UNITIL CORP
Form 10-Q
April 27, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2010

Commission File Number 1-8858

UNITIL CORPORATION

(Exact name of registrant as specified in its charter)

New Hampshire	**02-0381573**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**
6 Liberty Lane West, Hampton, New Hampshire	**03842-1720**
(Address of principal executive office)	**(Zip Code)**

Registrant s telephone number, including area code: (603) 772-0775

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

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 ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

Class	**Outstanding at April 26, 2010**
Common Stock, No par value	**10,859,918 Shares**

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

FORM 10-Q

For the Quarter Ended March 31, 2010

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PART I. FINANCIAL INFORMATION

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Unitil is a public utility holding company headquartered in Hampton, New Hampshire. Unitil is subject to regulation as a holding company system by the FERC under the Energy Policy Act of 2005. On December 1, 2008, the Company purchased: (i) all of the outstanding capital stock of Northern Utilities, a natural gas distribution utility serving customers in New Hampshire and Maine, from Bay State and (ii) all of the outstanding capital stock of Granite State, an interstate gas transmission pipeline company primarily serving the needs of Northern Utilities, from NiSource.

Unitil s principal business is the local distribution of electricity and natural gas throughout its service territory in the states of New Hampshire, Massachusetts and Maine. Unitil is the parent company of three wholly-owned distribution utilities:

i) Unitil Energy, which provides electric service in southeastern seacoast and state capital regions of New Hampshire;

ii) Fitchburg, which provides both electric and natural gas service in the greater Fitchburg area of north central Massachusetts; and

iii) Northern Utilities, which provides natural gas service in southeastern New Hampshire and portions of southern and central Maine, including the city of Portland and the Lewiston-Auburn area.

Unitil Energy, Fitchburg and Northern Utilities are collectively referred to as the distribution utilities. Together, the distribution utilities serve approximately 100,500 electric customers and 70,000 natural gas customers in their service territory.

In addition, Unitil is the parent company of Granite State, a natural gas transmission pipeline, regulated by the FERC, operating 87 miles of underground gas transmission pipeline primarily located in Maine and New Hampshire. Granite State provides Northern Utilities with interconnection to three major natural gas pipelines and access to pipeline supplies.

The distribution utilities are local pipes and wires operating companies and, combined with Granite State, had an investment in Net Utility Plant of $455.1 million at March 31, 2010. Unitil s total operating revenue includes revenue to recover the approved cost of purchased electricity and natural gas in rates on a fully reconciling basis. As a result of this reconciling rate structure, the Company s earnings are not affected by changes in the cost of purchased electricity and natural gas. Earnings from Unitil s utility operations are derived from the return on investment in the three distribution utilities and Granite.

Unitil also conducts non-regulated operations principally through Usource, which is wholly-owned by Unitil Resources. Usource provides energy brokering and consulting services to large commercial and industrial customers in the northeastern United States. The Company s other subsidiaries include Unitil Service, which provides, at cost, a variety of administrative and professional services to Unitil s affiliated companies, and Unitil Realty, which owns and manages Unitil s corporate office building and property located in Hampton, New Hampshire. Unitil s consolidated net income includes the earnings of the holding company and these subsidiaries.

RATES AND REGULATION

Unitil is subject to comprehensive regulation by federal and state regulatory authorities. Unitil and its subsidiaries are subject to regulation as a holding company system by the FERC under the Energy Policy Act of 2005 in regards to certain bookkeeping, accounting and reporting requirements. Unitil s utility operations related to wholesale and interstate energy business activities are also regulated by FERC. Unitil s distribution utilities are subject to regulation by the applicable state public utility commissions, in regards to their rates, issuance of

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securities and other accounting and operational matters: Unitil Energy is subject to regulation by the New Hampshire Public Utilities Commission (NHPUC); Fitchburg is subject to regulation by the Massachusetts Department of Public Utilities (MDPU); and Northern Utilities is regulated by the NHPUC and the Maine Public Utilities Commission (MPUC). Because Unitil s primary operations are subject to rate regulation, the regulatory treatment of various matters could significantly affect the Company s operations and financial position.

Unitil s distribution utilities deliver electricity and/or natural gas to all customers in their service territory, at rates established under traditional cost of service regulation. Under this regulatory structure, Unitil s distribution utilities recover the cost of providing distribution service to their customers based on a historical test year, in addition to earning a return on their capital investment in utility assets. As a result of a restructuring of the utility industry in New Hampshire, Massachusetts and Maine, Unitil s customers have the opportunity to purchase their electricity or natural gas supplies from third party suppliers. A majority of Unitil s largest commercial and industrial (C&I) customers purchase their electric and natural gas supplies from third party suppliers. However, most residential and small customers continue to purchase their electric and natural gas supplies through Unitil s distribution utilities. Unitil s distribution utilities purchase electricity or natural gas from unaffiliated wholesale suppliers and recover the actual costs of these supplies on a pass-through basis, as well as certain costs associated with industry restructuring, through reconciling rate mechanisms that are periodically adjusted.

The regulatory process in both New Hampshire and Maine, in connection with those states approvals of the Acquisitions, included the negotiation and filing of settlement agreements reflecting commitments by Unitil with respect to Northern Utilities rates, customer service and operations. The settlement agreements were separately negotiated and filed in each state but reflect a number of common features. For additional discussion, please refer to Unitil s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on February 10, 2010.

CAUTIONARY STATEMENT

This report and the documents we incorporate by reference into this report contain statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, included or incorporated by reference into this report, including, without limitation, statements regarding the financial position, business strategy and other plans and objectives for the Company s future operations, are forward-looking statements.

These statements include declarations regarding the Company s beliefs and current expectations. In some cases, forward-looking statements can be identified by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential or negative of such terms or other comparable terminology. These forward-looking statements are subject to inherent risks and uncertainties in predicting future results and conditions that could cause the actual results to differ materially from those projected in these forward-looking statements. Some, but not all, of the risks and uncertainties include those described in Item 1A (Risk Factors) and the following:

- The Company s ability to achieve the estimated potential synergy savings attributable to the Acquisitions;
- The Company s ability to retain existing customers and gain new customers;
- Variations in weather;
- Major storms;
- Recovery of deferred major storm costs;
- Recovery of energy commodity costs;

Changes in the regulatory environment;

Customers preferences on energy sources;

- Interest rate fluctuation and credit market concerns;
- General economic conditions that could have an adverse impact on the availability of credit and liquidity resources generally and could jeopardize certain of our counterparty obligations, including those of our insurers and financial institutions;
- Fluctuations in supply, demand, transmission capacity and prices for energy commodities;
- Increased competition; and
- Customers performance under multi-year energy brokering contracts.

Many of these risks are beyond the Company s control. Any forward-looking statements speak only as of the date of this report, and the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for the Company to predict all of these factors, nor can the Company assess the impact of any such factor on its business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.

SUBSEQUENT EVENT

On April 15, 2010 Unitil Energy filed a proposed base rate increase of $10.1 million, which represents an increase of 6.5 percent above present rates. Unitil Energy requested temporary rates to be effective July 1, 2010. In addition, Unitil Energy requested adjustments for a Rate Year Step Adjustment, a Large Capital Project Step Adjustment and a long-term rate plan establishing step adjustments associated with the Company s Reliability Enhancement Plan and Vegetation Management Plan. A decision from the NHPUC on Unitil Energy s rate increase request may take up to one year.

RESULTS OF OPERATIONS

The following section of MD&A compares the results of operations for each of the two fiscal periods ended March 31, 2010 and March 31, 2009 and should be read in conjunction with the accompanying Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in Part I, Item 1 of this report.

As a result of the issuance of new common shares, consolidated results for the Company in the current period may not be directly comparable to prior period results until such time as the stock issuance is fully reflected in both reporting periods. Also, the Company s results are expected to reflect the seasonal nature of the acquired natural gas businesses. Accordingly, the Company expects that results of operations will be positively affected during the first and fourth quarters, when sales of natural gas are typically higher, and negatively affected during the second and third quarters, when gas operating and maintenance expenses usually exceed sales margins in the period.

Earnings Overview

The Company s Earnings Applicable to Common Shareholders was $6.5 million for the first quarter of 2010 compared to 2009 first quarter earnings of $9.1 million. Earnings per common share (EPS) were $0.61 for the three months ended March 31, 2010 compared to EPS of $1.14 in the first quarter of 2009. Earnings per share in the first quarter of 2010 are not directly comparable with 2009 due to a 35% increase in average common shares outstanding year over year resulting from the issuance of new common equity in 2009 to complete the financing of the Company s acquisition of Northern Utilities and Granite State.

Natural gas sales margin decreased $1.4 million in the three months ended March 31, 2010 compared to the same period in 2009 reflecting lower sales volumes. Total therm sales of natural gas decreased 6.5% in the three months ended March 31, 2010 compared to the same period in 2009, reflecting decreases of 7.8% and 6.0% in

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sales to residential and commercial and industrial (C&I) customers, respectively. The lower sales in the first three months of 2010 reflect a milder winter heating season this year. There were 7.6% fewer Heating Degree Days in the Company s service territories in the first quarter of 2010 compared to the same period in 2009. On a weather-normalized basis, natural gas sales decreased by 2.7% in the three months ended March 31, 2010 compared to the same period in 2009.

Electric sales margin decreased $0.3 million in the three months ended March 31, 2010 compared to the same period in 2009, reflecting lower sales volumes. Total electric kilowatt-hour (kWh) sales decreased 1.8% in the three months ended March 31, 2010 compared to the same period in 2009 driven by lower average usage per customer reflecting the milder winter weather as well as energy conservation efforts by our customers. On a weather-normalized basis, kWh sales in the three months ended March 31, 2010 were flat compared to the same period in 2009.

Operation & Maintenance (O&M) expenses increased $1.8 million in the three months ended March 31, 2010 compared to the same period in 2009. The increase in O&M expenses primarily reflects higher utility operating costs associated with the completion of the transition and full integration of Northern Utilities and Granite State operations into the Company s consolidated operating results in the current period.

Depreciation, Amortization, Taxes and Other expenses decreased $0.4 million in the three months ended March 31, 2010 compared to the same period in 2009. Higher depreciation expense on utility plant additions were offset by lower amortization and lower income taxes on lower pre-tax earnings in the quarter.

Interest Expense, Net decreased $0.5 million in the three months ended March 31, 2010 compared to the same period in 2009 reflecting higher acquisition related debt fees incurred in 2009 and lower average borrowings in the current quarter.

Usource, our non-regulated energy brokering business, recorded revenues of $1.1 million in the first quarter of 2010, unchanged when compared to the first quarter of 2009. Usource s revenues are primarily derived from fees and charges billed to suppliers as customers take delivery of energy from these suppliers under term contracts brokered by Usource.

Additionally, EPS in the first quarter of 2010 reflect a higher number of average shares outstanding year over year. In May and June 2009, the Company sold 2,700,000 shares of its common stock at a price of $20.00 per share in a registered public offering. The Company used the net proceeds of $51.2 million from this offering to complete the acquisition of Northern Utilities and Granite State.

In 2009, Unitil s annual common dividend was $1.38, representing an unbroken record of quarterly dividend payments since trading began in Unitil s common stock. At its January, 2010 and March, 2010 meetings, the Unitil Board of Directors declared quarterly dividends on the Company s common stock of $0.345 per share.

A more detailed discussion of the Company s results of operations for the three months ended March 31, 2010.

Gas Sales, Revenues and Margin

Therm Sales Unitil s total therm sales of natural gas decreased 6.5% in the three months ended March 31, 2010 compared to the same period in 2009, reflecting decreases of 7.8% and 6.0% in sales to residential and C&I customers, respectively. The lower sales in the first three months of 2010 reflect a milder winter heating season this year. There were 7.6% fewer Heating Degree Days in the Company s service territories in the first quarter of 2010 compared to the same period in 2009. On a weather-normalized basis, natural gas sales decreased by 2.7% in the three months ended March 31, 2010 compared to the same period in 2009.

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The following table details total firm therm sales for the three months ended March 31, 2010 and 2009, by major customer class:

Therm Sales (millions)

	Three Months Ended March 31,			
	2010	**2009**	**Change**	**% Change**
Residential	**17.8**	19.3	(1.5)	(7.8%)
Commercial/Industrial	**54.6**	58.1	(3.5)	(6.0%)
Total	**72.4**	77.4	(5.0)	(6.5%)

Gas Operating Revenues and Sales Margin The following table details total Gas Operating Revenues and Sales Margin for the three months ended March 31, 2010 and 2009:

Gas Operating Revenues and Sales Margin (millions)

	Three Months Ended March 31,			
	2010	**2009**	**$ Change**	**% Change[1]**
Gas Operating Revenue:				
Residential	**$ 25.8**	$ 30.4	$ (4.6)	(6.4%)
Commercial / Industrial	**35.3**	42.0	(6.7)	(9.2%)
Total Gas Operating Revenue	**$ 61.1**	$ 72.4	$ (11.3)	(15.6%)
Cost of Gas Sales:				
Purchased Gas	**$ 38.3**	$ 48.4	$ (10.1)	(14.0%)
Conservation & Load Management	**0.8**	0.6	0.2	0.3%
Gas Sales Margin	**$ 22.0**	$ 23.4	$ (1.4)	(1.9%)

(1) Represents change as a percent of Total Gas Operating Revenue.

Total Gas Operating Revenues decreased $11.3 million, or 15.6%, in the three months ended March 31, 2010 compared to the same period in 2009. Total Gas Operating Revenues include the recovery of the approved cost of sales, which are recorded as Purchased Gas and Conservation & Load Management (C&LM) in Operating Expenses. The decrease in Total Gas Operating Revenues in the first quarter of 2010 reflects lower Purchased Gas costs of $10.1 million and lower gas sales margin of $1.4 million, partially offset by higher C&LM revenues of $0.2 million.

The Purchased Gas and C&LM component of Gas Operating Revenues decreased $9.9 million, or 13.7%, in the three months ended March 31, 2010 compared to the same period in 2009. The decrease reflects lower natural gas commodity prices and the lower sales of natural gas, discussed above. Purchased Gas revenues include the recovery of the approved cost of gas supply as well as other energy supply related costs. C&LM revenues include the recovery of the approved cost of energy efficiency and conservation programs. The Company recovers the cost of Purchased Gas and C&LM in its rates at cost on a pass through basis.

Natural gas sales margin decreased $1.4 million in the three months ended March 31, 2010 compared to the same period in 2009. This decrease was driven by the lower sales of natural gas, discussed above.

Electric Sales, Revenues and Margin

Kilowatt-hour Sales In the first quarter of 2010, Unitil s total electric kWh sales decreased 1.8% compared to the first quarter of 2009. Sales to residential and C&I customers decreased 1.6% and 1.9%, respectively, in the first quarter of 2010 compared to the same period in 2009. The lower kWh sales in 2010 compared to 2009 were

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primarily driven by lower average usage per customer reflecting the milder winter weather as well as energy conservation efforts by our customers. On a weather-normalized basis, kWh sales in the three months ended March 31, 2010 were flat compared to the same period in 2009.

