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ARKANSAS SECURITIES DEPARTMENT

May 7, 2010

Carol R. Van Cleef
Patton Boggs, LLP
2550 M Street, NW
Washington, DC 20037-1350

RE: Budget PrePay, Inc.
Legal Opinion Letter No. 10-43335-CS

Dear Ms. Van Cleef:

The Staff of the Arkansas Securities Department ("Staff") is in receipt of your letters dated January 30, 2009, and March 31, 2009, requesting that the Staff issue a legal opinion letter concerning the applicability of Ark. Code Ann. § 23-55-103 to the requirement that you client, Budget PrePay, Inc. ("Budget") obtain a money services license in Arkansas. Copies of your request letters are attached for your reference.

Based on the specific facts contained in your request letters, at the present time, the Staff is of the opinion that Budget needs to obtain a money services license from the Arkansas Securities Department. Pursuant Money Service Rule 102(10) Budget is clearly engaging in money transmission. Under Ark. Code Ann. § 23-55-102(11) money transmission is the definition of money services. Further, none of the exclusions contained in Ark. Code Ann. § 23-55-103 are applicable to Budget. Therefore, pursuant to Ark. Code Ann. § 23-55-201, Budget needs to obtain a money services license from the Arkansas Securities Department, before Budget engages in providing money services in the state of Arkansas.

If you have any questions or concerns about this matter, don't hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Scott S. Freydl".

Scott S. Freydl
Attorney Specialist

Enclosures

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ARKANSAS SECURITIES DEPT.

Facsimile 202-457-6315
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March 31, 2009

Carol R. Van Cleef
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VIA FACSIMILE AND U.S. MAIL

Ms. Shannon Holloway Underwood
Staff Attorney
Arkansas Securities Department
Heritage West Building, Suite 300
201 East Markham Street
Little Rock, AR 72201-1692

CONFIDENTIAL TREATMENT
REQUESTED

Re: Budget PrePay, Inc.

Dear Ms. Underwood:

On behalf of our client Budget PrePay, Inc. ("Budget"), and pursuant to your e-mail dated February 3, 2009, and our subsequent conversation, we are providing additional information regarding Budget's qualification under Arkansas Code Ann. §23-55-103 to be excluded from the licensing requirements of the Arkansas Uniform Money Services Act. Specifically, you requested additional information detailing how Budget provides its bill payment service to primarily underbanked and unbanked customers through the MasterCard Remote Payment and Presentment Service ("RPPS") bill payment service provided in conjunction with Fifth Third Bank ("Fifth Third"). I apologize for the inadvertent delay in responding to your request as we have been awaiting additional documentation from Fifth Third.

In response to your request, please find below a more detailed description of Budget's Bill Payment Services. Additionally, to assist you in your review, we have attached an overview of the MasterCard RPPS program, flow charts outlining the bill payment flow and funding process, and various agreements and letters setting forth the terms of the sponsee relationship with Fifth Third and the relationship between Fifth Third and Mastercard including the attached Pledge Agreement and the RPPS Sponsee Agreement.

Please note that the Pledge Agreement and the RPPS Sponsee Agreement reference the contracting party as "Budget Phone, Inc." Since entering into these agreements, Budget Phone, Inc. changed its name to "Budget Prepay, Inc."

Budget's Bill Payment Process

As we mentioned in our January 30, 2009 letter, the MasterCard RPPS service facilitates electronic bill payment services, a bank service widely offered by many banks including Fifth Third. Fifth Third, like other banks, contracts with third parties such as Budget to extend access to bank services like electronic bill payment services for under-banked or unbanked customers. Fifth Third has agreed to sponsor Budget onto the MasterCard RPPS network. The RPPS Sponsee Agreement between Fifth Third and Budget allows Fifth Third, a commercial bank which is chartered under the laws of Ohio and whose deposits are insured by the Federal Deposit Insurance Corporation, to perform due diligence, audits, credit checks, and overall risk assessment on Budget prior to sponsorship. At the request of Fifth Third, MasterCard RPPS can set a cap on the total dollar amount of bill payments Budget can process on any given day. MasterCard RPPS does not limit Fifth Third from taking additional measures it deems necessary to manage its risk.

