BLACKHAWK NETWORK HOLDINGS, INC
Form 10-Q
July 22, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 14, 2014
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-35882

BLACKHAWK NETWORK HOLDINGS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	43-2099257 (I.R.S. Employer Identification No.)
6220 Stoneridge Mall Road Pleasanton, CA (Address of Principal Executive Offices)	94588 (Zip Code)

(925) 226-9990
(Registrant's Telephone Number, Including Area Code)

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 ý No ¨
Indicate by checkmark 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 during the preceding 12 months (or for such shorter time period that the registrant was required to submit and post such files). Yes ý 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 definition 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 ý
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 ý

As of July 15, 2014, there were 12,658,000 shares of the Registrant's Class A common stock outstanding and 40,175,000 shares of the Registrant's Class B common stock outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

	June 14, 2014	December 28, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$299,727	$550,380
Settlement receivables, net	276,447	813,448
Accounts receivable, net	121,766	126,369
Deferred income taxes	20,145	20,145
Prepaid expenses and other current assets	59,030	67,474
Total current assets	777,115	1,577,816
Property, equipment and technology, net	84,703	79,663
Intangible assets, net	87,972	98,689
Goodwill	133,088	133,521
Deferred income taxes	727	727
Other assets	83,358	90,678
TOTAL ASSETS	$1,166,963	$1,981,094
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Settlement payables	$538,707	$1,484,047
Consumer and customer deposits	57,423	54,915
Accounts payable and accrued operating expenses	81,890	99,499
Current portion of note payable	8,705	—
Other current liabilities	41,161	81,270
Total current liabilities	727,886	1,719,731
Deferred income taxes	24,376	24,488
Note payable	165,393	—
Other liabilities	9,629	8,711
Total liabilities	927,284	1,752,930
Commitments and contingencies (see Note 8)	—	—
Stockholders' equity:		
Preferred stock: $0.001 par value; 10,000 shares authorized; no shares outstanding	—	—
Class A common stock: $0.001 par value; 125,000 shares authorized; 12,598 and 12,188 shares outstanding, respectively	12	12
Class B common stock: $0.001 par value; 125,000 shares authorized; 40,142 and 40,252 shares outstanding, respectively	41	41
Additional paid-in capital	117,457	107,139
Treasury stock	(472)	(126)
Accumulated other comprehensive loss	(3,396)	(2,873)
Retained earnings	119,177	116,975
Total Blackhawk Network Holdings, Inc. equity	232,819	221,168
Non-controlling interests	6,860	6,996
Total stockholders' equity	239,679	228,164
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$1,166,963	$1,981,094

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for per share amounts)
(Unaudited)

	12 Weeks Ended		24 Weeks Ended	
	June 14, 2014	June 15, 2013	June 14, 2014	June 15, 2013
OPERATING REVENUES:				
Commissions and fees	$216,341	$176,819	$394,436	$321,294
Program, interchange, marketing and other fees	40,421	28,907	76,086	53,265
Product sales	27,182	20,136	46,537	36,353
Total operating revenues	283,944	225,862	517,059	410,912
OPERATING EXPENSES:				
Distribution partner commissions	144,023	118,153	262,617	214,135
Processing and services	45,314	34,258	86,939	66,394
Sales and marketing	45,779	39,932	84,570	68,257
Costs of products sold	25,495	18,509	44,799	34,359
General and administrative	10,934	11,015	25,537	22,795
Business acquisition expense (benefit) and amortization of acquisition intangibles	3,458	(1,384)	7,869	(707)
Total operating expenses	275,003	220,483	512,331	405,233
OPERATING INCOME	8,941	5,379	4,728	5,679
OTHER INCOME (EXPENSE):				
Interest income and other income (expense), net	353	96	(56)	373
Interest expense	(956)	—	(1,001)	—
INCOME BEFORE INCOME TAX EXPENSE	8,338	5,475	3,671	6,052
INCOME TAX EXPENSE	3,275	3,470	1,492	3,788
NET INCOME BEFORE ALLOCATION TO NON-CONTROLLING INTEREST	5,063	2,005	2,179	2,264
Add: Net loss attributable to non-controlling interests (net of tax)	53	126	96	213
NET INCOME ATTRIBUTABLE TO BLACKHAWK NETWORK HOLDINGS, INC.	$5,116	$2,131	$2,275	$2,477
EARNINGS PER SHARE:				
Basic – Class A and Class B	$0.10	$0.04	$0.04	$0.05
Diluted – Class A and Class B	$0.09	$0.04	$0.04	$0.05
Weighted average shares outstanding—basic	52,307	51,056	52,201	50,713
Weighted average shares outstanding—diluted	53,740	52,240	53,725	51,746

