. To the extent such costs exceed the estimated fair value of such property, the excess is charged to expense.

We evaluate the recoverability of our investment in real estate whenever events or changes in circumstances indicate that the carrying amount of an asset may be impaired. Our assessment of recoverability of our real estate assets includes, but is not limited to, recent operating results, expected net operating cash flow and our plans for future operations. For the years ended, December 31, 2001, 2000 and 1999, none of our assets were considered impaired.

Depreciation is computed using the straight-line method and estimated useful lives for buildings and improvements of 40 years and equipment and fixtures of 5 to 10 years. Expenditures for improvements and construction allowances paid to tenants are capitalized and amortized over the remaining life of the initial terms of each lease. Expenditures for normal, recurring, or periodic maintenance and planned major maintenance activities are charged to expense when incurred. Renovations which improve or extend the life of the asset are capitalized.

Other Assets Other assets consist primarily of prepaid expenses, proposed development and acquisition costs, and financing and leasing costs which are amortized using the straight-line method over the terms of the respective agreements. Using our best estimates based on reasonable and supportable assumptions and projections, we review for impairment such assets whenever events or changes in circumstances indicate that the carrying amount of these assets might not be recoverable.

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Derivative Financial Instruments In managing interest rate exposure on certain floating rate debt, we at times enter into interest rate protection agreements. We do not utilize these arrangements for trading or speculative purposes. The differential between fixed and variable rates to be paid or received is accrued, as interest rates change, and recognized currently in the Consolidated Statement of Income. We are exposed to credit loss in the event of non-performance by the counter party to the interest rate swap agreements, however, we do not anticipate non-performance by the counter party.

Impact of Recent Accounting Pronouncements In June 2001, The Financial Accounting Standards Board, also known as FASB, issued Statement of Financial Accounting Standard No. 141 Business Combinations (SFAS 141). This statement requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS 141 prohibits the use of the pooling of interest method of accounting for business combinations. We do not expect the provisions of this statement to have a material impact on our consolidated financial statements.

The FASB issued Statement of Financial Accounting Standard No. 142 Goodwill and Other Intangible Assets (SFAS 142) in June 2001. This statement changes the accounting for the amortization of goodwill and other intangible assets acquired in a business combination from an amortization method to an impairment-only method. The implementation of this statement may require the use of significant judgment to determine how to measure the fair value of intangible assets. We do not expect this statement to have a material effect on our consolidated financial statements. We will adopt SFAS 142 as required for our first quarterly filing of our 2002 fiscal year.

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). This statement supersedes FASB Statement No. 122, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS 144 requires an impairment loss to be recognized if the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. This statement requires the use of one of two present value techniques to measure the fair value of an asset. In addition, this statement would require us to account for the sale of shopping centers as discontinued operations and not as part of our ongoing operations. SFAS 144 is not expected to have a material impact on our consolidated financial statements and is effective as of January 1, 2002.

3. Accounting Change Derivative Financial Instruments

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). This statement, as amended, requires us to measure all derivatives at fair value and to recognize them in the Consolidated Balance Sheet as an asset or liability, depending on our rights and obligations under each derivative contract. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are deferred and recorded as a component of other comprehensive income (OCI) until the hedged transactions occur and are recognized in earnings. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the ineffective portion of a hedged derivative are recognized in earnings in the current period.

Under the terms of the Credit Facility, we are required to maintain interest rate swap agreements to reduce the impact of changes in interest rate on our variable rate debt. We have entered into five interest rate swap agreements with a notional amount of $75,000 as of

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2001, and provide for a fixed rate ranging from 7.0% to 8.3% at various dates through March 2004. The differential between fixed and variable rates to be paid or received is accrued, as interest rates change, and recognized currently in the Consolidated Statement of Income. We are exposed to credit loss in the event of non-performance by the counter party to the interest rate swap agreements, however, we do not anticipate non-performance by the counter party.

The adoption of SFAS 133 resulted in a transition adjustment loss charged to OCI of $348 as of January 1, 2001. For the year ended December 31, 2001, the change in fair market value of the interest rate swap agreements increased the OCI loss by $2,831, to $3,179.

4. Consolidation of Ramco-Gershenson, Inc.

Through our operating partnership, Ramco-Gershenson Properties, L.P., we own 100% of the non-voting and voting common stock of Ramco-Gershenson, Inc. (Ramco), the management company which provides property management services to us and to other entities. We previously accounted for our investment in Ramco under the equity method. As of January 1, 2001, Ramco elected to be a taxable real estate investment trust subsidiary for federal income tax purposes. In conjunction with the tax election, we entered into an option agreement to purchase the remaining voting common stock of Ramco. Subsequent to December 31, 2000, the assets, liabilities, revenue and expenses of Ramco have been included in the accompanying consolidated financial statements. This increased revenues and expenses by $2,485 for the year ended December 31, 2001.

The following unaudited pro forma consolidated results of operations for the years ended December 31, 2000 and 1999, assumes that Ramco was included in the consolidated financial statements as of January 1, 1999 (in thousands, except per share data):

	December 31, 2000	December 31, 1999
Revenue	$90,529	$85,806
Expenses	76,560	69,822
Operating income	13,969	15,984
Net income	$11,756	$11,839
Net income:		
Basic earnings per share	$ 1.17	$ 1.17
Diluted earnings per share	$ 1.17	$ 1.17

The effect of including Ramco in the Consolidated Balance Sheet was to increase the following accounts as of January 1, 2001 and to reduce equity investments:

Cash	$ 179
Accounts receivable	1,627
Other assets	3,447
Accounts payable and accrued expenses	(993)
Reduction in equity investments in unconsolidated entities	$4,260

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts Receivable Net

Accounts receivable include $10,560 and $9,865 of unbilled straight-line rent receivables at December 31, 2001, and December 31, 2000, respectively. Straight line rent receivable at December 31, 2001, includes approximately $1,997 due from Kmart Corporation.

We provide for bad debt expense based upon the reserve method of accounting. Historically we have provided approximately 0.5% of rental revenues as our annual bad debt reserve based on the level of bad debt we have experienced. Due to the economic downturn in the retail industry and the increase in the number of retail companies filing for bankruptcy protection (including Kmart Corporation during January 2002), we increased the bad debt expense to approximately 0.9% of rental revenue for the year ended December 31, 2001.

We continuously monitor the collectability of our accounts receivable (billed, unbilled and straight-line) from tenants and based on our judgment, adjust the allowance for bad debts as necessary. It is our policy to cease recording rental income from tenants when we believe such amounts would be uncollectible. Management believes the allowance is adequate to absorb currently estimated bad debts. However, if we experience bad debts in excess of the reserves we have established, our operating income would be reduced.

An allowance for doubtful accounts has been provided against the portion of tenant accounts receivable which is estimated to be uncollectible. Accounts receivable in the accompanying balance sheet is shown net of an allowance for doubtful accounts of $1,773 and $1,283 as of December 31, 2001 and 2000 respectively.

