A number of senior people in our marketplace seem to be holding their breath now and hoping for the best.

INDUSTRY SNAPSHOT

According to the Street

The Retail Financial Services Market, the home turf of the Independent Sales Organization (ISO), is likely to see a lot of new changes in 2003, and the signs are everywhere.

By most accounts 2002 was a "bad" year for the U.S. economy: bad financial results, bad stock market performance, bad ethical and moral behavior, and a bad job market. But it is likely that only the slowness of retail sales, and the fact that business bankruptcies are on the rise, were the only general economic problems felt by ISOs.

New sales were slowing at year-end (see GSQ vol. 6, no. 1, "Billion Dollar Acquirers" forecast) after 18 months because of slow retail growth, stunting equipment upgrades and organic sales growth. As if that were not enough, pricing has never been more competitive, and the marketplace has been under careful review by the Securities and Exchange Commission.

Off-the-record discussions with industry notables reflect that some are quietly worried while others seem to believe that all is well and that the ISO opportunity has never been better. In fairness, many see that there are many good things to say about the condition of the marketplace but that a good deal is dependent on improvement in the U.S. economy as a whole. While this all sounds a bit scary, we know

Notable Quote:

Americans need (want) comprehensive, end-to-end electronic services for bill presentment and payment. They want (deserve) an online solution that's at least as close to real time as ATMs or POS card terminals are.

Payment is secure where you find the Thales Point

Wherever you find the Thales point, you find proven expertise in payment transaction solutions and services. From our reliable, easy-to-use Talento line to our high-performance Artema Mobile and Portable terminals, Thales is raising the bar to ensure secure payments for the World's merchants.

THALES

Self-Service Payment
Thales makes encrypted PIN pads and secure card readers used in ATMs and vending machines. Thales offers a whole range of payment handling solutions to manufacturers of self service equipment.

Mobile Payment
Thales mobile terminals guarantee fast, secure payment transactions anywhere. Primarily developed to enable delivery services, taxis street vendors, and limousines, the unit is also great for up scale retail points-of-sale.

Multilane
In some countries, Thales offers integrated solutions designed for multilane environments such as grocery stores. With their unique architecture, these solutions can be adapted to any company's existing point-of-sale data system.

Desktop Payment
Thales builds terminals using the latest and most reliable technology to make point-of-sale transactions easier, faster, and more secure. Talento is the terminal of choice for many, while Artema Desk is designed for the most demanding retail points-of-sale.

Portable Payment
Thales guarantees fast, secure payment transactions where short range mobility is helpful. Restaurants, for example, benefit from the service advantages, convenience, and economics of debit by handling payments right at the table with Thales Artema portable solutions.

www.thales-e-trans.com
888.726.3900

The Green Sheet

February 24, 2003 • Issue 03:02:02

INDEX TO ADVERTISERS:

Correspondence:
Send *Press Releases* to: **press@greensheet.com**

Send your *Questions, Comments and Feedback* to:
greensheet@greensheet.com

ADVISORY BOARD

From Humble Beginnings...

Even though he was misunderstood by his classmates, Leon has always been ahead of his time.

Updated Credit Card Fraud Information

Eric Thomson's article "Latest Trends in Online Credit Card Fraud -- and Preventing It" (Green Sheet, Jan. 27, 2003, issue 03:01:02) was right on target. Please note that his reference to the CyberSource Fraud Report was a little out of date, however. We made the Fourth Edition of our report available at the end of 2002, covering survey data fielded in October 2002. Your readers can access it, free of charge, from our home page, at www.cyber-source.com.

Bruce Frymire
Director, Corporate Communications
CyberSource Corp.

Bruce:
Thank you for your generous comments. Yes, that piece was written last fall. We have seen your latest survey results. They represent an important contribution to the retailer's understanding and progress in combating online fraud.

Good Selling!
The Green Sheet Staff

I was impressed with the way Eric Thomson's White Paper, "Latest Trends in Online Credit Card Fraud -- and Preventing It," distilled a lot of information down into something digestible. A couple of com-ments:

1. Don't you think that quoting research that was published 18 to 24 months ago is a bit dated to be labeled "Latest Trends"?