The following table details total kWh sales for the three months ended March 31, 2010 and 2009 by major customer class:

kWh Sales (millions)

	Three Months Ended March 31,			
	2010	**2009**	**Change**	**% Change**
Residential	**177.7**	180.6	(2.9)	(1.6%)
Commercial/Industrial	**237.5**	242.1	(4.6)	(1.9%)
Total	**415.2**	422.7	(7.5)	(1.8%)

Electric Operating Revenues and Sales Margin The following table details total Electric Operating Revenues and Sales Margin for the three months ended March 31, 2010 and 2009:

Electric Operating Revenues and Sales Margin (millions)

	Three Months Ended March 31,			
	2010	**2009**	**$ Change**	**% Change[(1)]**
Electric Operating Revenue:				
Residential	**$ 28.1**	$ 33.2	$ (5.1)	(8.2%)
Commercial / Industrial	**22.7**	28.9	(6.2)	(10.0%)
Total Electric Operating Revenue	**$ 50.8**	$ 62.1	$ (11.3)	(18.2%)
Cost of Electric Sales:				
Purchased Electricity	**$ 35.8**	$ 47.2	$ (11.4)	(18.3%)
Conservation & Load Management	**0.9**	0.5	0.4	0.6%
Electric Sales Margin	**$ 14.1**	$ 14.4	$ (0.3)	(0.5%)

(1) Represents change as a percent of Total Electric Operating Revenue.

Total Electric Operating Revenues decreased by $11.3 million, or 18.2%, in the three months ended March 31, 2010 compared to the same period in 2009. Total Electric Operating Revenues include the recovery of approved costs of electric sales, which are recorded as Purchased Electricity and C&LM in Operating Expenses. The decrease in Total Electric Operating Revenues in the three months ended March 31, 2010 reflects lower Purchased Electricity costs of $11.4 million and lower sales margin of $0.3 million, partially offset by higher C&LM revenues of $0.4 million.

The Purchased Electricity and C&LM component of Total Electric Operating Revenues decreased a combined $11.0 million, or 17.7%, in the three months ended March 31, 2010 compared to the same period in 2009, reflecting lower electric commodity prices and lower electric kWh sales. Purchased Electricity revenues include the recovery of the approved cost of electric supply as well as other energy supply related restructuring costs, including long-term power supply contract buyout costs. C&LM revenues include the recovery of the approved cost of energy efficiency and conservation programs. The Company recovers the cost of Purchased Electricity and C&LM in its rates at cost on a pass through basis.

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Electric sales margin decreased $0.3 million in the three months ended March 31, 2010 compared to the same period in 2009, reflecting lower sales volumes. The lower sales are primarily driven by lower average usage per customer reflecting the milder winter weather as well as energy conservation efforts by our customers.

Operating Revenue - Other

The following table details total Other Operating Revenue for the three months ended March 31, 2010 and 2009:

Other Operating Revenue (Millions)

	Three Months Ended March 31,			
	2010	**2009**	**$ Change**	**% Change**
Other	**$ 1.1**	$ 1.1	$	
Total Other Operating Revenue	**$ 1.1**	$ 1.1	$	

Total Other Operating Revenue was unchanged in the three month period ended March 31, 2010 compared to the same period in 2009. Other operating revenues consist of revenues from the Company s non-regulated energy brokering business, Usource.

Operating Expenses

Purchased Gas Purchased Gas includes the cost of natural gas purchased and manufactured to supply the Company s total gas supply requirements. Purchased Gas decreased $10.1 million, or 20.9%, in the three month period ended March 31, 2010 compared to the same period in 2009. The decrease in Purchased Gas reflects lower natural gas commodity prices and the lower sales of natural gas, discussed above. The Company recovers the approved costs of Purchased Gas in its rates at cost on a pass through basis and therefore changes in approved expenses do not affect earnings.

Purchased Electricity Purchased Electricity includes the cost of electric supply as well as other energy supply related restructuring costs, including power supply buyout costs. Purchased Electricity decreased $11.4 million, or 24.2%, in the three month period ended March 31, 2010 compared to the same period in 2009, reflecting lower electric commodity prices and lower electric kWh sales, discussed above. The Company recovers the approved costs of Purchased Electricity in its rates at cost and therefore changes in approved expenses do not affect earnings.

Operation and Maintenance (O&M) O&M expense includes electric and gas utility operating costs, and the operating costs of the Company s non-regulated business activities. O&M expenses increased $1.8 million in the three months ended March 31, 2010 compared to the same period in 2009. The increase in O&M expenses primarily reflects higher utility operating costs associated with the completion of the transition and full integration of Northern Utilities and Granite State operations into the Company s consolidated operating results in the current period.

Conservation & Load Management Conservation and Load Management expenses are expenses associated with the development, management, and delivery of the Company s energy efficiency programs. Energy efficiency programs are designed, in conformity to state regulatory requirements, to help consumers use natural gas and electricity more efficiently and thereby decrease their energy costs. Programs are tailored to residential, small business and large business customer groups and provide educational materials, technical assistance, and rebates that contribute toward the cost of purchasing and installing approved measures. Approximately 60% of these costs are related to electric operations and 40% to gas operations.

Total Conservation & Load Management expenses increased by $0.6 million in the three months ended March 31, 2010 compared to the same period in 2009. These costs are collected from customers on a fully reconciling basis and therefore, fluctuations in program costs do not affect earnings.

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Depreciation, Amortization and Taxes

Depreciation and Amortization Depreciation and Amortization expense increased $0.8 million, or 12.7%, in the three months ended March 31, 2010 compared to the same period in 2009. The increase reflects higher depreciation on normal utility plant additions partially offset by lower amortization expenses.

Local Property and Other Taxes Local Property and Other Taxes increased by $0.1 million, or 3.3%, in the three months ended March 31, 2010 compared to the same period in 2009. The increase reflects higher local property tax rates on higher levels of utility plant in service and higher payroll taxes on higher compensation expenses.

Federal and State Income Taxes Federal and State Income Taxes were lower by $1.4 million for the three months ended March 31, 2010 compared to the same period in 2009 reflecting lower pre-tax earnings in the current quarter.

Other Non-Operating Expense

Other Non-operating Expenses increased by $0.1 million in the three month period ended March 31, 2010 compared to the same period in 2009.

Interest Expense, Net

Interest expense is presented in the financial statements net of interest income. Interest expense is mainly comprised of interest on long-term debt and short-term borrowings. In addition, certain reconciling rate mechanisms used by the Company s distribution operating utilities give rise to regulatory assets (and regulatory liabilities) on which interest is calculated.

Unitil s utility subsidiaries operate a number of reconciling rate mechanisms to recover specifically identified costs on a pass through basis. These reconciling rate mechanisms track costs and revenue on a monthly basis. In any given month, this monthly tracking and reconciling process will produce either an under-collected or an over-collected balance of costs. In accordance with the distribution utilities rate tariffs, interest is accrued on these balances and will produce either interest income or interest expense. Consistent with regulatory precedent, interest income is recorded on an under-collection of costs, including carrying charges of $0.3 million in 2010 on deferred storm costs, which creates a regulatory asset to be recovered in future periods when rates are reset. Interest expense is recorded on an over-collection of costs, which creates a regulatory liability to be refunded in future periods when rates are reset. The three months ended March 31, 2009 include approximately $0.6 million of interest expense on the Company s interim bank financing facility used to finance the acquisitions of Northern Utilities and Granite State, which was repaid in the second quarter of 2009 upon the Company s issuance of additional equity.

Interest Expense, Net (millions)	**Three Months Ended March 31, 2010**	**2009**	**Change**
Interest Expense			
Long-term Debt	**$ 4.7**	$ 4.6	$ 0.1
Short-term Debt	**0.4**	1.1	(0.7)
Regulatory Liabilities	**0.1**		0.1
Subtotal Interest Expense	**5.2**	5.7	(0.5)
Interest (Income)			
Regulatory Assets	**(0.8)**	(0.7)	(0.1)
AFUDC and Other	**(0.1)**	(0.2)	0.1
Subtotal Interest (Income)	**(0.9)**	(0.9)	
Total Interest Expense, Net	**$ 4.3**	$ 4.8	$ (0.5)

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Interest Expense, Net decreased $0.5 million in the three months ended March 31, 2010 compared to the same period in 2009 reflecting higher acquisition related debt fees incurred in 2009 and lower average borrowings in the current quarter.

On March 2, 2010, UES completed the sale of $15 million of First Mortgage Bonds through a private placement to institutional investors. The First Mortgage Bonds have a maturity of ten years and a coupon rate of 5.24%. The Company used the proceeds from this long-term financing to repay short-term debt and for general corporate purposes.

On March 2, 2010, Northern Utilities completed the sale of $25 million of Senior Unsecured Notes through a private placement to institutional investors. The Senior Unsecured Notes have a maturity of ten years and a coupon rate of 5.29%. The Company used the proceeds from this long-term financing to repay short-term debt and for general corporate purposes.

CAPITAL REQUIREMENTS

Sources of Capital

Unitil requires capital to fund utility plant additions, working capital and other utility expenditures recovered in subsequent and future periods through regulated rates. The capital necessary to meet these requirements is derived primarily from internally-generated funds, which consist of cash flows from operating activities. The Company initially supplements internally generated funds through bank borrowings, as needed, under its unsecured short-term bank credit facility. Periodically, the Company replaces portions of its short-term debt with long-term financings more closely matched to the long-term nature of its utility assets. The Company s utility operations are seasonal in nature and are therefore subject to seasonal fluctuations in cash flows.

The continued availability of these methods of financing, as well as the Company s choice of a specific form of security, will depend on many factors, including, but not limited to: security market conditions; general economic climate; regulatory approvals; the ability to meet covenant issuance restrictions; the level of the Company s earnings, cash flows and financial position; and the competitive pricing offered by financing sources.

At March 31, 2010, the Company had $19.3 million in short-term debt outstanding through bank borrowings under its revolving credit facility. The revolving credit facility contains customary terms and conditions for credit facilities of this type, including certain financial covenants. As of March 31, 2010, the Company was in compliance with the financial covenants contained in the revolving credit facility.

The Company provides limited guarantees on certain energy and natural gas storage management contracts entered into by the distribution utilities. The Company s policy is to limit these guarantees to two years or less. As of March 31, 2010, there were approximately $39.2 million of guarantees outstanding and the longest term guarantee extends through December 31, 2010.

The Company also guarantees the payment of principal, interest and other amounts payable on the notes issued by Unitil Realty and Granite State. As of March 31, 2010, the principal amount outstanding for the 8% Unitil Realty notes was $4.1 million, and the principal amount outstanding for the 7.15% Granite State notes was $10.0 million.

Off-Balance Sheet Arrangements

The Company and its subsidiaries do not currently use, and are not dependent on the use of, off-balance sheet financing arrangements such as securitization of receivables or obtaining access to assets or cash through special purpose entities or variable interest entities. Unitil s subsidiaries conduct a portion of their operations in leased facilities and also lease some of their vehicles, machinery and office equipment under both capital and operating lease arrangements.

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Cash Flows

Unitil s utility operations, taken as a whole, are seasonal in nature and are therefore subject to seasonal fluctuations in cash flows. The tables below summarize the major sources and uses of cash (in millions) for the three months ended March 31, 2010 compared to the same period in 2009.

	Three Months Ended March 31,	
	2010	**2009**
Cash Provided by Operating Activities	**$ 24.3**	$ 31.8

Cash Provided by Operating Activities Cash Provided by Operating Activities was $24.3 million in the first three months of 2010, a decrease of $7.5 million over the comparable period in 2009. In the first three months of 2010 as compared to the first three months of 2009, Cash flow from Net Income, adjusted for non-cash charges to depreciation, amortization and deferred taxes decreased by $5.2 million, cash provided by working capital decreased $3.1 million, and cash provided by all other Operating Activities increased $0.8 million.

	Three Months Ended March 31,	
	2010	**2009**
Cash (Used in) Investing Activities	**$ (10.3)**	$ (18.0)

Cash (Used in) Investing Activities Cash (Used in) Investing Activities was $10.3 million for the three months ended March 31, 2010 compared to $18.0 million for the same period in 2009. Capital spending in the first three months of 2010 includes $4.1 million as a result of a wind storm in February 2010, and capital spending in the same period of 2009 includes $9.9 million resulting from the December 2008 ice storm. All other capital spending in the first three months of 2010 was $6.2 million compared to $8.1 million in the same period of 2009. Capital expenditures are projected to be approximately $64 million in 2010 and $60 million in 2011, reflecting normal electric and gas utility system additions.

	Three Months Ended March 31,	
	2010	**2009**
Cash (Used in) Financing Activities	**$ (12.9)**	$ (10.8)

Cash (Used in) Financing Activities Cash (Used in) Financing Activities was $12.9 million in the three months ended March 31, 2010. In March 2010, Unitil Energy and Northern Utilities closed long-term debt financings of $15.0 million and $25.0 million, respectively. The net proceeds of these financings were used to refinance short-term borrowings. Short-term borrowings were reduced by $45.2 million in the first three months of 2010 which reflects the net borrowing (repayment) of bank borrowings under our revolving credit agreement. Other uses of cash include $3.8 million for quarterly dividend payments and $3.8 million related to gas supply inventory financing. Proceeds from issuances of common stock provided a source of cash of $0.2 million, and all other uses of cash were $0.3 million.

CRITICAL ACCOUNTING POLICIES

The preparation of the Company s financial statements in conformity with generally accepted accounting principles in the United States of America requires the Company 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. In making those estimates and assumptions, the Company is sometimes required to make difficult, subjective and/or complex judgments about the impact of matters that are inherently uncertain and for which different estimates that could reasonably have been used could have resulted in material differences in its financial statements. If actual results were to differ significantly from those estimates, assumptions and judgment, the financial position of the Company could be materially affected and the results of operations of the Company could be materially different than reported. The following is a summary of the Company s most critical accounting policies, which are defined as those policies where judgments or uncertainties could materially affect the application of those policies. For a complete discussion of the Company s significant accounting policies, refer to the Note 1 to the Consolidated Financial Statements in the Company s Annual Report on Form 10-K, as filed with the Securities and Exchange Commission on February 10, 2010.

Regulatory Accounting The Company s principal business is the distribution of electricity and natural gas by the three distribution utilities: Unitil Energy, Fitchburg and Northern Utilities. Unitil Energy and Fitchburg are subject to regulation by the FERC. Fitchburg is also regulated by the MDPU, Unitil Energy is regulated by the NHPUC and Northern Utilities is regulated by the MPUC and NHPUC. Granite State, the Company s natural gas transmission pipeline, is regulated by the FERC. Accordingly, the Company uses the Regulated Operations guidance as set forth in the FASB Codification. The Company has recorded Regulatory Assets and Regulatory Liabilities which will be recovered from customers, or applied for customer benefit, in accordance with rate provisions approved by the applicable public utility regulatory commission.

