

NORTHERN DISTRICT OF IOWA
WESTERN DIVISION

ALAA M. ELGAOUNI, Individually and on Behalf of All Others Similarly Situated,)	No.
)	
Plaintiff,)	<u>CLASS ACTION</u>
)	
vs.)	
)	
META FINANCIAL GROUP, INC., J. TYLER HAAHR and DAVID W. LEEDOM,)	
)	
Defendants.)	<u>DEMAND FOR JURY TRIAL</u>

COMPLAINT FOR VIOLATION OF THE FEDERAL SECURITIES LAWS

INTRODUCTION

1. This is a securities class action on behalf of all persons who purchased or otherwise acquired the common stock of Meta Financial Group, Inc. (“Meta Financial” or the “Company”) between May 14, 2009 and October 15, 2010, inclusive (the “Class Period”), against Meta Financial and certain of its officers and/or directors for violations of the Securities Exchange Act of 1934 (“1934 Act”). These claims are asserted against Meta Financial and certain of its officers and/or directors who made materially false and misleading statements during the Class Period in press releases, analyst conference calls, and filings with the Securities and Exchange Commission (“SEC”).

2. Meta Financial is a holding company. The Company, through wholly-owned banking subsidiaries MetaBank (“MetaBank”), MetaBank West Central (“MetaBank WC”) and Meta Trust Company (“Meta Trust”), provides a range of financial services.

3. During the Class Period, defendants issued materially false and misleading statements regarding the Company’s business and financial results. Specifically, defendants failed to disclose that the Company had engaged in unfair or deceptive acts or practices in violation of Federal Trade Commission (“FTC”) laws and Office of Thrift Supervision (“OTS”) regulations in connection with the Company’s operation of its iAdvance program. As a result of defendants’ false statements, Meta Financial stock traded at artificially inflated prices during the Class Period, reaching a high of \$36.72 per share on August 23, 2010.

4. During the Class Period, Meta Financial relied heavily on its Meta Payment Systems (“MPS”) division in driving its revenue growth. This highly profitable unit helped the Company to offset losses it was suffering in its traditional banking unit due to substantial

increases in its loan loss reserves related to the collapse in the real estate market. MPS's iAdvance program involved making short-term, high-interest payday and tax refund loans to customers with prepaid debit cards.

5. On October 12, 2010, Meta Financial filed a Form 8-K with the SEC announcing it had received a Supervisory Directive issued by the OTS (the "OTS Directive") in relation to its iAdvance program. According to the OTS Directive, MetaBank's MPS division had "engaged in unfair or deceptive acts or practices in violation of Section 5 of the Federal Trade Commission Act and the OTS Advertising Regulation in connection with the Bank's operation of the iAdvance program." The OTS Directive further required MetaBank to terminate "all iAdvance line of credit origination activity by October 13, 2010." Under the OTS Directive, MetaBank had to seek written approval from the OTS prior to entering into any new third-party agreements for credit products, deposit products (including prepaid cards) or automatic teller machine products. The Company admitted that the termination of the iAdvance program could result in the elimination of a substantial portion of its gross profit and could cause a substantial rise in nonpayment of its outstanding iAdvance loans.

6. After this news, Meta Financial's stock collapsed \$10.98 per share to close at \$22.25 per share on October 13, 2010, a one-day decline of 33% on high volume.

7. Then on October 18, 2010, before the market opened, Meta Financial announced that, in accordance with the provisions of the OTS Directive, the Company had sought prior written approval from the OTS to enter into new agreements with third parties but was informed on October 14, 2010, that the OTS was not prepared to allow MetaBank to enter into any new agreements or to amend any of its old agreements at this time.

8. On this news, Meta Financial stock dropped \$4.24 per share to close at \$14.71 per share on October 18, 2010, a one-day decline of 22% on high volume.

9. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) the Company had engaged in unfair and deceptive practices in violation of FTC and OTS laws and regulations; and

(b) the Company had failed to maintain proper internal controls.