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	12 Weeks Ended		24 Weeks Ended	
	June 14, 2014	June 15, 2013	June 14, 2014	June 15, 2013
NET INCOME BEFORE ALLOCATION TO NON-CONTROLLING INTEREST	$5,063	$2,005	$2,179	$2,264
Other comprehensive income (loss):				
Currency translation adjustments	3	(507)	(519)	(1,815)
COMPREHENSIVE INCOME BEFORE ALLOCATION TO NON-CONTROLLING INTEREST	5,066	1,498	1,660	449
Add: Comprehensive loss attributable to non-controlling interest (net of tax)	51	126	92	213
COMPREHENSIVE INCOME ATTRIBUTABLE TO BLACKHAWK NETWORK HOLDINGS, INC.	$5,117	$1,624	$1,752	$662

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	24 Weeks Ended	
	June 14, 2014	June 15, 2013
OPERATING ACTIVITIES:		
Net income before allocation to non-controlling interests	$2,179	$2,264
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	21,688	10,651
Program development cost amortization	11,551	8,748
Provision for doubtful accounts and sales adjustments	1,252	1,682
Employee stock-based compensation expense	6,090	3,462
Distribution partner mark-to-market expense	(88)	6,995
Change in fair value of contingent consideration	—	(903)
Reversal of reserve for patent litigation	(3,852)	—
Excess tax benefit from stock-based awards	(1,024)	(398)
Other	1,134	—
Changes in operating assets and liabilities:		
Settlement receivables	534,315	284,260
Settlement payables	(942,572)	(775,899)
Accounts receivable, current and long-term	14,061	20,626
Prepaid expenses and other current assets	4,224	7,420
Other assets	(12,259)	(10,119)
Consumer and customer deposits	(1,409)	(61)
Accounts payable and accrued operating expenses	(17,808)	(13,278)
Other current and long-term liabilities	(15,496)	(17,662)
Income taxes, net	(13,363)	(16,457)
Net cash used in operating activities	(411,377)	(488,669)
INVESTING ACTIVITIES:		
Change in overnight cash advances to Safeway	—	430,000
Expenditures for property, equipment and technology	(18,241)	(15,110)
Payment for working capital adjustment for business acquisitions, net	(1,366)	—
Cash received for assumption of liabilities from prior business acquisition	3,917	—
Change in restricted cash	—	8,968
Other	—	(250)
Net cash provided by (used in) investing activities	(15,690)	423,608

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(In thousands)
(Unaudited)

	24 Weeks Ended	
	June 14, 2014	June 15, 2013
FINANCING ACTIVITIES:		
Proceeds from issuance of note payable	175,000	—
Payments of costs for issuance of note payable	(2,452)	—
Payments for acquisition liability	—	(1,881)
Payments for initial public offering costs	—	(4,694)
Reimbursements for initial public offering costs	—	5,540
Proceeds from issuance of common stock from exercise of employee stock options and employee stock purchase plans	3,620	235
Excess tax benefit from stock-based awards	1,024	398
Other	(694)	(484)
Net cash provided by (used in) financing activities	176,498	(886)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(84)	(2,335)
DECREASE IN CASH AND CASH EQUIVALENTS	(250,653)	(68,282)
CASH AND CASH EQUIVALENTS—Beginning of year	550,380	172,665
CASH AND CASH EQUIVALENTS—End of period	$299,727	$104,383

See accompanying notes to condensed consolidated financial statements

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BLACKHAWK NETWORK HOLDINGS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The Company and Significant Accounting Policies