2. Noticeably omitted from the article were Verified by Visa and

FORUM ◀ ◀ ◀ ◀

PROUDLY SPONSORED BY ●
△ ing@nico ┐

MasterCard's SPA, which are the two "latest, greatest" verification panaceas being foisted onto the merchants, issuers and acquirers. Additionally, several relatively new techniques that we, at Retail Decisions, have found extremely helpful in identifying potentially fraudulent transactions also were not mentioned: Distributed Velocity Checks and Tumbling and Swapping detection.

My company keeps a somewhat lower profile than CyberSource and ClearCommerce, but we provide 100% of the online risk man-agement to Wal-Mart Register.com, Palm and Foot Locker as well more than 80 other well known e-tailers.

If you would like additional information about our fully managed fraud-detection service, please feel free to visit our Web site at www.liveprocessor.com and surf for "ebitGuard."

Again, it was a nice effort and I'm sure many readers of The Green Sheet were interested to know what ClearCommerce and CyberSource had to say on the subject even if their information was a bit dated.

Cheers,
Rayce Jonsrud
Director of Sales, Northeastern U.S.
ReD-USA

Eric's response:
Rayce,
Thank you for your e-mail and constructive comments. The Green Sheet has a backlog of my articles such as the one that was pub-lished in issue 03:01:02. As you mentioned, the subject of fraud prevention is one that is of increasing relevance to more and more retailers and the ISO community that serves them.

Also fueling the interest in this topic and the technology that com-panies like yours provide is the acknowledgement that Internet retail-ers experience fraud losses six times larger than card-present pur-chases. Not widely known is the fact that electronic retailers reject a further 6% of their consumer purchase requests because they "look suspicious." Further compounding the magnitude of revenue loss from fraud is the recently reported fact that 9% of retailers who used to accept international purchases no longer do so.

Good Selling!
Eric Thomson

Business is good in many areas even though merchants are much more aware of what things should cost and how they work. Everyone is talking service; some are just talking, but some have really begun to reshape their approach. Overall margins are down, and equipment is not always the focus of the sale.

that sales continue and some organizations are prospering as usual.

This said, a number of senior people in our marketplace seem to be holding their breath now and hoping for the best. However, what no one is really doing much of is talking, at least not on the record. What some acknowledge off the record is their fear that new sales may be flat for some time and that only the best run acquirers will be able to grow substantially under these market conditions. So the GS has been out making inquiries at the grass roots of the industry to see what might be shared on the record.

Some general themes that have appeared both on and off the record:

• Business is good in many areas even though merchants

are much more aware of what things should cost and how they work. Everyone is talking service; some are just talking, but some have really begun to reshape their approach. Overall margins are down, and equipment is not always the focus of the sale. Check service sales are strong; so are a number of other value-added features. Discount rate competition is very strong for bankcard sales. Gifts cards remain a HOT topic in the market along with check conversion.

• The ETA drew a lot of interest with its two-pronged announcement that it will (1) end its agreement with the professional group that has managed the association for many years and (2) establish an office in Washington, D.C., with a staff of full-time employees.

• Concurrent with changes at the ETA, a grass-roots effort has emerged to create an association that serves only the interest of the independent sales representative.

• After months of SEC review of ISO Certified Merchant Services, the government and the company reached a settlement that appears to leave CMS intact. It came as a relief to many litigation watchers that the SEC might not continue the industry review with other organizations or, more important, create operating rules that would make working as a sales organization even more difficult.

The fact that CMS is sending a letter to its customers regarding a restitution fund to which each merchant might be entitled leaves many questions about what the fallout will be from this SEC incursion. Here is a small selection of responses we received to two of our questions:

What Is Going on in Your Market?

• "Merchants are beginning to look for ways to cut costs."

• "Rookies on the street with no training, [abusing] merchants on equipment, promising 'savings' without doing a proper analysis, allowing merchants to get stuck with cancellation and termination fees from existing processors."

• "In my market, the price of equipment is coming down. I see it as awareness of equipment costs by merchants because of media exposure (i.e., the Internet); the competition in 'rates' is getting closer, everyone seems to be about the same, there seem to be very few merchants (as opposed to three or four years ago) who are still in the 'high rate' category; everybody wants debit, and now

everyone is asking about smart cards. SERVICE is paramount; check conversion is growing rapidly, gift cards are not going anywhere yet; lots of Internet merchants sign up and then wind up not really selling anything (much more often than merchants who open up and never really get off the ground)."

• "My market is thriving. With the holiday season behind us, I find myself busier than ever."