10. As a result of defendants' false statements and omissions, Meta Financial's common stock traded at artificially inflated prices during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down 60% from their Class Period high.

JURISDICTION AND VENUE

11. Jurisdiction is conferred by §27 of the 1934 Act. The claims asserted herein arise under §§10(b) and 20(a) of the 1934 Act, 15 U.S.C. §§78j(b) and 78t(a), and SEC Rule 10b-5, 17 C.F.R. §240.10b-5.

12. Venue is proper in this District pursuant to §27 of the 1934 Act. Many of the false and misleading statements were made in or issued from this District.

13. Meta Financial is headquartered at 121 East Fifth Street, Storm Lake, Iowa.

14. In connection with the acts alleged in this Complaint, defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including, but not limited to, the mails, interstate telephone communications and the facilities of the national securities markets.

PARTIES

15. Plaintiff Alaa M. Elgaouni purchased Meta Financial common stock as described in the attached certification and was damaged thereby.

16. Defendant Meta Financial operates as the holding company for its subsidiaries MetaBank, MetaBank WC and Meta Trust, which provide a range of financial services.

17. Defendant J. Tyler Haahr (“Haahr”) is, and at all relevant times was, Chief Executive Officer (“CEO”) and President of Meta Financial and MetaBank and a director of Meta Financial.

18. Defendant David W. Leedom (“Leedom”) is, and at all relevant times was, Chief Financial Officer (“CFO”) and Senior Vice President of Meta Financial and MetaBank.

19. Defendants Haahr and Leedom (the “Individual Defendants”), because of their positions with the Company, possessed the power and authority to control the contents of Meta Financial’s quarterly reports, press releases and presentations to securities analysts, money and portfolio managers, and institutional investors, *i.e.*, the market. They were provided with copies of the Company’s reports and press releases alleged herein to be misleading prior to or shortly after their issuance and had the ability and opportunity to prevent their issuance or cause them to be corrected. Because of their positions with the Company, and their access to material non-public information available to them but not to the public, the Individual Defendants knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive

representations being made were then materially false and misleading. The Individual Defendants are liable for the false statements pleaded herein.

FRAUDULENT SCHEME AND COURSE OF BUSINESS

20. Defendants are liable for: (i) making false statements; or (ii) failing to disclose adverse facts known to them about Meta Financial. Defendants' fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Meta Financial common stock was a success, as it: (i) deceived the investing public regarding Meta Financial's prospects and business; (ii) artificially inflated the price of Meta Financial common stock; and (iii) caused plaintiff and other members of the Class to purchase Meta Financial common stock at inflated prices.

CLASS ACTION ALLEGATIONS

21. Plaintiff brings this action as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of all persons who purchased or otherwise acquired Meta Financial common stock during the Class Period (the "Class"). Excluded from the Class are defendants and their families, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors, or assigns and any entity in which defendants have or had a controlling interest.

22. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Meta Financial has nearly 3.1 million shares of stock outstanding, owned by hundreds of persons.

23. There is a well-defined community of interest in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

(a) whether the 1934 Act was violated by defendants;

(b) whether defendants omitted and/or misrepresented material facts;

(c) whether defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

(d) whether defendants knew or deliberately disregarded that their statements were false and misleading;

(e) whether the price of Meta Financial common stock was artificially inflated; and

(f) the extent of damage sustained by Class members and the appropriate measure of damages.

24. Plaintiff's claims are typical of those of the Class because plaintiff and the Class sustained damages from defendants' wrongful conduct.

25. Plaintiff will adequately protect the interests of the Class and has retained counsel who are experienced in class action securities litigation. Plaintiff has no interests which conflict with those of the Class.

26. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

BACKGROUND

27. Meta Financial operates as the holding company for MetaBank, MetaBank WC and Meta Trust, which provide various financial services. It generates various deposit products, including statement savings accounts, money market savings accounts, NOW and regular checking accounts, and certificate accounts. The Company's loan portfolio includes one-to four-family residential mortgage loans, commercial and multi-family real estate, agricultural operations and real estate, construction, and consumer and commercial business loans. Meta Financial also issues prepaid cards and consumer credit products, sponsors ATMs into various debit networks and offers other payment industry products and services, as well as provides professional trust services.

DEFENDANTS' FALSE AND MISLEADING STATEMENTS ISSUED DURING THE CLASS PERIOD

28. On May 14, 2009, Meta Financial issued a press release reporting its second quarter fiscal 2009 earnings results.¹ The Company reported net income of \$1.2 million or \$0.45 diluted earnings per share ("EPS"), and record revenue of \$44.1 million for the quarter ending March 31, 2009. The Company further reported net income of \$3.5 million, or \$1.34 diluted EPS, and revenue of \$36.4 million for its MPS segment.

29. On August 10, 2009, Meta Financial issued a press release reporting its third quarter fiscal 2009 earnings results. The Company reported a net loss of \$2.6 million or (\$0.99) diluted EPS and revenue of \$25.3 million for the quarter ending June 30, 2009. The

¹ Meta Financial's fiscal year ends September 30.

Company further reported net income of \$0.1 million, or \$0.03 diluted EPS, and revenue \$17.4 million for its MPS segment.

30. On December 10, 2009, Meta Financial issued a press release reporting its fourth quarter and fiscal year 2009 earnings results. The Company reported a net loss of \$0.7 million or (\$0.28) diluted EPS and revenue of \$22.9 million for the quarter ending September 30, 2009. The Company further reported net income of \$4.1 million, or \$1.58 diluted EPS, and revenue of \$15.1 million for its MPS segment.

31. On February 9, 2010, Meta Financial issued a press release reporting its first quarter fiscal 2010 earnings results. The Company reported net income of \$1.2 million or \$0.45 diluted EPS and revenue of \$31.1 million for the quarter ending December 31, 2009. The Company further reported net income of \$0.9 million, or \$0.34 diluted EPS, and revenue of \$22.9 million for its MPS segment.

32. On May 11, 2010, Meta Financial issued a press release reporting its second quarter fiscal 2010 earnings results. The Company reported net income of \$5.2 million or \$1.74 per diluted EPS and revenue of \$48.0 million for the quarter ending March 31, 2010. The Company further reported net income of \$6.5 million, or \$2.17 diluted EPS, and revenue of \$41.6 million for its MPS segment.

33. On August 10, 2010, Meta Financial issued a press release reporting its third quarter fiscal 2010 earnings results. The Company reported net income of \$3.5 million or \$1.11 diluted EPS and revenue of \$28.9 million for the quarter ending June 30, 2010. The Company further reported net income of \$3.0 million, or \$0.93 diluted EPS, and revenue of \$21.1 million for its MPS segment.

34. On October 12, 2010, Meta Financial filed a Form 8-K with the SEC. The

Form 8-K provided in part:

On October 6, 2010, the Office of Thrift Supervision (“OTS”) issued a Supervisory Directive to MetaBank, our wholly owned subsidiary (the “Bank”). This Supervisory Directive clarified and supplemented an initial Supervisory Directive dated August 31, 2010, which was followed by communications and meetings between the OTS and senior management of the Bank. These directives are referred to collectively as the “OTS Directives.” The OTS Directives arose from a comprehensive examination of the Bank.

The OTS Directives, based on OTS’ assessment of the Bank’s third-party relationship risk, enterprise risk management, and rapid growth (attributable to its Meta Payment Systems® division (“MPS”)) require the Bank to obtain the prior written approval of the OTS Regional Director to:

- enter into any new third party relationship agreements concerning any credit product, deposit product (including prepaid access), or automatic teller machine or materially amend any such existing agreements (except for amendments to achieve compliance with applicable laws and regulations) or publicly announce any new third party relationship agreements or material amendments to existing agreements;
- originate, directly or through any third party, income tax refund anticipation loans or other loans where the expected source of repayment is a tax refund; and
- offer an income tax refund transfer processing service directly or through any third party during the 2011 tax season.