Bad debt expense amounted to $735, $330 and $559 for the three years ended December 31, 2001, 2000 and 1999, respectively.

6. Investment in Real Estate

Investment in real estate consists of the following:

	December 31,	
	2001	**2000**
Land	$ 77,546	$ 71,809
Buildings and improvements	471,317	472,846
Construction in progress	8,486	13,340
	557,349	557,995
Less: accumulated depreciation	(61,080)	(48,366)
Investment in real estate net	$496,269	$509,629

Gain on Sale of Real Estate In January 2001, we sold White Lake MarketPlace for cash of $20,200, resulting in a gain on sale of approximately $5,300. See Note 18. In addition, we sold our Athens Town Center property and four parcels of land and recognized an additional aggregate gain of $250.

During 2000, we sold two parcels of land and recognized an aggregate gain of $3,795. In addition, a subsidiary of Ramco, an unconsolidated entity, sold a parcel of land and recognized a gain of $249. Accordingly, the cost reimbursement by the Operating Partnership to Ramco was reduced by the amount of the gain, thereby reducing our general and administrative expenses in 2000.

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During 1999, we sold two properties for cash of $34,425 and recognized an aggregate gain of $974.

7. Investments in and Advances to Unconsolidated Entities

We have investments in and advances to the following unconsolidated entities:

Unconsolidated Entities	Ownership as of December 31, 2001
28th Street Kentwood Associates	50%
S-12 Associates	50%
RPT/ INVEST, LLC	25%
RPT/ INVEST II, LLC	25%
Rossford Development LLC	10%
Ramco/ West Acres LLC	40%
Ramco/ Shenandoah LLC	40%

In September 2001, we invested $756 for a 40 percent interest in a joint venture, Ramco/ West Acres LLC. Simultaneously, the joint venture acquired West Acres Commons shopping center located in Flint Township, Michigan for a purchase price of approximately $11,000 and assumed a mortgage note of $9,407. At December 31, 2001, the principal balance was $9,388, with fixed interest at 8.14% due April 2010.

In November 2001, we invested $1,713 for a 40 percent interest in a joint venture, Ramco/ Shenandoah LLC. The remaining 60% of Ramco/ Shenandoah LLC is owned by various partnerships and trusts for the benefit of family members of one of our trustees, who also serves as a trustee for several of these trusts. The joint venture acquired Shenandoah Square shopping center located in Davie, Florida for a purchase price of approximately $16,300. At December 31, 2001, this entity had a note payable of $12,469, with interest at 4.75%, due February 2002. On January 29, 2002, the LLC refinanced the debt and obtained a mortgage note in the amount of $13,000, with fixed interest at 7.33% due March 2012.

Under terms of the joint venture agreements, we earned acquisition fees of $165 and $163, respectively, from the above-mentioned joint ventures. We are responsible for the leasing and management of the projects, for which we receive management fees and leasing fees. The joint venture agreements included a buy-sell provision whereby we have the right to purchase or sell the properties during specific time periods.

In April 2000, we contributed $1,287 for a 25% interest in a joint venture, in connection with the acquisition of East Town Plaza shopping center located in Madison, Wisconsin. The entity has a mortgage note in the amount of $12,000, with variable interest rate at LIBOR plus 232 basis points, due May 2003. The effective interest rate at December 31, 2001 was 4.47%.

On September 29, 2000, we assigned 90 percent of our interest in Rossford Development LLC to an unrelated party. Simultaneously, we invested $100 in the entity. The joint venture reimbursed us approximately $9,700 for advances paid for the acquisition of land and construction in progress related to the development of the Crossroads Centre project, located in Rossford, Ohio. At December 31, 2001, Rossford Development LLC had a construction loan payable in the amount of $19,255, due June 2003, with variable interest at 5.57% and a note payable in the amount of $6,773, due October 2004 with interest at 17.05% but interest payable during the term of the note at 12%. In addition, the joint venture has a payable to us in the amount of $369, due June 2002, with interest at 15%.

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under terms of the joint venture agreement with Rossford Development LLC, we are responsible for the development, leasing and management of the project, for which we will receive fees. The joint venture agreement included a provision whereby we have the right, but not the obligation, to purchase the project during specific time periods. If we do not exercise this option, we will be obligated to make an option payment of $3,300 to the 90% owner of this joint venture on July 17, 2002.

Other unconsolidated entities had the following debt outstanding at December 31, 2001:

28th Street Kentwood Associates $10,419, due July 2003, with fixed interest at 8.43%

S-12 Associates $1,407, due May 2016, with fixed interest at 7.50%

RPT/ INVEST, LLC $22,000, due August 2002 with variable interest at 4.18%

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Combined condensed financial information of our unconsolidated entities is summarized as follows:

	2001	2000	1999
ASSETS			
Investment in real estate net	$104,594	$63,805	$33,526
Other assets	6,151	8,428	5,341
Total Assets	$110,745	$72,233	$38,867
LIABILITIES			
Mortgage notes payable	$ 94,080	$58,804	$34,223
Other liabilities	3,287	4,335	1,606
Total Liabilities	97,367	63,139	35,829
Owners equity	13,378	9,094	3,038
Total Liabilities and Owners Equity	$110,745	$72,233	$38,867
Company s equity investments in unconsolidated entities	$ 7,139	$ 8,915	$ 6,357
Advances to unconsolidated entities	698	422	1,285
Total Equity Investments in and Advances to Unconsolidated Entities	$ 7,837	$ 9,337	$ 7,642
Revenues			
Property revenues	$ 13,986	$ 9,450	$ 3,705
Fees and management income		3,841	2,544
Leasing/development cost reimbursements		2,485	2,323
Total Revenues	13,986	15,776	8,572
Expenses			
Property expenses	9,302	8,276	3,087
Employee expenses		6,574	5,932
Office and other expenses		1,683	1,908
Total Expenses	9,302	16,533	10,927
Earnings (loss) before gain on sale of real estate	4,684	(757)	(2,355)
Gain on sale of real estate		249	251
Excess (deficiency) of revenues over expenses	4,684	(508)	(2,104)
Cost reimbursement from Operating Partnership		1,682	2,722
Income	$ 4,684	$ 1,174	$ 618
Company s share of income	$ 932	$ 465	$ 257

Our share of the unconsolidated entities income of $932, $465 and $257, for the years ended December 31, 2001, 2000 and 1999, was reduced by $119 in 2001, $267 in 2000, and $461 in 1999, which represents depreciation and amortization adjustments arising from our net basis adjustments in the unconsolidated entities assets. These adjustments result in net earnings (loss) of $813, $198 and ($204) from the unconsolidated entities for the years ended December 31, 2001, 2000 and 1999, respectively. In addition, our investment in RPT/ Invest is approximately $722 lower than the net basis in the unconsolidated entity as a result of deferring the gain on the sale of the two properties sold to the joint venture.

