

MONEYGRAM INTERNATIONAL INC

Form S-3/A

July 16, 2014

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As filed with the Securities and Exchange Commission on July 16, 2014

Registration No. 333-197055

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

MoneyGram International, Inc.

(And the guarantors identified in the Table of Subsidiary Guarantor Registrants below)

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of

16-1690064
(IRS Employer

Incorporation or Organization)

Identification Number)

2828 N. Harwood Street, 15th Floor

Dallas, Texas 75201

(214) 999-7552

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

F. Aaron Henry

Executive Vice President, General Counsel and Corporate Secretary

MoneyGram International, Inc.

2828 Harwood Street, 15th Floor

Dallas, Texas 75201

(214) 999-7552

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

Copies to:

Alan J. Bogdanow

Vinson & Elkins L.L.P.

2001 Ross Avenue, Suite 3700

Dallas, Texas 75201

(214) 220-7700

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

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

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

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

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

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer x
 Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Primary Offering:				
Common Stock, par value \$0.01 per share	(3)	(5)		
Preferred Stock, par value \$0.01 per share	(3)	(5)		
Depository Shares	(3)	(5)		
Debt Securities(1)	(3)	(5)		
Guarantees of Debt Securities(2)	(3)	(5)		(9)
Warrants	(3)	(5)		
Rights	(3)	(5)		
Units	(3)	(5)		
Total Primary			\$500,000,000(8)	\$0(10)
Secondary Offering:				
Common Stock, par value \$0.01 per share	32,676,220(4)	\$14.68(6)	\$479,686,909.60(6)	\$0(10)
Series D Participating Convertible Preferred				
Stock, par value \$0.01 per share	71,281.9038	(7)	\$130,802,235.12(7)	(11)
Total Secondary			\$610,489,144.72	\$0
Total				\$0

(1) If any debt securities are issued at an original issue discount, then the offering price of such debt securities shall be in such amount as shall result in an aggregate initial offering price not to exceed \$500,000,000, less the dollar amount of any registered securities previously issued.

(2) See Table of Subsidiary Guarantor Registrants below.

- (3) There are being registered hereunder, in each case as may from time to time be sold, an indeterminate number of shares of Common Stock, an indeterminate number of shares of Preferred Stock, an indeterminate number of Depositary Shares, an indeterminate aggregate principal amount of Debt Securities, an indeterminate aggregate principal amount of Guarantees of Debt Securities, an indeterminate number of Warrants, an indeterminate number of Rights and an indeterminate number of Units. Any securities registered hereunder may be sold separately or as units with other securities registered hereunder. Pursuant to Rule 416 under the Securities Act of 1933 (the Securities Act), the shares being registered hereunder include such indeterminate number of shares of Common Stock and shares of Preferred Stock as may be issuable with respect to the shares being registered hereunder as a result of stock splits, stock dividends or similar transactions. This registration statement also covers an indeterminate amount of securities as may be issued in exchange for, or upon conversion or exercise of, as the case may be, the securities registered hereunder.
- (4) Includes 8,910,234 shares of Common Stock issuable upon the conversion of the Series D Participating Convertible Preferred Stock (the Series D Stock).
- (5) The proposed maximum aggregate offering price for each class of securities will be determined from time to time by the registrants in connection with the issuance of the securities registered hereunder and is not specified pursuant to General Instruction II.D. of Form S-3.
- (6) Estimated solely for the purpose of calculating the registration fee based on the average of the high and low prices reported for the Common Stock on the NASDAQ Global Select Market on June 24, 2014, pursuant to Rule 457(c) under the Securities Act.
- (7) The proposed offering price is based on the number of shares of Common Stock issuable upon the conversion of the shares of the Series D Stock being registered and, pursuant to Rule 457(c) under the Securities Act, the average of the high and low prices reported for the Common Stock on the NASDAQ Global Select Market on June 24, 2014. The number of shares of Common Stock issuable upon the conversion of the shares of the Series D Stock being registered is 8,910,234, and the average of the high and low prices reported for the Common Stock on the NASDAQ Global Select Market on June 24, 2014 was \$14.68.
- (8) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

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- (9) Pursuant to Rule 457(n) under the Securities Act, no separate fee filing fee is required for the Guarantees of Debt Securities.
- (10) The securities registered pursuant to this registration statement include only securities previously registered on the Registration Statement on Form S-3 (File Number 333-171151) originally filed with the Securities and Exchange Commission on December 14, 2010, amended on May 16, 2011 and declared effective on July 7, 2011 (the Prior Registration Statement) that have not been issued and sold by the registrants or selling stockholders named therein. The Prior Registration Statement registered (a) an indeterminate number of shares of Common Stock, shares of Preferred Stock, Debt Securities, Depositary Shares, Guarantees of Debt Securities, Warrants, Rights and Units with an aggregate offering price not to exceed \$500,000,000 (the Previously Registered Primary Securities) for sale by MoneyGram International, Inc. and the subsidiary guarantor registrants named therein and (b) 568,087,162 shares of Common Stock and 173,190 shares of Series D Stock (the Previously Registered Secondary Securities) for sale by the selling stockholders named therein. Subsequent to the Prior Registration Statement being declared effective, on November 14, 2011, MoneyGram International, Inc. effected a reverse stock split of the Common Stock at a ratio of 1-for-8. As of the filing date of this registration statement, all of the Previously Registered Primary Securities remain unsold and of the Previously Registered Secondary Securities, 32,676,220 shares of Common Stock and 71,281.9038 shares of Series D Stock remain unsold. All such unsold securities (the Previously Registered Unsold Securities) have been included in this registration statement. Pursuant to Rule 415(a)(6) under the Securities Act (Rule 415(a)(6)), the filing fee of \$35,650.00 relating to the Previously Registered Primary Securities and the filing fee of \$49,019.69 relating to the unsold portion of the Previously Registered Secondary Securities, both of which were previously paid in connection with the Prior Registration Statement, are being applied to the filing fees for such securities registered in this registration statement.
- Pursuant to Rule 415(a)(5) under the Securities Act, the registrants and the selling stockholders may continue to offer and sell the Previously Registered Unsold Securities under the Prior Registration Statement until the earlier of the effective date of this Registration Statement and January 2, 2015, and the offering of the Previously Registered Unsold Securities under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of this registration statement. To the extent that, after the filing date hereof and prior to the effectiveness of this registration statement, any Previously Registered Unsold Securities are sold pursuant to the Prior Registration Statement, the registrants will identify in a pre-effective amendment to this registration statement the updated amount of Previously Registered Unsold Securities from the Prior Registration Statement to be included in this registration statement pursuant to Rule 415(a)(6). Pursuant to Rule 415(a)(6), the offering of the Previously Registered Unsold Securities under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of this registration statement.
- (11) All shares of the Series D Stock being registered are convertible into shares of Common Stock, with no additional consideration to be received by the registrants in connection with the exercise of the conversion privilege. Consistent with Rule 457(i) under the Securities Act, because the filing fee for all of the shares of Common Stock into which such shares of the Series D Stock are convertible has been paid, no separate filing fee is being paid for such shares of the Series D Stock.

Table of Subsidiary Guarantor Registrants

Exact Name of Registrant as Specified in its Charter (or Other Organizational Document)

	State or Other Jurisdiction of Incorporation or Organization	R.S. Employer Identification Number
MoneyGram of New York, LLC	Delaware	13-3984404
MoneyGram Payment Systems Worldwide, Inc.	Delaware	41-0186972
MoneyGram Payment Systems, Inc.	Delaware	84-1327808

Note: The address of each of the subsidiary guarantor registrants is 2828 N. Harwood Street, 15th Floor, Dallas, TX 75201, and the telephone number for each is (214) 999-7552. Each of the subsidiary guarantor registrants has the same agent for service as MoneyGram International, Inc.

The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to such Section 8(a), may determine.

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EXPLANATORY NOTE

This registration statement includes two separate forms of prospectus:

The first prospectus relates to the offer and sale, from time to time, by MoneyGram International, Inc. (MoneyGram) of its common stock, preferred stock, depositary shares, warrants, rights, units and debt securities (and any related guarantees by the subsidiary guarantors named in the Table of Subsidiary Guarantor Registrants); and

The second prospectus relates to the offer and sale, from time to time, of (a) (i) common stock of MoneyGram by certain affiliates or co-investors of Thomas H. Lee Partners, L.P., (ii) common stock of MoneyGram by certain affiliates of Goldman, Sachs & Co. (collectively, Goldman Sachs), and (iii) common stock of MoneyGram that may be issued upon the conversion of Goldman Sachs shares of Series D Participating Convertible Preferred Stock of MoneyGram (the Series D Stock) by Goldman Sachs, and (b) the Series D Stock by Goldman Sachs.

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

SUBJECT TO COMPLETION. DATED JULY 16, 2014

PRELIMINARY PROSPECTUS

MoneyGram International, Inc.

\$500,000,000

Common Stock

Preferred Stock

Depository Shares

Debt Securities

Guarantees of Debt Securities

Warrants

Rights

Units

This prospectus is part of a registration statement that we have filed with the Securities and Exchange Commission using a shelf registration process. Under this shelf registration process, we may sell the securities described in this prospectus in one or more offerings up to a total dollar amount of \$500,000,000. The debt securities described in this prospectus may be fully and unconditionally guaranteed by one or more of our subsidiaries.

We may offer and sell these securities directly or to or through underwriters, agents or dealers at prevailing market prices or at prices different from prevailing market prices. See Plan of Distribution on page 30. The supplements to this prospectus will describe the terms of any particular plan of distribution, including names of any underwriters, agents or dealers.

Each time we sell securities pursuant to this prospectus, we will provide a prospectus supplement and attach it to this prospectus. You should carefully read this prospectus and any accompanying prospectus supplement, together with documents we incorporate by reference before you invest in our securities. The prospectus supplements will contain more specific information about the offering and the securities being offered. The prospectus supplements may also

add, update or change information contained in this prospectus. This prospectus may not be used to carry out sales of securities unless accompanied by a prospectus supplement.

Our common stock is listed on the NASDAQ Global Select Market under the symbol MGI. The last reported sales price of our common stock on July 15, 2014 was \$13.94. We have not yet determined whether any of the other securities we are registering hereby will be listed on any exchange, interdealer quotation system or over-the-counter system. If we decide to seek a listing for any of our other securities, we will disclose that in a prospectus supplement.

Investing in our securities involves risks. See Risk Factors beginning on page 2 and the risk factors incorporated herein by reference. You should carefully read and consider these risk factors before you invest in our securities.

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

The date of this prospectus is , 2014.

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All references in this prospectus to MoneyGram, we, us, our and our company are to MoneyGram International, and not to our consolidated subsidiaries, unless otherwise indicated or the context otherwise requires.

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

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ABOUT THIS PROSPECTUS

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

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

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

You should not assume that the information in this prospectus, any accompanying prospectus supplement or any document incorporated by reference is accurate as of any date other than the date on its front cover. Our business, financial condition, results of operations and prospects may have changed since those dates.

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

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public through the Internet at the SEC's website at <http://www.sec.gov>. You may also read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E. Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about its public reference facilities and their copy charges.

We also make available free of charge on our Internet website at <http://www.moneygram.com> all of the documents that we file with the SEC as soon as reasonably practicable after we electronically file those documents with the SEC. Information contained on our website is not incorporated by reference into this prospectus, and you should not consider information contained on our website as part of this prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to incorporate by reference the information we file with them. This allows us to disclose important information to you by referencing those filed documents. We have previously filed the following documents with the SEC and are incorporating them by reference into this prospectus:

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our Annual Report on Form 10-K for the year ended December 31, 2013, filed on March 3, 2014;

our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014, filed on May 2, 2014;

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our Current Reports on Form 8-K filed on February 11, 2014, February 24, 2014, March 31, 2014, April 3, 2014 and May 12, 2014 (excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any Current Report on Form 8-K);

our Definitive Proxy Statement on Schedule 14A, filed on April 1, 2014; and

the description of our common stock contained in our registration statement on Form 10, which we filed with the SEC on December 29, 2003, and any amendment or report filed for the purpose of updating this description.

These reports contain important information about us, our financial condition and our results of operations.

We also are incorporating by reference any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), excluding any information furnished pursuant to Item 2.02 or Item 7.01 on any Current Report on Form 8-K, after the date of this prospectus and before the filing of a post-effective amendment to the registration statement of which this prospectus is a part that indicates that all securities offered hereunder have been sold or that deregisters all securities then remaining unsold. The most recent information that we file with the SEC automatically updates and supersedes more dated information. Please note that we have not incorporated by reference a description of our Series D Participating Convertible Preferred Stock (the Series D Stock) because such a description was not filed pursuant to Section 12 of the Exchange Act.

You can obtain a copy of any documents that are incorporated by reference in this prospectus or any prospectus supplement at no cost, by writing or telephoning us at:

Corporate Secretary

MoneyGram International, Inc.

2828 N. Harwood Street, 15th Floor

Dallas, Texas 75201

(214) 999-7552

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the documents incorporated by reference in this prospectus or any prospectus supplement may contain forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995) with respect to the financial condition, results of operations, plans, objectives, future performance and business of MoneyGram and its subsidiaries. Statements preceded by, followed by or that include words such as may, will, expect, anticipate, continue, estimate, project, believe, plan, should, or similar expressions are intended to identify some of the forward-looking statements. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by these forward-looking statements due to, among other things, the risks and uncertainties described in this prospectus, Part I. Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2013 and Part II. Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2014. These forward-looking statements speak only as of the date on which such statements are made. We undertake no obligation

to update publicly or revise any forward-looking statements for any reason, whether as a result of new information, future events or otherwise, except as required by federal securities law.

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SUMMARY

MoneyGram is a leading global money transfer and payment services company operating in over 339,000 agent locations in more than 200 countries and territories. Our major products include global money transfers, bill payment services, money order services and official check processing. As an alternative financial services provider, our primary consumers are unbanked or underbanked consumers. Unbanked consumers do not have a relationship with a traditional financial institution. Underbanked consumers are not fully served by traditional financial institutions. Other consumers who use our services are convenience users and emergency users who may use traditional banking services, but prefer to use our services based on convenience, cost or to make emergency payments or transfers. We primarily offer services through third-party agents, including retail chains, independent retailers, post offices and other financial institutions. We continue to be an innovator in the industry by diversifying our core money transfer revenue through new channels, such as online, mobile, kiosks and other self-service channels.

Corporate Information

Our principal executive offices are located at 2828 N. Harwood Street, 15th Floor, Dallas, Texas 75201, and our telephone number is (214) 999-7552. Our website address is www.moneygram.com. The information on or accessible through our website is not incorporated by reference into or otherwise made part of this prospectus.

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RISK FACTORS

An investment in our securities involves risks. You should carefully consider all of the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement before deciding whether to purchase our securities. In particular, you should carefully consider the risk factors described below, the risk factors included in our most recent Annual Report on Form 10-K and our most recent Quarterly Report on Form 10-Q and other reports and documents we file with the SEC after the date of this prospectus and that are incorporated by reference herein, and the risk factors that may be included in any applicable prospectus supplement, as well as risks described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in any such reports or documents and cautionary notes regarding forward-looking statements included or incorporated by reference herein, together with all of the other information included in this prospectus, any prospectus supplement and the documents we incorporate by reference. If any of these risks were to materialize, our business, results of operations, cash flows and financial condition could be materially adversely affected. Additional risks not currently known to us or that we currently deem immaterial may also have a material adverse effect on us.