As our earlier letter discussed, the MasterCard RPPS bill payment system is referred to as a "good funds" model because MasterCard RPPS guarantees payment to all billers in the RPPS network. Fifth Third, as sponsoring bank, is liable for all payments processed by its sponsees through the RPPS network – thus, protecting customers as if they were directly using the electronic bill payment services of the bank.

The bill payment process begins when a customer enters one of the almost 9,000 independent agents ("Agent") in Budget's Agent network to pay a bill, presenting at point of sale both payment instructions and the form of bill payment. (Although cash is generally the only form of payment accepted to avoid losses from fraud and insufficient funds, checks are accepted in limited circumstances.) Once the Agent has collected funds from the customer and processed the payment instructions, the customer's bill is deemed paid-in-full and becomes an obligation of Fifth Third. For the bill payment services, the customers pay a nominal transaction fee. The Agent enters the payment data online using Budget's software program which immediately transmits the payment data to Budget.

Once Budget receives the payment data, it inputs the data into the RPPS system in accordance with RPPS' instructions using the MasterCard RPPS File Express interface. The payment data files are then uploaded onto a Mastercard RPPS-owned server (which is accessed five times each day by RPPS). RPPS processes the payment data files aggregating the payment data received from *all* RPPS service providers, including Budget, verifying that account numbers for all billers are accurate, and reconciling all payment details within each payment data file. Once processed, RPPS transmits the payment data to the biller or the biller's designated financial institution. From the time Budget receives the payment data, this process takes approximately two (2) hours to complete.

At the end of the first day, RPPS initiates an automated clearing house ("ACH") debit instruction to Fifth Third for the amount of all customer payments made through the Budget network that day. On the next business day, Fifth Third wires the appropriate funds to RPPS' account. After validating the requisite account information, RPPS then instructs its bank to transfer funds to the biller.

According to RPPS rules, Fifth Third's third party sponsees in the RPPS system, such as Budget, are required to maintain two accounts at Fifth Third to facilitate payments through RPPS (via the Pledge Agreement). RPPS also requires the bank sponsors to guarantee the funds in these accounts. Budget funds these two mandatory accounts at Fifth Third through wire transfers from an account at Regions Bank ("Regions Account").

On a separate track, the customer's payment and the transaction fee are deposited by the Agent into the Agent's bank account by the end of the first day. On the second day, Budget initiates an ACH to debit the Agent's bank account and to credit Budget's Regions Account.

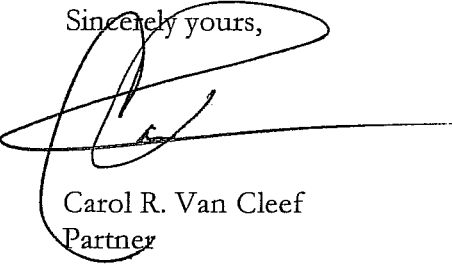
On the second day, Fifth Third initiates an ACH to debit Budget's Regions Account for the amount of the prior day's payments. Funds for the prior day's payments are then directly deposited into one of the two accounts maintained by Budget at Fifth Third.

Conclusion

As discussed above, Budget and its Agents are marketing electronic bill payment services which are services widely offered by many banks but inaccessible to under-banked or unbanked customers. Budget has contracted with Fifth Third to extend these banking services which are facilitated through MasterCard's RPPS. As Budget's bank sponsor in the RPPS system, Fifth Third is liable for funds collected by Budget or its Agents and owed to billers regardless of whether Budget defaults on its obligation. In other words, once the funds are collected by the Agent, the customer's bill is deemed paid-in-full and considered an obligation of Fifth Third.

We appreciate your time and effort in analyzing this business model. Please do not hesitate to contact me at (202) 457-6435 or cvancleef@pattonboggs.com or my colleague David Allred at (202) 457-6106 or dallred@pattonboggs.com if you have any questions, would like to schedule a time to discuss this matter with Budget personnel or require any further information regarding this request.

Sincerely yours,



Carol R. Van Cleef
Partner

cc: Robert D. Hyde, Budget Prepay, Inc.