For the year ended December 31, 2001, Ramco, the management company which provides property management services to us and to other entities, is included in the consolidated

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

financial statements. Prior to January 1, 2001, Ramco was accounted for under the equity method.

8. Other Assets

Other assets at December 31 are as follows:

	2001	2000
Leasing costs	$ 14,908	$ 13,101
Prepaid expenses and other	6,765	5,652
Deferred financing costs	5,872	5,667
	27,545	24,420
Less: accumulated amortization	(10,485)	(7,185)
	17,060	17,235
Proposed development and acquisition costs	8,394	5,190
Other assets net	$ 25,454	$ 22,425

Proposed development and acquisition costs include $5,140 at December 31, 2001 and 2000, for an investment in a shopping center currently under development. Our investment in this entity is accounted for using the cost method of accounting because we do not have the ability to exercise significant influence over the investee s operating and financial policies.

We may not be successful in identifying suitable real estate properties that meet our acquisition criteria or to develop proposed sites on satisfactory terms. We may not be successful negotiating for the acquisition of the land, obtaining required permits and completing developments in accordance with our budgets and on a timely basis. If we are not successful, costs incurred may be impaired and our financial condition and results of operations could be adversely affected.

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Mortgages and Notes Payable

Mortgages and notes payable at December 31 consist of the following:

	2001	2000
Fixed rate mortgages with interest rates ranging from 6.83% to 8.81% due at various dates through 2011	$195,290	$188,786
Floating rate mortgages at 75% of the rate of long-term Capital A rated utility bonds, due January 1, 2010, plus supplemental interest to equal LIBOR plus 200 basis points. The effective rate at December 31, 2001, was 6.41% and at December 31, 2000, was 7.95%	6,560	6,800
Floating rate mortgage with interest rate at prime or LIBOR plus 200 basis points, due September 2005. The effective rate at December 31, 2001, was 4.75%	21,000	
Construction loan financing, converted to floating rate mortgage during 2001		18,017
Construction loan financing		13,575
Unsecured term loan, with an interest rate at LIBOR plus 400 basis points, due September 2003. The effective rate at December 31, 2001, was 6.03% and at December 31, 2000, was 10.64%	22,125	25,000
Credit Facility, with an interest rate at LIBOR plus 200 basis points, due September 2003, maximum available borrowings of $110,000. The effective rate at December 31, 2001, was 6.64% and at December 31, 2000, was 8.66%	102,300	101,830
	$347,275	$354,008

The mortgage notes and construction loans are secured by mortgages on properties that have an approximate net book value of $325,667 as of December 31, 2001. The Credit Facility is secured by mortgages on various properties that have an approximate net book value of $164,702 as of December 31, 2001.

The $110,000 Credit Facility bears interest between 162.5 and 225 basis points over LIBOR depending on certain debt ratios (using 200 basis points over LIBOR at December 31, 2001, the effective interest rate was 6.6%) and is secured by mortgages on various properties.

At December 31, 2001, outstanding letters of credit issued under the Credit Facility, not reflected in the accompanying consolidated balance sheet, total approximately $818.

The Credit Facility and the unsecured term loan contain financial covenants relating to loan to asset value, minimum operating coverage ratios, and a minimum equity value. As of December 31, 2001, we were in compliance with the covenant terms.

The mortgage loans (other than our Credit Facility) encumbering our properties, including properties held by our unconsolidated joint ventures (See Note 7), are generally non-recourse, subject to certain exceptions for which we would be liable for any resulting losses incurred by the lender. These exceptions vary from loan to loan but generally include fraud or a material misrepresentation, misstatement or omission by the borrower, intentional or grossly negligent conduct by the borrower that harms the property or results in a loss to the lender, filing of a bankruptcy petition by the borrower, either directly or indirectly, and certain environmental

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

liabilities. In addition, upon the occurrence of certain of such events, such as fraud or filing of a bankruptcy petition by the borrower, we would be liable for the entire outstanding balance of the loan, all interest accrued thereon and certain other costs, penalties and expenses.

The following table presents scheduled principal payments on mortgages and notes payable as of December 31, 2001:

Year end December 31,	
2002	$ 8,287
2003	125,510
2004	17,322
2005	14,362
2006	108,988
Thereafter	72,806
Total	$347,275

10. Leases

Approximate future minimum rentals under noncancelable operating leases in effect at December 31, 2001, assuming no new or renegotiated leases nor option extensions on lease agreements, are as follows:

Year ended December 31,	
2002	$ 54,593
2003	51,556
2004	46,284
2005	40,007
2006	35,766
Thereafter	239,106
Total	$467,312

We lease office space under an operating lease that had an initial term of five years commencing on July 1, 1999. Rent expense under this lease amounted to $363 in 2001 and 2000 and $298 in 1999. Future minimum rental payments are as follows:

Year ended December 31,	
2002	$363
2003	363
2004	182
Total	$908

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share (EPS) (in thousands, except share and per share data):

	2001	2000	1999
Numerator:			
Net Income	$ 13,863	$ 11,756	$ 11,839
Preferred stock dividends	(3,360)	(3,360)	(3,407)
Income available to common shareholders for basic and dilutive EPS	$ 10,503	$ 8,396	$ 8,432
Denominator:			
Weighted-average common shares for basic EPS	7,104,714	7,185,603	7,217,993
Effect of dilutive securities:			
Options outstanding	20,465	1,778	
Weighted-average common shares for dilutive EPS	7,125,179	7,187,381	7,217,993
Basic EPS	$ 1.48	$ 1.17	$ 1.17
Diluted EPS	$ 1.47	$ 1.17	$ 1.17

In 2001, 2000 and 1999, conversion of the Series A Preferred Shares and of the Operating Partnership Units would have been antidilutive and, therefore, were not considered in the computation of diluted earnings per share.

12. Change in Method of Accounting for Percentage Rental Revenue

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements (SAB 101), which among other topics, requires that real estate companies should not recognize contingent percentage rents until the specified target that triggers this type of income is achieved. We had previously recorded percentage rents throughout the year based on rent estimated to be due from the tenant.