The Company

Blackhawk Network Holdings, Inc., together with its subsidiaries (we, us, our), is a leading prepaid payment network utilizing proprietary technology to offer a broad range of prepaid gift, telecom and debit cards, in physical and electronic forms, as well as related prepaid products and payment services in the United States and 21 other countries. Our payment network supports our key constituents: consumers who purchase or receive the products and services we offer, content providers who offer branded gift cards and other prepaid products that are redeemable for goods and services, distribution partners who sell those products and business partners that distribute our products as incentives and rewards. Our product offerings include gift cards, prepaid telecom products and prepaid financial services products, including general purpose reloadable (GPR) cards and our reload network (collectively, prepaid products). We offer gift cards from leading consumer brands (known as closed loop) as well as branded gift and incentive cards from leading payment network card associations such as American Express, Discover, MasterCard and Visa (known as open loop) and prepaid telecom products offered by prepaid wireless telecom carriers. We also distribute GPR cards, including Green Dot and NetSpend branded cards, as well as PayPower, our proprietary GPR card. We operate a proprietary reload network named Reloadit, which allows consumers to reload funds onto their previously purchased GPR cards. We distribute products across multiple high-traffic channels such as grocery, convenience, specialty and online retailers (referred to as distribution partners) in the Americas, Europe, Australia and Asia.

Spin-Off

Prior to April 14, 2014, we were a majority-owned subsidiary of Safeway Inc. (Safeway). On April 14, 2014, Safeway distributed its remaining 37.8 million shares of our Class B common stock to Safeway stockholders (the Spin-Off). As a result of the Spin-Off, we became a stand-alone entity separate from Safeway. See Note 7 –Income Taxes and Note 9 – Related Party Transactions for disclosures regarding this relationship.

Basis of Presentation

The accompanying condensed consolidated financial statements of Blackhawk Network Holdings, Inc. are unaudited. We have prepared our unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and applicable rules and regulations of the Securities and Exchange Commission (SEC) regarding interim financial reporting. We have condensed or omitted certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP pursuant to such rules and regulations. Accordingly, our interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related notes included in our Annual Report on Form 10-K, filed with the SEC on March 17, 2014 (the Annual Report). We have prepared our condensed consolidated financial statements on the same basis as our annual audited consolidated financial statements and, in the opinion of management, have reflected all adjustments, which include only normal recurring adjustments, necessary to present fairly our financial position and results of operations for the interim period presented. Our results for the interim period are not necessarily reflective of the results to be expected for the year ending January 3, 2015 or for any other interim period or other future year. Our condensed consolidated balance sheet as of December 28, 2013, included herein was derived from our audited consolidated financial statements as of that date but does not include all disclosures required by GAAP, including notes to the financial statements.

Our condensed consolidated financial statements include Blackhawk Network Holdings, Inc., a Delaware corporation, and its wholly- or majority-owned domestic and foreign subsidiaries. All intercompany transactions and balances among us and our subsidiaries have been eliminated in consolidation. Our condensed consolidated financial statements have been prepared as if we existed on a stand-alone basis for the periods presented, but may not necessarily reflect the results of operations, financial position or cash flows that would have been achieved if we had existed on a stand-alone basis separate from Safeway during the periods presented.

Prior to the Spin-Off, our condensed consolidated financial statements included an allocation of expenses arising from certain shared services and infrastructure provided by Safeway. These expenses primarily related to facilities rental and tax services and were allocated using actual costs or estimates based on the portion of services used by us. Management believes that the allocation methodology was reasonable and considers the charges to be a reasonable reflection of the cost of benefits received. Following the Spin-Off, Safeway continues to provide facilities rental to us and provide certain tax services for periods through the Spin-Off based on similar pricing terms as prior to the Spin-Off.

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Significant Accounting Policies

There have been no material changes to our significant accounting policies, as compared to the significant accounting policies described in the audited consolidated financial statements and related notes included in the Annual Report.

Use of Estimates

The preparation of our condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes to the condensed consolidated financial statements. We generally base our estimates and assumptions on a combination of historical factors, current circumstances, and the experience and judgment of management. Significant estimates and assumptions include, among other things, allowances for doubtful accounts and sales adjustments, useful lives of assets, card redemption patterns and lives, delivery timing for product sales and valuation assumptions with respect to acquisition liabilities, goodwill, other intangible assets, common stock and income taxes. Actual results could differ from our estimates.