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

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

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

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

The market price of our common stock may be volatile.

The market price of our common stock may fluctuate significantly in response to a number of factors, some of which may be beyond our control. These factors include the perceived prospects or actual operating results of our business; changes in estimates of our operating results by analysts, investors or our management; our actual operating results relative to such estimates or expectations; actions or announcements by us or our competitors; litigation and judicial decisions; legislative or regulatory actions; and changes in general economic or market conditions. In addition, the stock market in general has from time to time experienced extreme price and volume fluctuations. These market fluctuations could reduce the market price of our common stock for reasons unrelated to our operating performance.

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

Our charter documents contain provisions that may discourage third parties from seeking to acquire our company. These provisions and specific provisions of Delaware law relating to business combinations with interested stockholders may have the effect of delaying, deterring or preventing a merger or change in control of our company. Some of these provisions may discourage a future acquisition of our company even if stockholders would receive an attractive value for their shares or if a significant number of our stockholders believed such a proposed transaction to be in their best interests. As a result, stockholders who desire to participate in such a transaction may not have the opportunity to do so.

Our debt securities are effectively subordinated to the obligations of our subsidiaries.

We conduct our operations through our subsidiaries. Even if our debt securities are unsubordinated obligations, they will be effectively subordinated to all liabilities of our subsidiaries that do not guarantee such debt securities to the extent of their assets. Our subsidiaries are separate and distinct legal entities and, unless they guarantee our debt securities, have no obligation to pay any amounts due under our indebtedness, including our debt securities, or to make any funds available to us, whether by paying dividends or otherwise, so that we can do so.

The Indentures governing debt securities that we may offer using this prospectus do not limit the amount of indebtedness that we may incur.

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

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

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

If we issue a large amount of debt, it may be more difficult for us to obtain financing and will increase the cost of our debt.

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

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THE SUBSIDIARY GUARANTORS

Certain of our subsidiaries, which we refer to as the **Subsidiary Guarantors** in this prospectus, may fully and unconditionally guarantee our payment obligations under any series of debt securities offered by this prospectus. If we issue a series of debt securities guaranteed by any of our subsidiaries, we will identify the specific subsidiary or subsidiaries and describe the particular terms of any guarantees of such series in the applicable prospectus supplement.

Financial information relating to our **Subsidiary Guarantors** and any non-guarantor subsidiaries has been included in our consolidated financial statements filed as part of our periodic reports filed pursuant to the Exchange Act to the extent required by the rules and regulations of the SEC.

Additional information concerning our subsidiaries and us is included in reports and other documents incorporated by reference in this prospectus. See **Where You Can Find More Information**.

Table of Contents**USE OF PROCEEDS**

Unless the applicable prospectus supplement states otherwise, we will use the net proceeds we receive from the sale of the securities for general corporate purposes, which may include, among other things, working capital, capital expenditures, debt repayment, the financing of possible acquisitions or stock repurchases. We may provide additional information on the use of the net proceeds from the sale of securities in an applicable prospectus supplement.

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

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

	Three Months Ended March 31, 2014	Year Ended December 31,				
	2014	2013	2012	2011	2010	2009
Ratio of Earnings to Fixed Charges	3.74	2.71	0.88	1.45	1.56	0.80
Ratio of Earnings to Fixed Charges and Preferred Dividend Requirements	3.74	2.71	0.88	0.94	0.55	0.31

For purposes of computing the ratios, earnings consist of consolidated income from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest on long-term debt, amortization of debt expense, premium and discount, and the portion of interest expense on operating leases we believe to be representative of the interest factor. Preferred stock dividend requirements represents an amount equal to income, before tax, which would be required to meet the dividends on preferred stock.

The dollar amount of the deficiency in earnings available for fixed charges for the fiscal years ended December 31, 2009 and 2012 was approximately \$22.3 million and \$8.9 million, respectively. The dollar amount of the deficiency in earnings available for fixed charges and preferred dividend requirements for the fiscal years ended December 31, 2009, 2010, 2011 and 2012 was approximately \$192.0 million, \$133.9 million, \$7.8 million and \$8.9 million, respectively.

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DESCRIPTION OF COMMON STOCK

This section summarizes the general terms of our common stock. The following description is only a summary and does not purport to be complete and is qualified by reference to our Amended and Restated Certificate of Incorporation, as amended (our certificate of incorporation), and our bylaws, as amended (our bylaws). Our certificate of incorporation and bylaws have been incorporated by reference as exhibits to the registration statement of which this prospectus is a part. See [Where You Can Find More Information](#) and [Documents Incorporated by Reference](#) for information on how to obtain copies.

General

Our certificate of incorporation currently authorizes the issuance of two classes of shares:

common stock, par value \$0.01 per share (162,500,000 shares authorized), and

preferred stock, par value \$0.01 per share (7,000,000 shares authorized).

As of May 31, 2014, there were 54,603,573 shares of our common stock outstanding.

Our board of directors is authorized to provide for the issue, from time to time, of preferred stock in series and, as to each series, to establish the number of shares to be included in each such series and to fix the designations, powers, preferences and rights of those shares and the qualifications, limitations and restrictions of those shares. As a result, our board of directors could, without stockholder approval, authorize the issuance of preferred stock with dividend, redemption or conversion provisions that could have an adverse effect on the availability of earnings for distribution to the holders of our common stock, or with voting, conversion or other rights that could proportionately reduce, minimize or otherwise adversely affect the voting power and other rights of holders of our common stock. See [Description of Preferred Stock](#).

Our common stock is not entitled to any conversion or redemption rights. Holders of our common stock do not have any preemptive right or other subscription rights to subscribe for additional securities we may issue. Our outstanding common stock is, and any newly issued common stock will be, fully paid and non-assessable. The transfer agent and registrar for our common stock is Wells Fargo Shareowner Services.

Dividend Rights

Subject to the prior dividend rights of the holders of any preferred stock and the other limitations set forth in the following paragraph, dividends may be declared by our board of directors and paid from time to time on outstanding shares of our common stock from any funds legally available therefor.

We and our subsidiaries are parties to agreements pursuant to which we borrow money, and certain covenants in these agreements limit our ability to pay dividends or other distributions with respect to our common stock or to repurchase common stock. In addition, we and our subsidiaries may become parties to future agreements that contain such restrictions.

Voting Rights

The holders of our common stock have voting rights and are entitled to one vote for each share held. There are no cumulative voting rights.

Liquidation Rights

Upon any liquidation, dissolution or winding up of our company, the holders of our common stock shall be entitled to share in our assets remaining after the payment of liabilities and the satisfaction of any liquidation preference granted to the holders of any outstanding shares of preferred stock.

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Certain Provisions of Our Certificate of Incorporation and Bylaws

Some provisions of our certificate of incorporation and bylaws could make the acquisition of control of our company and/or the removal of our existing management more difficult, including those that provide as follows:

subject to the rights of holders of any series or class of stock as set forth in our certificate of incorporation, our board of directors fixes the size of the board of directors within certain limits, may create new directorships and may appoint new directors to serve until the next annual meeting of stockholders and until such director's successor shall have been duly elected and qualified. The board of directors (or its remaining members, even though less than a quorum) also may fill vacancies on the board of directors occurring for any reason for a term expiring at the next annual meeting of stockholders and until such director's successor shall have been duly elected and qualified;

our board of directors may issue preferred stock without any vote or further action by the stockholders;

subject to the rights of holders of any series or class of stock as set forth in our certificate of incorporation, special meetings of stockholders may be called only by our chairman or board of directors, and not by our stockholders;

our board of directors may adopt, amend, alter or repeal our bylaws without a vote of the stockholders;

subject to the rights of holders of any series or class of stock as set forth in our certificate of incorporation, all stockholder actions must be taken at a regular or special meeting of the stockholders and cannot be taken by written consent without a meeting;

we have advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, which generally require that stockholder proposals and nominations be provided to us between 90 and 120 days before the anniversary of our last annual meeting in order to be properly brought before a stockholder meeting; and

certain business combinations with an interested stockholder (defined in our certificate of incorporation as a holder of 10% or more of our outstanding voting stock) must be approved by holders of 66 2/3% of the voting power of shares not owned by the interested stockholder, unless the business combination is approved by certain continuing directors (as defined in our certificate of incorporation) or meets certain requirements regarding price and procedure.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids. They are also designed to encourage persons seeking to acquire control of MoneyGram to first negotiate with our board of directors. We believe that the benefits of increased protection give us the potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us and that these benefits outweigh the disadvantages of discouraging the proposals. Negotiating with the proponent could result in an improvement of the terms of the

proposal.

Section 203 of the Delaware General Corporation Law

Section 203 of the Delaware General Corporation Law regulates corporate acquisitions. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a business combination with an interested stockholder for a period of three years following the date the person became an interested stockholder unless:

the board of directors approved the transaction in which the stockholder became an interested stockholder prior to the date the interested stockholder attained such status;

upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by persons who are directors or officers and shares held by certain employee stock plans; and

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the business combination is approved by the board of directors and by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder at a stockholder meeting, and not by written consent.

However, this business combination prohibition may be negated by certain actions, including pursuant to the following:

if we, with the support of a majority of our continuing directors, propose at any time another merger or sale or do not oppose another tender offer for at least 50% of our shares, the interested stockholder is released from the three-year prohibition and free to compete with that other transaction; or

our stockholders may choose to amend our certificate of incorporation to opt out of Section 203 of the Delaware General Corporation Law at any time by a vote of at least a majority of its outstanding voting power; provided that, the amendment to opt out of Section 203 will not be effective until 12 months after the adoption of such amendment.

Under Section 203 of the Delaware General Corporation Law, a business combination generally includes a merger, asset or stock sale, loan, substantial issuance of stock, plan of liquidation, reincorporation or other transaction resulting in a financial benefit to the interested stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation's voting stock.

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DESCRIPTION OF PREFERRED STOCK

This section summarizes the general terms and provisions of our existing preferred stock and the preferred stock that we may offer using this prospectus. This section is only a summary and does not purport to be complete. You must look at our certificate of incorporation and the relevant certificate of designations for a full understanding of all the rights and preferences of any series of our preferred stock. Our certificate of incorporation and the certificates of designations have been filed or incorporated by reference as exhibits to the registration statement of which this prospectus is a part. See [Where You Can Find More Information](#) and [Documents Incorporated by Reference](#) for information on how to obtain copies.

With respect to preferred stock that we may offer using this prospectus, a prospectus supplement will describe the specific terms of any particular series of preferred stock offered under that prospectus supplement, including any of the terms in this section that will not apply to that series of preferred stock, and any special considerations, including tax considerations, applicable to investing in that series of preferred stock.

General

Under our certificate of incorporation, our board of directors has the authority to issue up to 7,000,000 shares of preferred stock in one or more series and to determine the rights, preferences, privileges and restrictions of the preferred stock. The rights, preferences, privileges and restrictions on different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions, and purchase funds and other matters. We have designated 200,000 shares of preferred stock as Series D Stock. As of May 31, 2014, there were 71,281.9038 shares of our Series D Stock issued and outstanding.

Preferred Stock We May Issue Under this Prospectus

The following description of the terms of the preferred stock sets forth certain general terms and provisions of our authorized preferred stock. If we offer preferred stock, a description will be filed with the SEC and the specific designations and rights will be described in the prospectus supplement, including the following terms:

the series, the number of shares offered and the liquidation value of the preferred stock;

the price at which the preferred stock will be issued;

the dividend rate, the dates on which the dividends will be payable and other terms relating to the payment of dividends on the preferred stock;

the liquidation preference of the preferred stock;

the voting rights of the preferred stock;

whether the preferred stock is redeemable or subject to a sinking fund, and the terms of any such redemption or sinking fund;

whether the preferred stock is convertible into or exchangeable for shares of our common stock, another series of preferred stock or debt securities, and the terms of any such conversion; and

any additional rights, preferences, qualifications, limitations and restrictions of the preferred stock.

The description of the terms of the preferred stock to be set forth in an applicable prospectus supplement will not be complete and will be subject to and qualified in its entirety by reference to the certificate of designations relating to the applicable series of preferred stock. The registration statement of which this prospectus forms a part will include the certificate of designations as an exhibit or incorporate it by reference.

Our board of directors can, without stockholder approval, issue one or more series of preferred stock. Subject to the provisions of our certificate of incorporation and limitations prescribed by law, our board of directors may adopt resolutions to determine the number of shares of each series and the rights, preferences and

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limitations of each series, including the dividend rights, voting rights, conversion rights, redemption rights and any liquidation preferences of any wholly unissued series of preferred stock, the number of shares constituting each series and the terms and conditions of issue. Under certain circumstances, preferred stock could restrict dividend payments to holders of our common stock.

Undesignated preferred stock may enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest, merger or otherwise, and to thereby protect the continuity of our management. The issuance of shares of preferred stock may adversely affect the rights of the holders of our common stock. For example, any preferred stock issued may rank prior to our common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. As a result, the issuance of shares of preferred stock may discourage bids for our common stock or may otherwise adversely affect the market price of our common stock or any existing preferred stock.

The preferred stock will, when issued, be fully paid and non-assessable.

Series D Stock

The following is only a summary of the material terms of our Series D Stock and does not purport to be complete and is qualified by reference to the Amended and Restated Certificate of Designations, Preferences and Rights of Series D Participating Convertible Preferred Stock of MoneyGram International, Inc. filed with the Secretary of State of the State of Delaware (the Series D Certificate of Designations). The Series D Certificate of Designations was filed as an exhibit to our Current Report on Form 8-K filed with the SEC on May 23, 2011 and is incorporated herein by reference. See [Where You Can Find More Information](#) and [Documents Incorporated by Reference](#) for information on how to obtain a copy.

Rank. Our Series D Stock ranks, with respect to dividend rights and rights upon our liquidation, dissolution or winding up of our affairs, (i) on a parity with our common stock, except as described below under [Series D Stock Liquidation](#), and (ii) junior to all other class or series of our equity securities that we have issued or will issue that by its terms ranks senior to our Series D Stock.

Dividends. The record holders of our Series D Stock are entitled to participate equally and ratably with the holders of our common stock in all dividends and distributions paid on such shares as if, immediately prior to such payment, each outstanding share of our Series D Stock were converted into shares of our common stock in the manner described below under [Series D Stock Conversion](#). Dividends are payable to record holders of our Series D Stock as they appear in our records at the close of business on the applicable record date, which is the same day as the record date for the payment of dividends to the holders of shares of our common stock.

Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the record holders of our Series D Stock will be entitled to be paid out of our assets or proceeds therefore legally available for distribution to our stockholders, subject to the rights of any of our creditors, a liquidation preference equal to the sum of (i) \$0.01 per share and (ii) the payment such holders would have received had such holders, immediately prior to such liquidation, dissolution or winding up, converted their shares of our Series D Stock into shares of our common stock in the manner described below under [Series D Stock Conversion](#).

After payment of the full amount of the liquidating distributions to which they are entitled, such record holders will have no right or claim to any of our remaining assets. Our consolidation or merger with or into any other corporation or other entity will not be deemed to constitute the liquidation, dissolution or winding-up of our affairs.

Redemption. Our Series D Stock is not redeemable at either our option or the holder's option.