Enclosures

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ARKANSAS SECURITIES DEPT.

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January 30, 2009

Carol R. Van Cleef
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Mr. A. Heath Abshure
Commissioner
Arkansas Securities Department
Heritage West Building
Suite 300
201 East Markham Street
Little Rock, Arkansas 72201-1692

CONFIDENTIAL TREATMENT
REQUESTED

Re: Budget PrePay, Inc.

Dear Mr. Abshure:

On behalf of our client, Budget PrePay, Inc. ("Budget"), we request the department's determination as to whether Budget is required to be licensed under the Arkansas Uniform Money Services Act (Ark. Stat. Ann. § 23-41-101 *et seq.*) or other Arkansas statutes in connection with a banking organization's bill payment services offered through an agent network assembled by Budget. To assist you with your analysis, we have provided below a description of a brief background of Budget, the bill payment services offered by Fifth Third Bank ("Fifth Third"), a commercial bank chartered under the laws of Ohio and insured by the Federal Deposit Insurance Corporation, and the agent network through which these bill payment services are offered.

Description of Budget

Budget, a multifaceted software and service organization headquartered in Bossier City, Louisiana, was incorporated in 1996. It is now one of the largest providers of prepaid home phone services and other phone related prepaid products in the United States. These services, including prepaid phone services, prepaid wireless handsets, prepaid wireless service, and prepaid long distance phone cards, are offered nationwide through a network of almost 9,000 independent agents ("Agents"). Budget is registered with and regulated by the Public Utility Commissions in each of the 41 states it provides telecommunication products and services.

Bill Payment Services and Fifth Third Bank

Budget has entered into an agreement with Fifth Third to provide Budget's Agents the opportunity to offer Fifth Third's electronic bill payment and presentment ("EBPP") services to primarily underbanked and unbanked individuals who historically have not had access to such services. Fifth Third's EBPP services are enabled by MasterCard's Remote Payment Presentment Services ("RPPS") network, which facilitates the electronic bill payment services, offered by many banks throughout the United States.

As mentioned above, Fifth Third is a bank chartered under the laws of the state of Ohio with its deposits insured by the Federal Deposit Insurance Corporation. Fifth Third has affiliated banks that are chartered under the laws of Michigan and the United States. Fifth Third has entered into an agreement with MasterCard to enable Fifth Third directly or indirectly through third parties to offer consumer bill payments through the MasterCard's electronic bill payment and presentment service.

As an RPPS member bank, Fifth Third maintains the primary relationship with MasterCard, processing EBPP credit and debit transactions via the automated clearing house network. Fifth Third, like other banks, "sponsors" or contracts with third parties, such as Budget, to extend access to such services to under-banked or unbanked customers.

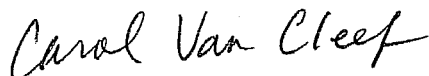
The MasterCard RPPS bill payment system is referred to as a "good funds" model because MasterCard guarantees payment to all billers in the RPPS network. This guarantee makes the *sponsoring bank* liable for all payments through the RPPS network. In other words, once the RPPS system receives the data about a payment, the sponsoring bank, i.e., Fifth Third, is liable for funds collected by Budget or its Agents and owed to billers regardless of whether Budget defaults on its obligation. In other words, once the funds are collected by the Agent, the customer's bill is deemed paid-in-full and considered an obligation of Fifth Third.

Under the RPPS system, since Fifth Third bears the responsibility to ensure that bill payments requested by customers are made to billers, these services are bank services and would not appear to be subject to the state's money transmitter licensing requirements.

We respectfully request confidential treatment because of the non-public information this letter contains.

Please do not hesitate to contact me at 202-457-6435 or cvancleef@pattonboggs.com or my colleague David Allred at 202-457-6106 or dallred@pattonboggs.com if you have any questions, would like to schedule a time to discuss this matter with Budget personnel, or require anything further information.

Best regards,



Carol R. Van Cleef

cc: Robert D. Hyde, III, Budget PrePay, Inc.
Ms. Karen Hicks, Chief Examiner, Arkansas Securities Department