Seasonality

A significant portion of gift card sales occurs in late December of each year during the holiday selling season. As a result, we earn a significant portion of revenues, net income and cash inflows during the fourth fiscal quarter of each year and remit the majority of the cash, less commissions, to our content providers in January of the following year. The timing of our fiscal year-end, December holiday sales and the related January cash settlement with content providers significantly increases our Cash and cash equivalents, Overnight cash advances to Safeway, Settlement receivables and Settlement payables balances at the end of each fiscal year relative to normal daily balances. The cash settlement with our content providers in January accounts for the majority of the use of cash from operating activities in our condensed consolidated statements of cash flows during our first three fiscal quarters. Additionally, our operating income may fluctuate significantly during our first three fiscal quarters due to lower revenues and timing of certain expenses during such fiscal periods. As a result, quarterly financial results are not necessarily reflective of the results to be expected for the year, any other interim period or other future year.

Restatement

Subsequent to the issuance of the second quarter 2013 condensed consolidated financial statements, we identified certain IRS limitations related to stock-based compensation as a result of our initial public offering in that quarter that should have been considered in our reported income tax expense for that quarter. Therefore, we have corrected previously issued condensed consolidated financial statements for the 12 and 24 weeks ended June 15, 2013 for a $1.4 million increase in income tax expense, decrease to Net income attributable to Blackhawk Network Holdings, Inc. and related impacts to our condensed consolidated statements of comprehensive income and cash flows. We have also corrected Basic and Diluted Earnings per Share – Class A and Class B from previously reported amounts of $0.07 and $0.07, respectively, for both the 12 and 24 weeks ended June 15, 2013. Management does not consider these amounts to be material to our previously issued unaudited condensed consolidated financial statements.

Reclassification

In the accompanying condensed consolidated statements of cash flows, we have reclassified the changes in operating assets and liabilities to separately disclosed changes related to Accounts payable and accrued liabilities among (i) Consumer and customer deposits, (ii) Accounts payable and accrued operating expenses and (iii) Other current liabilities and have also combined the changes of Other current liabilities and Other liabilities as Other current and long-term liabilities. Additionally, we have reclassified the Change in the provision for doubtful accounts and sales adjustments from previously reported amounts to (i) the Provision for doubtful accounts and sales adjustments, (ii) changes in operating assets and liabilities for Settlement receivables and (iii) changes in operating assets and liabilities for Accounts receivable, current and long-term.

In the accompanying consolidated statements of operations, we have reclassified certain amounts from previously reported amounts in various Operating expenses, including the change in fair value of contingent consideration and acquisition-related expenses previously reported in General and administrative expense, to Business acquisition expense (benefit) and amortization of acquisition intangibles.

Financing Costs

We incurred debt issuance costs and paid certain costs to the group of banks in conjunction with entering into our credit agreement, which included a note payable and revolving credit facility (see Note 4 – Financing). We allocated the costs paid to the group of banks between the note payable and revolving credit facility based on their relative fair values and recognized them as discount on note payable and deferred revolving credit facility costs, respectively. We present the deferred

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revolving credit facility costs and debt issuance costs (collectively, deferred financing costs) in Other assets and the discount on the note payable as a reduction of the carrying value of the Note payable in our accompanying condensed consolidated balance sheets. We amortize the deferred financing costs and discount on note payable on a straight-line basis over the term of the credit agreement as the difference between the straight-line method and effective interest method is immaterial to our consolidated financial statements.

Revenue Recognition

Post-Activation Program Management Fees – In June 2014, pursuant to a contract amendment with one of our card-issuing banks of our open loop incentive cards, the issuing bank agreed to replace certain account service fees and fund expiration fees with a program management fee, defined as a contractually-determined percentage of load value. We recognize these fees in the same manner as our other program management fees described in our Annual Report. The issuing bank agreed to compensate us under this arrangement for cards activated from January 1, 2014. The amendment also provides that, in addition to the program management fee, the issuing bank will compensate us in the same amount that the issuing bank would have paid to us as account service fees and fund expiration fees on such cards to the extent that such fees exceed the program management fees previously paid to us.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09 Revenue from Contracts with Customers (Topic 606). ASU 2014-09 supersedes all previous revenue recognition guidance with a single revenue recognition model. This new guidance is to be applied retrospectively either to each reporting period presented or with the cumulative effect of initially applying the guidance at the date of initial application for reporting periods beginning after December 15, 2016. Management is still evaluating the impact of this guidance.