Conversion. Each holder of shares of our Series D Stock has the right, at such holder's option and upon providing us with a written notice, to convert any or all of such holder's shares of our Series D Stock into fully paid and non-assessable shares of our common stock unless such conversion would (a) require prior notice or approval

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under any state laws relating to money transmission or the sale of checks or (b) result in a number of shares of our common stock to be issued that would exceed the number of shares of our common stock authorized for issuance. The number of shares of our common stock into which each share of the Series D Stock is convertible will be determined by multiplying each share of the Series D Stock by the conversion ratio, which is 125 but subject to adjustments as discussed below (the Conversion Ratio). We will not issue fractional shares of common stock upon conversion; instead, we will pay cash for each fractional share based upon the market price of the common stock on the date of conversion. Notwithstanding the foregoing, affiliates of Goldman, Sachs & Co. (Goldman Sachs) and any person who receives shares of our Series D Stock from Goldman Sachs are not entitled to convert their shares of our Series D Stock into our common stock unless such shares of Series D Stock were transferred to such person in a Widely Dispersed Offering, in which case such transferred shares shall automatically convert into common stock. A Widely Dispersed Offering means (i) a widespread public distribution, (ii) a transfer to an underwriter for the purpose of conducting a widespread public distribution, (iii) a transfer in which no transferee (or group of associated transferees) would receive 2% or more of any class of voting securities of MoneyGram, or (iv) a transfer to a transferee that would control more than 50% of the voting securities of MoneyGram without any transfer from Goldman Sachs, any holders of shares of our Series D Stock who received such shares by means other than a Widely Dispersed Offering or their respective affiliates.

In the event we subdivide, combine or reclassify the outstanding shares of our common stock, the Conversion Ratio will be adjusted to the number obtained by multiplying the Conversion Ratio by a fraction, the numerator of which will be the number of shares of our common stock outstanding immediately following such action, and the denominator of which will be the number of shares of our common stock outstanding immediately prior to such action.

Business Combination. In the event of any reorganization, merger or similar business combination transaction (Business Combination) or the reclassification of our common stock, each holder of a share of our Series D Stock then outstanding will have the right thereafter to exchange such share for the kind and amount of securities, cash and other property, if any, receivable upon the Business Combination or reclassification by a holder of the number of shares of our common stock into which a share of our Series D Stock would have been convertible immediately prior to the Business Combination or reclassification.

Voting Rights. In general, the holders of the shares of our Series D Stock are entitled to vote with the holders of our common stock on an as-converted basis as one class on all matters submitted for a vote of holders of our common stock, except that shares of our Series D Stock held by Goldman Sachs are not entitled to vote with the holders of our common stock. Additionally, with respect to an amendment, alteration or repeal of any provision of the Series D Certificate of Designations in a manner that would adversely affect the preferences, rights, privileges and powers of our Series D Stock, the written consent or affirmative vote by holders of at least a majority of the outstanding shares of our Series D Stock will be needed.

Listing. Our Series D Stock is not listed on any securities exchange.

Miscellaneous

We will at all times reserve and keep available out of our authorized and unissued common stock, solely for issuance upon the conversion of our Series D Stock, that number of shares of common stock as shall from time to time be issuable upon the conversion of all the shares of our Series D Stock then outstanding. Our Series D Stock converted into our common stock or otherwise reacquired by us will resume the status of authorized and unissued shares of our preferred stock, undesignated as to series, and will be available for subsequent issuance.

Certain Provisions of Our Certificate of Incorporation and Bylaws

For a description of some additional provisions of our certificate of incorporation and bylaws, see [Description of Common Stock](#) [Certain Provisions of Our Certificate of Incorporation and Bylaws](#).

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DESCRIPTION OF DEPOSITARY SHARES

General

We may offer fractional shares of preferred stock, rather than full shares of preferred stock. If we do so, we may issue receipts for depositary shares that each represents a fraction of a share of a particular series of preferred stock. The applicable prospectus supplement will indicate that fraction. The shares of preferred stock represented by depositary shares will be deposited under a depositary agreement between us and a bank depositary. The phrase "bank depositary" means a bank or trust company that meets certain requirements and is selected by us. Each owner of a depositary share will be entitled to all the rights and preferences of the preferred stock represented by the depositary share. The depositary shares will be evidenced by depositary receipts issued pursuant to the depositary agreement. Depositary receipts will be distributed to those persons purchasing the fractional shares of preferred stock in accordance with the terms of the offering.

We have summarized some common provisions of a depositary agreement and the related depositary receipts. The forms of the depositary agreement and the depositary receipts relating to any particular issue of depositary shares will be filed with the SEC each time we issue depositary shares, and you should read those documents for provisions that may be important to you.

Dividends and Other Distributions

If we pay a cash distribution or dividend on a series of preferred stock represented by depositary shares, the bank depositary will distribute such dividends to the record holders of such depositary shares. If the distributions are in property other than cash, the bank depositary will distribute the property to the record holders of the depositary shares. However, if the bank depositary determines that it is not feasible to make the distribution of property, the bank depositary may, with our approval, sell such property and distribute the net proceeds from such sale to the record holders of the depositary shares.

Redemption of Depositary Shares

If we redeem a series of preferred stock represented by depositary shares, the bank depositary will redeem the depositary shares from the proceeds received by the bank depositary in connection with the redemption. The redemption price per depositary share will equal the applicable fraction of the redemption price per share of the preferred stock. If fewer than all the depositary shares are redeemed, the depositary shares to be redeemed will be selected by lot or pro rata as the bank depositary may determine.

Voting the Preferred Stock

Upon receipt of notice of any meeting at which the holders of the preferred stock represented by depositary shares are entitled to vote, the bank depositary will mail the notice to the record holders of the depositary shares relating to such preferred stock. Each record holder of these depositary shares on the record date (which will be the same date as the record date for the preferred stock) may instruct the bank depositary as to how to vote the preferred stock represented by such holder's depositary shares. The bank depositary will endeavor, insofar as practicable, to vote the amount of the preferred stock represented by such depositary shares in accordance with such instructions, and we will take all action that the bank depositary deems necessary in order to enable the bank depositary to do so. The bank depositary will abstain from voting shares of the preferred stock to the extent it does not receive specific instructions from the holders of depositary shares representing such preferred stock.

Amendment and Termination of the Depositary Agreement

The form of depositary receipt evidencing the depositary shares and any provision of the depositary agreement may be amended by agreement between the bank depositary and us. However, any amendment that

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materially and adversely alters the rights of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. The depositary agreement may be terminated by the bank depositary or us only if (i) all outstanding depositary shares have been redeemed or (ii) there has been a final distribution in respect of the preferred stock in connection with our liquidation, dissolution or winding and such distribution has been distributed to the holders of depositary shares.

Charges of Bank Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the bank depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary shares will pay other transfer and other taxes and governmental charges and any other charges, including a fee for the withdrawal of shares of preferred stock upon surrender of depositary receipts, as are expressly provided in the depositary agreement to be payable by such holders.

Withdrawal of Preferred Stock

Except as may be provided otherwise in the applicable prospectus supplement, upon surrender of depositary receipts at the principal office of the bank depositary, subject to the terms of the depositary agreement, the owner of the depositary shares may demand delivery of the number of whole shares of preferred stock and all money and other property, if any, represented by those depositary shares. Partial shares of preferred stock will not be issued. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of whole shares of preferred stock to be withdrawn, the bank depositary will deliver to such holder at the same time a new depositary receipt evidencing the excess number of depositary shares. Holders of preferred stock thus withdrawn may not thereafter deposit those shares under the depositary agreement or receive depositary receipts evidencing depositary shares therefor.

Miscellaneous

The bank depositary will forward to holders of depositary shares all reports and communications from us that are delivered to the bank depositary and that we are required to furnish to the holders of the preferred stock.

Neither we nor the bank depositary will be liable if we are prevented or delayed by law or any circumstance beyond its control in performing its obligations under the depositary agreement. Our obligations and the obligations of the bank depositary under the depositary agreement will be limited to performance in good faith of their respective duties under the depositary agreement, and we will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless satisfactory indemnity is furnished. We may rely upon written advice of counsel or accountants, or upon information provided by persons presenting preferred stock for deposit, holders of depositary shares or other persons believed to be competent and on documents believed to be genuine.

Resignation and Removal of Bank Depositary

The bank depositary may resign at any time by delivering to us notice of its election to do so, and we may at any time remove the bank depositary. Any such resignation or removal will take effect upon the appointment of a successor bank depositary and its acceptance of such appointment. The successor bank depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company meeting the requirements of the depositary agreement.

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DESCRIPTION OF DEBT SECURITIES

The offered debt securities will be either our senior debt securities (the Senior Debt Securities) or our subordinated debt securities (the Subordinated Debt Securities and, together with the Senior Debt Securities, the Debt Securities). The Senior Debt Securities and the Subordinated Debt Securities will be issued under separate indentures among us, the Subsidiary Guarantors of such Debt Securities, if any, and a trustee to be determined (the Trustee). Senior Debt Securities will be issued under a Senior Indenture and Subordinated Debt Securities will be issued under a Subordinated Indenture. Together, the Senior Indenture and the Subordinated Indenture are called the Indentures.

The Indentures provide that the Debt Securities may be issued from time to time in one or more series. The particular terms of each series that are offered by a prospectus supplement will be described in the prospectus supplement.

The rights of our creditors, including holders of the Debt Securities, to participate in the assets of any subsidiary upon the latter's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors, except to the extent that we may ourselves be a creditor with recognized claims against such subsidiary and except to the extent that the Debt Securities are guaranteed by our subsidiaries as described below.

We have summarized selected provisions of the Indentures below. The summary is not complete. The form of each Indenture has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part, and you should read the Indentures for provisions that may be important to you. Capitalized terms used in the summary have the meanings specified in the Indentures.

General

The Indentures provide that Debt Securities in separate series may be issued thereunder from time to time without limitation as to aggregate principal amount. We may specify a maximum aggregate principal amount for the Debt Securities of any series. We will determine the terms and conditions of the Debt Securities, including the maturity, principal and interest, but those terms must be consistent with the applicable Indenture.

The Subordinated Debt Securities will be subordinated in right of payment to the prior payment in full of all of our senior debt as described under Subordination of Subordinated Debt Securities and in the prospectus supplement applicable to any Subordinated Debt Securities. If the prospectus supplement so indicates, the Debt Securities will be convertible into our common stock, preferred stock or units.

If and to the extent specified in the prospectus supplement respecting a particular series of Debt Securities, one or more Subsidiary Guarantors will jointly and severally, fully and unconditionally guarantee (the Subsidiary Guarantee) that series as described in the prospectus supplement and under Subsidiary Guarantee. Each Subsidiary Guarantee will be an unsecured obligation of the Subsidiary Guarantor. A Subsidiary Guarantee of Subordinated Debt Securities will be subordinated to the Senior Debt of the Subsidiary Guarantor on the same basis as the Subordinated Debt Securities are subordinated to our Senior Debt.

The applicable prospectus supplement will set forth the price or prices at which the Debt Securities to be issued will be offered for sale and will describe the following terms of such Debt Securities:

the title of the Debt Securities;

whether the Debt Securities are Senior Debt Securities or Subordinated Debt Securities and, if Subordinated Debt Securities, the related subordination terms;

whether any Subsidiary Guarantor will provide a Subsidiary Guarantee of the Debt Securities;

any limit on the aggregate principal amount of the Debt Securities;

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each date on which the principal of the Debt Securities will be payable;

the interest rate that the Debt Securities will bear and the interest payment dates for the Debt Securities;

each place where payments on the Debt Securities will be payable;

any terms upon which the Debt Securities may be redeemed, in whole or in part, at our option;

any sinking fund or other provisions that would obligate us to redeem or otherwise repurchase the Debt Securities;

the portion of the principal amount, if less than all, of the Debt Securities that will be payable upon declaration of acceleration of the Maturity of the Debt Securities;

whether the Debt Securities are defeasible;

any addition to or change in the Events of Default;

whether the Debt Securities are convertible into our common stock and, if so, the terms and conditions upon which conversion will be effected, including the initial conversion price or conversion rate and any adjustments thereto and the conversion period;

any addition to or change in the covenants in the Indenture applicable to the Debt Securities; and

any other terms of the Debt Securities not inconsistent with the provisions of the Indenture.

Debt Securities, including any Debt Securities that provide for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof (Original Issue Discount Securities), may be sold at a substantial discount below their principal amount. Special United States federal income tax considerations applicable to Debt Securities sold at an original issue discount may be described in the applicable prospectus supplement. In addition, special United States federal income tax or other considerations applicable to any Debt Securities that are denominated in a currency or currency unit other than United States dollars may be described in the applicable prospectus supplement.

Subordination of Subordinated Debt Securities

The indebtedness evidenced by the Subordinated Debt Securities will, to the extent set forth in the Subordinated Indenture with respect to each series of Subordinated Debt Securities, be subordinate in right of payment to the prior payment in full of all of our senior debt, including the Senior Debt Securities, and it may be senior in right of payment

to all of our subordinated debt. The prospectus supplement relating to any series of the Subordinated Debt Securities will summarize the subordination provisions of the Subordinated Indenture applicable to that series, including:

the applicability and effect of such provisions upon any payment or distribution with respect to that series following any liquidation, dissolution or other winding-up, or any assignment for the benefit of creditors or other marshalling of assets or any bankruptcy, insolvency or similar proceedings;

the applicability and effect of such provisions in the event of specified defaults with respect to any of our senior debt, including the circumstances under which and the periods during which we will be prohibited from making payments on the Subordinated Debt Securities;

the definition of senior debt applicable to that series and, if the series is issued on a senior subordinated basis, the definition of subordinated debt applicable to that series; and

the approximate amount of our senior debt to which the that series will be subordinated.

The failure to make any payment on any of the Subordinated Debt Securities by reason of the subordination provisions of the Subordinated Indenture described in the prospectus supplement will not be construed as preventing the occurrence of an event of default with respect to the Subordinated Debt Securities arising from any such failure to make payment.

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The subordination provisions described above will not be applicable to payments in respect of the Subordinated Debt Securities from a defeasance trust established in connection with any legal defeasance or covenant defeasance of the Subordinated Debt Securities as described under Legal Defeasance and Covenant Defeasance.

Subsidiary Guarantee

If and to the extent specified in the applicable prospectus supplement, one or more of the Subsidiary Guarantors may guarantee the Debt Securities of a series. Unless otherwise indicated in the prospectus supplement, the following provisions will apply to the Subsidiary Guarantee of the Subsidiary Guarantor.

Subject to the limitations described below, one or more of the Subsidiary Guarantors will jointly and severally, fully and unconditionally guarantee the punctual payment when due, whether at stated maturity, by acceleration or otherwise, of all our payment obligations under the Indentures and the Debt Securities of a series, whether for principal of, premium, if any, or interest on the Debt Securities or otherwise (all such obligations guaranteed by a Subsidiary Guarantor being herein called the Guaranteed Obligations). The Subsidiary Guarantors will also pay all expenses (including reasonable counsel fees and expenses) incurred by the applicable Trustee in enforcing any rights under a Subsidiary Guarantee with respect to a Subsidiary Guarantor.

In the case of the Subordinated Debt Securities, a Subsidiary Guarantor's Subsidiary Guarantee will be subordinated in right of payment to the senior debt of such Subsidiary Guarantor on the same basis as the Subordinated Debt Securities are subordinated to our senior debt. No payment will be made by any Subsidiary Guarantor under its Subsidiary Guarantee during any period in which payments by us on the Subordinated Debt Securities are suspended by the subordination provisions of the Subordinated Indenture.

