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STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
OFFICE OF FINANCIAL AND INSURANCE REGULATION

Before the Commissioner of the Office of Financial and Insurance Regulation

In the matter of:

JPay Inc.
MT – 0017843

Enforcement Case No. 12-11449

Respondent.
_____/

Issued and entered
on 14th day of November, 20 12
by Stephen R. Hilker
Senior Deputy Commissioner

CONSENT ORDER AND STIPULATION

A. FINDINGS OF FACT AND CONCLUSIONS OF LAW

It is alleged that the following statements are true and correct:

1. JPay Inc. (JPay) is incorporated in Delaware with its principal place of business located at: 12864 Biscayne Boulevard, Suite 243, Miami, Florida 33181.

2. On March 27, 2008, JPay registered with the Bureau of Commercial Services, Corporation Division to conduct business in Michigan. On its Application for Certificate of Authority to Transact Business or Conduct Affairs in Michigan form filed with the Bureau of Commercial Services, JPay stated that its specific business is to "Provide electronic payment and communication services for government agencies." On the 2009, 2010, and 2011, Bureau of Commercial Services, Foreign Corporation Information Update form, JPay described the nature of its business as "e-commerce for government agencies" and "e-commerce services for government agencies."

3. JPay is a corporation that engages in the business of transferring money electronically from friends and family of inmates to inmates incarcerated at Michigan correctional facilities.

4. Section 11(1) of the Money Transmission Services Act, (Act), MCL 487.1011(1) provides that: "Except as otherwise provided in this section and subject to section 4, a person shall not provide money transmission services in this state after December 31, 2006 without a license under this act or a class I license issued under the consumer financial services act, 1988 PA 161, MCL 487.2051 to 487.2072."

5. Section 3(c) of the Act, MCL 487.1003(c), provides "'Money transmission services' means selling or issuing payment instruments or stored value devices or receiving money or monetary value for transmission. The term does not include the provision solely of delivery, online, or telecommunications services or network access."

6. Section 3(e) of the Act, MCL 487.1003(e), provides "'Payment instrument' means any electronic or written check, draft, money order, travelers check, or other wire, electronic, or written instrument or order for the transmission or payment of money, sold or issued to 1 or more persons, whether or not the instrument is negotiable. The term includes any stored value device or facsimile. The term does not include any credit card voucher, letter of credit, or tangible object redeemable by the issuer in goods or services."

7. Section 3(f) of the Act, MCL 487.1003(f), provides "'Person' means an individual, partnership, association, corporation, limited liability company, trust, estate, joint venture, government, governmental subdivision, agency or instrumentality, public corporation, or any other legal entity."

8. Section 3(i) of the Act, MCL 487.1003(i), provides "'Stored value device' means a card or other tangible object used for the transmission or payment of money that contains a microprocessor chip, magnetic stripe, or other means for the storage of information; that is prefunded; and the value of which is reduced after each use. The term does not include a tangible object the value of which is redeemable in the issuer's goods and services."

9. Section 46 of the Act, MCL 487.1046, provides that "[t]he commissioner may assess a civil fine against a person that violates this act, a rule promulgated or an order or ruling issued by the commissioner under this act, or any other applicable state or federal law in an amount that does not exceed $10,000.00 per day for each day the violation continues, plus this state's costs and expenses for the investigation and prosecution of the matter, including reasonable attorney fees."

10. JPay is not, and has never been, licensed to conduct money transmission services in the State of Michigan.

11. Office of Financial and Insurance Regulation's (OFIR) review of JPay's business model and activities shows that JPay is engaged in money transmission services. According to JPay, correctional facilities contract with them to provide electronic payment, release debit card, eMessaging, digital media and video visitation services for the family and friends of inmates. JPay has contracted with the Michigan Department of Corrections to provide these services.

12. JPay's transactions occur as follows:

    a. The inmate's friend or family sends the inmate money through MoneyGram or PreCash.
    b. MoneyGram or PreCash remits the money to JPay.
    c. JPay remits the money to the inmate's correctional facility.

d. Upon receipt of the money, the correctional facility holds the funds in a trust account which is established by the correctional facility on behalf of inmates for the duration of their incarceration.
e. The money is disbursed periodically to the inmate to make purchases at the facility.

13. On or about July 31, 2009, JPay entered into an authorized delegate agreement with PreCash. Before the agreement with PreCash, JPay handled the money transmission process itself.

14. JPay operated without a license or as an authorized delegate for 6 months; from February 2009 to July 2009.

15. JPay contacted OFIR in 2010 and OFIR sent JPay a response dated September 2, 2010 stating that JPay is required to be licensed. JPay did not submit an application for licensure until June 21, 2011.

16. JPay is an organization that accepts payment instruments, stored value device or money from friends and family of inmates for transmission to the Michigan Department of Corrections; thus, JPay engages in money transmission services as defined in Section 11 of the Act, MCL 487.1011.

17. JPay did not qualify for an exemption or exception from licensure under Section 4 or 11 of the Act, MCL 487.1004 & 487.1011.

18. On June 21, 2011, JPay submitted a license application to OFIR.

19. JPay violated Section 11 of the Act, MCL 487.1011, by conducting money transmission services business in the State of Michigan without first obtaining a license under the Act and is subject to all appropriate penalties under Section 46 of the Act, MCL 487.1046.

B. ORDER

Based upon the findings of fact and conclusions of law above, and Respondent's Stipulation to said facts, it is hereby ORDERED that:

1. Respondent shall immediately cease and desist from operating in a manner that violates the Michigan's Money Transmission Services Act, PA 250 of 2006, as amended, MCL 487.1001 *et seq.*

2. OFIR agrees to present and recommend to the Senior Deputy Commissioner approval of JPay Inc.'s June 21, 2011 money transmission services application upon payment of the civil fine and issuance and entry of this Order.

3. Respondent shall pay to the state of Michigan, a civil fine of One Hundred Fifty-Two Thousand Five Hundred Dollars ($152,500.00). Respondent shall pay the fine by the due date printed on the Invoice.

Stephen R. Hilker
Senior Deputy Commissioner

C. STIPULATION

I have read and understand the Consent Order above. I agree that the Senior Deputy Commissioner has jurisdiction and authority to issue this Consent Order pursuant to the Money Transmission Services Act. I waive any right to a hearing in this matter if this Consent Order is issued. I understand that this Stipulation and Consent Order will be presented to the Senior Deputy Commissioner for approval and the Senior Deputy Commissioner may or may not issue this Consent Order. I waive any objection to the Commissioner deciding this case following a hearing in the event the Consent Order is not approved. I admit the findings of fact and conclusions of law set forth in the above Consent Order and I agree to the entry of this Order. I admit that both parties have complied with the procedural requirements of the Money Transmission Services Act and the Michigan Administrative Procedures Act, MCL 24.201 *et seq.* I have had an opportunity to review the Stipulation and Consent Order and have the same reviewed by legal counsel.

Authorized Representative of JPay Inc.
MT – 0017843

Name/Title: Ryan Shapiro, CEO

Dated: 11/9/12

OFIR staff approves this Stipulation and recommends that the Commissioner issue the above Consent Order.

William R. Peattie, Staff Attorney
Office of General Counsel

Dated: 11/13/12