Regulatory Assets consist of the following (millions)

	March 31,		December 31,
	2010	**2009**	**2009**
Energy Supply Contract Obligations	**$ 31.2**	$ 47.7	$ 34.7
Deferred Restructuring Costs	**27.7**	30.6	28.3
Generation-related Assets		0.6	
Subtotal Restructuring Related Items	**58.9**	78.9	63.0
Retirement Benefit Obligations	**43.8**	45.3	43.7
Income Taxes	**14.0**	15.6	14.5
Environmental Obligations	**21.9**	22.0	22.7
Deferred Storm Charges	**19.6**	0.6	14.6
Other	**8.2**	12.0	7.9
Total Regulatory Assets	**$ 166.4**	$ 174.4	$ 166.4
Less: Current Portion of Regulatory Assets[1]	**19.0**	30.2	21.9
Regulatory Assets - noncurrent	**$ 147.4**	$ 144.2	$ 144.5

(1) Reflects amounts included in Accrued Revenue on the Company s Consolidated Balance Sheets.

The Company receives a return on investment on its regulated assets for which a cash outflow has been made. Regulatory commissions can reach different conclusions about the recovery of costs, which can have a material impact on the Company s consolidated financial statements. The Company believes it is probable that its regulated distribution and transmission utilities will recover their investments in long-lived assets, including regulatory assets. If the Company, or a portion of its assets or operations, were to cease meeting the criteria for application of these accounting rules, accounting standards for businesses in general would become applicable and immediate recognition of any previously deferred costs, or a portion of deferred costs, would be required in the year in which the criteria are no longer met, if such deferred costs were not recoverable in the portion of the business that continues to meet the criteria for application of the FASB Codification topic on Regulated Operations. If unable to continue to apply the FASB Codification provisions for Regulated Operations, the Company would be required to apply the provisions for the Discontinuation of Rate-Regulated Accounting included in the FASB Codification. In the Company s opinion, its regulated operations will be subject to the FASB Codification provisions for Regulated Operations for the foreseeable future.

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Utility Revenue Recognition Regulated utility revenues are based on rates and charges approved by federal and state regulatory commissions. Revenues related to the sale of electric and gas service are recorded when service is rendered or energy is delivered to customers. However, the determination of energy sales to individual customers is based on the reading of their meters, which occurs on a systematic basis throughout the month. At the end of each calendar month, amounts of energy delivered to customers since the date of the last meter reading are estimated and the corresponding unbilled revenue is estimated. This unbilled revenue is estimated each month based on estimated customer usage by class and applicable customer rates.

Allowance for Doubtful Accounts The Company recognizes a provision for doubtful accounts each month based upon the Company s experience in collecting electric and gas utility service accounts receivable in prior years. At the end of each month, an analysis of the delinquent receivables is performed which takes into account an assumption about the cash recovery of delinquent receivables. The analysis also calculates the amount of written-off receivables that are recoverable through regulatory rate reconciling mechanisms. The Company s distribution utilities are authorized by regulators to recover the costs of their energy commodity portion of bad debts through rate mechanisms. Evaluating the adequacy of the Allowance for Doubtful Accounts requires judgment about the assumptions used in the analysis, including expected fuel assistance payments from governmental authorities and the level of customers enrolling in payment plans with the Company. It has been the Company s experience that the assumptions it has used in evaluating the adequacy of the Allowance for Doubtful Accounts have proven to be reasonably accurate.

Retirement Benefit Obligations The Company sponsors the Unitil Corporation Retirement Plan (Pension Plan), which is a defined benefit pension plan covering substantially all of its employees. The Company also sponsors an unfunded retirement plan, the Unitil Corporation Supplemental Executive Retirement Plan (SERP), covering certain executives of the Company and an employee 401(k) savings plan. Additionally, the Company sponsors the Unitil Employee Health and Welfare Benefits Plan (PBOP Plan), primarily to provide health care and life insurance benefits to retired employees.

The Company records on its balance sheets as an asset or liability the overfunded or underfunded status of their retirement benefit obligations (RBO) based on the projected benefit obligation. The Company has recognized a corresponding Regulatory Asset, to recognize the future collection of these obligations in electric and gas rates.

The Company s reported costs of providing retirement benefits are dependent upon numerous factors resulting from actual plan experience and assumptions of future experience. The Company has made critical estimates related to actuarial assumptions, including assumptions of expected returns on plan assets, future compensation, health care cost trends, and appropriate discount rates. The Company s RBO are affected by actual employee demographics, the level of contributions made to the plans, earnings on plan assets, and health care cost trends. Changes made to the provisions of these plans may also affect current and future costs.

The Company s RBO may also be significantly affected by changes in key actuarial assumptions, including, anticipated rates of return on plan assets and the discount rates used in determining the Company s RBO. If these assumptions were changed, the resultant change in benefit obligations, fair values of plan assets, funded status and net periodic benefit costs could have a material impact on the Company s financial statements. The discount rate assumptions used in determining retirement plan costs and retirement plan obligations are based on a market average of long-term bonds that receive one of the two highest ratings given by a recognized rating agency. For the years ended December 31, 2009 and 2008, a change in the discount rate of 0.25% would have resulted in an increase or decrease of approximately $300,000 and $200,000, respectively, in the Net Periodic Benefit Cost for the Pension Plan. For the years ended December 31, 2009 and 2008, a 1.0% increase in the assumption of health care cost trend rates would have resulted in increases in the Net Periodic Benefit Cost for the PBOP Plan of $735,000 and $675,000, respectively. Similarly, a 1.0% decrease in the assumption of health care cost trend rates for those same time periods would have resulted in decreases in the Net Periodic Benefit Cost for the PBOP Plan of $576,000 and $531,000, respectively. See Note 8 to the accompanying Consolidated Financial Statements.

Income Taxes Provisions for income taxes are calculated in each of the jurisdictions in which the Company operates for each period for which a statement of earnings is presented. This process involves estimating the Company s current tax liabilities as well as assessing temporary and permanent differences resulting from the timing of the deductions of expenses and recognition of taxable income for tax and book accounting purposes.

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These temporary differences result in deferred tax assets and liabilities, which are included in the Company s consolidated balance sheets.

Depreciation Depreciation expense is calculated on a group straight-line basis based on the useful lives of assets and judgment is involved when estimating the useful lives of certain assets. The Company conducts independent depreciation studies on a periodic basis as part of the regulatory ratemaking process and considers the results presented in these studies in determining the useful lives of the Company s fixed assets. A change in the estimated useful lives of these assets could have a material impact on the Company s consolidated financial statements.

Commitments and Contingencies The Company s accounting policy is to record and/or disclose commitments and contingencies in accordance with the FASB Codification as it applies to an existing condition, situation, or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future events occur or fail to occur. As of March 31, 2010, the Company is not aware of any material commitments or contingencies other than those disclosed in the Commitments and Contingencies footnote to the Company s consolidated financial statements below.

Refer to Recently Issued Accounting Pronouncements in Note 1 of the Notes of Consolidated Financial Statements for information regarding recently issued accounting standards.

LABOR RELATIONS

As of March 31, 2010, the Company and its subsidiaries had 433 employees. The Company considers its relationship with employees to be good and has not experienced any major labor disruptions.

As of March 31, 2010, 149 of the Company s employees were represented by labor unions. These employees are covered by collective bargaining agreements. Two agreements expire on May 31, 2010, one agreement expires on June 5, 2010 and one agreement expires on March 31, 2012. The agreements provide discreet salary adjustments, established work practices and uniform benefit packages. The Company expects to successfully negotiate new agreements prior to their expiration dates.

INTEREST RATE RISK

As discussed above, Unitil meets its external financing needs by issuing short-term and long-term debt. The majority of debt outstanding represents long-term notes bearing fixed rates of interest. Changes in market interest rates do not affect interest expense resulting from these outstanding long-term debt securities. However, the Company periodically repays its short-term debt borrowings through the issuance of new long-term debt securities. Changes in market interest rates may affect the interest rate and corresponding interest expense on any new issuances of long-term debt securities. In addition, short-term debt borrowings bear a variable rate of interest. As a result, changes in short-term interest rates will increase or decrease interest expense in future periods. For example, if the average amount of short-term debt outstanding was $25 million for the period of one year, a change in interest rates of 1% would result in a change in annual interest expense of approximately $250,000. The average interest rates on the Company s short-term borrowings for the three months ended March 31, 2010 and March 31, 2009 were 2.26% and 4.78%, respectively.

MARKET RISK

Although Unitil s three distribution utilities are subject to commodity price risk as part of their traditional operations, the current regulatory framework within which these companies operate allows for full collection of electric power and natural gas supply costs in rates on a pass-through basis. Consequently, there is limited commodity price risk after consideration of the related rate-making. Additionally, as discussed above and below in Regulatory Matters, the Company has divested its commodity-related contracts and therefore, further reduced its exposure to commodity risk.

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REGULATORY MATTERS

Please refer to Note 6 to the Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of Regulatory Matters.

ENVIRONMENTAL MATTERS

Please refer to Note 7 to the Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of Environmental Matters.

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Item 1. Financial Statements

UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Millions, except common shares and per share data)

(UNAUDITED)

	Three Months Ended March 31, 2010	2009
Operating Revenues		
Gas	**$ 61.1**	$ 72.4
Electric	**50.8**	62.1
Other	**1.1**	1.1
Total Operating Revenues	**113.0**	135.6
Operating Expenses		
Purchased Gas	**38.3**	48.4
Purchased Electricity	**35.8**	47.2
Operation and Maintenance	**12.2**	10.4
Conservation & Load Management	**1.7**	1.1
Depreciation and Amortization	**7.1**	6.3
Provisions for Taxes:		
Local Property and Other	**3.1**	3.0
Federal and State Income	**3.9**	5.3
Total Operating Expenses	**102.1**	121.7
Operating Income	**10.9**	13.9
Other Non-Operating Expense (Income)	**0.1**	
Income Before Interest Expense	**10.8**	13.9
Interest Expense, Net	**4.3**	4.8
Net Income	**6.5**	9.1
Less: Dividends on Preferred Stock		
Earnings Applicable to Common Shareholders	**$ 6.5**	$ 9.1
Weighted Average Common Shares Outstanding Basic (000 s)	**10,801**	8,018
Weighted Average Common Shares Outstanding Diluted (000 s)	**10,803**	8,018
Earnings Per Common Share (Basic and Diluted)	**$ 0.61**	$ 1.14
Dividends Declared Per Share of Common Stock	**$ 0.69**	$ 0.69

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS

(Millions)

	(UNAUDITED) March 31, 2010	March 31, 2009	December 31, 2009
ASSETS:			
Utility Plant:			
Electric	**$ 310.8**	$ 297.2	$ 302.3
Gas	**327.9**	309.1	325.5
Common	**29.5**	30.4	28.9
Construction Work in Progress	**24.8**	10.4	26.0
Total Utility Plant	**693.0**	647.1	682.7
Less: Accumulated Depreciation	**237.9**	218.6	233.0
Net Utility Plant	**455.1**	428.5	449.7
Current Assets:			
Cash	**8.8**	14.5	7.7
Accounts Receivable Net of Allowance for Doubtful Accounts of $3.0, $3.7 and $2.5	**40.3**	51.9	33.5
Accrued Revenue	**27.4**	46.1	44.0
Gas Inventory	**6.6**	8.7	14.3
Materials and Supplies	**2.9**	3.1	2.6
Prepayments and Other	**3.8**	2.9	4.7
Total Current Assets	**89.8**	127.2	106.8
Noncurrent Assets:			
Regulatory Assets	**147.4**	144.2	144.5
Other Noncurrent Assets	**25.6**	22.4	24.2
Total Noncurrent Assets	**173.0**	166.6	168.7
TOTAL	**$ 717.9**	$ 722.3	$ 725.2

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEETS (Cont.)

(Millions)

	(UNAUDITED) March 31, 2010	(UNAUDITED) March 31, 2009	December 31, 2009
CAPITALIZATION AND LIABILITIES:			
Capitalization:			
Common Stock Equity	**$ 192.6**	$ 148.5	$ 193.1
Preferred Stock	**2.0**	2.0	2.0
Long-Term Debt, Less Current Portion	**288.7**	249.2	248.9
Total Capitalization	**483.3**	399.7	444.0
Current Liabilities:			
Long-Term Debt, Current Portion	**0.4**	0.4	0.4
Accounts Payable	**17.8**	29.9	25.1
Short-Term Debt	**19.3**	87.7	64.5
Energy Supply Contract Obligations	**18.1**	21.6	23.1
Other Current Liabilities	**32.1**	32.5	16.6
Total Current Liabilities	**87.7**	172.1	129.7
Deferred Income Taxes	**34.3**	29.1	39.8
Noncurrent Liabilities:			
Energy Supply Contract Obligations	**19.4**	31.2	21.7
Retirement Benefit Obligations	**68.2**	69.7	65.5
Environmental Obligations	**14.3**	11.4	14.3
Other Noncurrent Liabilities	**10.7**	9.1	10.2
Total Noncurrent Liabilities	**112.6**	121.4	111.7
TOTAL	**$ 717.9**	$ 722.3	$ 725.2

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Millions)

(UNAUDITED)

	Three Months Ended March 31, 2010	2009
Operating Activities:		
Net Income	**$ 6.5**	$ 9.1
Adjustments to Reconcile Net Income to Cash		
Provided by Operating Activities:		
Depreciation and Amortization	**7.1**	6.3
Deferred Tax Provision	**(5.2)**	(1.8)
Changes in Current Assets and Liabilities:		
Accounts Receivable	**(6.8)**	(12.2)
Accrued Revenue	**16.6**	9.4
Gas Inventory	**7.7**	22.9
Accounts Payable	**(7.3)**	1.4
All other Current Assets and Liabilities	**6.8**	(1.4)
Other, net	**(1.1)**	(1.9)
Cash Provided by Operating Activities	**24.3**	31.8
Investing Activities:		
Property, Plant and Equipment Additions	**(10.3)**	(18.0)
Cash (Used in) Investing Activities	**(10.3)**	(18.0)
Financing Activities:		
Proceeds from (Repayment of) Short-Term Debt	**(45.2)**	13.6
Proceeds from Issuance of Long-Term Debt	**40.0**	
Net Decrease in Gas Inventory Financing	**(3.8)**	(26.8)
Dividends Paid	**(3.8)**	(2.8)
Proceeds from Issuance of Common Stock, net	**0.2**	5.4
Other, net	**(0.3)**	(0.2)
Cash (Used in) Financing Activities	**(12.9)**	(10.8)
Net Increase in Cash	**1.1**	3.0
Cash at Beginning of Period	**7.7**	11.5
Cash at End of Period	**$ 8.8**	$ 14.5
Supplemental Cash Flow Information:		
Interest Paid	**$ 2.0**	$ 2.6
Income Taxes Paid	**1.0**	

(The accompanying notes are an integral part of these consolidated unaudited financial statements.)

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UNITIL CORPORATION AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1   SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations   Unitil Corporation (Unitil or the Company) is a public utility holding company. Unitil and its subsidiaries are subject to regulation as a holding company system by the Federal Energy Regulatory Commission (FERC) under the Energy Policy Act of 2005. The following companies are wholly-owned subsidiaries of Unitil: Unitil Energy Systems, Inc. (Unitil Energy), Fitchburg Gas and Electric Light Company (Fitchburg), Northern Utilities, Inc. (Northern Utilities), Granite State Gas Transmission, Inc. (Granite State), Unitil Power Corp. (Unitil Power), Unitil Realty Corp. (Unitil Realty), Unitil Service Corp. (Unitil Service) and its non-regulated business unit Unitil Resources, Inc. (Unitil Resources). Usource, Inc. and Usource L.L.C. are subsidiaries of Unitil Resources.