The OTS advised us on October 6 that it has determined that the Bank engaged in unfair or deceptive acts or practices in violation of Section 5 of the Federal Trade Commission Act and the OTS Advertising Regulation in connection with the Bank’s operation of the iAdvance program, and required the Bank to discontinue all iAdvance® line of credit origination activity by October 13, 2010.

We expect to continue to service our existing third party relationship agreements consistent with their terms and the OTS Directives and are cooperating with the OTS to correct those aspects of our operations that have

been determined by OTS to be deficient, and believe we have made progress to date.

We cannot predict with assurance whether and to what extent the OTS will address other compliance and supervisory matters in addition to those described above. However, the OTS has informed us that it will address in the future its expectations with respect to reimbursement of borrowers under the iAdvance program.

It is anticipated that the discontinuance of the iAdvance program and the potential discontinuance of the tax-related programs (which are subject to OTS approval) will eliminate a substantial portion of MPS' gross profit (net revenue less direct expenses). In addition, the discontinuance of the iAdvance program may result in elevated rates of nonpayment on outstanding iAdvance loans. We cannot predict the effect on the results of operations or financial condition of the Bank or the Company of future OTS actions or whether we will receive the approval of the OTS Regional Director for the activities described above, or restrictions imposed on us under such approvals, if any.

35. After this news, the stock collapsed \$10.98 per share to close at \$22.59 per share on October 13, 2010, a one-day decline of 33% on high volume.

36. Then on October 18, 2010, before the market opened, Meta Financial filed a Form 8-K with the SEC. The filing provided in part:

As we (the "Company") disclosed in our Form 8-K filed on October 12, 2010, our wholly owned subsidiary, MetaBank (the "Bank"), is required, among other things, to obtain prior written approval from the Office of Thrift Supervision ("OTS") before entering into any new third party relationship agreements concerning any credit product, deposit product (including prepaid access), or automatic teller machine pursuant to OTS supervisory directives. The Bank sought such approvals for programs conducted through the Bank's Meta Payment Systems® division ("MPS"), and after several meetings with OTS field staff as well as a meeting and additional communications with the OTS' Chicago office, we were informed on October 14, 2010 that OTS was not prepared at this time to allow the Bank to enter into any such new third party relationship agreements, including adding new banks to sell cards under its Simplexes program. This means that our program managers will not, without MetaBank obtaining the prior written approval of OTS, be able to amend existing agreements or enter into new agreements with distributors that are also parties to a third party agency relationship with the Bank. This would

include any distributors that have the capability to issue cards and accept cash deposits on those cards. According to the OTS, written permission to enter into all these types of programs must await the result of the OTS' review of the Bank's operations, which review generally is not expected to occur for up to several months. Nonetheless, as previously disclosed, MetaBank expects to be able to continue to service its existing third party relationship agreements consistent with their terms and the OTS Directives.

We are cooperating with the OTS as we continue to correct those aspects of our operations that have been determined by OTS to be deficient, but can offer no assurance as to when or to what extent the OTS will allow the Bank to resume adding new third party relationships.

If our program managers decide to migrate to other issuing banks while we cannot execute new third party relationship agreements or afterwards, we expect that this could have a material adverse effect on our results of operations and financial condition, depending on the timing and nature and number of such program managers who decide not to continue their existing relationship with the Bank.

37. On this news, Meta Financial stock dropped \$4.24 per share to close at \$14.71 per share on October 18, 2010, a one-day decline of 22% on high volume.

38. The true facts, which were known by the defendants but concealed from the investing public during the Class Period, were as follows:

(a) the Company had engaged in unfair and deceptive practices in violation of FTC and OTS laws and regulations; and

(b) the Company had failed to maintain proper internal controls.