Each Subsidiary Guarantee will be limited in amount to an amount not to exceed the maximum amount that can be guaranteed by the Subsidiary Guarantor without rendering such Subsidiary Guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

Each Subsidiary Guarantee will be a continuing guarantee and will:

remain in full force and effect until either (i) payment in full of all the applicable Debt Securities (or such Debt Securities are otherwise satisfied and discharged in accordance with the provisions of the applicable Indenture) or (ii) released as described in the following paragraph;

be binding upon each Subsidiary Guarantor; and

inure to the benefit of, and be enforceable by, the applicable Trustee, the holders of the applicable Debt Securities and their successors, transferees and assigns.

In the event that (i) a Subsidiary Guarantor ceases to be a subsidiary of MoneyGram, (ii) either legal defeasance or covenant defeasance occurs with respect to the series or (iii) all or substantially all of the assets or all of the capital stock of a Subsidiary Guarantor is sold, including by way of sale, merger, consolidation or otherwise, such Subsidiary Guarantor will be released and discharged of its obligations under its Subsidiary Guarantee without any further action required on the part of the Trustee or any holder of the applicable Debt Securities, and no other person acquiring or owning the assets or capital stock of such Subsidiary Guarantor will be required to enter into a Subsidiary Guarantee.

In addition, the prospectus supplement may specify additional circumstances under which a Subsidiary Guarantor can be released from its Subsidiary Guarantee.

Form, Exchange and Transfer

The Debt Securities of each series will be issuable only in fully registered form, without coupons and, unless otherwise specified in the applicable prospectus supplement, only in denominations of \$1,000 and integral multiples thereof.

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At the option of the holder of the Debt Securities, subject to the terms of the applicable Indenture and the limitations applicable to global securities (discussed below under "Global Securities"), Debt Securities of each series will be exchangeable for other Debt Securities of the same series of any authorized denomination and of a like tenor and aggregate principal amount.

Subject to the terms of the applicable Indenture and the limitations applicable to global securities, the Debt Securities may be presented for exchange as provided above or for registration of transfer (duly endorsed or with the form of transfer endorsed thereon duly executed) at the office of the security registrar or at the office of any transfer agent designated by us for such purpose. No service charge will be made for any registration of transfer or exchange of the Debt Securities, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in that connection. Such transfer or exchange will be effected upon the security registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. The security registrar and any other transfer agent initially designated by us for any Debt Securities will be named in the applicable prospectus supplement. We may at any time designate additional transfer agents or rescind the designations of any transfer agent or approve a change in the office through which any transfer agent acts, except that we will be required to maintain a transfer agent in each place of payment for the Debt Securities of each series.

If the Debt Securities of any series (or of any series and specified tenor, as the case may be) are to be redeemed in part, we will not be required to (i) issue, register the transfer of or exchange any Debt Security of that series (or of that series and specified tenor) during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any such Debt Security that may be selected for redemption and ending at the close of business on the day of such mailing or (ii) register the transfer of or exchange any Debt Security so selected for redemption, in whole or in part, except the unredeemed portion of any such Debt Security being redeemed in part.

Global Securities

Some or all of the Debt Securities of any series may be represented, in whole or in part, by one or more global securities that will have an aggregate principal amount equal to that of the Debt Securities they represent. Each global security will be registered in the name of a depositary or its nominee identified in the applicable prospectus supplement, will be deposited with such depositary or nominee or its custodian and will bear a legend regarding the restrictions on exchanges and registration of transfer thereof referred to below and any such other matters as may be provided for pursuant to the applicable Indenture.

Notwithstanding any provision of the Indentures or any Debt Security described in this prospectus, no global securities may be exchanged in whole or in part for Debt Securities registered, and no transfer of a global security in whole or in part may be registered, in the name of any person other than the depositary for such global security or any nominee of such depositary unless:

the depositary has notified us that it is unwilling or unable to continue as the depositary for such global security or has ceased to be qualified to act as such as required by the applicable Indenture, and in either case we fail to appoint a successor depositary within 90 days;

an event of default with respect to the Debt Securities represented by such global security has occurred and is continuing and the Trustee has received a written request from the depositary to issue certificated Debt Securities; or

other circumstances exist, in addition to or in lieu of those described above, as may be described in the applicable prospectus supplement.

All certificated Debt Securities issued in exchange for a global security or any portion thereof will be registered in such names as the depository may direct.

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As long as the depository, or its nominee, is the registered holder of a global security, the depository or such nominee, as the case may be, will be considered the sole owner and holder of such global security and the Debt Securities that it represents for all purposes under the Debt Securities and the applicable Indenture. Except in the limited circumstances referred to above, owners of beneficial interests in a global security will not be entitled to have such global security or any Debt Securities that it represents registered in their names, will not receive or be entitled to receive physical delivery of certificated Debt Securities in exchange for those interests and will not be considered to be the owners or holders of such global security or any Debt Securities that it represents for any purpose under the Debt Securities or the applicable Indenture. All payments on a global security will be made to the depository or its nominee, as the case may be, as the holder of the security. The laws of some jurisdictions may require that some purchasers of Debt Securities take physical delivery of such Debt Securities in certificated form. These laws may impair the ability to transfer beneficial interests in a global security.

Ownership of beneficial interests in a global security will be limited to institutions that have accounts with the depository or its nominee (participants) and to persons that may hold beneficial interests through participants. In connection with the issuance of any global security, the depository will credit, on its book-entry registration and transfer system, the respective principal amounts of the Debt Securities represented by the global security to the accounts of its participants. Ownership of beneficial interests in a global security will be shown only on, and the transfer of those ownership interests will be effected only through, records maintained by the depository (with respect to participants interests) or any such participant (with respect to interests of persons held by such participants on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a global security may be subject to various policies and procedures adopted by the depository from time to time. None of us, the Subsidiary Guarantors, any Trustees or the agents of us, the Subsidiary Guarantors or any Trustees will have any responsibility or liability for any aspect of the depository s or any participant s records relating to, or for payments made on account of, beneficial interests in a global security, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Payment and Paying Agents

Unless otherwise indicated in the applicable prospectus supplement, payment of interest on a Debt Security on any interest payment date will be made to the person in whose name such Debt Security is registered at the close of business on the record date for such interest.

Unless otherwise indicated in the applicable prospectus supplement, principal of and any premium and interest on the Debt Securities of a particular series will be payable at the office of such paying agent as we may designate for such purpose from time to time, except that at our option payment of any interest on the Debt Securities in certificated form may be made by check mailed to the address of the person entitled thereto as such address appears in the security register. Unless otherwise indicated in the applicable prospectus supplement, the corporate trust office of the Trustee under the Senior Indenture will be designated as sole paying agent for payments with respect to the Senior Debt Securities of each series, and the corporate trust office of the Trustee under the Subordinated Indenture will be designated as the sole paying agent for payment with respect to the Subordinated Debt Securities of each series. Any other paying agents initially designated by us for the Debt Securities of a particular series will be named in the applicable prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent in each place of payment for the Debt Securities of a particular series.

All money paid by us to a paying agent for the payment of the principal of or any premium or interest on any Debt Security that remains unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to us, and the holder of such Debt Security thereafter may look only to us for payment.

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Consolidation, Merger and Sale of Assets

Unless otherwise specified in the applicable prospectus supplement, we may not consolidate with or merge into, or transfer, lease or otherwise dispose of all or substantially all of our assets to, any person (a successor person), and may not permit any person to consolidate with or merge into us unless:

the successor person (if not us) is a corporation, partnership, trust or other entity organized and validly existing under the laws of any domestic jurisdiction and assumes our obligations on the Debt Securities and under the Indentures;

immediately before and after giving pro forma effect to the transaction, no event of default, and no event that, after notice or lapse of time or both, would become an event of default has occurred and is continuing; and

several other conditions, including any additional conditions with respect to any particular Debt Securities specified in the applicable prospectus supplement, are met.

The successor person (if not us) will be substituted for us under the applicable Indenture with the same effect as if it had been an original party to such Indenture, and, except in the case of a lease, we will be relieved from any further obligations under such Indenture and the Debt Securities.

Events of Default

Unless otherwise specified in the applicable prospectus supplement, each of the following will constitute an event of default under the applicable Indenture with respect to the Debt Securities of any series:

- (1) the failure to pay principal of or any premium on any Debt Security of that series when due, whether or not, in the case of the Subordinated Debt Securities, such payment is prohibited by the subordination provisions of the Subordinated Indenture;
- (2) the failure to pay any interest on any Debt Securities of that series when due, continued for 30 days, whether or not, in the case of the Subordinated Debt Securities, such payment is prohibited by the subordination provisions of the Subordinated Indenture;
- (3) the failure to deposit any sinking fund payment, when due, in respect of any Debt Security of that series, whether or not, in the case of the Subordinated Debt Securities, such deposit is prohibited by the subordination provisions of the Subordinated Indenture;
- (4) the failure to perform or comply with the provisions described under Consolidation, Merger and Sale of Assets ;
- (5) the failure to perform any of our other covenants in the applicable Indenture (other than a covenant included in such Indenture solely for the benefit of a series other than that series), continued for 60 days after written notice has been given by the applicable Trustee or the holders of at least 25% in principal amount of the outstanding Debt Securities of that series, as provided in such Indenture;

(6) certain events of bankruptcy, insolvency or reorganization affecting us, any significant subsidiary of MoneyGram or, if a Subsidiary Guarantor has guaranteed the series, such Subsidiary Guarantor; and

(7) if any Subsidiary Guarantor has guaranteed such series, the Subsidiary Guarantee of any such Subsidiary Guarantor is held by a final non-appealable order or judgment of a court of competent jurisdiction to be unenforceable or invalid or ceases for any reason to be in full force and effect (other than in accordance with the terms of the applicable Indenture) or any Subsidiary Guarantor or any person acting on behalf of any Subsidiary Guarantor denies or disaffirms such Subsidiary Guarantor's obligations under its Subsidiary Guarantee (other than by reason of a release of such Subsidiary Guarantor from its Subsidiary Guarantee in accordance with the terms of the applicable Indenture).

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If an event of default described in item (6) above occurs with respect to the Debt Securities of any series, the entire principal of, premium, if any, and accrued interest on, all debt securities then outstanding will be due and payable immediately, without any declaration or other act on the part of the applicable Trustee or any holders. If any other event of default with respect to the Debt Securities of any series at the time outstanding occurs and is continuing, either the applicable Trustee or the holders of at least 25% in principal amount of the outstanding Debt Securities of that series by notice as provided in the Indenture may declare the principal amount of the Debt Securities of that series (or, in the case of any Debt Security that is an Original Issue Discount Debt Security, such portion of the principal amount of such Debt Security as may be specified in the terms of such Debt Security) to be due and payable immediately, together with any accrued and unpaid interest thereon. After any such acceleration and its consequences, but before a judgment or decree based on acceleration, the holders of a majority in principal amount of the outstanding Debt Securities of that series may, under certain circumstances, rescind and annul such acceleration if all events of default with respect to that series, other than the non-payment of accelerated principal (or other specified amount), have been cured or waived as provided in the applicable Indenture. For information as to waiver of defaults, see Modification and Waiver below.

Subject to the provisions of the Indentures relating to the duties of the Trustee in case an event of default has occurred and is continuing, no Trustee will be under any obligation to exercise any of its rights or powers under the applicable Indenture at the request or direction of any of the holders, unless such holders have offered to such Trustee reasonable security or indemnity. Subject to such provisions for the indemnification of the Trustee, the holders of a majority in principal amount of the outstanding Debt Securities of any series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee with respect to the Debt Securities of that series.

No holder of a Debt Security of any series will have any right to institute any proceeding with respect to the applicable Indenture, or for the appointment of a receiver or a Trustee, or for any other remedy thereunder, unless:

such holder has previously given to the Trustee under the applicable Indenture written notice of a continuing event of default with respect to the Debt Securities of that series;

the holders of at least 25% in principal amount of the outstanding Debt Securities of that series have made written request, and such holders have offered reasonable security or indemnity, to the Trustee to institute such proceeding as Trustee; and

the Trustee has failed to institute such proceeding, and has not received from the holders of a majority in principal amount of the outstanding Debt Securities of that series a direction inconsistent with such request, within 60 days after such notice, request and offer.

However, such limitations do not apply to a suit instituted by a holder of a Debt Security for the enforcement of payment of the principal of or any premium or interest on such Debt Security on or after the applicable due date specified in such Debt Security or, if applicable, to convert such Debt Security.

We will be required to furnish to each Trustee annually a statement by certain of our officers as to whether or not we, to their knowledge, are in default in the performance or observance of any of the terms, provisions and conditions of the applicable Indenture and, if so, specifying all such known defaults.

Modification and Waiver

We may modify or amend an Indenture without the consent of any holders of the Debt Securities in certain circumstances, including:

to evidence the succession under the Indenture of another person to us or any Subsidiary Guarantor and to provide for its assumption of our or such Subsidiary Guarantor's obligations to holders of the Debt Securities;

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to make any changes that would add any additional covenants for the benefit of the holders of the Debt Securities or that do not adversely affect the rights under the Indenture of the holders of the Debt Securities in any material respect;

to add any additional event of default;

to provide for uncertificated notes in addition to, or in place of, certificated notes;

to secure the Debt Securities;

to establish the form or terms of any series of the Debt Securities;

to evidence and provide for the acceptance of appointment under the Indenture of a successor Trustee;

to cure any ambiguity, defect or inconsistency;

to add Subsidiary Guarantors; or

in the case of any Subordinated Debt Security, to make any change in the subordination provisions that limits or terminates the benefits applicable to any holder of senior debt.

Other modifications and amendments of an Indenture may be made by us, the Subsidiary Guarantors, if applicable, and the applicable Trustee with the consent of the holders of not less than a majority in principal amount of the outstanding Debt Securities of each series affected by such modification or amendment; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding Debt Security affected thereby:

change the stated maturity of the principal of, or any installment of principal of or interest on, any Debt Security;

reduce the principal amount of, or any premium or interest on, any Debt Security;

reduce the amount of principal of an Original Issue Discount Security or any other Debt Security payable upon acceleration of the maturity thereof;

change the place or currency of payment of principal of, or any premium or interest on, any Debt Security;

impair the right to institute suit for the enforcement of any payment due on or any conversion right with respect to any Debt Security;

modify the subordination provisions in the case of the Subordinated Debt Securities, or modify any conversion provisions, in either case in a manner adverse to the holders of the Subordinated Debt Securities;

except as provided in the applicable Indenture, release the Subsidiary Guarantee of a Subsidiary Guarantor;

reduce the percentage in principal amount of the outstanding Debt Securities of any series, the consent of whose holders is required for modification or amendment of the Indenture;

reduce the percentage in principal amount of outstanding Debt Securities of any series necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

modify such provisions with respect to modification, amendment or waiver; or

following the making of an offer to purchase the Debt Securities from any holder that has been made pursuant to a covenant in such Indenture, modify such covenant in a manner adverse to such holder.

The holders of not less than a majority in principal amount of the outstanding Debt Securities of any series may waive compliance by us with certain restrictive provisions of the applicable Indenture. The holders of not

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less than a majority in principal amount of the outstanding Debt Securities of any series may waive any past default under the applicable Indenture, except a default in the payment of principal, premium or interest and certain covenants and provisions of the Indenture that cannot be amended without the consent of the holder of each outstanding Debt Security of such series.