On December 1, 2008, the Company purchased: (i) all of the outstanding capital stock of Northern Utilities, a natural gas distribution utility serving customers in Maine and New Hampshire, from Bay State Gas Company (Bay State) and (ii) all of the outstanding capital stock of Granite State, an interstate gas transmission pipeline company primarily serving the needs of Northern Utilities, from NiSource, Inc. (NiSource) pursuant to the Stock Purchase agreement dated as of February 15, 2008 by and among NiSource, Bay State, and Unitil (the   Acquisitions   ). The final purchase price allocation is disclosed in the Company   s Annual Report on Form 10-K for the year ended December 31, 2009 as filed with the Securities and Exchange Commission on February 10, 2010.

Unitil   s principal business is the local distribution of electricity in the southeastern seacoast and state capital regions of New Hampshire and the greater Fitchburg area of north central Massachusetts and the local distribution of natural gas in southeastern New Hampshire, portions of southern and central Maine and in the greater Fitchburg area of north central Massachusetts. Unitil has three distribution utility subsidiaries, Unitil Energy, which operates in New Hampshire, Fitchburg, which operates in Massachusetts and Northern Utilities, which operates in New Hampshire and Maine (collectively referred to as the distribution utilities).

Granite State is a natural gas transportation pipeline, operating 87 miles of underground gas transmission pipeline primarily located in Maine, New Hampshire and Massachusetts. Granite State provides Northern Utilities with interconnection to three major natural gas pipelines and access to domestic natural gas supplies in the south and Canadian natural gas supplies in the north. Granite State derives its revenues principally from the transportation services provided to Northern Utilities and, to a lesser extent, third   party marketers.

A fifth utility subsidiary, Unitil Power, formerly functioned as the full requirements wholesale power supply provider for Unitil Energy. In connection with the implementation of electric industry restructuring in New Hampshire, Unitil Power ceased being the wholesale supplier of Unitil Energy on May 1, 2003 and divested of its long-term power supply contracts through the sale of the entitlements to the electricity associated with various electric power supply contracts it had acquired to serve Unitil Energy   s customers.

Unitil also has three other wholly-owned subsidiaries: Unitil Service; Unitil Realty; and Unitil Resources. Unitil Service provides, at cost, a variety of administrative and professional services, including regulatory, financial, accounting, human resources, engineering, operations, technology, energy management and management services on a centralized basis to its affiliated Unitil companies. Unitil Realty owns and manages the Company   s corporate office in Hampton, New Hampshire and leases this facility to Unitil Service under a long-term lease arrangement. Unitil Resources is the Company   s wholly-owned non-regulated subsidiary. Usource, Inc. and Usource L.L.C. (collectively, Usource) are wholly-owned subsidiaries of Unitil Resources. Usource provides brokering and advisory services to large commercial and industrial customers in the northeastern United States.

Basis of Presentation   The accompanying unaudited consolidated financial statements of Unitil have been prepared in accordance with the instructions to Form 10-Q and include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the three months ended March 31, 2010 are not necessarily indicative of results to be expected for the year ending December 31, 2010. For further information, please refer to Note 1 of Part II to the Consolidated Financial Statements   Summary of

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Significant Accounting Policies of the Company s Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission (SEC) on February 10, 2010, for a description of the Company s Basis of Presentation.

As a result of the issuance of new common shares, discussed below, consolidated results for the Company in the current period may not be directly comparable to prior period results until such time as the stock issuance is fully reflected in both reporting periods. Also, the Company s results are expected to reflect the seasonal nature of the acquired natural gas businesses. Accordingly, the Company expects that results of operations will be positively affected during the first and fourth quarters, when sales of natural gas are typically higher, and negatively affected during the second and third quarters, when gas operating and maintenance expenses usually exceed sales margins in the period.

Accounting Codification In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles , (SFAS No. 168). SFAS No. 168 was effective for financial statements for interim and annual periods ending after September 15, 2009. The Company has adopted SFAS No. 168 and therefore all references by the Company to authoritative accounting principles recognized by the FASB reflect the FASB Codification.

Derivatives The Company has a regulatory approved hedging program for Northern Utilities designed to fix a portion of its gas supply costs for the coming year of service. In order to fix these costs, the Company purchases natural gas futures contracts on the New York Mercantile Exchange (NYMEX) that correspond to the associated delivery month. Any gains or losses on the fair value of these derivatives are passed through to ratepayers directly through a regulatory commission approved recovery mechanism. The fair value of these derivatives is determined using Level 2 inputs (valuations based on quoted prices available in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are directly observable, and inputs derived principally from market data), specifically based on the NYMEX closing prices for outstanding contracts as of the balance sheet date. As a result of the ratemaking process, the Company records gains and losses as regulatory liabilities or assets, recognizes such gains or losses in Purchased Gas and these gains and losses are passed through to customers through rate reconciling mechanisms.

As of March 31, 2010 and December 31, 2009, the Company had 1.2 billion and 1.9 billion cubic feet (BCF), respectively, outstanding in natural gas purchase contracts under its hedging program. The following table provides information on the hedging instruments.

Natural Gas Futures Contracts ($millions)

	As of March 31, 2010		As of December 31, 2009	
Balance Sheet Location	Current and Noncurrent Liabilities		Current and Noncurrent Liabilities	
Fair Value	$	1.9	$	2.3
Amount of Gain (Loss) Recognized in Regulatory Asset / Liability for Derivatives [1]	$	(3.1)	$	(2.9)

For the Three Months Ended March 31, 2010

Location of Gain (Loss) Reclassified from Regulatory Asset / Liability into Consolidated Statement of Earnings	Purchased Gas	
Amount of Gain (Loss) Reclassified from Regulatory Asset / Liability into Consolidated Statement of Earnings	$	(2.3)

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(1) Includes approximately $1.2 million of loss on contracts designated for April 2010 that were physically sold in March 2010 and the impact on the Consolidated Balance Sheet has been deferred until April 2010 when the natural gas is used.

Subsequent Events On April 15, 2010 Unitil Energy filed a proposed base rate increase of $10.1 million which represents an increase of 6.5 percent above present rates. Unitil Energy requested temporary rates to be effective July 1, 2010. In addition, Unitil Energy requested adjustments for a Rate Year Step Adjustment, a Large Capital Project Step Adjustment and a long-term rate plan establishing step adjustments associated with the Company s Reliability Enhancement Plan and Vegetation Management Plan. A decision from the NHPUC on Unitil Energy s rate increase request may take up to one year.

The Company has evaluated all events or transactions through the date of this filing. During this period, the Company did not have any material subsequent events that impacted its consolidated financial statements.

Reclassifications Based on the Company s analysis certain amounts previously reported have been reclassified to improve the financial statements presentation and to conform to current year presentation.

Recently Issued Pronouncements There are no recently issued pronouncements that the Company has not already adopted.

NOTE 2 DIVIDENDS DECLARED PER SHARE

Declaration Date	Date Paid (Payable)	Shareholder of Record Date	Dividend Amount
03/25/10	05/14/10	04/30/10	$ 0.345
01/14/10	02/16/10	02/02/10	$ 0.345
09/23/09	11/16/09	11/2/09	$ 0.345
06/18/09	08/14/09	07/31/09	$ 0.345
03/26/09	05/15/09	05/01/09	$ 0.345
01/15/09	02/16/09	02/02/09	$ 0.345

NOTE 3 COMMON STOCK AND PREFERRED STOCK

Common Stock

The Company s common stock trades under the symbol, UTL .

On September 10, 2008, the Company s shareholders, at a Special Meeting of Shareholders, approved an increase in the authorized shares of the Company s common stock. Shareholders approved an amendment to the Company s Articles of Incorporation to increase the authorized number of shares of the Company s common stock, from 8,000,000 shares to 16,000,000 shares in the aggregate. The Company had 10,859,442, 8,105,540 and 10,836,759 of common shares outstanding at March 31, 2010, March 31, 2009 and December 31, 2009, respectively.

Unitil Corporation Common Stock Offering Between December 2008 and June 2009, the Company sold 4,970,000 shares of its common stock at a price of $20.00 per share in registered public offerings. The Company used the net proceeds of $93.1 million from these offerings primarily to complete the acquisition of Northern Utilities and Granite State. Please see Note 3 to the Consolidated Financial Statements in the Company s Form 10-K for the year ended December 31, 2009 as filed with the SEC on February 10, 2010 for additional information.

Dividend Reinvestment and Stock Purchase Plan During the first quarter of 2010, the Company sold 10,328 shares of its Common Stock, at an average price of $21.78 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan and its 401(k) plans. Net proceeds of approximately $225,000 were used to reduce short-term borrowings.

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During the first quarter of 2009, the Company sold 11,663 shares of its Common Stock, at an average price of $20.29 per share, in connection with its Dividend Reinvestment and Stock Purchase Plan and its 401(k) plans. Net proceeds of approximately $237,000 were used to reduce short-term borrowings.

Restricted Stock Plan The Company maintains a Restricted Stock Plan (the Plan) which has been ratified and approved by the Company s shareholders. On February 5, 2010, 12,520 restricted shares were issued in conjunction with the Plan with an aggregate market value at the date of issuance of $262,920. There were 42,000 and 49,053 non-vested shares under the Plan as of March 31, 2010 and 2009, respectively. The weighted average grant date fair value of these shares was $22.13 and $23.06, respectively. The compensation expense associated with the issuance of shares under the Plan is being recognized over the vesting period and was $0.1 million and $0.1 million for the three months ended March 31, 2010 and 2009, respectively. At March 31, 2010, there was approximately $1.1 million of total unrecognized compensation cost under the Plan which is expected to be recognized over approximately 2.9 years. There were 165 restricted shares forfeited under the Plan during the three months ended March 31, 2010. There were no cancellations under the Plan during the three months ended March 31, 2010.

Preferred Stock

Details on preferred stock at March 31, 2010, March 31, 2009 and December 31, 2009 are shown below:

(Amounts in Millions)

	March 31, 2010	March 31, 2009	December 31, 2009
Preferred Stock			
UES Preferred Stock, Non-Redeemable, Non-Cumulative:			
6.00% Series, $100 Par Value	$ 0.2	$ 0.2	$ 0.2
FG&E Preferred Stock, Redeemable, Cumulative:			
5.125% Series, $100 Par Value	0.8	0.8	0.8
8.00% Series, $100 Par Value	1.0	1.0	1.0
Total Preferred Stock	$ 2.0	$ 2.0	$ 2.0

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NOTE 4 LONG-TERM DEBT, CREDIT ARRANGEMENTS AND GUARANTEES

Long-Term Debt

Details on long-term debt at March 31, 2010, March 31, 2009 and December 31, 2009 are shown below ($ Millions):

	March 31, 2010	March 31, 2009	December 31, 2009
Unitil Corporation Senior Notes:			
6.33% Notes, Due May 1, 2022	**$ 20.0**	$ 20.0	$ 20.0
Unitil Energy Systems, Inc.:			
First Mortgage Bonds:			
5.24% Series, Due March 2, 2020	**15.0**		
8.49% Series, Due October 14, 2024	**15.0**	15.0	15.0
6.96% Series, Due September 1, 2028	**20.0**	20.0	20.0
8.00% Series, Due May 1, 2031	**15.0**	15.0	15.0
6.32% Series, Due September 15, 2036	**15.0**	15.0	15.0
Fitchburg Gas and Electric Light Company:			
Long-Term Notes:			
6.75% Notes, Due November 30, 2023	**19.0**	19.0	19.0
7.37% Notes, Due January 15, 2029	**12.0**	12.0	12.0
7.98% Notes, Due June 1, 2031	**14.0**	14.0	14.0
6.79% Notes, Due October 15, 2025	**10.0**	10.0	10.0
5.90% Notes, Due December 15, 2030	**15.0**	15.0	15.0
Northern Utilities Senior Notes:			
6.95% Senior Notes, Series A, Due December 3, 2018	**30.0**	30.0	30.0
5.29% Senior Notes, Due March 2, 2020	**25.0**		
7.72% Senior Notes, Series B, Due December 3, 2038	**50.0**	50.0	50.0
Granite State Senior Notes:			
7.15% Senior Notes, Due December 15, 2018	**10.0**	10.0	10.0
Unitil Realty Corp.:			
Senior Secured Notes:			
8.00% Notes, Due Through August 1, 2017	**4.1**	4.6	4.3
Total Long-Term Debt	**289.1**	249.6	249.3
Less: Current Portion	**0.4**	0.4	0.4
Total Long-term Debt, Less Current Portion	**$ 288.7**	$ 249.2	$ 248.9

The fair value of the Company s long-term debt is estimated based on the quoted market prices for the same or similar issues, or on the current rates offered to the Company for debt of the same remaining maturities. The fair value of the Company s long-term debt at March 31, 2010 is estimated to be approximately $310 million, before considering any costs, including prepayment costs, to market the Company s debt. Currently, the Company believes that there is no active market in the Company s debt securities, which have all been sold through private placements.

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On March 2, 2010, UES completed the sale of $15 million of First Mortgage Bonds through a private placement to institutional investors. The First Mortgage Bonds have a maturity of ten years and a coupon rate of 5.24%. The Company used the proceeds from this long-term financing to repay short-term debt and for general corporate purposes.

On March 2, 2010, Northern Utilities completed the sale of $25 million of Senior Unsecured Notes through a private placement to institutional investors. The Senior Unsecured Notes have a maturity of ten years and a coupon rate of 5.29%. The Company used the proceeds from this long-term financing to repay short-term debt and for general corporate purposes.

Credit Arrangements

At March 31, 2010, the Company had $19.3 million in short-term debt outstanding through bank borrowings under its revolving credit facility. The revolving credit facility contains customary terms and conditions for credit facilities of this type, including, without limitation, covenants restricting the Company s ability to incur liens, merge or consolidate with another entity or change its line of business. The revolving credit agreement also contains a covenant restricting the Company s ability to permit long-term debt to exceed 65% of capitalization at the end of each fiscal quarter. As of March 31, 2010, the Company was in compliance with the financial covenants contained in the revolving credit agreement.

On October 13, 2009, the Company entered into an amendment to its 364-day revolving credit facility with Bank of America, as administrative agent, and a syndicate of lenders. The Company originally entered into the facility on November 26, 2008. The amendment increases the maximum borrowings under the facility from $60 million to $80 million.

Northern enters into asset management agreements under which Northern releases certain natural gas pipeline and storage assets, resells the natural gas storage inventory to an asset manager and subsequently repurchases the inventory over the course of the natural gas heating season at the same price at which it sold the natural gas inventory to the asset manager. There was $6.2 million and $5.0 million outstanding at March 31, 2010 and March 31, 2009, respectively, related to these asset management agreements.

Guarantees

The Company also provides limited guarantees on certain energy and natural gas storage management contracts entered into by the three distribution utilities. The Company s policy is to limit these guarantees to two years or less. As of March 31, 2010 there are $39.2 million of guarantees outstanding and the longest of these guarantees extends through December 31, 2010. Of this amount, $12.0 million is related to Unitil s guarantee of payment for the term of the Northern Utilities gas storage Agreement discussed above.