We elected to adopt the provisions of SAB 101 as of April 1, 2000. The cumulative effect of such adoption is a reduction in percentage rental revenue retroactive to January 1, 2000, of approximately $1,264.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following pro forma amounts reflect the effect of retroactive application of the change in method of accounting for percentage rents that would have been made in 1999 had the new method been in effect:

	1999
Pro forma amounts assuming the new method of Accounting is applied retroactively:	
Net income	$11,656
Preferred dividends	(3,407)
Net income available to common shareholders	$ 8,249
Earnings per share:	
Basic	$1.14
Diluted	$1.14

13. Commitments and Contingencies

During the third quarter of 1994, we held more than 25% of the value of our total assets in short-term Treasury Bill reverse repurchase agreements, which could be viewed as non-qualifying assets for purposes of determining whether we qualify to be taxed as a REIT. We requested that the IRS enter into a closing agreement with us that our ownership of the short-term Treasury Bill reverse repurchase agreements will not adversely affect our status as a REIT. The IRS deferred any action relating to this issue pending the further examination of our taxable years ended December 31, 1991, through 1994. As discussed below, the field examination has since been completed and the IRS has proposed to disqualify us as a REIT for our taxable year ended December 31, 1994, based on our ownership of the short-term Treasury Bill reverse repurchase agreements. Our former tax counsel, Battle Fowler LLP, had rendered an opinion on March 6, 1996, that our investment in the short-term Treasury Bill reverse repurchase agreements would not adversely affect our REIT status. This opinion, however, is not binding upon the IRS or any court.

In connection with the incorporation and distribution of all of the shares of Atlantic Realty Trust in May 1996, we entered into a tax agreement with Atlantic under which Atlantic assumed all our tax liability arising out of the IRS then ongoing examination, excluding any tax liability relating to any actions or events occurring, or any tax return position taken after May 10, 1996, but including liabilities for additions to tax, interest, penalties and costs relating to covered taxes. Under the tax agreement, a group of our Trustees consisting of Stephen R. Blank, Arthur Goldberg and Joel Pashcow has the right to control, conduct and effect the settlement of any claims for taxes for which Atlantic assumed liability. Accordingly, Atlantic does not have any control as to the timing of the resolution or disposition of any such claims. In addition, the tax agreement provides that, to the extent any tax which Atlantic is obligated to pay under the tax agreement can be avoided through the declaration of a deficiency dividend (that is, our declaration and payment of a distribution that is permitted to relate back to the year for which the IRS determines a deficiency in order to satisfy the requirement for REIT qualification that we distribute a certain minimum amount of our REIT taxable income for such year), we will make, and Atlantic will reimburse us for the amount of, such deficiency dividend.

In addition to examining our taxable years ended December 31, 1991, through 1994, the IRS examined our taxable year ended December 31, 1995. The IRS revenue agent issued an examination report on March 1, 1999 (which is hereinafter referred to as the First Report).

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As previously noted, the First Report proposes to disqualify us as a REIT for our taxable year ended December 31, 1994, based on our ownership of the short-term Treasury Bill reverse repurchase agreements. In addition, the First Report proposes to adjust our REIT taxable income for our taxable years ended December 31, 1991, 1992, 1993, and 1995. In this regard, we and Atlantic received an opinion from special tax counsel, Wolf, Block, Schorr and Solis-Cohen, on March 25, 1996, that, to the extent there is a deficiency in our REIT taxable income for our taxable years ended December 31, 1991, through 1994, and provided we timely make a deficiency dividend, our status as a REIT for those taxable years would not be affected. The First Report acknowledges that we may avoid disqualification for failure to meet the distribution requirement with respect to a year for which our income is increased can be avoided by payment of a deficiency dividend. However, the First Report notes that the payment of a deficiency dividend cannot cure our disqualification as a REIT for the taxable year ended December 31, 1994, based on our ownership of the short-term Treasury Bill reverse repurchase agreements.

We believe that most of the positions set forth in the First Report are unsupported by the facts and applicable law. Accordingly, on April 30, 1999, we filed a protest with the Appeals Office of the IRS to contest most of the positions set forth in the First Report. The Appeals Officer returned the case file to the revenue agent for further development. On October 29, 2001, the revenue agent issued a new examination report (which is hereinafter referred to as the Second Report) that arrived at very much the same conclusions as the First Report. We filed a protest of the Second Report with the IRS on November 29, 2001, and expect to have a meeting with the appellate conferee in the near future. If a satisfactory result cannot be obtained through the administrative appeals process, judicial review of the determination is available to us. In addition, the IRS is currently conducting an examination of us for the taxable years ended December 31, 1996, and 1997, and of one of our subsidiary partnerships for the taxable years ended December 31, 1997, and 1998, and may shortly begin examination of us and/or the subsidiary partnership for subsequent taxable years.

Based on the Second Report, we could be liable for up to $54.1 million in combined taxes, penalties and interest through March 31, 2002. However, the Second Report acknowledges (as does the First Report as noted above) that we can avoid disqualification as a REIT for certain of our examined tax years if we distribute a deficiency dividend to our shareholders. The distribution of a deficiency dividend would be deductible by us, thereby reducing our liability for federal income tax. Based on the Second Report, the proposed adjustments to our REIT taxable income would require us to pay a deficiency dividend to our current shareholders resulting in combined taxes, penalties, interest and deficiency dividends of approximately $56.3 million as of March 31, 2002.

If, notwithstanding the above-described opinions of legal counsel, the IRS successfully challenges our status as a REIT for any taxable year, we will be able to re-elect REIT status commencing with the fifth succeeding taxable year (or possibly an earlier taxable year if we meet certain relief provisions under the Internal Revenue Code).

In the notes to the consolidated financial statements made part of Atlantic s most recent quarterly report on Form 10-Q filed with the Securities and Exchange Commission for the quarter ended September 30, 2001, Atlantic has disclosed its liability for the tax deficiencies (and interest and penalties on the tax deficiencies) proposed to be assessed against us by the IRS for the taxable years ended December 31, 1991, through 1995, as reflected in each of the First Report and Second Report. We believe, but can provide no assurance, that Atlantic currently has sufficient assets to pay such tax deficiencies, interest and penalties. According to the quarterly report on Form 10-Q filed by Atlantic for its quarter ended September 30, 2001,

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Atlantic had net assets on September 30, 2001, of approximately $60 million (as determined pursuant to the liquidation basis of accounting). If the amount of tax, interest and penalties assessed against us ultimately exceeds the amounts proposed in each of the First Report and Second Report, however, because interest continues to accrue on the proposed tax deficiencies, or if additional tax deficiencies are proposed or for any other reason, then Atlantic may not have sufficient assets to reimburse us for all amounts we must pay to the IRS, and we would be required to pay the difference out of our own funds. Accordingly, the ultimate resolution of any controversy over tax liabilities covered by the above-described tax agreement may have a material adverse effect on our financial position, results of operations or cash flows, including if we are required to distribute deficiency dividends to our shareholders and/or pay additional taxes, interest and penalties to the IRS in amounts that exceed the value of Atlantic s net assets. Moreover, the IRS may assess us with taxes that Atlantic is not required under the above-described tax agreement to pay, such as taxes arising from the recently-commenced examination of us for the taxable years ended December 31, 1996, and 1997, and of our subsidiary partnership for the taxable years ended December 31, 1997, and 1998. There can be no assurance, therefore, that the IRS will not assess us with substantial taxes, interest and penalties which Atlantic cannot, is not required to, or otherwise does not pay.

