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ARKANSAS SECURITIES DEPARTMENT

August 19, 2010

Katherine Ashcroft
Associate Counsel
Keefe Commissary Network, L.L.C.
10880 Lin Page Place
St. Louis, MO 63132

RE: Keefe Commissary Network, L.L.C.
Legal Opinion Letter No. 10-NA-0022

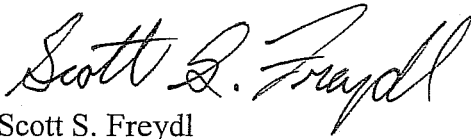
Dear Ms. Ashcroft:

The Staff of the Arkansas Securities Department ("Staff") is in receipt of your letter dated July 15, 2010, requesting that the Staff issue a legal opinion letter confirming the exemption of you client, Keefe Commissary Network, L.L.C. ("Keefe"), from the licensure requirements under the Arkansas Money Services Act. A copy of your request letter is attached for your reference.

Based on the specific facts contained in your request letter, at the present time, the Staff is of the opinion that Keefe needs to obtain a money services license from the Arkansas Securities Department. Pursuant to the Arkansas Money Service Act and the Money Services Rules Keefe will clearly be engaging in money transmission. Further, none of the exclusions contained in Ark. Code Ann. § 23-55-103 are applicable to Keefe. The analysis provided in your letter for exempting Keefe from the licensure requirements of the Arkansas Money Services Act is flawed in at least two important respects. One, the term "approved" only applies to approving rather than licensing a money transmitter that is also licensed in another uniform state pursuant to Ark. Code Ann. § 23-55-203. The term "approved" is not applicable to excluded entities under Ark. Code Ann. § 23-55-103. Two, Keefe cannot rely on the governmental exclusion provided under Ark. Code Ann. § 23-55-103(3). According to the business plan detailed in your letter, Keefe will have a contractual relationship with the entities operating local or state jails and correction facilities in Arkansas. Ark. Code Ann. § 23-55-103(3) states that the Arkansas Money Services Act does not apply to a state, county, city, or any other governmental agency or governmental subdivision of a State. The language of Ark. Code Ann. § 23-55-103(3) does not provide any exclusion for contractors of any of the governmental entities listed. Therefore, pursuant to Ark. Code Ann. § 23-55-201, Keefe needs to obtain a money services license from the Arkansas Securities Department, before Keefe 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". The signature is written in black ink and is positioned above the printed name.

Scott S. Freydl
Attorney Specialist

Enclosure



Keefe Commissary Network
AN AFFILIATE OF KEEFE GROUP

RECEIVED

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ARKANSAS SECURITIES DEPT.

July 15, 2010

Mr. Scott Freydl
Arkansas Securities Department
Heritage West Building, Suite 300
201 East Markham Street
Little Rock, Arkansas 72201

Re: Keefe Commissary Network's Request for Interpretive Opinion

Dear Ms. Franks:

We are writing to request written confirmation from your office that Keefe Commissary Network, L.L.C., a Missouri company, is exempt from the licensing requirement of the Arkansas Uniform Money Services Act ("the Act").

We believe Keefe Commissary Network, L.L.C.¹ ("KCN") is exempt under the Act, because KCN anticipates transmitting money as an authorized delegate of exempt political subdivisions – correctional facilities – of the state through its Access Corrections Secure Deposits service ("Secure Deposits").

The purpose of this letter is to outline for you the factual and legal grounds for granting an interpretive opinion that KCN's Secure Deposits service is exempt from the licensing requirement.

I. Introduction

KCN is the nation's leading provider of commissary goods and services to correctional facilities. KCN manages daily correctional commissary operations by taking, filling and delivering commissary orders for inmates. A correctional commissary is essentially a convenience store inside of jails and prisons, where inmates can use their own funds to purchase personal hygiene items, snack food, clothing, and electronics.

At the option of a correctional facility, KCN also provides software that can be used to set up and manage inmates' individual accounts at the facility. The software is provided at no cost to the facility as part of an agreement to allow KCN to provide commissary goods and services to the facility's inmates. Importantly, even where KCN's accounting software is used by correctional facilities, management of the funds and of inmate accounts is performed by the correctional facility staff, not by KCN.

In light of security considerations, correctional facilities typically establish inmate trust accounts into which prisoners may place personal funds while incarcerated. The funds are held in a bank account chosen by the state or county. Inmate commissary purchases are made against the inmates' individual trust accounts, which are maintained by corrections staff.

¹ KCN is a wholly-owned subsidiary of the Centric Group, L.L.C.

Inmate trust accounts are funded in part by friends and families on the outside. Normally, correctional facilities receive money order payments through the mail and also manage a cashier window at the facility, where money orders, checks, and cash are accepted for posting to inmate accounts by the facility staff. There are many challenges to the facility providing these services manually, which include the time, effort, and staffing required to open such mail and manage the cashiering window, as well as the liability and responsibility in utilizing a correctional officer (who is trained primarily for managing the safety and security of inmates as opposed to acting as a bank teller) to perform the duties of accepting and posting these funds.