The Company also guarantees the payment of principal, interest and other amounts payable on the notes issued by Unitil Realty and Granite State. As of March 31, 2010, the principal amount outstanding for the 8% Unitil Realty notes was $4.1 million. On December 15, 2008, the Company entered into a guarantee for the payment of principal, interest and other amounts payable on the $10 million Granite State notes due 2018. As of March 31, 2010, the principal amount outstanding for the 7.15% Granite State notes was $10.0 million. This guarantee will terminate if Granite State reorganizes and merges with and into Northern Utilities.

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NOTE 5 SEGMENT INFORMATION

The following table provides significant segment financial data for the three months ended March 31, 2010 and March 31, 2009:

Three Months Ended March 31, 2010 (Millions)	Electric	Gas	Other	Non-Regulated	Total
Revenues	**$ 50.8**	**$ 61.1**	**$**	**$ 1.1**	**$ 113.0**
Segment Profit	**1.3**	**4.6**	**0.2**	**0.4**	**6.5**
Identifiable Segment Assets	**357.3**	**348.5**	**7.9**	**4.2**	**717.9**
Capital Expenditures	**6.9**	**2.8**	**0.6**		**10.3**
Three Months Ended March 31, 2009 (Millions)					
Revenues	$ 62.1	$ 72.4	$	$ 1.1	$ 135.6
Segment Profit (Loss)	1.5	7.6	(0.4)	0.4	9.1
Identifiable Segment Assets	355.5	354.8	10.2	1.8	722.3
Capital Expenditures	13.3	4.6	0.1		18.0

NOTE 6 REGULATORY MATTERS

UNITIL S REGULATORY MATTERS ARE DESCRIBED IN NOTE 7 TO THE FINANCIAL STATEMENTS IN ITEM 8 OF PART II OF UNITIL CORPORATION S FORM 10-K FOR DECEMBER 31, 2009 AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON FEBRUARY 10, 2010.

Legal Proceedings

A putative class action Complaint was filed against Fitchburg on January 7, 2009 in Worcester Superior Court in Worcester, Massachusetts, captioned Bellerman v. Fitchburg Gas and Electric Light Company. On April 1, 2009 an Amended Complaint was filed in Worcester Superior Court and served on Fitchburg. The Amended Complaint seeks an unspecified amount of damages including the cost of temporary housing and alternative fuel sources, emotional and physical pain and suffering and property damages allegedly incurred by customers in connection with the loss of electric service during the ice storm in Fitchburg s service territory in December, 2008. The Amended Complaint includes M.G.L. ch. 93A claims for purported unfair and deceptive trade practices related to the December 2008 Storm. On September 4, 2009, the Superior Court issued its order on the Company s Motion to Dismiss the Complaint, granting it in part and denying it in part. The Company anticipates that the court will decide whether the lawsuit is appropriate for class action treatment in the fall of 2010. The Company continues to believe the suit is without merit, and will defend itself vigorously.

Regulatory Matters

Unitil Energy Rate Case Filing On April 15, 2010 Unitil Energy filed a proposed base rate increase of $10.1 million which represents an increase of 6.5 percent above present rates. Unitil Energy requested temporary rates to be effective July 1, 2010. In addition, Unitil Energy requested adjustments for a Rate Year Step Adjustment, a Large Capital Project Step Adjustment and a long-term rate plan establishing step adjustments associated with the Company s Reliability Enhancement Plan and Vegetation Management Plan. A decision from the NHPUC on Unitil Energy s rate increase request may take up to one year.

Major Ice Storm On December 11 and 12, 2008, a severe ice storm (December 2008 Ice Storm) struck the New England region. The Company spent approximately $23 million for the repair and replacement of electric distribution systems damaged during the storm, including $8.3 million related to capital construction and $15.0 million, including carrying charges, which has been deferred as a regulatory asset, based on orders issued by the MDPU and NHPUC, discussed below. Also, the Company expensed $3.0 million for professional fees related to

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the ice storm, in addition to normal anticipated expenditures related to emergency storm preparedness. The Company does not believe these storm restoration expenditures and the timing of cost recovery will have a material adverse impact on the Company s financial condition or results of operations. However, if it were ultimately determined that certain of these costs were not recoverable in rates, and/or the Company were required to incur additional costs to defend itself, there may be a significant impact on the Company s results of operations in future periods.

The MDPU conducted an investigation of Fitchburg s preparation for and response to the December 2008 Ice Storm during the first half of 2009. On November 2, 2009, the MDPU issued its order with respect to its investigation, finding that Fitchburg s preparation for, and response to, the December 2008 Ice Storm constituted a failure of the Company to meet its public service obligation to provide safe and reliable service. As a result, the MDPU ordered a comprehensive independent management audit of Fitchburg s management practices, and also directed Fitchburg to implement a series of operational and capital improvements which had been identified and recommended through the Company s self-assessment review. On April 20, 2010 the Company issued Requests for Proposals to perform the independent management audit in accordance with the schedule set by the MDPU. Finally, the MDPU noted that the costs incurred by Fitchburg for the December 2008 Ice Storm would be subject to review in Fitchburg s next electric rate case, along with Fitchburg s rate of return.

On July 28, 2009, Fitchburg filed with the MDPU a petition for approval to defer and record as a regulatory asset approximately $11.5 million of costs associated with the repair of its electric distribution system from damage caused by the December 2008 Ice Storm for future recovery in rates. On December 30, 2009, the MDPU approved the request. The order of approval made no findings as to whether the subject expenses were reasonable or whether they can be recovered from ratepayers, and that the MDPU will consider the subsequent ratemaking treatment of the expense as part of Fitchburg s next rate case. As of March 31, 2010, March 31, 2009 and December 31, 2009, Fitchburg has deferred approximately $12.6 million, $0.4 million and $12.3 million of costs, respectively, including carrying charges, associated with the repair of its electric distribution system for future recovery in rates.

On August 26, 2009, Unitil Energy filed a petition with the NHPUC requesting an accounting order authorizing Unitil Energy to record as a regulatory asset approximately $2 million in expenses associated with network damage from the December 2008 Ice Storm until such time as the Commission issues a final order in Unitil Energy s next base rate case. On November 9, 2009, the NHPUC granted the requested accounting order, clarifying that such issues as the appropriate amount of the storm related expenses to be recovered, the timing and manner of recovery, and what, if any, return should be applied to the unrecovered balance are issues that will be deferred to Unitil Energy s next rate case. As of March 31, 2010, March 31, 2009 and December 31, 2009, Unitil Energy has deferred approximately $2.4 million, $0.2 million and $2.3 million of costs, respectively, including carrying charges, associated with the repair of its electric distribution system for future recovery in rates.

On December 3, 2009, the NHPUC issued its final report regarding its review of the December 2008 Ice Storm. The report stated that the NHPUC will commence an adjudicative proceeding to examine the reasonableness of Unitil s response to the December 2008 Ice Storm. On January 8, 2010, the NHPUC opened a docket to consider Unitil Energy s response to the December 2008 Ice Storm, including the timing of its response, its restoration priorities and strategies and the procurement and allocation of its resources in New Hampshire and Massachusetts. This matter remains pending.

Fitchburg Electric Division On November 25, 2009, Fitchburg submitted its annual reconciliation of costs and revenues for Transition and Transmission under its restructuring plan (the Annual Reconciliation Filing). In addition, the Standard Offer Service and Default Service Costs incurred during the seven year Standard Offer Service period that ended February 28, 2005 have been combined and recovery is proposed through a Transition Charge Surcharge of $0.00400 per kWh. Changes to the Pension/PBOP Adjustment and Residential Assistance Adjustment Factor were proposed in other proceedings. The rates were approved effective January 1, 2010, subject to reconciliation pending investigation by the MDPU. This matter remains pending. A final order approving Fitchburg s 2008 Annual Reconciliation Filing was issued on April 12, 2010.

On November 12, 2009, the Governor of Massachusetts signed House Bill 4329. The bill (i) requires the MDPU to establish regulations for utilities to respond to emergencies, (ii) requires utilities to file with the MDPU annual emergency response plans, (iii) authorizes the MDPU to impose penalties for a utility s failure to comply with the MDPU s regulations, and (iv) allows the chair of the MDPU to issue operational and management directives Table of Contents

The tables include only those benefits which are enhanced or increased as a result of the event of termination and do not include benefits that the Named Executive is entitled to receive regardless of the event of termination, including but not limited to: (i) any base salary earned but not yet paid; (ii) amounts contributed to or accrued and earned under broad-based employee benefit plans, such as the 401(k) plan, deferred compensation plan, pension plan and supplemental pension plan; and (iii) basic continuation of medical, dental, life and disability benefits. With regard to the accelerated vesting of options, the valuation is based upon the spread between the exercise price and the closing market price of our Common Stock on December 31, 2007. With regard to the accelerated vesting of restricted stock, the valuation is based on the closing market price of our Common Stock on December 31, 2007.

Potential Payments and Benefits upon Termination absent a Change of Control

As a provision of his employment agreement, Mr. Milne is the only Named Executive to receive severance payments upon termination or resignation outside the context of a change of control. The first column of the table below sets forth severance payments to which Mr. Milne would be entitled to in the event that MoneyGram terminates his employment without cause or Mr. Milne terminates his employment for good reason (as such terms are defined in Mr. Milne s employment agreement). The remaining columns of the table represent payments that would be due to each of the Named Executives in the event of a qualified retirement (age 55 with ten years of service), death or disability outside the context of a change of control. In any of these events, MoneyGram is not obligated to provide any cash severance. However, the Named Executives do receive pro rata payments under certain incentive plans, acceleration of vesting for stock options and full ownership of restricted stock.

With respect to our Common Stock, the following table utilizes the market value on December 31, 2007, which was $15.25 per share. As of March 31, 2008, the market value of our Common Stock was $1.89 per share.

Name	**Involuntary Termination ($)(1)**	**Retirement ($)(2)(3)**	**Death ($)(2)(3)(5)**	**Disability ($)(2)(3)**
Philip W. Milne	$4,002,270	$2,266,316**(4)(6)**	$2,266,514**(6)**	$2,092,739**(6)**
David J. Parrin		$ 580,167	$ 880,167	$ 580,167
Anthony P. Ryan		$ 642,774	$ 942,774	$ 642,774
William J. Putney*		$ 561,467	$ 861,467	$ 561,467
Mary A. Dutra		$ 211,856	$ 511,856	$ 211,856

* Effective April 8, 2008, Mr. Putney resigned as an officer of MoneyGram and its subsidiaries. See additional detail under footnote 2 to the Potential Payments and Benefits upon Termination following a Change of Control table under this Item 11 to this Amendment to Annual Report on Form 10-K/A

(1) Pursuant to his employment agreement, as severance outside of a change of control, Mr. Milne would be entitled to: 2.99 times his

then-current base salary and a pro rata portion of his then-current target bonus under the annual cash incentive plan, which would equal $2,134,977 if calculated as of December 31, 2007; a pro rata payment of any outstanding performance-based stock unit plan awards (at target), which would equal $728,077 if calculated as of December 31, 2007 (determined by multiplying the pro rata target number of performance-based stock unit plan units earned as of December 31, 2007 under all awards by the fair market value of our Common Stock on December 31, 2007); full vesting of all unvested stock options and restricted stock, a benefit valued at $1,023,027; and outplacement benefits in the amount of $50,000. Mr. Milne would receive these payments six months and one day after termination of employment. Includes continuation of health and welfare benefits for a period of three years, a benefit of $66,189.

(2) Includes the value of the accelerated restricted stock for the Named Executives as of December 31, 2007, as follows: Mr. Milne $1,023,027; Mr. Parrin $397,930; Mr. Ryan $464,174; Mr. Putney $337,372; and Ms. Dutra $114,922. While beneficial ownership of restricted stock arises in each of these circumstances, the restrictions must lapse according to the schedule set forth in the applicable award agreement before a Named Executive will receive the shares.

(3) Includes the value of any outstanding performance-based stock unit plan awards at the date of termination, prorated for the period of time from the date of grant to the date of death, disability or

retirement, as applicable. For Mr. Milne, the value of the benefit is determined as of the date of termination, using the target benefit level under the applicable performance-based stock unit plan award, and paid out six months from the date of termination. Mr. Milne s performance-based stock unit plan benefit would equal $728,077 if calculated as of December 31, 2007. For all other Named Executives, the performance-based stock unit plan payment due is a pro rata portion of the actual benefit earned for the year of termination, payable within 75 days following the close of the applicable performance period. The pro rata performance-based stock unit plan payment for the other Named Executives as of December 31, 2007 would be as follows: Mr. Parrin $182,237; Mr. Ryan $178,600; Mr. Putney

$224,095; and Ms. Dutra $96,934.

(4) Upon retirement, Mr. Milne is entitled to office space and secretarial support for a period of five years, a benefit valued at $300,000 if calculated as of December 31, 2007.

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(5) Includes a life insurance payment of $50,000 upon death, and an additional payment of $300,000 payable for Mr. Milne and $250,000 for each other Named Executive if death occurred while traveling on MoneyGram business pursuant to life insurance policies purchased by the Company.

(6) Includes continuation of health and welfare benefits for Mr. Milne, a benefit of $165,410, $341,635 and $215,212 upon death, disability and retirement, respectively.

Potential Payments and Benefits upon Termination following a Change of Control

MoneyGram s executive severance plan in place at December 31, 2007, provided that the Named Executives would receive severance benefits if: (i) there were a change of control (as such term is defined in the executive severance plan) of MoneyGram; and (ii) the Named Executive s employment were terminated by MoneyGram without cause or by the Named Executive for good reason (as such terms are defined in the executive severance plan) within 36 months after the change of control. In addition, the executive severance plan provided that a Named Executive who resigned other than for good reason or retired during the 30-day window period beginning one year after the change of control would receive severance benefits at a lower multiple.

In addition to the executive severance plan, several of MoneyGram s compensation and benefit plans contain provisions for enhanced benefits upon a change of control of MoneyGram. Under the Omnibus Plan, a change of control triggers immediate vesting of stock options, restricted stock and performance-based restricted stock. In addition, a pro-rata portion of the annual cash bonus under the annual cash incentive plan would become payable and a cash payment pursuant to any outstanding performance-based stock unit plan awards would become payable.

Pursuant to the supplemental pension plan, the Named Executives would be entitled to accelerated vesting of benefits and would receive a lump sum distribution of their benefits if the acquiring entity does not have a credit rating from Standard & Poor Corporation of A or better.