On December 31, 2001, Ramco/ Shenandoah LLC had a $12,469 unsecured note payable, which is due in February 2002. We unconditionally guaranteed this debt and, therefore, we were contingently liable for this amount. Subsequent to December 31, 2001, Ramco/ Shenandoah LLC obtained a mortgage note payable in the amount of $13,000 and used part of the proceeds to pay off the original note. We did not guarantee the subsequent financing.

In connection with the development and expansion of various shopping centers as of December 31, 2001, we have entered into agreements for construction costs of approximately $5,300.

14. Shareholders Equity

Convertible Series A Preferred Shares In October, 1997 we entered into an agreement with certain clients advised by Morgan Stanley Asset Management, Inc. (MSAM), and Kimco Realty Corporation (Kimco) pursuant to which such entities agreed to invest up to an aggregate of $35,000 in the Operating Partnership. The MSAM clients and Kimco initially purchased Preferred Operating Partnership Units which, after shareholder approval in December 1997, were converted into our Series A Convertible Preferred Shares (Series A Preferred Series) and, ultimately, may be converted into Common Shares. The initial investments of $11,667 were made in October 1997. During 1998, we issued 933,000 Series A Preferred Shares receiving net proceeds of approximately $22,682.

The MSAM clients are required to purchase 19.4% of the first $50,000 in a follow-on public offering of our Shares at the offering price less the underwriter s fees, commissions, and discounts per share. Upon consummation of such public offering, all outstanding Series A Preferred Shares will be exchanged into Common Shares, at a conversion price of $17.50 per share, which conversion price is subject to adjustment in certain circumstances.

The Series A Preferred Shares rank senior to the Common Shares with respect to dividends and upon liquidation, dissolution or winding up of the Company. The Series A Preferred Shares are entitled to receive cumulative dividends, payable quarterly in arrears, at an annual rate equal to the greater of (i) 9.60% of the stated value ($25.00 per share) and (ii) the dividend rate expressed as an annual rate which is implicit in the amount of dividends actually paid with respect to Common Shares, based on a $17.50 per share price for the Common Shares, determined as of each quarterly dividend payment date (the Payable Component).

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Payable Component will be increased by an amount equal to an annual rate of 3% under certain circumstances. The holders of Series A Preferred Shares have the right to vote on all matters which holders of Common Shares are entitled to vote upon on an as converted basis, as though such holders own Common Shares. In addition, the Trust will not be permitted to engage in or effect certain types of transactions or actions without the approval of holders of at least 51% of the outstanding Series A Preferred Shares voting separately as a class. The conversion price for Common Shares of $17.50 contain anti-dilution rights and will be adjusted to reflect the effects of stock dividends, distributions, subdivisions or combination.

The Series A Preferred Shares are subject to mandatory conversion on the date which is the earlier of a qualified underwritten offering or the maturity date which is on October 3, 2002. At the option of the holders, the Series A Preferred Shares will be convertible in whole or in part into Common Shares at the stated value plus unpaid dividends prior to the maturity date or qualified underwritten offering date. The maturity date will be accelerated and all Series A Preferred Shares will be redeemed in cash at the stated value plus unpaid dividends in the event that it is determined by the IRS that it will, for any period, deny to us the tax benefits associated with REIT qualification and either or both of the following circumstances arise: (i) we do not receive (within a period of 60 days of the date established by the IRS as the date of which the deficiency dividend or other additional taxes are required to be paid) the full indemnity payment for such loss of tax benefits that we are entitled to receive from Atlantic pursuant to the Tax Agreement with Atlantic, or (ii) counsel reasonably satisfactory to MSAM is unable to provide to the holders of the Series A Preferred Shares affirmative advice that, commencing not later than with the taxable year ending December 31, 2001, we will, notwithstanding such determination by the IRS, be able to elect to be qualified and taxed as a REIT under the Code, and its proposed method of operation will enable it so to qualify for following years.

On March 14, 2002, we entered into an agreement with the MSAM clients to redeem all 1,200,000 of the Series A Preferred Shares they hold upon consummation of a public offering of Common Shares on or before September 26, 2002. We may also elect to redeem the shares before that date if we secure alternative financing of the redemption price. The redemption price for the shares depends on the public offering price of the Common Shares sold in the public offering or the price at which the Common Shares trade on the New York Stock Exchange, but the redemption price will not be less than $22.14 per Series A Preferred Share, or approximately $26.6 million in the aggregate. If the public offering price of the Common Shares sold in the offering is greater than $17.50 per share, the redemption price for the Series A Preferred Shares would be greater than $22.14 per share, based upon the formula contained in the redemption agreement.

Dividend Reinvestment Plan We have a dividend reinvestment plan that allows for participating shareholders to have their dividend distributions automatically invested in additional shares of beneficial interest in the Company based on the average price of the shares acquired for the distribution.

15. Benefit Plans

Stock Option Plans

1996 Share Option Plan In May 1996, we adopted the 1996 Share Option Plan (the Plan) to enable our employees to participate in the ownership of the Company. The Plan was amended in June 1999 to provide for the maximum number of common shares available for issuance under the Plan to equal 9 percent of the total number of issued and outstanding common shares (on a fully diluted basis assuming the exchange of all OP units and Series A

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Preferred Shares for common shares), which number would equal approximately 1,083,000 common shares at December 31, 2001. The Plan provides for the award of up to 1,083,000 stock options to purchase common shares of beneficial interest, at the fair market value at the date of grant, to executive officers and employees of the Company. The Plan is administered by the independent trustee members of the Compensation Committee of the Board of Trustees, whose members are not eligible for grants under the Plan. Stock options granted under the Plan vest and become exercisable in installments on each of the first three anniversaries of the date of grant and expire ten years after the date of grant. No more than 50,000 share options may be granted to any one individual in any calendar year.

1997 Non-Employee Trustee Stock Option Plan On June 10, 1997, we adopted the 1997 Non-Employee Trustee Stock Option Plan (the Trustees Plan) which permits us to grant non-qualified options to purchase up to 100,000 common shares of beneficial interest in the Company at the fair market value at the date of grant. Each Non-Employee Trustee will be granted an option to purchase 2,000 shares annually on our annual meeting date, beginning June 10, 1997. Stock options granted to participants vest and become exercisable in installments on each of the first two anniversaries of the date of grant and expire ten years after the date of grant.