To automate these processes and reduce efforts and responsibility on the part of the facilities and staff, correctional facilities have delegated these responsibilities to KCN. Through Secure Deposits, KCN stands in the shoes of the facilities, as their authorized delegate, to receive and transmit money on the facilities' behalf.

II. A Description of Secure Deposits

A. Methods of Depositing Money

Secure Deposits fully automates the deposit process, and provides the following options for friends and family members to send funds to inmates:

1. Telephone Service: KCN provides a toll-free number to which friends and families may call to post deposits via credit card or debit card to inmates at participating correctional facilities. Information regarding the deposit is made available to the facility almost immediately, and the funds are deposited in the facility's bank account within 24 hours.
2. Web Service: KCN provides a secure web site to allow friends and families to post deposits via credit card or debit card to inmates at participating correctional facilities. Again, information regarding the deposit is made available to the facility almost immediately, and the funds are deposited in the facility's bank account within 24 hours.
3. Deposit Kiosk: KCN provides a deposit kiosk in the lobby of participating correctional facilities, which allows visitors at the facility to make deposits using cash or credit cards or debit cards. The correctional facility secures the deposit kiosk by keeping the kiosk in a secure location, sequestered from the general public, and by limiting the visitors having access to the kiosk. The technology featured in the kiosk allows the facility to close the on-site cashiering window at the facility, as the permitted visitors use the kiosk to perform deposit functions. Again, information regarding the deposit is made available to the facility almost immediately, and the funds are deposited in the facility's bank account within 24 hours.

B. Security Measures for Secure Deposits

Secure Deposits provides security and investigation tools to law enforcement, while also maintaining the ability to limit deposits and maintaining full accountability for the funds:

1. Credit and Debit Cards: KCN accepts Visa or MasterCard logo cards issued *only from American banks*. Each credit card is verified with the issuing bank to ensure the credit/debit card is valid, and the credit/debit card also is checked against the number, security code, billing address, zip code and the total transaction amount.

2. Limits: KCN limits all deposits in multiple ways, including the following: The maximum total daily amount that an inmate can receive in deposits is three hundred dollars (\$300.00), regardless of which deposit methods are used (phone, web and/or kiosk) and regardless how many different depositors are making these deposits. KCN also blocks any credit cards that have been used for fraudulent deposits in every state and facility. Any inmates that have previously received a deposit with a stolen credit card are blocked from receiving deposits.
3. KCN Data Detective Software: KCN's system also provides the facility with the option to use KCN's software that tracks and reports website deposits and amounts based upon the depositor and the recipient. A primary function of the software will identify any individuals on the outside who have made a deposit for more than a single inmate on the inside. Officials can use this information for their investigatory purposes. These reporting and investigative tools are not available in the facility's manual process of accepting deposits.
4. Employees: All KCN employees in the call center who take calls from depositors must successfully pass a security background check, drug testing and a credit check. KCN has never had a known instance where an employee has stolen or used a customer's credit card information for personal or unlawful gain.

KCN's primary business is providing commissary goods and services to inmates at correctional facilities. Secure Deposits is designed facilitate commerce in the KCN-managed commissary while also providing certain efficiencies for correctional facilities by automating their deposit services for the inmates. Secure Deposits also provides increased security and additional investigative tools to law enforcement, by limiting deposits and maintaining full accountability. The funds and the use of funds by the inmates continue to be controlled and managed exclusively by the correctional facilities.

III. The Arkansas Uniform Money Services Act

The Act generally requires businesses engaged in the business of transmitting money to be licensed through the Arkansas State Bank Department. ARK. CODE § 23-55-201. The general purpose of this chapter is to protect against financial loss for the citizens of Arkansas, who give money or control of their funds or credit into the custody of another person for transmission, as well as to thwart the funding of terrorist activity and to prevent criminal activity, such as money laundering.

The Act provides that a "person may not engage in the business of money transmission or advertise, solicit, or hold itself out as providing money transmission unless the person: (1) is licensed under this subchapter ...; (2) is an authorized delegate of a person licensed under this subchapter; (3) is an authorized delegate of a person approved to engage in money transmission under § 23-55-203; or (4) is excluded under § 23-55-103." ARK. CODE § 23-55-201. The Act exempts "a state, county, city, or any other governmental agency or governmental subdivision of a State ..." ARK. CODE § 23-55-103(3).

A "licensee" is defined under Arkansas law as "a person licensed *or approved* under this chapter." ARK. CODE § 23-55-102(8) (emphasis added). An "authorized delegate" is defined as a "person a licensee designates to provide money services on behalf of the licensee." ARK. CODE § 23-55-102(2).