• "Merchants are looking for a change ... in saving processing costs and in earning revenue in different ways."

• "I find the market to be very unstable. I do not feel secure with my current processor. There is a lot of competition, a lot of dishonest sales reps."

• "The market has changed because of processors selling out; no one seems to be in it for the long haul."

• "Companies are catering to large sales groups, and service is a thing of the past – it's numbers."

• "I am a salesperson who sells local service. Nothing can beat that no matter what new programs come along."

• "The business is there and there's plenty of it. More and more merchants are getting online every day."

• "The market in south Alabama is booming every day – just get out there. Our market is getting hotter and hotter as new developments and awareness in e-commerce are being presented to and made available to merchants."

• "A lot of competition; merchants are focused on rates. Merchants are smarter and getting smarter about asking the right questions. Some ISOs still screw merchants to the wall with overpriced equipment, 'club' fees or other small fees for services that previously were free."

• "Small customers are furious about 'compliance fees' that many processors hit them with at the end of 2002."

• "We are an Internet payment gateway. Business is slow for us."

• "Our market is strong. There is no shortage of bad checks out there."

• "Customers are looking for more reasons to do business than just price. They're looking for long-term relationships."

• "Saturation of mailers is increasing turnovers; reduced customer service."

• "Las Vegas is flooded with a plethora of greasy ISOs [inflating] rate, not disclosing price and providing lousy follow-up service. (Sorry to be crass and cynical.) Banks don't seem to have as strong a foothold as they do in Arizona, where I started. Seems every ISO in the nation decided to set up shop in Clark County because of the growth. High turnover, low integrity."

• "Older merchants are cautious. Still lots of new merchants, and people are giving equipment away at cost to make sales, so it seems. Business is still perking along if you provide service."

• "I've personally been active in the market since 1989, and here is what I am seeing: If you're selling Visa and MasterCard merchant accounts, the market is saturated

with low margins. Most reps are still going around low-balling merchants, selling outdated or soon to be outdated equipment, and we know the rest of the story. They are in and out of the industry, totally clueless, but leave the damages. Merchants want to accept all forms of payment by various methods, and we provide that. We have no particular manufacturer or vendor we believe is better. We understand that all have unique features that we use to ultimately benefit our merchant clients."

• "In my particular market I'm finding that people are more interested in customer service. They want what you are telling them they can have. It appears that my clients want someone who is committed to solving the problems as they arrive. The latest technology seems to be appreciated, especially when it comes to time spent at the point-of-sale and user-friendly equipment. We are working on ways to change the value equation."

• "Traditional bankcard is so competitive, each player has to differentiate what is being offered by adding value beyond traditional processing. Innovative products rule."

• "Groundswell of moving to ACH vs. paper."

• "Our market is strong with new businesses opening and people eager to look at the technology that is out there. For example, merchants are becoming more open to gift/loyalty cards, check processing and terminals that make less noise."

• "Nothing new. Still have growth of new business and still getting old merchants to switch to us, mostly because of poor customer service or pricing. Sort of status quo."

• "Steady growth but nothing out of the ordinary."

• "I've been in the business five years selling. It has become a back-end business much more than the front-end business of the past. Front-end money is still there, but not in the volume of the past. Back-end money is wonderful, and I've never seen it better. I'll give a terminal away for free if the merchant is processing enough. If a merchant is not processing enough or is just a start-up, he has to pay for front end and back end."

• "We're seeing a lot of ISOs coming to us from other processors because they are interested in more than just a low rate. They understand that customer service, ongoing training and a complete suite of value-added products and services are what are truly needed to be successful in today's market. Sure, we have a very competitive rate as well, but we don't lead with price – we lead with quality of service."

• "The credit card processing market continues to be a very competitive industry, and it has become increasingly important for ISOs to diversify into new payment services that complement their current offerings. This is the trend that we see in our marketplace, and we think that

Vital Merchant Services℠.
An inventory of successful solutions.

CAPABILITIES INCLUDE:

- **POS Equipment & Supplies**

- **Deployment**

- **Merchant Training**

- **Repair & Replacement**

- **Web-based Order Entry via VitalSync**

- **Just-in-Time Inventory Management**

QUALITY EQUIPMENT FROM:

- **VeriFone**

- **Hypercom**

- **Lipman**

- **Thales**

- **Ingenico**

- **RDM**

- **MagTek**

From POS equipment supplies and deployment to on-line order management, Vital has what it takes to keep business moving. Our responsive support team can get your merchants what they need, when they need it. To find out more about Vital Merchant Services, call 800-348-1700.