Information relating to the 1996 Share Option Plan and the 1997 Non-Employee Trustee Stock Option Plan (the Plans) from December 31, 1998 through December 31, 2001 is as follows:

	Number Of Shares	Weighted Average Exercise Price
Outstanding at December 31, 1998	511,103	$16.74
Granted	24,000	16.38
Cancelled or expired	(15,779)	17.23
Outstanding at December 31, 1999	519,324	$16.71
Granted	162,000	14.11
Cancelled or expired	(13,695)	18.60
Outstanding at December 31, 2000	667,629	$16.04
Granted	12,000	17.33
Cancelled or expired	(19,191)	19.02
Exercised	(6,833)	16.42
Outstanding at December 31, 2001	653,605	$15.97
Shares exercisable at December 31, 1999	318,119	$16.58
Shares exercisable at December 31, 2000	424,954	$16.70
Shares exercisable at December 31, 2001	532,269	$16.31

At December 31, 2001, the range of exercise prices and weighted average remaining contractual life of outstanding options was $14.06 $21.63, and 6.3 years.

The fair value of options granted during 2001, 2000 and 1999 was estimated to be immaterial on the date of grant. All options granted were non-qualified share options. This was

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

determined using the Black-Scholes option pricing model with the following weighted average assumptions used:

	2001	2000	1999
Risk-free interest rate	4.8%	6.5%	5.7%
Dividend yield	9.7%	11.9%	11.2%
Volatility	19.5%	19.0%	17.3%
Weighted average expected life	5.0	5.0	5.0

We account for the Plans in accordance with Accounting Principles Board Opinion No. 25 under which no compensation cost has been recognized for stock option awards. There would be no material difference if compensation cost had been calculated consistent with the provisions of Statement of Financial Standards No. 123, Accounting for Stock Based Compensation.

401(k) Plan

We sponsor a 401(k) defined contribution plan covering substantially all officers and employees of the Company which allows participants to defer up to a maximum of 17.5% of their compensation. We contribute up to a maximum of 50% of the employee s contribution for 2001 and 2000 and 25% for 1999, up to a maximum of 5% of an employee s annual compensation. During 2001, 2000 and 1999, our matching cash contributions were $154, $157 and $57, respectively.

16. Financial Instruments

Statement of Financial Accounting Standards No. 107 requires disclosure about fair value of all financial instruments. The carrying values of cash and cash equivalents, receivables, accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturity of these financial instruments. As of December 31, 2001 and 2000 the mortgages and notes payable amounts are also a reasonable estimate of their fair value because their interest rates approximate the current borrowing rates available to us.

17. Quarterly Financial Data (Unaudited)

The following table sets forth the quarterly results of operations for the years ended December 31, 2001 and 2000 (in thousands, except per share amounts):

			Earnings Per Share	
	Revenues	Net income	Basic	Diluted
2001				
Quarter ended:				
March 31	$23,544	$6,336	$0.77	$0.69
June 30	21,466	2,634	0.25	0.25
September 30	22,653	2,674	0.26	0.26
December 31	23,310	2,219	0.19	0.19

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

			Earnings Per Share	
	Revenues	Net income	Basic	Diluted
2000(1)				
Quarter ended:				
March 31	$21,828	$3,224	$0.33	$0.33
June 30	21,158	4,972	0.57	0.54
September 30	21,634	2,685	0.26	0.26
December 31	23,912	2,139	0.18	0.18

(1) As of April 1, 2000, we changed our method of accounting for percentage rents, as required under the Securities and Exchange Commission s Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements. The newly adopted method requires us to recognize contingent percentage rental income only when the specified target that triggers this type of income is achieved. The cumulative effect of adopting this change in accounting is a reduction in percentage rental income as of January 1, 2000.

For the quarters ended during 2000, net income and basic and diluted earnings per share are before the cumulative effect of the change in accounting principle.

18. Transactions With Related Parties

In January 2001, we sold White Lake MarketPlace to Pontiac Mall Limited Partnership for cash of $20,200, resulting in a gain on sale of approximately $5,300. Various executive officers/trustees of the Company are partners in that partnership. The property was offered for sale, utilizing the services of a national real estate brokerage firm, and we accepted the highest offer from an unrelated party. Subsequently the buyer cancelled the agreement. Pontiac Mall Limited Partnership presented a comparable offer, which resulted in more favorable economic benefits to us. The sale of the property to Pontiac Mall Limited Partnership was entered into upon the unanimous approval of the independent members of our Board of Trustees.

Under terms of an agreement with Pontiac Mall Limited Partnership, we continue to manage the property and receive management fees. In 2001, we received $70 in management fees from the partnership.

At December 31, 2001, Ramco/ Shenandoah LLC had a $12,469 unsecured note payable, due February 2002. We unconditionally guaranteed this debt and therefore we were contingently liable for this amount. Subsequent to December 31, 2001, Ramco/ Shenandoah LLC obtained a mortgage note payable in the amount of $13,000 and used part of the proceeds to pay off the original note. We did not guarantee the subsequent financing.

At December 31, 2001, we had a receivable from Rossford Development LLC in the amount of $369, due June 2002, with interest at 15%.

We have management agreements with various partnerships and perform certain administrative functions on behalf of entities owned in part by certain trustees and/or officers of the

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company. The following revenue was earned during the three years ended December 31, 2001 from these related parties:

	2001	2000	1999
Management fees	$322	$391	$ 787
Leasing fee income		77	231
Acquisition fee	163		
Brokerage commission and other	57	8	2
Payroll reimbursement	88	88	97
Total	$630	$564	$1,117

We had receivables from related entities in the amount of $355 at December 31, 2001 and $337 at December 31, 2000.

RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. REAL ESTATE ASSETS

Net Investment in Real Estate Assets at December 31, 2001

					Initial Cost to Company	
Property	**Location**	**Year Constructed(a)**	**Year Acquired**	**Year Renovated**	**Land**	**Building & Improvements (f)**
Alabama						
Cox Creek Plaza	Florence, AL		1997	2000	589	5,336
Florida						
Crestview Corners	Crestview, FL		1997		400	3,602
Lantana Plaza	Lantana, FL		1993		2,590	2,600
Naples Towne Center	Naples, FL	1983	1996		218	1,964
Pelican Plaza	Sarasota, FL		1997		710	6,404
Shoppes of Lakeland	Lakeland, FL		1996		1,279	11,543
Southbay Fashion Center	Osprey, FL		1998		597	5,355
Sunshine Plaza	Tamarac, FL		1991	1998	1,748	7,452
Village Lakes	Land O Lakes, FL		1997		862	7,768
Georgia						
Conyers Crossing	Conyers, GA		1998		729	6,562
Holcomb Center	Alpharetta, GA		1996		658	5,953
Indian Hills	Calhoun, GA		1997		706	6,355
Mays Crossing	Stockbridge, GA		1997		725	6,532
Maryland						
Crofton Plaza	Crofton, MD		1991		3,201	6,499
Michigan						
Auburn Mile	Auburn Hills, MI	2000	1999		15,704	0
Clinton Valley Mall	Sterling Heights, MI	1979	1996	1999	1,101	9,910
Clinton Valley Shopping Center	Sterling Heights, MI	1979	1996		399	3,588
Eastridge Commons	Flint, MI	1990	1996	1997	1,086	9,775
Edgewood Towne Center	Lansing, MI	1990	1996	1992	665	5,981
Ferndale Plaza	Ferndale, MI	1984	1996		265	2,388
Fraser Shopping Center	Fraser, MI		1996		363	3,263
Jackson Crossing	Jackson, MI		1996	2000	2,249	20,237
Jackson West	Jackson, MI	1996	1996	1999	2,806	6,270
Lake Orion Plaza	Lake Orion, MI	1977	1996		470	4,234
Madison Center	Madison Heights, MI		1997	2000	817	7,366
New Towne Plaza	Canton, MI	1976	1996	1998	817	7,354
Oak Brook Square	Flint, MI		1996		955	8,591
Roseville Plaza	Roseville, MI		1996	2001	1,403	13,195
Southfield Plaza	Southfield, MI		1996	1999	1,121	10,090
Taylor Plaza	Taylor, MI		1996		400	1,930
Tel-Twelve Center	Southfield, MI	1968	1996	1997	3,819	43,181
West Oaks I	Novi, MI	1981	1996	1997-98	0	6,304
West Oaks II	Novi, MI	1987	1996	2000	1,391	12,519
	White Lake Township, MI	1999	1998		2,965	0