Each of the Indentures provides that in determining whether the holders of the requisite principal amount of the outstanding Debt Securities have given or taken any direction, notice, consent, waiver or other action under such Indenture as of any date:

- (1) the principal amount of a Debt Security issued at a discount that will be deemed to be outstanding will be the amount of the principal that would be due and payable as of such date upon acceleration of maturity to such date;
- (2) if, as of such date, the principal amount payable at the stated maturity of a Debt Security is not determinable (for example, because it is based on an index), the principal amount of such Debt Security deemed to be outstanding as of such date will be an amount determined in the manner prescribed for such Debt Security;
- (3) the principal amount of a Debt Security denominated in one or more foreign currencies or currency units that will be deemed to be outstanding will be the United States dollar equivalent, determined as of such date in the manner prescribed for such Debt Security, of the principal amount of such Debt Security (or, in the case of a Debt Security described in clause (1) or (2) above, of the amount described in such clause); and
- (4) certain Debt Securities, including those owned by us, any Subsidiary Guarantor or any of our other affiliates, will not be deemed to be outstanding.

Except in certain limited circumstances, we will be entitled to set any day as a record date for the purpose of determining the holders of outstanding Debt Securities of any series entitled to give or take any direction, notice, consent, waiver or other action under the applicable Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the Trustee will be entitled to set a record date for action by holders. If a record date is set for any action to be taken by holders of a particular series, only persons who are holders of outstanding Debt Securities of that series on the record date may take such action. To be effective, such action must be taken by holders of the requisite principal amount of such Debt Securities within a specified period following the record date. For any particular record date, this period will be 180 days or such other period as may be specified by us (or the Trustee, if it set the record date), and may be shortened or lengthened (but not beyond 180 days) from time to time.

Satisfaction and Discharge

Each Indenture will be discharged and will cease to be of further effect as to all outstanding Debt Securities of any series issued thereunder when:

- (i) all outstanding Debt Securities of that series that have been authenticated (except lost, stolen or destroyed Debt Securities that have been replaced or paid and Debt Securities for whose payment money has theretofore been deposited in trust and thereafter repaid to us) have been delivered to the Trustee for cancellation; or (ii) all outstanding Debt Securities of that series that have been not delivered to the Trustee for cancellation have become due and payable or will become due and payable at their stated maturity within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee

and in any case we have irrevocably deposited with the Trustee as trust funds money in an amount sufficient, without consideration of any reinvestment of interest, to pay the entire indebtedness of such Debt Securities not delivered to the Trustee for cancellation, for principal, premium, if any, and accrued interest to the Stated Maturity or redemption date;

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we have paid or caused to be paid all other sums payable by us under the Indenture with respect to the Debt Securities of that series; and

we have delivered an officer's certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge of the Indenture with respect to the Debt Securities of that series have been satisfied.

Legal Defeasance and Covenant Defeasance

To the extent indicated in the applicable prospectus supplement, we may elect, at our option at any time, to have our obligations discharged under provisions relating to defeasance and discharge of indebtedness, which we call legal defeasance, or relating to defeasance of certain restrictive covenants applied to the Debt Securities of any series, or to any specified part of a series, which we call covenant defeasance.

Legal Defeasance

The Indentures provide that, upon our exercise of our option (if any) to have the legal defeasance provisions applied to any series of Debt Securities, we and, if applicable, each Subsidiary Guarantor will be discharged from all our obligations, and, if such Debt Securities are Subordinated Debt Securities, the provisions of the Subordinated Indenture relating to subordination will cease to be effective, with respect to such Debt Securities (except for certain obligations to convert, exchange or register the transfer of the Debt Securities, to replace stolen, lost or mutilated Debt Securities, to maintain paying agencies and to hold moneys for payment in trust) upon the deposit in trust for the benefit of the holders of such Debt Securities of money or U.S. government obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient (in the opinion of a nationally recognized firm of independent public accountants) to pay the principal of and any premium and interest on such Debt Securities on the respective stated maturities in accordance with the terms of the applicable Indenture and such Debt Securities. Such defeasance or discharge may occur only if, among other things:

- (1) we have delivered to the applicable Trustee an opinion of counsel to the effect that we have received from, or there has been published by, the United States Internal Revenue Service (the IRS) a ruling, or there has been a change in tax law, in either case to the effect that holders of such Debt Securities will not recognize gain or loss for United States federal income tax purposes as a result of such deposit and defeasance and will be subject to United States federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and legal defeasance were not to occur;
- (2) no event of default or event that with the passing of time or the giving of notice, or both, shall constitute an event of default shall have occurred and be continuing at the time of such deposit or, with respect to any Event of Default described in clause (8) under Events of Default at any time until 121 days after such deposit;
- (3) such deposit and legal defeasance will not result in a breach or violation of, or constitute a default under, any agreement or instrument (other than the applicable Indenture) to which we are a party or by which we are bound;
- (4) in the case of the Subordinated Debt Securities, at the time of such deposit, no default in the payment of all or a portion of principal of (or premium, if any) or interest on any senior debt shall have occurred and be continuing, no event of default shall have resulted in the acceleration of any senior debt and no other event of default with respect to any senior debt shall have occurred and be continuing permitting after notice or the lapse of time, or both, the acceleration thereof; and

(5) we have delivered to the Trustee an opinion of counsel to the effect that such deposit shall not cause the Trustee or the trust so created to be subject to the Investment Company Act of 1940, as amended.

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Covenant Defeasance

The Indentures provide that, upon our exercise of our option (if any) to have the covenant defeasance provisions applied to any Debt Securities, we may fail to comply with certain restrictive covenants (but not with respect to conversion, if applicable), including those that may be described in the applicable prospectus supplement, and the occurrence of certain events of default, which are described above in clause (5) (with respect to such restrictive covenants) and clauses (6), (7) and (9) under Events of Default above and any that may be described in the applicable prospectus supplement, will not be deemed to either be or result in an event of default and, if such Debt Securities are Subordinated Debt Securities, the provisions of the Subordinated Indenture relating to subordination will cease to be effective, in each case with respect to such Debt Securities. In order to exercise such option, we must deposit, in trust for the benefit of the holders of such Debt Securities, money or U.S. government obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient (in the opinion of a nationally recognized firm of independent public accountants) to pay the principal of and any premium and interest on such Debt Securities on the respective stated maturities in accordance with the terms of the applicable Indenture and such Debt Securities. Such covenant defeasance may occur only if we have delivered to the applicable Trustee an Opinion of Counsel to the effect that Holders of such Debt Securities will not recognize gain or loss for federal income tax purposes as a result of such deposit and covenant defeasance and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit and covenant defeasance were not to occur, and the requirements set forth in clauses (2), (3), (4) and (5) above are satisfied. If we exercise this option with respect to any series of Debt Securities and such Debt Securities were declared due and payable because of the occurrence of any event of default, the amount of money and U.S. government obligations so deposited in trust would be sufficient to pay amounts due on such Debt Securities at the time of their respective stated maturities but may not be sufficient to pay amounts due on such Debt Securities upon any acceleration resulting from such Event of Default. In such case, we would remain liable for such payments.

If we exercise our covenant defeasance option, any Subsidiary Guarantee will terminate.

Notices

Notices to holders of the Debt Securities will be given by mail to the addresses of such holders as they may appear in the security register. Where the Indenture provides for notice of any event to a holder of a global security, such notice shall be sufficiently given if given to the depository for such Debt Security (or its designee), pursuant to the applicable procedures of the depository, not later than the latest date, if any, and not earlier than the earliest date, if any, prescribed for the giving of such notice.

Title

We, the Subsidiary Guarantors, the Trustees and any agent of thereof may treat the person in whose name a Debt Security is registered as the absolute owner of the Debt Security (whether or not such Debt Security may be overdue) for the purpose of making payment and for all other purposes.

Governing Law

The Indentures and the Debt Securities will be governed by, and construed in accordance with, the law of the State of New York.

The Trustee

We will enter into the Indentures with a Trustee that is qualified to act under the Trust Indenture Act of 1939, as amended (the Trust Indenture Act), and with any other Trustees chosen by us and appointed in a supplemental indenture for a particular series of Debt Securities. We may maintain a banking relationship in the ordinary course of business with our Trustee and one or more of its affiliates.

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Resignation or Removal of Trustee

If the Trustee has or acquires a conflicting interest within the meaning of the Trust Indenture Act, the Trustee must either eliminate its conflicting interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and the applicable Indenture. Any resignation will require the appointment of a successor Trustee under the applicable Indenture in accordance with the terms and conditions of such Indenture.

The Trustee may resign or be removed by us with respect to one or more series of Debt Securities and a successor Trustee may be appointed to act with respect to any such series. The holders of a majority in aggregate principal amount of the Debt Securities of any series may remove the Trustee with respect to the Debt Securities of such series.

Limitations on Trustee if it is our Creditor

Each Indenture will contain certain limitations on the right of the Trustee in the event that it becomes our creditor to obtain payment of claims in certain cases or to realize on certain property received in respect of any such claim as security or otherwise.

Certificates and Opinions to be Furnished to Trustee

Each Indenture may provide that, in addition to other certificates or opinions that may be specifically required by other provisions of such Indenture, certain applications by us for action by the Trustee must be accompanied by an officer's certificate and an opinion of counsel stating that, in the opinion of the signers, all conditions precedent to such action have been complied with by us.

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DESCRIPTION OF WARRANTS

General Description of Warrants

We may issue warrants for the purchase of our debt securities, preferred stock or common stock. Warrants may be issued independently or together with any other securities offered hereby and may be attached to, or separate from, any such offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a bank or trust company, as warrant agent. The warrant agent will act solely as our agent in connection with the warrants and will not have any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. A copy of the warrant agreement will be filed with the SEC in connection with the offering of warrants.

Debt Warrants

The prospectus supplement relating to a particular issue of warrants to purchase debt securities will describe the terms of those warrants, including the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the debt securities that may be purchased upon exercise of the warrants;

if applicable, the designation and terms of the debt securities that the warrants are issued with and the number of warrants issued with each debt security;

if applicable, the date from and after which the warrants and any debt securities issued with them will be separately transferable;

the principal amount of debt securities that may be purchased upon exercise of a warrant and the price at which the debt securities may be purchased upon exercise;

the dates on which the right to exercise the warrants will commence and expire;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

whether the warrants represented by the warrant certificates or the debt securities that may be issued upon exercise of the warrants will be issued in registered or bearer form;

information relating to book-entry procedures, if any;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material United States federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants;

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants; and

any other information we think is important about the warrants.

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Stock Warrants

The prospectus supplement relating to a particular issue of warrants to purchase common stock or preferred stock will describe the terms of the common stock warrants and preferred stock warrants, including the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the common stock or preferred stock that maybe purchased upon exercise of the warrants;

if applicable, the designation and terms of the securities that the warrants are issued with and the number of warrants issued with each security;

if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;

the number of shares of common stock or preferred stock that may be purchased upon exercise of a warrant and the price at which the shares may be purchased upon exercise;

the dates on which the right to exercise the warrants commence and expire;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material United States federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants;

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants; and

any other information we think is important about the warrants.

Exercise of Warrants

Each warrant will entitle the holder of the warrant to purchase at the exercise price set forth in the applicable prospectus supplement the principal amount of debt securities or the shares of our preferred stock or common stock being offered. Holders may exercise warrants at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants are void. Holders may exercise warrants as set forth in the prospectus supplement relating to the warrants being offered.

Until a holder of warrants exercises its warrants to purchase our debt securities, preferred stock or common stock, such holder will not have any rights as a holder of our debt securities, preferred stock or common stock, as the case may be, by virtue of such holder's ownership of warrants.

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DESCRIPTION OF RIGHTS

We may issue rights to purchase our debt securities, preferred stock, common stock, warrants or units. These rights may be issued independently or together with any other security offered hereby and may or may not be transferable by the person receiving the rights in such offering. In connection with any offering of such rights, we may enter into a standby arrangement with one or more underwriters or other purchasers pursuant to which the underwriters or other purchasers may be required to purchase any securities remaining unsubscribed for after such offering.

Each series of rights will be issued under a separate rights agreement that we will enter into with a bank or trust company, as rights agent, all as set forth in the applicable prospectus supplement. The rights agent will act solely as our agent in connection with the certificates relating to the rights and will not assume any obligation or relationship of agency or trust with any holders of rights certificates or beneficial owners of rights. We will file the rights agreement and the rights certificates relating to each series of rights with the SEC, and incorporate them by reference as an exhibit to the registration statement of which this prospectus is a part on or before the time we issue a series of rights.

The applicable prospectus supplement will describe the specific terms of any offering of rights for which this prospectus is being delivered, including the following:

the date of determining the stockholders entitled to the rights distribution;

the number of rights issued or to be issued to each stockholder;

the exercise price payable for the underlying securities upon the exercise of the rights;

the number and terms of the underlying securities which may be purchased per each right;

the extent to which the rights are transferable;

the date on which the holder's ability to exercise the rights shall commence, and the date on which the rights shall expire;

the extent to which the rights may include an over-subscription privilege with respect to unsubscribed securities;

if applicable, the material terms of any standby underwriting or purchase arrangement entered into by us in connection with the offering of such rights; and

any other terms of the rights, including the terms, procedures, conditions and limitations relating to the exchange and exercise of the rights.

The description in the applicable prospectus supplement of any rights that we may offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable rights certificate, which will be filed with the SEC.

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DESCRIPTION OF UNITS

As specified in the applicable prospectus supplement, we may issue units consisting of one or more of our debt securities, shares of our common stock or preferred stock, warrants or any combination of such securities. In addition, the prospectus supplement relating to units will describe the terms of any units we issue, including as applicable:

the designation and terms of the units and the securities included in the units;

any provision for the issuance, payment, settlement, transfer or exchange of the units;

the date, if any, on and after which the units may be transferable separately;

whether we will apply to have the units traded on a securities exchange or securities quotation system;

any material United States federal income tax consequences; and

how, for United States federal income tax purposes, the purchase price paid for the units is to be allocated among the component securities.