2. Business Acquisitions

As discussed in our Annual Report, in the fourth quarter of 2013, we acquired Retailo AG and its subsidiaries (collectively, Retailo) and substantially all of the net assets of InteliSpend Prepaid Solutions, LLC, and its subsidiaries (collectively, InteliSpend). We have included the results of Retailo and InteliSpend in our consolidated financial statements since the acquisition dates.

The following pro forma financial information summarizes the combined results of operations of us, Retailo and InteliSpend as though we had been combined as of the beginning of fiscal 2012 (in thousands):

	12 Weeks Ended June 15, 2013	24 Weeks Ended June 15, 2013
Total revenues	$240,741	$442,921
Net income attributable to Blackhawk Network Holdings, Inc.	1,029	1,267

The pro forma financial information includes adjustments to amortize the identifiable technology and intangible assets starting at the beginning of 2012. The pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of 2012.

As discussed in our Annual Report, we had not assumed certain cardholder liabilities nor acquired the related cash for our acquisition of InteliSpend due to requirements for a state regulatory approval. In May 2014, we received such approval and subsequently assumed such liabilities and related cash of $3.9 million, which we present as Cash received for assumption of liabilities from prior business acquisition in the accompanying condensed consolidated statements of cash flows.

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3. Fair Value Measurements

We measure certain assets and liabilities at fair value on a recurring basis. The table below summarizes the fair value of these assets and liabilities as of June 14, 2014 and December 28, 2013 (in thousands):

	June 14, 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents				
Money market mutual funds	$125,150	$—	$—	$125,150
Commercial paper	$—	$56,000	$—	$56,000
Liabilities				
Contingent consideration	$—	$—	$—	$—

	December 28, 2013			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents				
Money market mutual funds	$379,000	$—	$—	$379,000
Liabilities				
Contingent consideration	$—	$—	$—	$—

Level 1— Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 investments include money market mutual funds.

Level 2— Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable. Level 2 investments include commercial paper. We did not classify any amounts within Level 2 as of December 28, 2013. In the 24 weeks ended June 14, 2014, there were no transfers between Level 1 and Level 2.

Level 3— Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the inputs that market participants would use in pricing. Level 3 includes the estimated fair value of our contingent consideration liability.

Contingent Consideration—The fair value of contingent consideration is determined using a discounted cash flows methodology, which reflects our estimated probability of achieving the relevant financial and operational milestones. A significant increase in our estimate of the probability of achieving the relevant financial and operational milestones could materially increase the fair value of contingent consideration.

The change in fair value of contingent consideration classified as Level 3 for the 24 weeks ended June 14, 2014 and June 15, 2013 is as follows (in thousands):

	24 Weeks Ended	
	June 14, 2014	June 15, 2013
Contingent Consideration		
Balance – Year-end	$—	$18,947
Decrease in fair value of contingent consideration	—	(903)
Settlements	—	(895)
Balance – End of period	$—	$17,149

The decrease in the fair value of contingent consideration is recognized in Business acquisition expense (benefit) and amortization of acquisition intangibles, is presented as a non-cash adjustment to net income in our accompanying condensed consolidated statements of cash flows and reflects the changes in the passage of time, expected timing of the contingent payments and our estimate of the probability of achieving the applicable operational milestones. Settlements reflect the resolution of the contingency based on achievement of financial and operational milestones.

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Though we have estimated the fair value of contingent consideration to be zero as of June 14, 2014, we are still liable for up to $18.1 million in payments based on financial and operating results of the final measurement period, which consists of the 52 weeks ending September 8, 2014. Settlements of $0.5 million were payable as of June 15, 2013, and we paid settlements of $1.9 million, of which $1.4 million resulted from fiscal 2012 financial and operational results, during the 24 weeks ended June 15, 2013, which we present as a financing outflow at the acquisition-date fair value in our accompanying condensed consolidated statements of cash flows.