White Lake Marketplace

[Additional columns below]

[Continued from above table, first column(s) repeated]

Property	Subsequent Capitalized Costs	Gross Cost at End of Period(b) Land	Building & Improvements	Total	Accumulated Depreciation(c)	Encumbrances
Alabama						
Cox Creek Plaza	1,408	932	6,401	7,333	715	(d)
Florida						
Crestview Corners	21	400	3,623	4,023	378	(d)
Lantana Plaza	1,658	2,590	4,258	6,848	796	(d)
Naples Towne Center	277	218	2,241	2,459	364	(d)
Pelican Plaza	155	710	6,559	7,269	818	(d)
Shoppes of Lakeland	273	1,279	11,816	13,095	1,548	(d)
Southbay Fashion Center	89	597	5,444	6,041	510	(d)
Sunshine Plaza	10,784	1,748	18,236	19,984	2,451	(d)
Village Lakes	44	862	7,812	8,674	786	(d)
Georgia						
Conyers Crossing	617	729	7,179	7,908	600	(d)
Holcomb Center	582	658	6,535	7,193	875	(d)
Indian Hills	88	707	6,442	7,149	676	(d)
Mays Crossing	45	725	6,577	7,302	697	(d)
Maryland						
Crofton Plaza	1,462	3,201	7,961	11,162	1,989	(d)
Michigan						
Auburn Mile	12,104	24,945	2,863	27,808	99	21,000
Clinton Valley Mall	4,256	1,101	14,166	15,267	1,600	(e)
Clinton Valley Shopping Center	329	399	3,917	4,316	612	(d)
Eastridge Commons	2,061	1,086	11,836	12,922	1,904	(e)
Edgewood Towne Center	4	645	6,005	6,650	858	(d)
Ferndale Plaza	47	265	2,435	2,700	352	(d)
Fraser Shopping Center	162	363	3,425	3,788	567	(e)
Jackson Crossing	7,687	2,249	27,924	30,173	3,851	(e)
Jackson West	6,216	2,806	12,486	15,292	1,771	7,636
Lake Orion Plaza	91	471	4,324	4,795	624	(e)
Madison Center	2,794	817	10,160	10,977	1,145	10,294
New Towne Plaza	1,503	817	8,857	9,674	1,218	(e)
Oak Brook Square	299	955	8,890	9,845	1,376	6,560
Roseville Plaza	2,265	1,403	15,460	16,863	2,208	(e)
Southfield Plaza	1,300	1,121	11,390	12,511	1,613	(e)
Taylor Plaza	15	400	1,945	2,345	269	(d)
Tel-Twelve Center	10,980	3,819	54,161	57,980	7,143	(e)
West Oaks I	2,837	0	9,141	9,141	1,208	4,000
West Oaks II	5,728	1,391	18,247	19,638	2,154	6,244
White Lake Marketplace	(2,771)	194	0	194	0	

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RAMCO-GERSHENSON PROPERTIES TRUST

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

					Initial Cost to Company	
Property	**Location**	**Year Constructed(a)**	**Year Acquired**	**Year Renovated**	**Land**	**Building & Improvements (f)**
North Carolina						
Hickory Corners	Hickory, NC		1997	1999	798	7,192
Holly Springs Plaza	Franklin, NC		1997		829	7,470
Ridgeview Crossing	Elkin, NC		1997		1,054	9,494
Ohio						
Office Max Center	Toledo, OH	1994	1996		227	2,042
Spring Meadows Place	Holland, OH	1987	1996	1997	1,662	14,959
Troy Towne Center	Troy, OH	1990	1996	1996	930	8,372
South Carolina						
Edgewood Square	North Augusta, SC		1997		1,358	12,229
Taylors Square	Greenville, SC		1997		1,581	14,237
Tennessee						
Cumberland Gallery	New Tazewell, TN		1997		327	2,944
Highland Square	Crossville, TN		1997		913	8,189
Northwest Crossing	Knoxville, TN		1997		1,284	11,566
Northwest Crossing II	Knoxville, TN	1999	1999		570	0
Stonegate Plaza	Kingsport, TN		1997		606	5,454
Tellico Plaza	Lenoir City, TN		1997		611	5,510
Virginia						
Aquia Towne Center	Stafford, VA		1998		2,187	19,776
Wisconsin						
West Allis Towne Centre	West Allis, WI	1987	1996		1,866	16,789
				Totals	$70,611	$406,324

[Additional columns below]

[Continued from above table, first column(s) repeated]

		Gross Cost at End of Period(b)				
Property	**Subsequent Capitalized Costs**	**Land**	**Building & Improvements**	**Total**	**Accumulated Depreciation(c)**	**Encumbrances**
North Carolina						
Hickory Corners	75	798	7,267	8,065	781	(d)
Holly Springs Plaza	69	829	7,539	8,368	791	(d)
Ridgeview Crossing	78	1,054	9,572	10,626	1,001	(e)
Ohio						
Office Max Center	0	227	2,042	2,269	289	(d)
Spring Meadows Place	1,069	1,662	16,028	17,690	2,526	5,446

Troy Towne Center	1,070	930	9,442	10,372	1,387	(e)
South Carolina						
Edgewood Square	30	1,358	12,259	13,617	1,279	(d)
Taylors Square	477	1,721	14,574	16,295	1,570	(e)
Tennessee						
Cumberland Gallery	22	327	2,966	3,293	316	(d)
Highland Square	32	913	8,221	9,134	857	2,681
Northwest Crossing	49	1,284	11,615	12,899	1,218	(e)
Northwest Crossing II	1,623	570	1,623	2,193	86	
Stonegate Plaza	107	606	5,561	6,167	580	(e)
Tellico Plaza	10	611	5,520	6,131	576	(d)
Virginia						
Aquia Towne Center	249	2,187	20,025	22,212	1,657	14,644
Wisconsin						
West Allis Towne Centre	44	1,866	16,833	18,699	2,391	(e)
	$80,414	$77,546	$479,803	$557,349	$61,080	

(a) If prior to May 1996, constructed by a predecessor of the Company.