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PLAN OF DISTRIBUTION

We may offer and sell the securities offered by this prospectus in any of three ways:

through agents;

through underwriters or dealers; or

Nebhelp, Inc., Nebraska Rev. Jr., A-6 , MBIA, 6.45%, 2018	1,500,000	1,524,720
		\$ 2,791,126
Tax - Other - 4.2%		
Dallas County, TX, Flood Control District, 7.25%, 2032	\$ 500,000	\$ 515,045
Dona Ana County, NM, Gross Receipts Tax Rev., AMBAC, 5.5%, 2015	1,000,000	1,119,800
New Jersey Economic Development Authority Rev. (Cigarette Tax), 5.75%, 2029	500,000	490,395
New York, NY, Transitional Finance Authority Rev., A , 5%, 2026	1,960,000	2,009,372
Puerto Rico Infrastructure Financing Authority, B , 5%, 2026	750,000	743,805
		\$ 4,878,417

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Tax Assessment - 6.4%		
Atlanta, GA, Tax Allocation (Eastside Project), A , 5.625%, 2016	\$ 400,000	\$ 396,120
Celebration Community Development District, FL, A , 6.4%, 2034	230,000	236,921
Chicago, IL, Tax Increment Allocation (Pilsen Redevelopment), B , 6.75%, 2022	610,000	630,264
Coralville, IA, Urban Renewal Rev., Tax Increment, C , 5.125%, 2039	500,000	457,150
Double Branch Community Development District, FL, A , 6.7%, 2034	315,000	323,294
Du Page County, IL, Special Service Area (Monarch Landing Project), 5.4%, 2016	250,000	243,778
Grand Bay at Doral Community Development, FL, B , 6%, 2017	405,000	374,414
Heritage Harbour North Community Development District, FL, Capital Improvement Rev., 6.375%, 2038	140,000	126,038
Huntington Beach, CA, Community Facilities District, Special Tax (Grand Coast Resort), 2000-1 , 6.45%, 2031	300,000	306,906
Lincoln, CA, Special Tax (Community Facilities District), 2003-1 , 5.55%, 2013 (c)	445,000	501,457
Lincolnshire, IL, Special Service Area No. 1 (Sedgebrook Project), 6.25%, 2034	225,000	213,156
Magnolia Park Community Development District, FL, Special Assessment Rev., A , 6.15%, 2039	185,000	161,855
Oakdale, CA, Public Financing Authority Tax Allocation Rev. (Central City Redevelopment Project), 5.375%, 2033	500,000	476,570
Plano, IL, Special Service Area No. 4 (Lakewood Springs Project Unit 5-B), 6%, 2035	750,000	695,505
Portage, IN, Economic Development Rev. (Ameriplex Project), 5%, 2027	105,000	97,539
Riverside, MO, Tax Increment Rev. (L-385 Levee Project), 5.25%, 2020	500,000	511,010
Seven Oaks, FL, Community Development District II Special Assessment Rev., A , 5.875%, 2035	470,000	399,796
Seven Oaks, FL, Community Development District II Special Assessment Rev., B , 5%, 2009	150,000	147,440
Tolomato Community Development District, FL, Special Assessment Rev., 6.65%, 2040	100,000	95,182
Volo Village, IL, Special Service Area No. 3, Special Tax (Symphony Meadows Project), 1 , 6%, 2036	250,000	225,733
West Villages Improvement District, FL, Special Assessment Rev. (Unit of Development No. 3), 5.5%, 2037	495,000	395,218
Westridge, FL, Community Development District, Capital Improvement Rev., 5.8%, 2037	490,000	407,528
		\$ 7,422,874

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Tobacco - 4.5%		
Badger, WI, Tobacco Asset Securitization Corp., 6.375%, 2032	\$ 250,000	\$ 249,473
Buckeye, OH, Tobacco Settlement Rev., Asset Backed, A-2 , 5.875%, 2030	480,000	433,262
Buckeye, OH, Tobacco Settlement Rev., Asset Backed, A-2 , 5.875%, 2047	1,405,000	1,198,690
Buckeye, OH, Tobacco Settlement Rev., Asset Backed, A-2 , 6.5%, 2047	635,000	592,741
Golden State, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., A-1 , 6.25%, 2033 (c)	700,000	759,927
Inland Empire, CA, Tobacco Securitization Corp., Tobacco Settlement Rev., Asset Backed, C-1 , 0%, 2036	250,000	32,970
Michigan Tobacco Settlement Finance Authority Rev., Asset Backed, A , 6%, 2048	1,380,000	1,213,558
South Carolina Tobacco Settlement Authority Rev., B , 6.375%, 2028	400,000	400,876
Tobacco Securitization Authority of Southern California Rev., Asset Backed (San Diego County Tobacco Asset Securitization Corp.), 0%, 2046	6,000,000	340,020
Virginia Tobacco Settlement Financing Corp., B-1 , 5%, 2047	105,000	80,828
		\$ 5,302,345
Toll Roads - 2.5%		
Foothill/Eastern Corridor Agency, CA, Toll Road Rev., A , 5%, 2035	\$ 1,000,000	\$ 878,730
Northwest Parkway, CO, Public Highway Authority (First Tier), D , 7.125%, 2011 (c)	495,000	560,137
San Joaquin Hills, CA, Transportation Corridor Agency Toll Road Rev., A , MBIA, 0%, 2015	2,000,000	1,492,000
		\$ 2,930,867
Transportation - Special Tax - 1.1%		
Regional Transportation Authority, IL, C , FGIC, 7.75%, 2020	\$ 1,000,000	\$ 1,306,620
Universities - Colleges - 9.7%		
Broward County, FL, Educational Facilities Authority (Nova Southeastern), B , 5.5%, 2024	\$ 155,000	\$ 155,984
California Municipal Finance Authority Rev. (Biola University), 5.8%, 2028	100,000	100,885
California State University Rev., A , AMBAC, 5%, 2026	960,000	985,325
Chicago, IL, State University Rev. Auxiliary Facilities Systems, MBIA, 5.5%, 2023	1,085,000	1,215,428
Lubbock, TX, Educational Facilities Authority Rev. (Lubbock Christian University), 5.125%, 2027	285,000	271,679

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Universities - Colleges - continued		
Lubbock, TX, Educational Facilities Authority Rev. (Lubbock Christian University), 5.25%, 2037	\$ 135,000	\$ 125,469
Maryland Health & Higher Educational Facilities Authority Rev. (Loyola College), A, 5.125%, 2045	200,000	200,894
Massachusetts Development Finance Agency Rev. (Western New England College), 6.125%, 2012 (c)	315,000	357,837
Metropolitan Government of Nashville & Davidson County, TN, Health & Educational Facilities Board Rev. (Meharry Medical College), AMBAC, 6%, 2016	1,575,000	1,795,862
Miami-Dade County, FL, Educational Facilities Authority Rev. (University of Miami), A, 5.75%, 2028	125,000	129,120
Missouri Health & Educational Facilities Authority Rev. (Central Institute for the Deaf), RADIANT, 5.85%, 2010 (c)	600,000	631,794
Pennsylvania Higher Educational Facilities Authority Rev. (University of Philadelphia), A, 5.125%, 2025	500,000	498,595
Texas Tech University Rev. (Improvement Financing Systems), AMBAC, 5%, 2009 (c)	2,000,000	2,043,820
University of Minnesota, A, ETM, 5.75%, 2014 (c)	500,000	570,170
University of Minnesota, A, ETM, 5.5%, 2021 (c)	2,000,000	2,275,580
		\$ 11,358,442
Universities - Dormitories - 0.8%		
California Statewide Communities Development Authority Rev. (Lancer Educational Student Housing Project), 5.625%, 2033	\$ 500,000	\$ 453,140
Middlesex County, NJ, Improvement Authority (George Street Student Housing Project), A, 5%, 2018	300,000	301,248
Minneapolis, MN, Student Housing Rev. (Riverton Community Housing Project), A, 5.7%, 2040	250,000	224,990
		\$ 979,378
Utilities - Cogeneration - 1.1%		
Pennsylvania Economic Development Financing Authority Rev., Resource Recovery Rev. (Colver), G, 5.125%, 2015	\$ 425,000	\$ 409,012
Puerto Rico Industrial, Tourist, Educational, Medical & Environmental Central Facilities (Cogeneration Facilities - AES Puerto Rico Project), 6.625%, 2026	320,000	333,072
Suffolk County, NY, Industrial Development Agency Rev. (Nissequoque Cogeneration Partners Facilities), 5.5%, 2023	550,000	505,951
		\$ 1,248,035

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Utilities - Investor Owned - 9.4%		
Brazos River Authority, TX, Pollution Control Rev. (Texas Utility Co.), 7.7%, 2033	\$ 250,000	\$ 246,155
Brazos River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), C, 5.75%, 2036 (a)	100,000	95,736
Brazos River Authority, TX, Pollution Control Rev. (TXU Electric Co. LLC), C, 6.75%, 2038	270,000	235,235
Campbell County, WY, Pollution Control Rev. (Black Hills Power, Inc. Project), 5.35%, 2024	500,000	498,880
Clark County, NV, Industrial Development Rev. (Nevada Power Co. Project), A, 5.9%, 2032	250,000	222,278
Clark County, NV, Industrial Development Rev. (Nevada Power Co. Project), B, 5.9%, 2030	250,000	223,793
Clark County, NV, Industrial Development Rev. (Southwest Gas Corp. Project), E, 5.8%, 2038 (a)	250,000	255,368
Matagorda County, TX, Navigation District 1 (Houston Lighting.), AMBAC, 5.125%, 2028	2,000,000	1,949,260
Michigan Strategic Fund, Ltd. Obligation Rev. (Detroit Edison), A, MBIA, 5.55%, 2029	3,000,000	3,043,200
Mississippi Business Finance Corp., Pollution Control Rev. (Systems Energy Resources Project), 5.875%, 2022	1,000,000	999,910
New Hampshire Business Finance Authority, Pollution Control Rev. (Public Service of New Hampshire), B, MBIA, 4.75%, 2021	250,000	245,495
Pennsylvania Economic Development Financing Authority Rev. (Reliant Energy Seward), A, 6.75%, 2036	200,000	204,234
Petersburg, IN, Pollution Control Rev. (Indianapolis Power & Light), MBIA, 5.4%, 2017	2,500,000	2,770,100
		\$ 10,989,644
Utilities - Municipal Owned - 2.4%		
North Carolina Eastern Municipal Power Agency System Rev., F, 5.5%, 2016	\$ 285,000	\$ 298,694
North Carolina Municipal Power Agency No. 1, Catawba Electric Rev., A, MBIA, 5.5%, 2015	640,000	715,379
North Carolina Municipal Power Agency No. 1, Catawba Electric Rev., ETM, 5%, 2020 (c)	1,670,000	1,833,493
		\$ 2,847,566
Utilities - Other - 2.2%		
Main Street Natural Gas, Inc., GA, Gas Project Rev., A, 5.5%, 2026	\$ 120,000	\$ 112,934
Main Street Natural Gas, Inc., GA, Gas Project Rev., A, 5.5%, 2028	250,000	232,813
Salt Verde Financial Corp., AZ, Senior Gas Rev., 5%, 2032	795,000	713,576

Table of Contents*Portfolio of Investments (unaudited) continued*

Issuer	Shares/Par	Value (\$)
Municipal Bonds - continued		
Utilities - Other - continued		
Salt Verde Financial Corp., AZ, Senior Gas Rev., 5%, 2037	\$ 790,000	\$ 699,174
Tennessee Energy Acquisition Corp. Gas Revenue, C, 5%, 2025	185,000	174,470
Tennessee Energy Acquisition Corp. Gas Revenue, A, 5.25%, 2026	610,000	595,958
		\$ 2,528,925
Water & Sewer Utility Revenue - 3.5%		
Hampton Roads, VA, Sanitation District Wastewater Rev., 5%, 2033	\$ 680,000	\$ 703,440
Massachusetts Water Resources Authority (Charlestown Navy Yard), FSA, 5.25%, 2029	600,000	665,322
Puerto Rico Aqueduct & Sewer Authority Rev., ETM, MBIA, 6.25%, 2012 (c)	1,000,000	1,129,090
Puerto Rico Aqueduct & Sewer Authority Rev., ETM, MBIA, 6.25%, 2013 (c)	750,000	863,933
Puerto Rico Aqueduct & Sewer Authority Rev., A, 6%, 2044	195,000	203,681
Puerto Rico Aqueduct & Sewer Authority Rev., A, 6%, 2038	505,000	531,473
		\$ 4,096,939
Total Municipal Bonds (Identified Cost, \$171,416,277)		\$ 171,938,971
Floating Rate Demand Notes - 0.6%		
Jacksonville, FL, Pollution Control Rev. (Florida Power & Light Co.), 1.3%, due 6/02/08	\$ 100,000	\$ 100,000
Lincoln County, WY, Pollution Control Rev. (Exxon Mobil Corp.), 1.13%, due 6/02/08	300,000	300,000
Sublette County, WY, Pollution Control Rev. (Exxon Mobil Corp.), 1.13%, due 6/02/08	300,000	300,000
Total Floating Rate Demand Notes, at Identified Cost		\$ 700,000
Total Investments (Identified Cost, \$172,116,277)		\$ 172,638,971
Other Assets, Less Liabilities - 3.4%		
		3,968,260
Preferred Shares (Issued by the Fund) - (51.5)%		
		(60,000,000)
Net Assets applicable to common shares - 100.0%		
		\$ 116,607,231

(a) Mandatory tender date is earlier than stated maturity date.

(c) Refunded bond.

(d) Non-income producing security - in default.

(f) All or a portion of the security has been segregated as collateral for an open futures contract.

(j) Crossover refunded bond.

(n) Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be sold in the ordinary course of business in transactions exempt from registration, normally to qualified institutional buyers. At period end, the aggregate value of these securities was \$2,910,654, representing 2.5% of net assets.

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(z) Restricted securities are not registered under the Securities Act of 1933 and are subject to legal restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are subsequently registered. Disposal of these securities may involve time-consuming negotiations and prompt sale at an acceptable price may be difficult. The fund holds the following restricted securities:

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Portfolio of Investments (unaudited) continued

	Acquisition Date	Cost	Current Market Value
Restricted Securities			
Cabazon Band Mission Indians, CA, 8.75%, 2019	10/04/04	\$360,000	\$375,671
Cabazon Band Mission Indians, CA, 8.375%, 2015	10/04/04	100,000	103,674
Pass-Through Certificates, 1993, 8.5%, 2016	8/27/93	232,276	225,042
Total Restricted Securities			\$704,387
% of Net Assets			0.6%

Futures contracts outstanding at 5/31/08

Description	Contracts	Value	Expiration Date	Unrealized Appreciation/ (Depreciation)
U.S. Treasury Note 10 yr (Short)	292	\$32,822,625	Sep-08	\$41,002
U.S. Treasury Note 30 yr (Short)	85	9,647,500	Sep-08	25,601
				\$66,603

At May 31, 2008, the fund had sufficient cash and/or other liquid securities to cover any commitments under these derivative contracts.

The following abbreviations are used in this report and are defined:

- COP Certificate of Participation
- ETM Escrowed to Maturity

Insurers

AMBAC	AMBAC Indemnity Corp.
ASSD GTY	Assured Guaranty Insurance Co.
BHAC	Berkshire Hathaway Assurance Corp.
FGIC	Financial Guaranty Insurance Co.
FHA	Federal Housing Administration
FSA	Financial Security Assurance Inc.
GNMA	Government National Mortgage Assn.
MBIA	MBIA Insurance Corp.
RADIAN	Radian Asset Assurance, Inc.
XLCA	XL Capital Insurance Co.

See Notes to Financial Statements

Table of Contents*Financial Statements***STATEMENT OF ASSETS AND LIABILITIES**

At 5/31/08 (unaudited)

This statement represents your fund's balance sheet, which details the assets and liabilities comprising the total value of the fund.

Assets	
Investments, at value (identified cost, \$172,116,277)	\$172,638,971
Cash	59,749
Receivable for investments sold	1,345,289
Interest receivable	2,779,710
Other assets	63,693
Total assets	\$176,887,412
Liabilities	
Distributions payable on common shares	\$50,063
Distributions payable on preferred shares	21,274
Payable for daily variation margin on open futures contracts	116,828
Payable to affiliates	
Management fee	9,110
Transfer agent and dividend disbursing costs	1,490
Administrative services fee	269
Payable for independent trustees' compensation	16,377
Accrued expenses and other liabilities	64,770
Total liabilities	\$280,181
Preferred shares	
Auction preferred shares (2,400 shares issued and outstanding at \$25,000 per share) at liquidation value	\$60,000,000
Net assets applicable to common shares	\$116,607,231
Net assets consist of	
Paid-in capital - common shares	\$126,997,522
Unrealized appreciation (depreciation) on investments	589,297
Accumulated net realized gain (loss) on investments	(11,137,213)
Undistributed net investment income	157,625
Net assets applicable to common shares	\$116,607,231
Preferred shares, at value (2,400 shares issued and outstanding at \$25,000 per share)	60,000,000
Net assets including preferred shares	\$176,607,231
Common shares of beneficial interest outstanding	11,509,000
Net asset value per common share (net assets of \$116,607,231/11,509,000 shares of beneficial interest outstanding)	\$10.13
See Notes to Financial Statements	

Table of Contents*Financial Statements***STATEMENT OF OPERATIONS**

Six months ended 5/31/08 (unaudited)

This statement describes how much your fund earned in investment income and accrued in expenses. It also describes any gains and/or losses generated by fund operations.