Benefit	**Philip W. Milne (1)**	**David J. Parrin (1)**	**Anthony P. Ryan (1)**	**William J. Putney**	**Mary A. Dutra (1)**
Severance payment (3)	$10,067,100	$3,370,740	$3,324,780	**(2)**	$2,322,657
Bonus (annual cash incentive plan)(4)					
Accelerated vesting of equity awards	$ 1,023,027	$ 397,930	$ 464,174	**(2)**	$ 114,922
Performance-based stock unit plan (5)	$ 728,077	$ 182,237	$ 178,600	**(2)**	$ 96,934
Welfare benefits (6)	$ 66,692	$ 30,960	$ 30,960	**(2)**	$ 11,160
Perquisites(7)	$ 162,141	$ 89,300	$ 87,912	**(2)**	$ 77,031
Excise tax and gross-up(8)	$ 5,916,782	$1,979,269	$1,887,046	**(2)**	$1,586,337
Outplacement	$ 50,000	$ 25,000	$ 25,000	**(2)**	$ 25,000
Total	$18,013,819	$6,075,436	$5,998,472	**(2)**	$4,234,041

(1) In the first quarter of 2008 in connection with the completion of the Capital Transaction, the executive severance plan was amended, which changes are not reflected in the above table. The amendment eliminates severance payments to Named Executives who terminate their employment without good reason during the 30-day period following the first anniversary of a change of control. The amendment also provides that severance benefits are to be paid to Named Executives

whose employment is terminated without cause or who terminate for good reason within 24, rather than 36, months following a change of control. Finally, the Human Resources Committee of the Board of Directors determined that the Capital Transaction did not constitute a change of control under certain compensation plans of the Company, including, without limitation, the executive severance plan. Consequently, the special severance plan was adopted to provide severance benefits to the Named Executives (other than Mr. Putney) whose employment is terminated under certain circumstances following the closing of the Capital Transaction. The special severance plan provides benefits identical to those payable under the executive severance plan, as amended, for Named Executives (other than Mr. Putney) if employment were terminated without cause or terminated for good reason within 24 months following the closing of the Capital Transaction. A participant may not receive duplicate benefits under the executive severance plan and the special severance plan.

(2) Effective April 8, 2008, Mr. Putney resigned as an officer of MoneyGram and its subsidiaries. In connection with Mr. Putney s resignation, certain subsidiaries and affiliates of MoneyGram, MoneyGram (together, the Company) and Mr. Putney entered into a confidential separation agreement and release of all claims (the separation agreement). Mr. Putney did not receive any payments under the executive severance plan in conjunction with his resignation. Under the separation agreement, the Company agreed (i) to retain Mr. Putney as an independent

consultant for a period of 12 months pursuant to a consulting agreement and to pay Mr. Putney the sum of $360,000 for his services, (ii) to provide certain health insurance reimbursements, the amount of which is not material; and (iii) to the extent not prohibited by law, to indemnify Mr. Putney in any action, suit, claim or proceeding arising out of Mr. Putney s performance of services for the Company, so long as his actions were lawful, undertaken in good faith and were in conformance with Company policies or practices. The separation agreement also includes confidentiality, non-disparagement and non-disclosure obligations which are in effect indefinitely and details other benefits coverage applicable after Mr. Putney s separation date. The consulting agreement includes an independent contractor trade secret and confidential information agreement which contains indefinite confidentiality and non-disclosure requirements and a twelve month non-solicitation requirement. Mr. Putney may have been entitled to receive $5,926,751 in payments and benefits upon termination following a change of control had he not resigned.

(3) The severance formula provided for under the executive severance plan is as follows: the product of the Named Executive s (i) highest annual salary; plus (ii) the higher of his/her greatest cash bonus under the annual cash incentive plan for any of the preceding four years, or his/her target cash bonus for the fiscal year in which the change of control occurs; plus (iii) the highest of his/her greatest cash bonus under the performance-based

stock unit plan for any of the preceding four years, or the aggregate value of shares when earned during a performance period under any performance-related restricted stock award during the preceding four years, or the aggregate value at the time of grant of target shares awarded to him/her under the performance-related restricted stock programs for the fiscal year in which the change of control occurs, times the applicable multiple. The multiple generally equals three times a fraction, the numerator of which is 36 minus the number of full months the Named Executive was employed following the change of control and the denominator of which is 36. In the case of a voluntary termination during the window period, the multiple is two. The values reflected in the table assume a multiple of three.

(4) Amount represents a pro rata 2007 annual cash incentive plan payment calculated

on the basis of achievement of performance goals through December 31, 2007, the date of the change of control.

(5) Amount represents a pro rata performance-based stock unit plan payment calculated as if each of the pre-defined financial goals for each performance-based stock unit plan award were achieved at the 100% level and prorated from the date of the grant to the date of the change of control.

(6) Mr. Milne s medical and dental benefits upon a change of control are provided for in his employment agreement and continue for life; therefore, the value included is the value of this lifetime benefit and other welfare benefits. The value for all of the other Named Executives represents the value of continued welfare benefits during the severance period, assuming the maximum of three years.

(7) The Named Executives are

entitled to continue to receive perquisites for the applicable severance period. Only those perquisites that a Named Executive is eligible for and using immediately prior to the change of control shall continue, thus a change of control does not entitle a Named Executive to any new perquisites. Additionally, the perquisite continuation shall be subject to an annual (or pro rated) dollar limit which is equal to the annualized value of all perquisites received by the Named Executive immediately prior to the change of control.

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

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2007 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(1)(2)	Option Awards ($)	All Other Compensation ($)(3)	Total ($)
Monte E. Ford*	117,694		9,753	10,996	138,443
Jess T. Hay	154,694		19,095	51,217	225,006
Judith K. Hofer*	138,194	2,647	19,095	3,734	163,670
Donald E. Kiernan*	156,094		19,095	7,893	183,082
Robert C. Krueger*	123,194		19,095	17,529	159,818
Othón Ruiz Montemayor	124,594		13,597	3,322	141,513
Linda Johnson Rice*	138,194	2,647	19,095	860	160,796
Douglas L. Rock*	148,694		19,095	711	168,500
Albert M. Teplin	142,694		19,095	9,381	171,170
Timothy R. Wallace*	130,694		19,095	5,000	154,789

* On March 24, 2008, in connection with the completion of the Capital Transaction, each of Monte E. Ford, Judith K. Hofer, Donald E. Kiernan, Robert C. Krueger, Linda Johnson Rice, Douglas L. Rock and Timothy R. Wallace, tendered his or her resignation, which were effective immediately following the filing of the Company s Annual Report on Form 10-K with the SEC on March 25, 2008.

(1) On February 15, 2007,

Messrs. Ford and Hay, Ms. Hofer, Messrs. Kiernan, Krueger and Ruiz Montemayor, Ms. Johnson Rice and Messrs. Rock, Teplin and Wallace each received a stock unit retainer of 2,200 stock units with a grant date value of $64,394. Pursuant to the 2005 Deferred Compensation Plan for Directors of MoneyGram International, Inc. (the 2005 MoneyGram Director Deferred Compensation Plan), non-employee directors defer their annual stock unit retainer (see additional discussion under the caption Deferred Compensation below) and thus the deferral amount is included under Fees Earned or Paid in Cash. In addition, Messrs. Kiernan, Ruiz Montemayor, Rock and Wallace have elected to defer meeting fees earned throughout the year and thus the following amounts are included under the Fees Earned or Paid in Cash: Mr. Kiernan, $91,700; Mr. Ruiz Montemayor, $60,200; Mr. Rock, $84,300; and Mr. Wallace, $66,300.

(2) Includes amounts for stock awards and stock options granted in 2004, 2005 and 2006 to the extent the vesting period for such grants fell in 2007. The amounts in these columns exclude estimated forfeitures. Refer to Footnotes 2 and 13 of Item 8 of MoneyGram s Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for our policy and assumptions made in the valuation of share-based payments.

At December 31, 2007, options for the following number of shares were outstanding for the directors:

Mr. Ford, 2,500; Mr. Hay, 5,000; Ms. Hofer, 5,000; Mr. Kiernan, 5,000; Mr. Krueger, 5,000; Mr. Ruiz Montemayor, 5,000; Ms. Johnson Rice, 5,000; Mr. Rock, 5,000; Mr. Teplin, 5,000; and Mr. Wallace, 5,000.

The outstanding stock options shown above for Mr. Hay, Ms. Hofer, Mr. Kiernan, Ms. Johnson Rice and Messrs. Rock, Teplin and Wallace do not include stock options that such directors received as a conversion of outstanding Viad options (received as a director on the Viad board) at the time of the Spin-Off.

(3) Includes the following travel related costs and associated tax reimbursements for a guest to attend the August 2007 Board meeting: Mr. Ford, $4,069; Mr. Hay, $777;

Ms. Hofer, $3,734; Mr. Kiernan, $6,893; Mr. Krueger, $2,640; Mr. Ruiz Montemayor, $3,322; Ms. Johnson Rice, $860; Mr. Rock, $711; and Mr. Teplin, $4,381.

For Mr. Ford and Mr. Krueger, the amount includes $1,927 and $11,389, respectively, as the incremental cost of guest travel to attend the August 2007 Board meeting on MoneyGram s airplane.

For Mr. Hay, the amount includes $45,440 as the incremental cost for the personal use of MoneyGram s airplane. Such perquisite was provided to Mr. Hay in recognition of his services as Presiding Director of the Board. For a description of the methodology for computing the aggregate incremental cost, see footnote 1 to the 2007 Details

Behind All Other Compensation Column Table under this Item 11 to this Amendment to Annual Report on Form 10-K/A.

Also includes the following corporate matching of charitable contributions made by the director pursuant to the MoneyGram International, Inc. Directors Matching Gift Program which provides for corporate matching of charitable contributions made by non-employee directors, on a dollar-for-dollar basis, up to an aggregate maximum of $5,000 per year: Mr. Ford, $5,000; Mr. Hay, $5,000; Mr. Kiernan, $1,000; Mr. Krueger, $3,500; Mr. Teplin, $5,000; and Mr. Wallace, $5,000.

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Director Compensation Arrangements for 2007

Each non-employee director receives compensation for service on the Board of Directors and its committees. Directors who are also officers or employees of MoneyGram (only Mr. Milne) do not receive any special or additional remuneration for service on the Board of Directors or any of its committees. MoneyGram s philosophy is to provide competitive compensation and benefits consistent with attracting and retaining quality non-employee directors. The Board believed that a substantial portion of director compensation should consist of equity-based compensation. As a result of the Capital Transaction, it is contemplated that changes will occur to certain of MoneyGram s director compensation plans and to the directors 2008 and future compensation. It is currently contemplated that the Stock Unit Retainer (defined below) will be eliminated and that directors will instead receive the cash value of the award as compensation.

Annual Retainer and Meeting Fees

Non-employee directors received an annual retainer in the amount of $40,000. Committee Chairs for the Corporate Governance and Nominating, Finance and Investment and Human Resources Committees received an additional annual retainer in the amount of $7,500. The Chair of the Audit Committee received an additional annual retainer in the amount of $15,000. The Presiding Director received an additional annual retainer in the amount of $15,000. The retainers were paid quarterly, in arrears. Non-employee directors also received a fee of $1,600 for each Board meeting attended and a fee of $1,500 for each committee meeting attended. The annual retainer and meeting fees for non-employee directors were not changed as a result of closing the Capital Transaction.

Equity Compensation

Non-employee directors receive an initial grant upon their election or appointment to the Board and an additional annual grant in February of each year during their service of stock units, with a grant date value totaling $65,000, which are automatically deferred pursuant to the 2005 MoneyGram Director Deferred Compensation Plan, as described below (the Stock Unit Retainer). In the first quarter of 2008, one-quarter of the value of the Stock Unit Retainer was paid to the directors in cash, with such amount pro-rated for those directors resigning on March 25, 2008.

Deferred Compensation

After the Spin-Off, MoneyGram s non-employee directors were eligible to defer, in the form of cash or MoneyGram stock units, retainers and meeting fees earned through December 31, 2004 pursuant to the Deferred Compensation Plan for Directors of MoneyGram International, Inc. (the 2004 director deferred compensation plan). Deferrals were discontinued under that plan on December 31, 2004 and the Board of Directors adopted the 2005 Deferred Compensation Plan for Directors of MoneyGram International, Inc. (the 2005 director deferred compensation plan) pursuant to which participants may defer retainers and meeting fees earned since January 1, 2005. In November 2005, the 2005 director deferred compensation plan was amended to allow directors to defer their annual restricted stock awards beginning with the 2006 award.

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

Directors Matching Gift Program

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

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Other Benefits

MoneyGram provides each non-employee director with accidental death and dismemberment insurance benefits of $300,000 and travel accident insurance benefits of $300,000, when they are traveling on MoneyGram business. MoneyGram also covers the costs and tax reimbursements associated with travel for a non-employee director s guest to attend each August Board meeting.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about our Common Stock that may be issued as of December 31, 2007 under our 2004 Omnibus Incentive Plan and our 2005 Omnibus Incentive Plan, which are our only existing equity compensation plans. The 2004 Omnibus Incentive Plan was approved by Viad, as our sole stockholder, prior to the Spin-Off and our 2005 Omnibus Incentive Plan was approved by our stockholders at the annual meeting in May 2005. No further awards can be made pursuant to the 2004 Omnibus Incentive Plan following stockholder approval of the 2005 Omnibus Incentive Plan.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	4,077,300	$ 20.63	6,434,931
Equity compensation plans not approved by security holders		$	
Total	4,077,300	$ 20.63	6,434,931

(1) Column (a) does not include any restricted stock awards that have been issued under the 2004 Omnibus Incentive Plan or any stock units granted

under any deferred compensation plan. At December 31, 2007, 234,354 shares of restricted stock granted under the 2004 Omnibus Incentive Plan and the 2005 Omnibus Incentive Plan were outstanding.

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

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Security Ownership of Certain Beneficial Owners

The following table sets forth information concerning beneficial ownership of our Common Stock by those persons known by us to be the beneficial owners of more than five percent of our outstanding Common Stock as of March 31, 2008. Except as otherwise indicated, a person has sole voting and investment power with respect to the Common Stock beneficially owned by that person. We have determined beneficial ownership in accordance with the rules of the SEC. Under these rules, beneficial ownership generally includes voting or investment power over securities. The number of shares shown as beneficially owned in the tables below are calculated pursuant to Rule 13d-3(d)(1) of the Exchange Act. Under Rule 13d-3(d)(1), shares not outstanding that are subject to options, warrants, rights or conversion privileges exercisable within 60 days are deemed outstanding for the purpose of calculating the number and percentage owned by such person, but not deemed outstanding for the purpose of calculating the percentage owned by each other person listed. Therefore the aggregate beneficial ownership percentages shown in the table below total more than 100%.