(b) The aggregate cost of land and buildings and improvements for federal income tax purposes is approximately $386 million.

(c) Depreciation for all properties is computed over the useful life which is generally forty years.

(d) The property is pledged as collateral on the secured line of credit.

(e) The property is pledged as collateral on secured mortgages.

(f) Refer to Footnote 2 for a summary of the Company s capitalization policies.

The changes in real estate assets and accumulated depreciation for the years ended December 31, 2001 and 2000 are as follows:

Real Estate Assets	2001	2000
Balance at beginning of period	$557,995	$542,955
Land Development/ Acquisitions	140	
Capital Improvements	21,587	17,354
Sale of Assets	(22,373)	(2,314)
Balance at end of period	$557,349	$557,995

Accumulated Depreciation	2001	2000
Balance at beginning of period	$48,366	$35,492
Sales/ Retirements	(944)	
Depreciation	13,658	12,874
Balance at end of period	$61,080	$48,366

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RAMCO-GERSHENSON PROPERTIES TRUST

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2001, 2000 and 1999

	Balance at Beginning of Year	Charged to Expense	Deductions	Balance at End of Year
		(Dollars in thousands)		
Year ended December 31, 2001				
Allowance for doubtful accounts	$1,283	$735	$245	$1,773
Year ended December 31, 2000				
Allowance for doubtful accounts	$1,490	$330	$537	$1,283
Year ended December 31, 1999				
Allowance for doubtful accounts	$1,298	$559	$367	$1,490

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common shares.

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Ramco-Gershenson Properties Trust

3,000,000

Common Shares of Beneficial Interest

Deutsche Banc Alex. Brown

McDonald Investments Inc.

Robertson Stephens

Prospectus

, 2002

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. ***Other Expenses of Issuance and Distribution***

The following table sets forth all expenses payable by us (other than underwriting commissions and discounts) in connection with the offering of our common shares being registered by this registration statement. All amounts are estimated except the SEC registration fee and the NASD filing fee.

SEC registration fee	$ 5,688
NYSE Supplemental Listing Fee	$ 40,230
NASD filing fee	$ 20,000
Legal fees and expenses	$ *
Accounting fees and expenses	$ *
Printing expenses	$ *
Blue Sky fees	$ *
Miscellaneous	$ *
Total	$ *

* To be filed in an amendment.

Item 15. ***Indemnification of Directors and Officers***

Under Maryland law, a real estate investment trust formed in Maryland is permitted to eliminate, by provision in its declaration of trust, the liability of its trustees and officers to the trust and shareholders for money damages except for (i) actual receipt of an improper benefit or profit in money, property or services or (ii) acts or omissions involving active and deliberate dishonesty established by a final judgment as being material to the cause of action. Our Declaration of Trust (as amended and restated) contains such a provision which eliminates such liability to the maximum extent permitted by Maryland law.

Under our Declaration of Trust and Bylaws, we are required to indemnify any trustee or officer (a) against reasonable expenses incurred by him in the successful defense (on the merits or otherwise) of any proceeding to which he is made a party by reason of such status or (b) against any claim or liability to which he may become subject by reason of such status unless it is established that (i) the act or omission giving rise to the claim was committed in bad faith or was the result of active and deliberate dishonesty, (ii) he actually received an improper personal benefit in money, property or services, or (iii) in the case of a criminal proceeding, he had reasonable cause to believe that his act or omission was unlawful. We are also required by our Bylaws to pay or reimburse, in advance of a final disposition, reasonable expenses of a trustee or officer made a party to a proceeding by reason of his status as such upon receipt of a written affirmation by the trustee or officer of his good faith belief that he has met the applicable standard for indemnification under such Bylaws and a written undertaking to repay such expenses if it shall ultimately be determined that the applicable standard was not met.

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Item 16. ***Exhibits***

The following exhibits are filed herewith or incorporated by reference:

Exhibit Number	Description of Exhibit
1	Form of Equity Underwriting Agreement*
4.1	Amended and Restated Declaration of Trust of the Registrant, dated October 2, 1997, incorporated by reference to Exhibit 3.1 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 1997.
4.2	Articles Supplementary to Amended and Restated Declaration of Trust, dated October 2, 1997, incorporated by reference to Exhibit 3.2 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 1997.
4.3	By-Laws of the Registrant adopted October 2, 1997, incorporated by reference to Exhibit 3.3 to the Registrant s Annual Report on Form 10-K for the year ended December 31, 1997.
5	Opinion of Ballard Spahr Andrews and Ingersoll, LLP as to the validity of the common shares
8	Opinion of Honigman Miller Schwartz and Cohn LLP as to certain tax matters
10.42	Stock Redemption Agreement dated as of March 14, 2002 among the Registrant and the Sellers named therein
23.1	Consent of and Report on Schedule from Deloitte & Touche LLP
23.2	Consent of Ballard Spahr Andrews and Ingersoll, LLP (included in Exhibit 5)
23.3	Consent of Honigman Miller Schwartz and Cohn LLP (included in Exhibit 8)
24	Powers of Attorney**

* To be filed by Amendment

** Previously filed

Item 17. ***Undertakings***

(1) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(2) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant, the registrant pursuant to the foregoing provisions, or otherwise has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(3) The undersigned registrant hereby undertakes that:

a. For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus as filed as part of this Registration

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Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this Registration Statement as of the time it was declared effective.

b. For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Southfield, State of Michigan, on March 22, 2002.

RAMCO-GERSHENSON PROPERTIES TRUST

By: /s/ DENNIS E. GERSHENSON

Dennis E. Gershenson
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
* Joel D. Gershenson	Chairman of the Board of Trustees	March 22, 2002
* Dennis E. Gershenson	President, Chief Executive Officer and Trustee (Principal Executive Officer)	March 22, 2002
* Richard J. Smith	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 22, 2002
* Stephen R. Blank	Trustee	March 22, 2002
* Arthur H. Goldberg	Trustee	March 22, 2002
* Selwyn Isakow	Trustee	March 22, 2002
* Robert A. Meister	Trustee	March 22, 2002
* Joel M. Pashcow	Trustee	March 22, 2002
* Mark K. Rosenfeld	Trustee	March 22, 2002

*By: /s/ DENNIS E. GERSHENSON March 22, 2002

Dennis E. Gershenson,

Attorney in Fact

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EXHIBIT INDEX

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