Net investment income		
Interest income		\$5,016,372
Expenses		
Management fee	\$576,589	
Transfer agent and dividend disbursing costs	9,797	
Administrative services fee	16,584	
Independent trustees' compensation	7,999	
Stock exchange fee	4,433	
Preferred shares remarketing agent fee	75,292	
Custodian fee	13,719	
Shareholder communications	10,749	
Auditing fees	32,859	
Legal fees	8,312	
Interest expense and fees	12,066	
Miscellaneous	15,936	
Total expenses		\$784,335
Fees paid indirectly	(11,717)	
Reduction of expenses by investment adviser	(18,025)	
Net expenses		\$754,593
Net investment income		\$4,261,779
Realized and unrealized gain (loss) on investments		
Realized gain (loss) (identified cost basis)		
Investment transactions	\$(390,849)	
Futures contracts	(691,941)	
Net realized gain (loss) on investments		\$(1,082,790)
Change in unrealized appreciation (depreciation)		
Investments	\$(3,979,261)	
Futures contracts	81,366	
Net unrealized gain (loss) on investments		\$(3,897,895)
Net realized and unrealized gain (loss) on investments		\$(4,980,685)
Distributions declared to preferred shareholders		\$(1,089,885)
Change in net assets from operations		\$(1,808,791)
See Notes to Financial Statements		

Table of Contents*Financial Statements***STATEMENTS OF CHANGES IN NET ASSETS**

These statements describe the increases and/or decreases in net assets resulting from operations, any distributions, and any shareholder transactions.

	Six months ended 5/31/08 (unaudited)	Year ended 11/30/07
Change in net assets		
From operations		
Net investment income	\$4,261,779	\$9,081,043
Net realized gain (loss) on investments	(1,082,790)	(4,581,812)
Net unrealized gain (loss) on investments	(3,897,895)	(6,996,386)
Distributions declared to preferred shareholders	(1,089,885)	(2,208,862)
Change in net assets from operations	\$(1,808,791)	\$(4,706,017)
Distributions declared to shareholders		
From net investment income	\$(3,176,484)	\$(6,364,479)
Total change in net assets	\$(4,985,275)	\$(11,070,496)
Net assets applicable to common shares		
At beginning of period	121,592,506	132,663,002
At end of period (including undistributed net investment income of \$157,625 and \$162,215, respectively)	\$116,607,231	\$121,592,506
See Notes to Financial Statements		

Table of Contents*Financial Statements***FINANCIAL HIGHLIGHTS**

The financial highlights table is intended to help you understand the fund's financial performance for the semiannual period and the past 5 fiscal years). Certain information reflects financial results for a single fund share. The total returns in the table represent the rate by which an investor would have earned (or lost) on an investment in the fund share class (assuming reinvestment of all distributions) held for the entire period.

	Six months ended 5/31/08	2007	Years ended 11/30			2003
			2006	2005	2004	
	(unaudited)					
Net asset value, beginning of period	\$10.56	\$11.53	\$11.16	\$11.14	\$11.47	\$11.04
Income (loss) from investment operations						
Net investment income (d)	\$0.37	\$0.79(z)	\$0.75	\$0.75	\$0.74	\$0.74
Net realized and unrealized gain (loss) on investments	(0.43)	(1.02)(z)	0.37	0.05	(0.33)	0.42
Distributions declared to preferred shareholders	(0.09)	(0.19)	(0.17)	(0.12)	(0.06)	(0.05)
Total from investment operations	\$(0.15)	\$(0.42)	\$0.95	\$0.68	\$0.35	\$1.11
Less distributions declared to shareholders						
From net investment income, common shares	\$(0.28)	\$(0.55)	\$(0.58)	\$(0.66)	\$(0.68)	\$(0.68)
Net asset value, end of period	\$10.13	\$10.56	\$11.53	\$11.16	\$11.14	\$11.47
Common share market value, end of period	\$9.49	\$9.56	\$10.73	\$10.40	\$10.01	\$10.63
Total return at common market value (%) (p)	2.15(n)	(6.12)	8.96	10.68	0.64	12.48
Total return at net asset value (%) (p)(t)	(1.29)(n)	(3.50)	9.11	6.72	3.80	10.92
Ratios (%) (to average net assets applicable to common shares) and Supplemental data:						
Expenses before expense reductions (f)(p)	1.34(a)	1.35	1.37	1.30	1.29	1.31
Expenses after expense reductions (f)(p)	1.31(a)	1.32	1.34	1.30	N/A	N/A
Expenses after expense reductions and excluding interest expense and fees (f)(l)(p)	1.29(a)	1.29	1.31	1.30	1.29	1.31
Net investment income (p)	7.26(a)	7.10(z)	6.71	6.64	6.55	6.57
Portfolio turnover	12	24	34	16	15	13
Net assets at end of period (000 Omitted)	\$116,607	\$121,593	\$132,663	\$128,402	\$128,157	\$131,966

Table of Contents*Financial Highlights continued*

	Six months ended 5/31/08 (unaudited)	2007	Years ended 11/30			2003
			2006	2005	2004	
Supplemental Ratios (%):						
Net investment income available to common shares	5.40	5.37	5.15	5.61	6.06	6.12
Senior Securities:						
Total preferred shares outstanding	2,400	2,400	2,400	2,400	2,400	2,400
Asset coverage per preferred share (k)	\$73,586	\$75,664	\$80,276	\$78,501	\$78,399	\$79,986
Involuntary liquidation preference per preferred share (o)	\$25,000	\$25,000	\$25,007	\$25,004	\$25,001	\$25,004
Average market value per preferred share (m)(x)	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000

(a) Annualized.

(d) Per share data is based on average shares outstanding.

(f) Ratios do not reflect reductions from fees paid indirectly, if applicable.

(k) Calculated by subtracting the fund's total liabilities (not including preferred shares) from the trust's total assets and dividing this number by the number of preferred shares outstanding.

(l) Interest expense and fees relate to interest payments made to the holder of certain floating rate certificates and associated fees, both of which are made from trust assets.

(m) Amount excludes accrued unpaid distributions to Auction Preferred Shareholders.

(n) Not annualized.

(o) Effective November 30, 2007, amount excludes accrued unpaid distributions to Auction Preferred Shareholders.

(p) Excludes dividend payment on auction preferred shares.

(t) Prior to November 30, 2007, total return at net asset value is unaudited.

(x) Average market value represents the approximate fair value of the fund's liability.

(z) The fund applied a change in estimate for amortization of premium on certain debt securities in the year ended November 30, 2007 that resulted in an increase of \$0.03 per share to net investment income, a decrease of \$0.03 per share to net realized and unrealized gain (loss) on investments, and an increase of 0.31% to the net investment income ratio. The change in estimate had no impact on net assets, net asset value per share or total return.

See Notes to Financial Statements

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NOTES TO FINANCIAL STATEMENTS

(unaudited)

(1) Business and Organization

MFS Investment Grade Municipal Trust (the fund) is organized as a Massachusetts business trust and is registered under the Investment Company Act of 1940, as amended, as a closed-end management investment company.

(2) Significant Accounting Policies

General The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the discontinuance of the taxation supporting the projects or assets or the inability to collect revenues for the project or from the assets. If the Internal Revenue Service determines an issuer of a municipal security has not complied with applicable tax requirements, the security could decline in value, interest from the security could become taxable and the fund may be required to issue Forms 1099-DIV.

Investment Valuations Debt instruments and floating rate loans (other than short-term instruments), including restricted debt instruments, are generally valued at an evaluated or composite bid as reported by an independent pricing service. Short-term instruments with a maturity at issuance of 60 days or less may be valued at amortized cost, which approximates market value. Futures contracts are generally valued at last posted settlement price as reported by an independent pricing service on the market on which they are primarily traded. Futures contracts for which there were no trades that day for a particular position are generally valued at the closing bid quotation as reported by an independent pricing service on the market on which such futures contracts are primarily traded. Securities and other assets generally valued on the basis of information from an independent pricing service may also be valued at a broker-dealer bid quotation. Values obtained from pricing services can utilize both dealer-supplied valuations and electronic data processing techniques, which take into account factors such as institutional-size trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

The Board of Trustees has delegated primary responsibility for determining or causing to be determined the value of the fund's investments (including any fair valuation) to the adviser pursuant to valuation policies and procedures approved by the Board. If the adviser determines that reliable market

Table of Contents*Notes to Financial Statements (unaudited) continued*

quotations are not readily available, investments are valued at fair value as determined in good faith by the adviser in accordance with such procedures under the oversight of the Board of Trustees. Under the fund's valuation policies and procedures, market quotations are not considered to be readily available for most types of debt instruments and floating rate loans and many types of derivatives. These investments are generally valued at fair value based on information from independent pricing services. In addition, investments may be valued at fair value if the adviser determines that an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded (such as foreign exchange or market) and prior to the determination of the fund's net asset value, or after the halting of trading of a specific security where trading does not resume prior to the close of the exchange or market on which the security is principally traded. The adviser may rely on independent pricing services or other information (such as the correlation with price movements of similar securities in the same or other markets; the type, cost and investment characteristics of the security; the business and financial condition of the issuer; and trading and other market data) to assist in determining whether to fair value and at what value to fair value an investment. The value of an investment for purposes of calculating the fund's net asset value can differ depending on the source and method used to determine value. When fair valuation is used, the value of investments used to determine the fund's net asset value may differ from quoted or published prices for the same investments.

The fund adopted FASB Statement No. 157, Fair Value Measurements (the Statement) in this reporting period. This Statement provides a single definition of fair value, a hierarchy for measuring fair value and expanded disclosures about fair value measurements.

Various inputs are used in determining the value of the fund's assets or liabilities carried at market value. These inputs are categorized into three broad levels. Level 1 includes quoted prices in active markets for identical assets or liabilities. Level 2 includes other significant observable market-based inputs (including quoted prices for similar securities, interest rates, prepayment speed, and credit risk). Level 3 includes unobservable inputs, which may include the adviser's own assumptions in determining the fair value of investments. Other financial instruments are derivative instruments not reflected in total investments, such as futures, forwards, swap contracts and written options, which are valued at the unrealized appreciation/depreciation on the instrument. The following is a summary of the levels used as of May 31, 2008 in valuing the fund's assets or liabilities carried at market value:

	Level 1	Level 2	Level 3	Total
Investments in Securities	\$	\$172,638,971	\$	\$172,638,971
Other Financial Instruments	\$66,603	\$	\$	\$66,603

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Notes to Financial Statements (unaudited) continued

Derivative Risk The fund may invest in derivatives for hedging or non-hedging purposes. While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. When the fund uses derivatives as an investment to gain market exposure, or for hedging purposes, gains and losses from derivative instruments may be substantially greater than the derivative's original cost. Cash that has been segregated on behalf of certain derivative contracts will be reported separately on the Statement of Assets and Liabilities as restricted cash. Derivative instruments include futures contracts and inverse floaters.

Futures Contracts The fund may enter into futures contracts for the delayed delivery of securities or currency, or contracts based on financial indices at a fixed price on a future date. In entering such contracts, the fund is required to deposit with the broker either in cash or securities an amount equal to a certain percentage of the contract amount. Subsequent payments are made or received by the fund each day, depending on the daily fluctuations in the value of the contract, and are recorded for financial statement purposes as unrealized gains or losses by the fund. Upon entering into such contracts, the fund bears the risk of interest or exchange rates or securities prices moving unexpectedly, in which case, the fund may not achieve the anticipated benefits of the futures contracts and may realize a loss.

Inverse Floaters The fund invests in municipal inverse floating rate securities which are structured by the issuer (known as primary market inverse floating rate securities) or by an investment banker utilizing municipal bonds which have already been issued (known as secondary market inverse floating rate securities) to have variable rates of interest which typically move in the opposite direction of short term interest rates. A secondary market inverse floating rate security is created when an investment banker transfers a fixed rate municipal bond to a special purpose trust, and causes the trust to (a) issue floating rate certificates to third parties, in an amount equal to a fraction of the par amount of the deposited bonds (these certificates usually pay tax-exempt interest at short-term interest rates that typically reset weekly; and the certificate holders typically, on seven days notice, have the option to tender their certificates to the investment banker or another party for redemption at par plus accrued interest), and (b) issue inverse floating rate certificates (sometimes referred to as inverse floaters). If the holder of the inverse floater transfers the municipal bonds to an investment banker for the purpose of depositing the municipal bonds into the special purpose trust, the inverse floating rate certificates that are issued by the trust are referred to as self-deposited inverse floaters. If the bonds held by the trust are purchased by the investment banker for deposit into the trust from someone other than the purchasers of the inverse floaters, the inverse floating rate certificates that

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Notes to Financial Statements (unaudited) continued

are issued by the trust are referred to as externally deposited inverse floaters. Such self-deposited inverse floaters held by the fund are accounted for as secured borrowings, with the municipal bonds reflected in the investments of the fund and amounts owed to the holder of the floating rate certificate under the provisions of the trust, which amounts are paid solely from the assets of the trust, reflected as liabilities of the fund in the Statement of Assets and Liabilities under the caption, Payable to the holder of the floating rate certificate from trust assets. At May 31, 2008, the fund's payable to the holder of the floating rate certificate from trust assets was \$0. Interest expense and fees relate to interest payments made to the holder of certain floating rate certificates and associated fees, both of which are made from trust assets. Interest expense and fees are recorded as incurred. For the six months ended May 31, 2008, interest expense and fees in connection with self-deposited inverse floaters held during the period was \$12,066. Primary and externally deposited inverse floaters held by the fund are not accounted for as secured borrowings.

In March 2008, FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (the Standard) was issued, and is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This Standard provides enhanced disclosures about the fund's use of and accounting for derivative instruments and the effect of derivative instruments on the fund's results of operations and financial position. Management is evaluating the application of the Standard to the fund, and has not at this time determined the impact, if any, resulting from the adoption of this Standard on the fund's financial statements.

Indemnifications Under the fund's organizational documents, its officers and trustees may be indemnified against certain liabilities and expenses arising out of the performance of their duties to the fund. Additionally, in the normal course of business, the fund enters into agreements with service providers that may contain indemnification clauses. The fund's maximum exposure under these agreements is unknown as this would involve future claims that may be made against the fund that have not yet occurred.

Investment Transactions and Income Investment transactions are recorded on the trade date. Interest income is recorded on the accrual basis. All premium and discount is amortized or accreted for financial statement purposes in accordance with U.S. generally accepted accounting principles.

The fund may receive proceeds from litigation settlements. Any proceeds received from litigation involving portfolio holdings are reflected in the Statement of Operations in realized gain/loss if the security has been disposed of by the fund or in unrealized gain/loss if the security is still held by the fund. Any other proceeds from litigation not related to portfolio holdings are reflected as other income in the Statement of Operations.

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Fees Paid Indirectly The fund's custody fee may be reduced according to an arrangement that measures the value of cash deposited with the custodian by the fund. This amount, for the six months ended May 31, 2008, is shown as a reduction of total expenses on the Statement of Operations.