ARK. CODE § 23-55-501(b) states: "A contract between a licensee and an authorized delegate must require the authorized delegate to operate in full compliance with this chapter. The licensee shall furnish in a record to each authorized delegate policies and procedures sufficient for compliance with this chapter." While ARK. CODE § 23-55-501(e) further provides:

An authorized delegate may not provide money services outside the scope of activity permissible under the contract between the authorized delegate and the licensee, except activity in which the authorized delegate is authorized to engage under § 23-55-201, *et seq.*, or § 23-55-401, *et seq.* An authorized delegate of a licensee holds in trust for the benefit of the licensee all money net of fees received from money transmission.

A. The Act exempts KCN’s Secure Deposits.

1. KCN acts as an authorized delegate of an exempt political subdivision of Arkansas, the correctional facilities.

The Act specifically exempts political subdivisions of the state from the licensing requirements for the transmission of money. ARK. CODE § 23-55-103(3). The Act further grants licensees the power to enter into an agreement appointing an authorized delegate to perform money transmittals services on its behalf. ARK. CODE § 23-55-201. Authorized delegates of a person licensed under this subchapter are also exempt under the Act. ARK. CODE § 23-55-201. In Arkansas, the Act broadly defines a “licensee” as “a person licensed *or approved* under this chapter.” ARK. CODE § 23-55-102(8) (emphasis added).

Based upon the specific language of “*licensed or approved* under this chapter,” a licensee is defined in broad terms to encompass those exempt from the chapter. ARK. CODE § 23-55-102(8)(emphasis added). Pursuant to the Act, exempt entities are “approved” under this chapter to transmit money. More importantly, an exempt entity and a licensee hold the same legal status and are granted the same enumerated powers under the Act. There are no restrictions expressly placed on the exempt entity that are not placed on a licensee pertaining to the transmission of money. As a result, it is clear that the legislature intended for an exempt entity to also have authorized delegates, like a licensee, which are also exempt from the licensing requirements of the Act.

In receiving money and transmitting it to the Arkansas correctional facilities, KCN acts as the authorized delegate of exempt political subdivisions of the state – the correctional facilities. Money is being received by KCN on each correctional facility’s behalf, under the correctional facility’s direction, transferred to facility-controlled bank accounts, to be spent on items approved by the correctional facility. KCN performs all of these duties as the authorized delegate of the exempt correctional facilities. As an authorized delegate, KCN should therefore be covered by the same legal status afforded the exempt correctional facilities.

B. A license is not necessary to achieve the purposes of the law.

1. There is minimal criminal risk or risk of terror networks using Secure Deposits.

There is minimal risk of criminals or terror networks using Secure Deposits to launder money. KCN sends the money directly to the correctional facility, which controls the funds, and the money can be spent by inmates on expenditures approved by the correctional facility, such as toiletries, clothing and food. KCN also limits transactions as more fully described in Section II, above.

2. There is virtually no risk of fraud or loss to consumers in the Secure Deposits service.

There is little risk of fraud or loss to consumers from Secure Deposits. KCN makes the money available to correctional facilities almost immediately, as there are no outstanding payment instruments,

in contrast to other money services businesses. Secure Deposits represents a very small fraction of KCN's larger business. With revenues of more than \$300 million annually, KCN has enough liquidity to cover all of the daily receipts through Secure Deposits. For 2010, KCN anticipates annual revenue of its Secure Deposits program nationwide to be more than four million dollars (\$4,000,000). Additionally, KCN fully compensates losses to any customer that occurs from the use of a lost or stolen credit/debit card. KCN requires specific information from cardholders to verify identities and avoid transfers from lost or stolen credit cards. KCN also limits the amount that can be transferred as described above.

IV. Conclusion

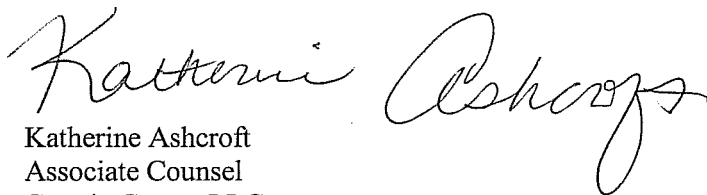
KCN should be exempt from the licensing requirements under the Arkansas Uniform Money Services Act, because KCN transmits money as an authorized delegate of an exempt political subdivision. The nature of the Secure Deposits service also minimizes the risks of fraud, consumer loss and money laundering for illicit purposes, all main concerns of the Arkansas Uniform Money Services Act. For these reasons, we request written confirmation from your office that a license is not necessary to achieve the purposes of the law, and Keefe Commissary Network is exempt from the licensing requirements of the Arkansas Uniform Money Services Act.

Thank you, in advance, for your time and attention in addressing this matter on behalf of Keefe Commissary Network. We look forward to working with you on this matter, and should you have any questions or concerns, please do not hesitate to contact us at (314) 214-2829.

Very truly yours,



Keith Fuller
Director of Legal Affairs
Centric Group, LLC



Katherine Ashcroft
Associate Counsel
Centric Group, LLC