4. Financing

On March 28, 2014, we entered into a credit agreement with a group of banks (the Credit Agreement). The Credit Agreement includes a $175 million 4-year term loan, with an option (expiring in September 2014) to increase such loan to $225 million, and a revolving credit facility of up to $200 million with up to an additional $100 million during the year-end holiday period for specific settlement related requirements. The revolving credit facility includes a $100 million subfacility for the issuance of letters of credit.

Loans borrowed under the Credit Agreement bear interest, in the case of LIBOR rate loans, at a per annum rate equal to the LIBOR rate plus the Applicable Margin (as defined in the Credit Agreement), which may range from 1.25% to 2.00%, based on our Consolidated Total Leverage Ratio (as defined in the Credit Agreement). Loans that are borrowed under the Credit Agreement that are not LIBOR rate loans bear interest at a per annum rate equal to (i) the highest of (A) the rate of interest announced, from time to time, by Wells Fargo Bank, National Association as its "prime rate," (B) the Federal Funds Rate plus 0.50% and (C) one-month LIBOR plus 1.00%, plus (ii) the Applicable Margin, which may range from 0.25% to 1.00%, based on our Consolidated Total Leverage Ratio. During the 12 weeks ended June 14, 2014, our interest rate for our Note payable was 1.75%.

A letter of credit commission on the daily amount available to be drawn under letters of credit issued under the Credit Agreement is payable by us at the rate per annum equal to the Applicable Margin with respect to LIBOR rate loans, which Applicable Margin may range from 1.25% to 2.00% per annum, based on our Consolidated Total Leverage Ratio; provided, however, that the commission on letters of credit secured by cash is payable at the rate of 0.75% per annum. During the 12 weeks ended June 14, 2014, our interest rate for our letter of credit commission was 1.75%.

A commitment fee on the average daily unused portion of the revolving credit facility is payable by us at the rate per annum equal to the Applicable Margin for that fee, which may range from 0.20% to 0.35%, based on our Consolidated Total Leverage Ratio. Other fees are also payable by us, as referenced in the Credit Agreement. During the 12 weeks ended June 14, 2014, our interest rate for our commitment fee was 0.25%.

The Credit Agreement contains various loan covenants that restrict our ability to take certain actions and contains financial covenants that require us periodically to meet certain financial tests.

As of June 14, 2014, we had no amounts outstanding under our revolving credit facility, $41.9 million in outstanding letters of credit and $158.1 million available under our revolving credit facility.

As of June 14, 2014, we estimate the fair value of our Note payable to be approximately $175 million.

The following table presents the maturity dates, unamortized discount and net carrying amount of our Note payable as of June 14, 2014 (in thousands):

	June 14, 2014
Due March 21, 2015	$8,750
Due March 21, 2016	17,500
Due March 21, 2017	26,250
Due March 28, 2018	122,500
Total amount due	$175,000
Unamortized discount	(902)
Note payable, net of discount, as of June 14, 2014	$174,098

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5. Condensed Consolidated Financial Statement Details

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets as of June 14, 2014 and December 28, 2013 consisted of the following (in thousands):

	June 14, 2014	December 28, 2013
Card stock	$16,333	$13,342
Deferred expenses	7,146	10,126
Program development costs	3,120	5,767
Prepaid load value	6,321	10,631
Income tax receivables	4,314	8,344
Other prepaids	21,796	19,264
Total prepaid expenses and other current assets	$59,030	$67,474

Goodwill

A summary of changes in our goodwill during the 24 weeks ended June 14, 2014 is as follows (in thousands):

	24 Weeks Ended June 14, 2014
Balance – December 28, 2013	$133,521
Retailo purchase price adjustment	78
Foreign currency translation adjustments	(511)
Balance – June 14, 2014	$133,088

We have finalized our information regarding working capital for our acquisitions of InteliSpend and Retailo and have settled amounts due to or from us for working capital adjustments, which we present as Payment for working capital adjustment for business acquisitions, net in the accompanying condensed consolidated statements of cash flows.

Other Assets

Other assets as of June 14, 2014 and December 28, 2013 consisted of the following (in thousands):

	June 14, 2014	December 28, 2013
Program development costs	$56,544	$58,029
Other receivables	9,308	