Name and Address	**Amount and Nature of Beneficial Ownership**	**Percent of Class (1)**
Thomas H. Lee Advisors, LLC(2)	198,000,000(3)(4)	50.8%
The Goldman Sachs Group, Inc.(5)	109,014,968(6)	28.0%
Blum Capital Partners, L.P.(7)	11,730,000(8)	14.2%
Shapiro Capital Management LLC(9)	7,718,491(10)	9.3%
FMR LLC(11)	7,083,953(12)	8.6%
Barclays(13)	4,929,602(14)	6.0%
EARNEST Partners, LLC(15)	4,379,561(16)	5.3%
Cooke & Bieler, L.P.(17)	4,347,853(18)	5.3%
Royce & Associates, LLC(19)	4,229,800(20)	5.1%

(1) Applicable percentage ownership is based on 82,598,034 shares of Common Stock outstanding as of March 31, 2008 for all stockholders other than Thomas H. Lee Advisors, LLC and The Goldman Sachs Group, Inc. With regard to Thomas H. Lee Advisors, LLC and The Goldman Sachs

Group, Inc., applicable percentage ownership is based on 389,598,034 shares of Common Stock outstanding, which gives effect to the 495,000 shares of Series B Preferred Stock and 272,500 shares of Series B-1 Preferred Stock that are immediately convertible, subject to certain limitations, into 307,000,000 shares of Common Stock. The 495,000 shares of Series B Preferred Stock are immediately convertible, subject to certain limitations, into 198,000,000 shares of Common Stock. The 272,500 shares of Series B-1 Preferred Stock are immediately convertible, subject to certain limitations, into 109,000 shares of Series D Participating

Convertible Preferred Stock, which are immediately convertible by a holder other than The Goldman Sachs Group, Inc. and its affiliates, subject to certain limitations, into 109,000,000 shares of Common Stock. The Series B Preferred Stock is convertible at any time at the holder s election, provided that prior to the Voting Date (as defined below), the holder s conversion rights are limited to the extent such conversion would entitle the holder, together with certain other parties, to vote a number of shares of Common Stock that would exceed the number of shares to which the holder, together with certain other parties, is entitled without any prior notice or approval under the laws relating to money transmission and the sale of checks of any state. The Voting Date is the earlier of (i) the date all applicable state regulatory approvals for the acquisition by the holder of control of the Company have been obtained, or (ii) such other date requested in writing by the holder on or after June 15, 2008. The regulatory approvals referenced in clause (i) of the immediately preceding sentence are being sought and may be obtained within 60 days of March 31, 2008. Because the ownership percentages with respect to each of the listed parties other than Thomas H. Lee Advisors, LLC and The Goldman Sachs Group, Inc. do not include in the total number of shares outstanding the shares of Common Stock issuable upon the conversion of the Series B Preferred Stock and the Series B-1 Preferred Stock, the ownership percentages with respect to each of the listed parties other than Thomas H. Lee Advisors, LLC and The Goldman Sachs Group, Inc. would be substantially lower if the calculations reflected the shares of Common Stock issuable upon the conversion of the Series B Preferred Stock and the Series B-1 Preferred Stock.

(2) The address of Thomas H. Lee Advisors, LLC is 100 Federal Street, Boston, MA 02110. The address of Putnam Investments Holdings, LLC; Great-West Investors L.P. and Putnam Investments Employees Securities

Company III LLC is One Post Office Square, Boston, MA 02109. The address of Silver Point Capital, L.P.; Silver Point Capital Management, LLC; Edward A. Mule and Robert J. O Shea is Two Greenwich Plaza, First Floor, Greenwich, CT 06830. The address for the remaining entities set forth in footnote 3 is the same as for Thomas H. Lee Advisors, LLC.

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

Investors (MoneyGram), LLC; THL Coinvestment Partners, L.P.; THL Operating Partners, L.P.; Putnam Investments Holdings, LLC; Great-West Investors L.P. and Putnam Investments Employees Securities Company III LLC (the THL Entities). The THL Entities may be deemed to beneficially own and have shared voting power over all of the outstanding Series B Preferred Stock. The Series B Preferred Stock votes as a class with the Common Stock and the holders have a number of votes equal to the number of shares of Common Stock issuable if all outstanding shares of Series B Preferred Stock were converted plus the number of shares of Common Stock issuable if all

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outstanding shares of Series B-1 Preferred Stock were converted into Series B Preferred Stock and subsequently converted into Common Stock. As of the Voting Date (as defined in footnote (1) above), the holders of Series B Preferred Stock will have approximately 79% of our voting power. Together with the Goldman Entities (as defined in footnote (6) below) and the Silver Point Group (as defined in footnote (4) below), the THL Entities may be deemed to beneficially own 307,000,000 shares of Common Stock issuable upon the conversion of all of the Company s Series B Preferred Stock and Series B-1 Preferred Stock. Each of the

THL Entities disclaims beneficial ownership of such shares except to the extent of its pecuniary interest therein.

Of these shares: Thomas H. Lee Advisors, LLC has shared voting power over 198,000,000 shares and shared dispositive power over 198,000,000 shares; THL Equity Advisors VI, LLC has shared voting power over 196,228,415.2 shares and shared dispositive power 196,228,415.2 shares; Thomas H. Lee Equity Fund VI, L.P. has shared voting power over 110,842,558.8 shares and shared dispositive power over 110,842,558.8 shares; Thomas H. Lee Parallel Fund VI, L.P. has shared voting power over

72,348,096.4 shares and shared dispositive power over 72,348,096.4 shares; Thomas H. Lee Parallel (DT) Fund VI, L.P. has shared voting power over 12,637,760 shares and shared dispositive power over 12,637,760 shares; THL Equity Fund VI Investors (MoneyGram), LLC has shared voting power over 400,000 shares and shared dispositive power over 400,000 shares; THL Coinvestment Partners, L.P. has shared voting power over 305,191.2 shares and shared dispositive power over 305,191.2 shares; THL Operating Partners, L.P. has shared voting power over 376,000 shares and shared dispositive power over 376,000 shares;

Putnam Investments Holdings, LLC has shared voting power over 545,090.8 shares and shared dispositive power over 545,090.8 shares; Great-West Investors L.P. has shared voting power over 1,090,393.6 shares and shared dispositive power over 1,090,393.6 shares; and Putnam Investments Employees Securities Company III LLC has shared voting power over 545,090.8 shares and shared dispositive power over 545,090.8 shares.

(4) Share ownership is based on a Schedule 13D filed with the SEC on April 4, 2008 on behalf on the following: Silver Point Capital, L.P.; Silver Point Capital

Management, LLC; Edward A. Mule and Robert J. O Shea (the Silver Point Group). Together with the THL Entities and the Goldman Entities, the Silver Point Group may be deemed to beneficially own 307,000,000 shares of Common Stock issuable upon the conversion of all of the Company s Series B Preferred Stock and Series B-1 Preferred Stock. Of these shares Silver Point Capital, L.P.; Silver Point Capital Management, LLC; Edward A. Mule and Robert J. O Shea may be deemed to have shared voting power over 4,000,000 shares and shared dispositive power over 4,000,000 shares. Each of Silver Point Capital, L.P., Silver Point Capital Management, LLC, Edward

A. Mule and Robert J. O Shea has expressly disclaimed beneficial ownership of any securities of the Company held by any person or entity other than, to the extent of any pecuniary interest therein, Silver Point Capital Fund, L.P. and Silver Point Capital Offshore Fund, Ltd.

(5) The address of The Goldman Sachs Group, Inc. is 85 Broad Street, New York, NY 10004.

(6) Share ownership is based on a Schedule 13D filed with the SEC on April 4, 2008 on behalf of the following: The Goldman Sachs Group, Inc.; Goldman, Sachs & Co.; GSCP VI Advisors, L.L.C.; GS Capital Partners VI Fund, L.P.; GS Advisors VI, L.L.C.; GSCP VI Offshore Advisors, L.L.C.; GS Capital Partners

VI Offshore Fund, L.P.; Goldman, Sachs Management GP GmbH; GS Capital Partners VI Parallel, L.P.; GS Capital Partners VI GmbH & Co. KG; GSMP V Onshore US, Ltd.; GS Mezzanine Partners V Onshore Fund, L.P.; GS Mezzanine Partners V Onshore Fund, L.L.C.; GSMP V Institutional US, Ltd.; GS Mezzanine Partners V Institutional Fund, L.P.; GS Mezzanine Partners V Institutional Fund, L.L.C.; GSMP V Offshore US, Ltd.; GS Mezzanine Partners V Offshore Fund, L.P.; and GS Mezzanine Partners V Offshore Fund, L.L.C. (the Goldman Entities). Together with the THL Entities and the Silver Point Group, the Goldman Entities may be deemed to beneficially own 307,000,000 shares of Common Stock issuable upon the conversion of all of the Company s Series B Preferred Stock and Series B-1 Preferred Stock. The Goldman Entities disclaim beneficial ownership of such shares beneficially owned by (i) any client accounts with respect to which the Goldman Entities or their employees have voting or investment discretion, or both, and (ii) certain investment entities of which the Goldman Entities act as the general partner, managing general partner or other manager, to the extent interests in such entities are held by persons other than the Goldman Entities.

Of these shares: The Goldman

Sachs Group, Inc. has shared voting power over 109,010,906 shares and shared dispositive power over 109,014,968 shares; Goldman, Sachs & Co. has shared voting power over 106,010,906 and shared dispositive power over 106,014,968 shares; GSCP VI Advisors, L.L.C. has shared voting power over 39,583,851 shares and shared dispositive power over 39,583,851 shares; GS Capital Partners VI Fund, L.P. has shared voting power over 39,583,851 and shared dispositive power over 39,583,851 shares; GS Advisors VI, L.L.C. has shared voting power over 10,884,884 and shared dispositive power over 10,884,884 shares; GSCP VI Offshore Advisors, L.L.C. has shared voting power over 32,924,454 shares and shared dispositive power over 32,924,454 shares; GS Capital Partners VI Offshore Fund, L.P. has shared voting power over 32,924,454 shares and shared dispositive power over 32,924,454 shares; Goldman, Sachs Management GP GmbH has shared voting power over 1,406,810 shares and shared dispositive power over 1,406,810 shares; GS Capital Partners VI Parallel, L.P. has shared voting power over 10,884,884 shares and shared dispositive power over 10,884,884 shares; GS Capital Partners VI GmbH & Co. KG has shared voting power over 1,406,810 and shared dispositive power over 1,406,810 shares; GSMP V Onshore US, Ltd. has shared voting power over 8,319,093 shares and shared dispositive power over 8,319,093 shares; GS Mezzanine Partners V Onshore Fund, L.P. has shared voting power over 8,319,093 shares and shared dispositive power over 8,319,093 shares; GS Mezzanine Partners V Onshore Fund, L.L.C. has shared voting power over 8,319,093 shares and shared dispositive power over 8,319,093 shares; GSMP V Institutional US, Ltd. has shared voting power over 816,570 shares and shared dispositive power over 816,570 shares; GS Mezzanine Partners V Institutional Fund, L.P. has shared voting power over 816,570 shares and shared dispositive power over 816,570 shares; GS Mezzanine Partners V Institutional Fund, L.L.C. has shared voting power over 816,570 shares and shared dispositive power over 816,570 shares; GSMP V Offshore US, Ltd. has shared voting power over 12,064,337 shares and shared dispositive power over 12,064,337 shares; GS Mezzanine Partners V Offshore Fund, L.P. has shared voting power over 12,064,337 shares and shared dispositive power over 12,064,337 shares; and GS Mezzanine Partners V Offshore Fund, L.L.C. has shared voting power over 12,064,337 shares and shared dispositive power over 12,064,337 shares.

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

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

(8) Based on a Schedule 13D/A filed with the SEC on January 23, 2008 on behalf of Blum Capital Partners, L.P., Richard C. Blum & Associates,

Inc., Blum Strategic GP III, L.L.C., Blum Strategic GP III, L.P., Blum Strategic Partners III, L.P. and Saddlepoint Partners GP, L.L.C. (the Blum Group). According to that filing, each of the Blum Group are deemed to beneficially own 6,429,400 shares of Common Stock, with shared voting power over 6,429,400 shares and shared dispositive power over 6,429,400 shares.

(9) The address of Shapiro Capital Management LLC is 3060 Peachtree Road, Suite 1555 N.W., Atlanta, GA 30305.

(10) Share ownership is based on a Schedule 13G filed with the SEC on February 8, 2008. Shapiro Capital Management LLC and Samuel R. Shapiro, as the chairman, director and

majority shareholder of Shapiro Capital Management LLC, each have sole voting power over 6,402,167 shares, shared voting power over 1,282,224 and sole dispositive power over 7,718,491 shares. Additionally, Samuel R. Shapiro has sole voting power over 34,100 shares and sole dispositive power over 34,100 shares. Shapiro Capital Management LLC serves as an investment adviser to various investment company clients and stated that no one client accounts for more than five percent of the total outstanding Common Stock.

(11) The address of FMR LLC is 82 Devonshire Street, Boston, MA 02109.

(12) Share ownership is based on a Schedule 13G/A filed with the

SEC on February 14, 2008. FMR LLC and Edward C. Johnson 3d, chairman of FMR LLC, each have sole dispositive power over 7,083,953 shares. FMR LLC reported that its wholly owned subsidiary Fidelity Management & Research Company serves as an investment adviser to various investment company clients and that no one client accounts for more than five percent of the total outstanding Common Stock.

(13) The address of Barclays Global Investors, NA is 45 Fremont Street, San Francisco, CA 94105.

(14) Share ownership is based on a Schedule 13G filed with the SEC on February 5, 2008. According to that filing, Barclays Global Investors, NA,

on behalf of itself, Barclays Global Fund Advisors, Barclays Global Investors, LTD, Barclays Global Investors Japan Trust and Banking Company Limited, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited and Barclays Global Investors (Deutschland) AG, is deemed to be the beneficial owner of 4,929,602 shares of Common Stock held in trust accounts for the economic benefit of the beneficiaries of these accounts.

Of these shares: Barclays Global Investors, NA has sole voting power over 2,875,585 shares and sole dispositive power over 3,501,452 shares; Barclays Global Fund Advisors has sole voting power over 1,185,441 shares and sole dispositive power over 1,185,441 shares; Barclays Global Investors, LTD has sole voting power over 103,839 shares and sole dispositive power over 129,830 shares; Barclays Global Investors Japan Limited has sole voting power over 90,782 shares and sole dispositive power over 90,782 shares; and Barclays Global Investors Canada Limited has sole voting power over 22,097 shares and sole dispositive power over 22,097 shares.

(15) The address of EARNEST Partners, LLC is 1180 Peachtree Street NE, Suite 2300, Atlanta, GA 30309.

(16) Share ownership is based on a Schedule 13G filed with the SEC on February 13,

2008. EARNEST Partners, LLC has sole voting power over 1,813,646 shares, shared voting power over 1,051,815 shares and sole dispositive power over 4,379,561 shares.

(17) The address of Cooke & Bieler, L.P. is 1700 Market Street, Suite 3222, Philadelphia, PA 19103.

(18) Share ownership is based on a Schedule 13G filed with the SEC on February 14, 2008. Cooke & Bieler, L.P. has shared dispositive power over 2,147,333 shares and shared dispositive power over 4,347,853 shares. Cooke & Bieler, L.P. serves as an investment adviser to various investment company clients and stated that no one client accounts for more than five

percent of the
total outstanding
Common Stock.

(19) The address of Royce & Associates, LLC is 1414 Avenue of the Americas, New York, NY 10019.

(20) Share ownership is based on a Schedule 13G filed with the SEC on January 30, 2008. Royce & Associates, LLC has sole voting power over 4,229,800 shares and sole dispositive power over 4,229,800 shares. Royce & Associates, LLC serves as an investment adviser to various investment company clients and stated that no one client accounts for more than five percent of the total outstanding Common Stock.