Tax Matters and Distributions The fund intends to qualify as a regulated investment company, as defined under Subchapter M of the Internal Revenue Code, and to distribute all of its taxable and tax-exempt income, including realized capital gains. As a result, no provision for federal income tax is required. The fund adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (the Interpretation) on the first day of the fund's fiscal year. The Interpretation prescribes a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. There was no impact resulting from the adoption of this Interpretation on the fund's financial statements. Each of the fund's federal tax returns for the prior three fiscal years remains subject to examination by the Internal Revenue Service. It is the fund's policy to record interest and penalty charges on underpaid taxes associated with its tax positions as interest expense and miscellaneous expense, respectively. No such charges were recorded in the current financial statements.

Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Distributions in excess of net investment income or net realized gains are temporary overdistributions for financial statement purposes resulting from differences in the recognition or classification of income or distributions for financial statement and tax purposes.

Book/tax differences primarily relate to amortization and accretion of debt securities and derivative transactions.

The tax character of distributions made during the current period will be determined at fiscal year end. The tax character of distributions declared to shareholders is as follows:

	11/30/07
Ordinary income (including any short-term capital gains)	\$12,385
Tax-exempt income	8,560,956
Total distributions	\$8,573,341

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The federal tax cost and the tax basis components of distributable earnings were as follows:

As of 5/31/08	
Cost of investments	\$171,740,743
Gross appreciation	8,926,629
Gross depreciation	(8,028,401)
Net unrealized appreciation (depreciation)	\$ 898,228
As of 11/30/07	
Undistributed tax-exempt income	\$ 223,739
Capital loss carryforwards	(8,351,488)
Post-October capital loss deferral	(2,334,770)
Other temporary differences	(61,524)
Net unrealized appreciation (depreciation)	\$ 5,119,027

The aggregate cost above includes prior fiscal year end tax adjustments.

As of November 30, 2007, the fund had capital loss carryforwards available to offset future realized gains. Such losses expire as follows:

11/30/08	\$ (107,459)
11/30/10	(1,238,884)
11/30/15	(7,005,145)
	\$(8,351,488)

(3) Transactions with Affiliates

Investment Adviser The fund has an investment advisory agreement with Massachusetts Financial Services Company (MFS) to provide overall investment management and related administrative services and facilities to the fund. The management fee is computed daily and paid monthly at an annual rate of 0.65% of the fund's average daily net assets, (including the value of auction preferred shares).

The investment adviser has agreed in writing to reduce its management fee to 0.63% of the fund's average daily net assets, (including the value of auction preferred shares). This written agreement will continue through June 29, 2008 after which date the management fee will be determined by the fund's Board of Trustees and MFS. This management fee reduction amounted to \$17,741, which is shown as a reduction of total expenses in the Statement of Operations. The management fee incurred for the six months ended May 31, 2008 was equivalent to an annual effective rate of 0.63% of the fund's average daily net assets, (including the value of auction preferred shares).

The investment adviser has agreed in writing to pay a portion of the fund's operating expenses, exclusive of certain other fees and expenses, such that total annual fund operating expenses do not exceed 0.89% of the fund's average daily

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Notes to Financial Statements (unaudited) continued

net assets, (including value of auction preferred shares). This written agreement will continue through November 30, 2009 unless changed or rescinded by the fund's Board of Trustees. For the six months ended May 31, 2008, the fund's actual operating expenses did not exceed the limit and therefore, the investment adviser did not pay any portion of the fund's expenses.

Transfer Agent The fund engages Computershare Trust Company, N.A. (Computershare) as the sole transfer agent for the fund. MFS Service Center, Inc. (MFSC) monitors and supervises the activities of Computershare for an agreed upon fee approved by the Board of Trustees. For the six months ended May 31, 2008, these fees paid to MFSC amounted to \$4,689. MFSC also receives payment from the fund for out-of-pocket expenses paid by MFSC on behalf of the fund. For the six months ended May 31, 2008, no out-of-pocket costs were incurred by the fund.

Administrator MFS provides certain financial, legal, shareholder communications, compliance, and other administrative services to the fund. Under an administrative services agreement, the fund partially reimburses MFS the costs incurred to provide these services. The fund is charged a fixed amount plus a fee based on average daily net assets. The fund's annual fixed amount is \$17,500.

The administrative services fee incurred for the six months ended May 31, 2008 was equivalent to an annual effective rate of 0.0187% of the fund's average daily net assets.

Trustees and Officers Compensation The fund pays compensation to independent trustees in the form of a retainer, attendance fees, and additional compensation to Board and Committee chairpersons. The fund does not pay compensation directly to trustees or to officers of the fund who are also officers of the investment adviser, all of whom receive remuneration for their services to the fund from MFS. Certain officers and trustees of the fund are officers or directors of MFS and MFSC.

Deferred Trustee Compensation The fund's former independent trustees participated in a Deferred Compensation Plan (the Plan). The fund's current independent trustees are not allowed to defer compensation under the Plan. Deferred amounts represent an unsecured obligation of the fund until distributed in accordance with the Plan. Included in other assets and payable for independent trustees' compensation is \$16,377 of deferred trustees' compensation.

Other This fund and certain other MFS funds (the funds) have entered into a services agreement (the Agreement) which provides for payment of fees by the funds to Tarantino LLC in return for the provision of services of an Independent Chief Compliance Officer (ICCO) for the funds. The ICCO is an officer of the funds and the sole member of Tarantino LLC. The funds can

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Notes to Financial Statements (unaudited) continued

terminate the Agreement with Tarantino LLC at any time under the terms of the Agreement. For the six months ended May 31, 2008, the fee paid by the fund to Tarantino LLC was \$502 and is included in miscellaneous expense on the Statement of Operations. MFS has agreed to reimburse the fund for a portion of the payments made by the fund to Tarantino LLC in the amount of \$284, which is shown as a reduction of total expenses in the Statement of Operations. Additionally, MFS has agreed to bear all expenses associated with office space, other administrative support, and supplies provided to the ICCO.

(4) Portfolio Securities

Purchases and sales of investments, other than U.S. Government securities, purchased option transactions, and short-term obligations, aggregated \$21,094,816 and \$22,916,669, respectively.

(5) Shares of Beneficial Interest

The fund's Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest. The Trustees have authorized the repurchase by the fund of up to 10% annually of its own shares of beneficial interest. During the six months ended May 31, 2008, the fund did not repurchase any shares.

(6) Line of Credit

The fund and other funds managed by MFS participate in a \$1 billion unsecured committed line of credit provided by a syndication of banks under a credit agreement. In addition, the fund and other funds managed by MFS have established uncommitted borrowing arrangements with certain banks. Borrowings may be made for temporary financing needs. Interest is charged to each fund, based on its borrowings, generally at a rate equal to the Federal Reserve funds rate plus 0.30%. In addition, a commitment fee, based on the average daily, unused portion of the committed line of credit, is allocated among the participating funds at the end of each calendar quarter. For the six months ended May 31, 2008, the fund's commitment fee and interest expense on the line of credit were \$131 and \$0, respectively, and are included in miscellaneous expense and interest expense and fees, respectively, on the Statement of Operations.

(7) Auction Preferred Shares

The fund currently has outstanding 2,400 shares of Auction Preferred Shares (APS). Dividends are cumulative at a rate that is reset every seven days through an auction process. If the APS are unable to be remarketed on a remarketing date as part of the auction process, the fund would be required to pay the maximum applicable rate on APS to holders of such shares for successive dividend periods until such time when the shares are successfully remarketed. The maximum rate on APS is equal to 110% of the higher of (i) the Taxable Equivalent of the Short-Term Municipal Bond Rate or (ii) the AA Composite Commercial Paper Rate.

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Notes to Financial Statements (unaudited) continued

Since February 2008, regularly scheduled auctions for APS issued by closed end funds, including MFS Investment Grade Municipal Trust, have consistently failed because of insufficient demand (bids to buy shares) to meet the supply (shares offered for sale) at each auction. In a failed auction, APS holders cannot sell their shares tendered for sale. While repeated auction failures have affected the liquidity for APS, they do not constitute a default or automatically alter the credit quality of the APS, and APS holders have continued to receive dividends at the previously defined maximum rate. During the six months ended May 31, 2008, the APS dividend rates ranged from 2.59% to 4.78%. These developments with respect to APS do not affect the management or investment policies of the fund. However, one implication of these auction failures for Common shareholders is that the fund's cost of leverage will be higher than it otherwise would have been had the auctions continued to be successful. As a result, the fund's future Common share earnings may be lower than they otherwise would have been.

The fund pays an annual fee equivalent to 0.25% of the preferred share liquidation value for remarketing efforts associated with the preferred auction. The APS are redeemable at the option of the fund in whole or in part at the redemption price equal to \$25,000 per share, plus accumulated and unpaid dividends. The APS are also subject to mandatory redemption if certain requirements relating to its asset maintenance coverage are not satisfied. The fund is required to maintain certain asset coverage with respect to the APS as defined in the trust's By-Laws and the Investment Company Act of 1940.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustees and Shareholders of the MFS Investment Grade Municipal Trust

We have reviewed the accompanying statement of assets and liabilities of the MFS Investment Grade Municipal Trust (the Fund), including the portfolio of investments, as of May 31, 2008, and the related statements of operations, changes in net assets, and financial highlights for the six-month period ended May 31, 2008. These interim financial statements are the responsibility of the Trust's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the statement of changes in net assets for the year ended November 30, 2007, and its financial highlights for the year then ended, and in our report dated January 16, 2008, we expressed an unqualified opinion on such statement of changes in net assets and financial highlights. The financial highlights for each of the four years in the period then ended November 30, 2006 were audited by another independent registered public accounting firm whose report, dated January 25, 2007, expressed an unqualified opinion on those financial highlights.

Boston, Massachusetts

July 17, 2008

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BOARD REVIEW OF INVESTMENT ADVISORY AGREEMENT

A discussion regarding the Board's most recent review and renewal of the fund's investment advisory agreement is available by clicking on the fund's name under "Products and Performance" and then "Closed-End Funds" on the MFS Web site (mfs.com).

PROXY VOTING POLICIES AND INFORMATION

A general description of the MFS funds' proxy voting policies and procedures is available without charge, upon request, by calling 1-800-225-2606, by visiting the Proxy Voting section of mfs.com or by visiting the SEC's Web site at <http://www.sec.gov>.

Information regarding how the fund voted proxies relating to portfolio securities during the twelve-month period ended June 30, 2007 is available without charge by visiting the Proxy Voting section of mfs.com or by visiting the SEC's Web site at <http://www.sec.gov>.

QUARTERLY PORTFOLIO DISCLOSURE

The fund will file a complete schedule of portfolio holdings with the Securities and Exchange Commission (the Commission) for the first and third quarters of each fiscal year on Form N-Q. The fund's Form N-Q may be reviewed and copied at the:

Public Reference Room

Securities and Exchange Commission

100 F Street, NE, Room 1580

Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the Commission at 1-800-SEC-0330. The fund's Form N-Q is available on the EDGAR database on the Commission's Internet Web site at <http://www.sec.gov>, and copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section at the above address.

A shareholder can also obtain the quarterly portfolio holdings report at mfs.com.

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CONTACT INFORMATION AND NUMBER OF SHAREHOLDERS

Investor Information

Transfer Agent, Registrar and Dividend Disbursing Agent

Call 1-800-637-2304 any business day from 9 a.m. to 5 p.m. Eastern time

Write to: Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

Number of Shareholders

As of May 31, 2008, our records indicate that there are 777 registered shareholders and approximately 4,921 shareholders owning trust shares in street name, such as through brokers, banks, and other financial intermediaries.

If you are a street name shareholder and wish to directly receive our reports, which contain important information about the trust, please write or call:

Computershare Trust Company, N.A.

P.O. Box 43078

Providence, RI 02940-3078

1-800-637-2304

500 Boylston Street, Boston, MA 02116

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ITEM 2. CODE OF ETHICS.

The Registrant has not amended any provision in its Code of Ethics (the Code) that relates to any element of the Code s definition enumerated in paragraph (b) of Item 2 of this Form N-CSR.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable for semi-annual reports.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable for semi-annual reports.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable for semi-annual reports.

ITEM 6. SCHEDULE OF INVESTMENTS.

A schedule of investments for each series of the Registrant is included as part of the report to shareholders of such series under Item 1 of this Form N-CSR.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable for semi-annual reports.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

There were no changes during this period.

Table of Contents**ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.****MFS Investment Grade Municipal Trust**

Period	(a) Total number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased under the Plans or Programs
12/1/07 12/31/07	0	N/A	0	0
1/1/08 1/31/08	0	N/A	0	0
2/1/08 2/29/08	0	N/A	0	0
3/1/08 3/31/08	0	N/A	0	1,150,900
4/1/08 4/30/08	0	N/A	0	1,150,900
5/1/08 5/31/08	0	N/A	0	1,150,900
Total	0	N/A	0	

Note: The Board of Trustees approves procedures to repurchase Fund shares annually. The notification to shareholders of the program is included in the semi-annual and annual reports sent to shareholders. These annual programs begin on March 1st of each year. The programs conform to the conditions of Rule 10b-18 of the Securities Exchange Act of 1934 and limit the aggregate number of Fund shares that may be repurchased in each annual period (March 1 through the following February 28) to 10% of the Registrant's outstanding shares as of the first day of the plan year (March 1). The aggregate number of Fund shares available for repurchase for the March 1, 2008 plan year is 1,150,900.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There were no material changes to the procedures by which shareholders may send recommendations to the Board for nominees to the Registrant's Board since the Registrant last provided disclosure as to such procedures in response to the requirements of Item 407 (c)(2)(iv) of Regulation S-K or this Item.

ITEM 11. CONTROLS AND PROCEDURES.

- (a) Based upon their evaluation of the effectiveness of the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940 (the "Act")) as conducted within 90 days of the filing date of this report on Form N-CSR, the registrant's principal financial officer and principal executive officer have concluded that those disclosure controls and procedures provide reasonable assurance that the material information required to be disclosed by the registrant on this report is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.
- (b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Act) that occurred during the second fiscal quarter of the period covered by the report that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS.

- (a) File the exhibits listed below as part of this form. Letter or number the exhibits in the sequence indicated.

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- (1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit.

 - (2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2 under the Act (17 CFR 270.30a-2): Attached hereto.
-
- (b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the Act (17 CFR 270.30a-2(b)), Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed filed for the purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference: Attached hereto.

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Notice

A copy of the Agreement and Declaration of Trust, as amended, of the Registrant is on file with the Secretary of State of The Commonwealth of Massachusetts and notice is hereby given that this instrument is executed on behalf of the Registrant by an officer of the Registrant as an officer and not individually and the obligations of or arising out of this instrument are not binding upon any of the Trustees or shareholders individually, but are binding only upon the assets and property of the respective constituent series of the Registrant.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) MFS INVESTMENT GRADE MUNICIPAL TRUST

By (Signature and Title)* ROBERT J. MANNING
Robert J. Manning,
President

Date: July 18, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title)* ROBERT J. MANNING
Robert J. Manning,
President (Principal
Executive Officer)

Date: July 18, 2008

By (Signature and Title)* MARIA F. DWYER
Maria F. Dwyer, Treasurer
(Principal Financial Officer
and Accounting Officer)

Date: July 18, 2008

* Print name and title of each signing officer under his or her signature.