39. As a result of defendants' false statements and omissions, Meta Financial common stock traded at artificially inflated prices during the Class Period. However, after the above revelations seeped into the market, the Company's shares were hammered by massive sales, sending them down 60% from their Class Period high.

LOSS CAUSATION/ECONOMIC LOSS

40. During the Class Period, as detailed herein, the defendants made false and misleading statements and engaged in a scheme to deceive the market and a course of conduct that artificially inflated the price of Meta Financial common stock and operated as a fraud or deceit on Class Period purchasers of Meta Financial common stock by misrepresenting the Company's business and prospects. Later, when the defendants' prior misrepresentations and fraudulent conduct became apparent to the market, the price of Meta Financial common stock fell precipitously, as the prior artificial inflation came out of the price over time. As a result of their purchases of Meta Financial common stock during the Class Period, plaintiff and other members of the Class suffered economic loss, *i.e.*, damages, under the federal securities laws.

COUNT I

For Violation of §10(b) of the 1934 Act and Rule 10b-5 Against All Defendants

41. Plaintiff incorporates ¶¶1-40 by reference.
42. During the Class Period, defendants disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
43. Defendants violated §10(b) of the 1934 Act and Rule 10b-5 in that they:
- (a) employed devices, schemes and artifices to defraud;

(b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or

(c) engaged in acts, practices and a course of business that operated as a fraud or deceit upon plaintiff and others similarly situated in connection with their purchases of Meta Financial common stock during the Class Period.

44. Plaintiff and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for Meta Financial common stock. Plaintiff and the Class would not have purchased Meta Financial common stock at the prices they paid, or at all, if they had been aware that the market prices had been artificially and falsely inflated by defendants' misleading statements.

COUNT II

For Violation of §20(a) of the 1934 Act Against All Defendants

45. Plaintiff incorporates ¶¶1-44 by reference.

46. The Individual Defendants acted as controlling persons of Meta Financial within the meaning of §20(a) of the 1934 Act. By reason of their positions with the Company, and their ownership of Meta Financial common stock, the Individual Defendants had the power and authority to cause Meta Financial to engage in the wrongful conduct complained of herein. Meta Financial controlled the Individual Defendants and all of its employees. By reason of such conduct, defendants are liable pursuant to §20(a) of the 1934 Act.

PRAYER FOR RELIEF

WHEREFORE, plaintiff prays for judgment as follows:

- A. Declaring this action to be a proper class action pursuant to Fed. R. Civ. P. 23;
- B. Awarding plaintiff and the members of the Class damages, including interest;
- C. Awarding plaintiff reasonable costs and attorneys' fees; and
- D. Awarding such equitable/injunctive or other relief as the Court may deem just

and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

DATED: November 3, 2010

CARNEY & APPLEBY, PLC,
GEORGE W. APPLEBY (Bar # _____)

GEORGE W. APPLEBY

303 Locust Street
400 Homestead Building
Des Moines, IA 50309
Telephone: 515/282-6803
515/282-4700 (fax)

ROBBINS GELLER RUDMAN
& DOWD LLP
DARREN J. ROBBINS
DAVID C. WALTON
CATHERINE J. KOWALEWSKI
655 West Broadway, Suite 1900
San Diego, CA 92101
Telephone: 619/231-1058
619/231-7423 (fax)

ROBBINS GELLER RUDMAN
& DOWD LLP
SAMUEL H. RUDMAN
58 South Service Road, Suite 200
Melville, NY 11747
Telephone: 631/367-7100
631/367-1173 (fax)

GOLDFARB BRANHAM, LLP
HAMILTON LINDLEY
2501 N. Harwood Street, Suite 1801
Dallas, TX 75201
Telephone: 214/583-2233
214/583-2234 (fax)

Attorneys for Plaintiff