Security Ownership of Management

The following table sets forth information as of March 31, 2008 concerning beneficial ownership of our Common Stock, stock units and Series B Preferred Stock that are immediately convertible, subject to certain limitations, into shares of Common Stock by each director, each of the Named Executives and all of our directors and executive officers as a group. Except as otherwise indicated, a person has sole voting and investment power with respect to the Common Stock beneficially owned by that person.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)(2)(3)	Percent of Class(3)(4)	Stock Units (5)

Jess T. Hay	46,876	*	61,495
Scott L. Jaeckel	198,000,000(6)	50.8%(4)	
Seth W. Lawry	198,000,000(6)	50.8%(4)	
Othón Ruiz Montemayor	6,234	*	23,598
Albert M. Teplin	21,367	*	21,840
Philip W. Milne	548,322	*	17,413
David J. Parrin	106,556	*	
Anthony P. Ryan	158,849	*	
William J. Putney	145,158	*	
Mary A. Dutra	104,121	*	
All Directors and Executive Officers as a Group (16) persons total)	199,452,469(7)	51.1%	132,404

* Less than 1 percent

(1) Includes shares of restricted stock (for which individuals have sole voting power and no investment power) and shares underlying options exercisable within 60 days of March 31, 2008, as follows: Mr. Hay: 26,867 shares subject to options; Mr. Ruiz Montemayor 3,334 shares subject to options; Mr. Teplin: 18,167 shares subject to options; Mr. Milne: 41,560 shares of restricted stock and 390,957 shares subject to options; Mr. Parrin: 21,490 shares of

restricted stock and 67,601 shares subject to options;
Mr. Ryan: 26,800 shares of restricted stock and 102,824 shares subject to options;
Mr. Putney: 14,550 shares of restricted stock and 87,661 shares subject to options; and
Ms. Dutra: 5,794 shares of restricted stock and 67,927 shares subject to options.

(2) Includes the following shares held in the 401(k) Plan, for which participants have shared voting power and sole investment power, as follows:
Mr. Milne: 10,812 shares;
Mr. Parrin: 2,182 shares;
Mr. Ryan: 5,575 shares;
Mr. Putney: 4,802 shares;
and Ms. Dutra: 5,060 shares.

(3) 2,200 stock units payable in Common Stock have been included in the

beneficial ownership totals and the percent of ownership for each non-employee member of the Board of Directors except for Messrs. Jaeckel and Lawry. Stock units of non-employee directors and certain Named Executives payable in cash are not included in the beneficial ownership totals or in the percent of ownership.

(4) Applicable percentage ownership is based on 82,598,034 shares of Common Stock outstanding as of March 31, 2008. With regard to Messrs. Jaeckel and Lawry, because they are each members of Thomas H. Lee Advisors, LLC, applicable percentage ownership is based on 389,598,034 shares of Common Stock outstanding, which gives effect to the

495,000 shares of Series B Preferred Stock and 272,500 shares of Series B-1 Preferred Stock that are immediately convertible, subject to certain limitations, into 307,000,000 shares of Common Stock.

(5) Stock units are held by directors and officers who participate in one or more of the deferred compensation plans described above under Executive Compensation Deferred Compensation and 2007 Director Compensation under Item 11 to this Amendment to Annual Report on Form 10-K/A.

(6) Because Messrs. Jaeckel and Lawry are each members of Thomas H. Lee Advisors, LLC, each of them may be deemed to beneficially own the shares of

Common Stock that may be deemed to be beneficially owned by Thomas H. Lee Advisors, LLC. Each of Messrs. Jaeckel and Lawry disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein. Please see footnotes (1) and (3) to the Security Ownership of Certain Beneficial Owners table above for more information regarding the shares of Common Stock that Thomas H. Lee Advisors, LLC may be deemed to beneficially own.

(7) Includes 132,381 shares of restricted stock, 998,484 shares underlying options exercisable within 60 days of March 31, 2008, 6,600 shares underlying stock units held by non-employee directors, 52,544 shares held in the 401(k) Plan and 495,000 shares of Series B Preferred Stock that are immediately convertible, subject to certain limitations, into 198,000,000 shares of Common Stock.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Policy and Procedures Regarding Transactions with Related Persons

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

Transactions with Related Persons

Messrs. Hay and Teplin also serve as members of the Board of Directors of Viad. Ms. Johnson Rice, Ms. Hofer and Messrs. Kiernan, Rock and Wallace, all directors of the Company during 2007 and until the closing of the Capital Transaction, previously served as members of the Board of Directors of Viad.

In June 2004, we entered into various agreements with Viad governing our division of liabilities in connection with the Spin-Off, including, but not limited to, an Employee Benefits Agreement and a Tax Sharing Agreement.

In connection with the Spin-Off and pursuant to the Employee Benefits Agreement, all liabilities under the Deferred Compensation Plan for Directors of Viad Corp (the Viad Director Deferred Compensation Plan) were transferred to MoneyGram. As directors or former directors of Viad, Mmes. Hofer and Johnson Rice and Messrs. Hay, Kiernan, Rock, Teplin and Wallace are participants in the Viad Director Deferred Compensation Plan. Deferred accounts under such plan can no longer receive additional contributions, but are credited by MoneyGram quarterly with dividend equivalents, in the case of stock unit accounts, and interest at a long-term medium-quality bond rate, in the case of cash accounts. Deferred amounts are payable after a director ceases to be a member of both the Viad and MoneyGram Boards of Directors. MoneyGram paid an aggregate of $127,516 in 2007 in interest and dividends in connection with such liabilities.

In addition, in conjunction with the Spin-Off, MoneyGram assumed liability for the Viad Director s Charitable Award Program (the Charitable Award Program). The liability assumed by MoneyGram includes (i) payment of monies to the charitable organization designated by the applicable director upon death and as provided in the Charitable Award Program, and (ii) payment of premiums on life insurance policies taken out by Viad on certain of the members of the Viad Board of Directors covered by the Charitable Award Program (including Mmes. Hofer and Johnson Rice and Messrs. Hay, Rock and Wallace) to fund benefits under the program. Viad has assigned such life insurance policies to MoneyGram and MoneyGram is now the beneficiary of such policies. In 2007, MoneyGram paid a total of $76,864 for premiums and MoneyGram made payments totaling $100,000 to certain charitable organizations designated by a deceased director of Viad.

Equity Purchase Agreement

To effect the Capital Transaction, on March 17, 2008, we entered into an amended and restated purchase agreement (the Purchase Agreement) with affiliates of Thomas H. Lee Partners, L.P. (TH Lee) and affiliates of Goldman, Sachs & Co. (Goldman Sachs, and collectively with TH Lee, the Investors), and on March 25, 2008, we completed the transactions contemplated by the Purchase Agreement. Pursuant to the Purchase Agreement, we, among other things, sold to the Investors 495,000 shares of Series B Preferred Stock and 265,000 shares of Series B-1 Preferred Stock for an aggregate purchase price of $760,000,000. The Series B Preferred Stock was issued to TH Lee and the Series B-1 Preferred Stock was issued to Goldman Sachs. For a description of the terms of the Series B Preferred Stock, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Sale of Investments and Capital Transaction and Note 18 *Subsequent Events* of the Notes to Consolidated Financial Statements to our Annual Report on Form 10-K for the year ended December 31, 2007.

The Purchase Agreement contains customary public company representations and warranties by us to the Investors and customary representations and warranties from the Investors to us. We agreed in the Purchase Agreement to indemnify the Investors and certain parties related to the Investors from and against damages relating to the authorization, execution, delivery and performance of the Purchase Agreement and documents related to the Purchase Agreement.

The Investors have been provided with certain rights with respect to representation on and observation of the Board of Directors and committees of the Board, which has resulted in a change to the composition of the majority of the Board. On March 25, 2008, the Investors designated two individuals, Messrs. Jaeckel and Lawry, to the Board (Board Representatives) and appointed two non-voting observers to the Board. Additionally, upon the earlier of written notification by TH Lee and the Voting Date (as defined in footnote (1) to the Security Ownership of Certain Beneficial Owners above), the Investors will become entitled to appoint such additional Board Representatives to the Board as will provide the Investors with a number of directors that is proportionate to the Investors Common Stock ownership, calculated on a fully-converted basis (assuming all shares of Series B-1 Preferred Stock were converted into Series B Preferred Stock and all shares of Series B Preferred Stock were converted into Common Stock). For so long as the Investors are entitled to appoint a Board Representative, the Investors shall also be entitled to representation on all committees of the Board, with a minimum of one Board Representative serving on each committee of the Board, subject to certain exceptions and applicable laws and regulations.

The Series B Preferred Stock votes as a class with the Common Stock and the holders have a number of votes equal to the number of shares of Common Stock issuable if all outstanding shares of Series B Preferred Stock were converted plus the number of shares of Common Stock issuable if all outstanding shares of Series B-1 Preferred Stock were converted into Series B Preferred Stock and subsequently converted into Common Stock. After the Voting Date (as defined in footnote (1) to the Security Ownership of Certain Beneficial Owners above), the holders of Series B Preferred Stock will have approximately 79% of our voting power. The Series B-1 Preferred Stock held by Goldman Sachs is non-voting stock except for the rights of Goldman Sachs to vote on specific actions as set forth in the Series B-1 Certificate.

The Purchase Agreement also provides that as promptly as practicable following the closing, we will hold a meeting of our stockholders to seek approval of amendment to our certificate of incorporation (the Certificate), which will provide that as long as the Investors shall have a right to designate Board Representatives, Goldman Sachs will have the right to designate one such Board Representative, which will have one vote, and TH Lee (or its permitted successors or assigns) will have the right to designate two to four Board Representatives, which will have such number of votes equal to the number of directors that the Investors would be entitled to designate in the absence of the Certificate amendment, minus the one vote of the Board Representative designated by Goldman Sachs. The proposed Certificate amendment will also provide that each member of our Board shall be elected annually for a one year term, and will increase the number of authorized shares of Common Stock to 1,300,000,000 shares.

Equity Registration Rights Agreement

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

Note Purchase Agreement and Indenture

In connection with the anticipated completion of the Capital Transaction, we entered into a second amended and restated note purchase agreement (the Second Amended Note Purchase Agreement) dated as of March 24, 2008, with

MoneyGram Payment Systems Worldwide, Inc. (Worldwide), affiliates of Goldman, Sachs & Co. (the Initial Purchasers) and THL Credit, a Delaware Limited Partnership (THL CP). Pursuant to the Second Amended Note Purchase Agreement, the Initial Purchasers acquired from Worldwide $500,000,000 aggregate principal amount of its 13.25% senior secured second lien notes due 2018 (the Notes) pursuant to an indenture (the Indenture), by and among MoneyGram, Worldwide, the other guarantors party thereto and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent (the Trustee). On April 7, 2008, THL CP acquired $20,000,000 aggregate principal amount of the Notes from the Initial Purchasers. For a description of the terms of the Notes and the Indenture, see Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Sale of Investments and Capital Transaction and Note 18 *Subsequent Events* of the Notes to Consolidated Financial Statements to our Annual Report on Form 10-K for the year ended December 31, 2007.

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Notes Registration Rights Agreement

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

Capital Transaction Fees

In connection with the Capital Transaction, we paid total transaction costs of approximately $61,910,000 to, or on behalf of, the Investors. Included in this amount is $20,000,000 and approximately $7,240,000 of fees and expenses, respectively, paid to TH Lee and $22,500,000 and approximately $4,670,000 of fees and expenses, respectively, paid to Goldman Sachs. Also included in this amount is $7,500,000 paid to the Goldman Sachs Group, Inc. (GSG) on behalf of the Investors and at the direction of Goldman, Sachs & Co. for an investment banking advisory fee payable to Goldman, Sachs & Co. In lieu of cash, this fee was paid through the issuance of 7,500 shares of Series B-1 Preferred Stock to GSG pursuant to a Subscription Agreement dated March 25, 2008.

Director Independence

For 2007, the Board determined that the following directors were independent within the meaning of the listing standards of the New York Stock Exchange (NYSE), applicable SEC regulations and the categorical standards for independence contained in our Corporate Governance Guidelines: Monte E. Ford, Jess T. Hay, Judith K. Hofer, Linda Johnson Rice, Donald E. Kiernan, Robert C. Krueger, Douglas L. Rock, Othón Ruiz Montemayor, Albert M. Teplin and Timothy R. Wallace.

The Board of Directors has adopted categorical standards to assist in the making of determinations of independence. The following commercial or charitable relationships will not be considered to be material relationships that would impair a director s independence: (a) if the director is an executive officer or employee, or their immediate family member is an executive officer, of another company that does business with MoneyGram or its affiliates and the annual sales to, or purchases from, MoneyGram or its affiliates are less than the greater of $1.0 million or one percent of the other company s annual consolidated gross revenues; (b) if the director is an executive officer of another company which is indebted to MoneyGram, or to which MoneyGram is indebted, and the total amount of either company s indebtedness to the other is less than one percent of the total consolidated assets of the company that he or she serves as an executive officer; or (c) if the director serves as an officer, director or trustee of a charitable organization and (1) MoneyGram s annual charitable contributions to the organization are less than the greater of $200,000 or one percent of that organization s total annual charitable receipts, which shall not include MoneyGram s automatic matching of director charitable contributions.

Between the closing of the Capital Transaction and the Voting Date (as defined in footnote (1) to the Security Ownership of Certain Beneficial Owners above), TH Lee possesses approximately only 9.9% of the voting power of the securities issued by MoneyGram. Notwithstanding the foregoing, if a record date for a stockholder vote (or action by written consent) on any matter is required by law to occur prior to the Voting Date, upon TH Lee s election and discretion, the Voting Date shall occur immediately prior to such record date thereby enabling TH Lee to possess and vote over 50% of the voting power of the securities issued by MoneyGram. As a result, TH Lee has the ability to control a stockholder vote whether it occurs before or after the Voting Date, and the Board of Directors has determined that MoneyGram is a controlled company within the requirements set forth in Section 303A.00 of the NYSE Listed Company Manual and, as such, is exempt from certain independence requirements of the NYSE. After closing of the Capital Transaction, the Board determined that the following directors were independent within the meaning of the listing standards of the NYSE, applicable SEC regulations and the categorical standards for independence contained in our Corporate Governance Guidelines: Messrs. Hay, Ruiz Montemayor and Teplin.

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Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The aggregate fees billed to MoneyGram for fiscal years 2007 and 2006 by Deloitte are as follows (in thousands):

	2007	2006
Audit fees(1)	$ 1,844	$ 1,175
Audit-related fees(2)	551	342
Tax fees		
All other fees		
Total fees	$ 2,395	$ 1,517

(1) Audit fees for 2007 and 2006 include the audit of MoneyGram s consolidated financial statements, including quarterly reviews, the audit of management s assessment of the design and effectiveness of MoneyGram s internal control over financial reporting, and the separate audits of the financial statements of our subsidiary MoneyGram Payment Systems, Inc. (MPSI), as required for regulatory purposes.

(2) Audit-related fees for 2007 and 2006 include professional

services rendered in connection with an audit of the internal controls relating to the official check processing business (Statement on Auditing Standard 70 service organization report), regulatory compliance filings in certain countries and audits of MoneyGram benefit plans.

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

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) The exhibits listed in the accompanying Exhibit Index.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	MoneyGram International, Inc. (Registrant)
Date: April 30, 2008	By: /s/ Philip W. Milne Philip W. Milne Chairman, President and Chief Executive Officer

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EXHIBIT INDEX

Exhibit Number	Description
*31.1	Section 302 Certification of Chief Executive Officer
*31.2	Section 302 Certification of Chief Financial Officer
*32.1	Section 906 Certification of Chief Executive Officer
*32.2	Section 906 Certification of Chief Financial Officer

* Filed herewith.