VITAL your commerce connection ®

the standard ISOs who don't change and expand their product offerings will have a tougher time staying in the market over the long haul. However, the challenge is educating the sales rep to sell multiple products."

• "It's become increasingly more competitive, and the products and services are more complex. There are a lot of organizations out there that sell on price alone, and while that might have worked in the past, in today's economic environment that's just not the way to attract and retain quality merchants. We have evolved into more of a strategic-partner relationship with our ISOs. We train them to be merchant-processing consultants and to help grow their merchants' businesses. These days, we rely on our ongoing training programs to ensure that all of our sales agents are knowledgeable on the many ways that merchants can grow their businesses."

• "Knowledgeable and competent people still get the business!"

What Is Hot and What Is Not?

• "Bottom-line savings is hot. Internet processing is not."

• "Gift cards are hot. Tranz 330s are boat anchors."

• "Electronic check conversion, CALIENTE! Talking about discount rates, NOT!"

• "What's hot is check conversion, what isn't hot are merchants paying a fee to access their account on the Internet. Nobody seems interested."

• "Customer service where a LIVE person answers the phone and actually knows what they are talking about is HOT. Leave a message and maybe I'll call back is not."

• "Hard work is still hot to me; talking about it isn't."

• "Hot: Web checks, RCK, ARC. Not: pushy representative trying to force-feed clients with proprietary equipment or service."
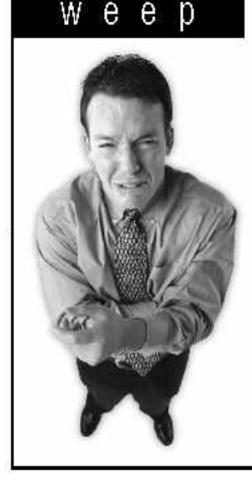
• "Low rates are hot. High rates aren't."

• " 'Dial Pay' for micro customers is HOT."

• "HOT: B2B services, XML."

• "e-commerce is hot. New businesses are hot."

• "What is hot is the argument that a check is not a debit. Protecting the rights of criminal bad check writers is definitely not hot."

• "Newer touch-screen terminals and loyalty/gift cards (HOT).

Leasing (NOT)."

• "Hot: Check conversion with guarantee. Not: Traditional check verification or guarantee."

• "Hot: Customized gift cards. Not: Gift certificates."

• "Hot: ATM/debit acceptance with PIN entry. Not: Debit acceptance with signature."

• "Hot: Smart cards. Savvy merchants are asking all the time: When? Not: VeriFone Tranz and Hypercom T7 terminals."

• "Hot: Pay at the pump, multilane systems, e-commerce, wireless, recurring billing, QSRs. Not: Traditional retail storefront merchants."

• "Debit is hot now. Not hot: slow printers, lost host capture."

• "Gift cards seem to hold more interest."

• "POS conversion (HOT). ACH phone checks (NOT)."

• "Nothing is hot; there is not a product that anyone has

to have. A big HOT BUTTON is service; merchants want to have service. They want a person to talk to, and that is something that keeps them with us. We make ourselves available by cell phone or pager. We return calls and assist, guide and counsel the merchant when needed."

• "Wireless is still not too hot. Too pricey for most merchants. Might catch on later, but for now wireless represents 2% max of our equipment sales."

• "Gift card is hot."

• "ECC is hot but not as hot with prospects as I expected."

• "Over the last several years, merchants converting from a paper gift certificate to a plastic card format have become a hot product. The national merchants set the pace that has moved down to the regional merchant."

• "Hot is the buzz about signature capture and check conversion."

• "Hot: Honesty and integrity.

• "Debit used to be the hot lead-in. Now check services and gift cards seem to be the hot lead-in 'du jour.' "

In the years that I have worked, I have been lucky enough to be a principal mover in the creation and nurturing of four companies. One of the things that those who have worked with me have heard me say again and again is, "Beginning a business is a sheer act of willing it into existence."

In truth, every business is a result of the people at the top, shaping an idea into a business reality. While not all ideas succeed, of course, all of the ones that do are the result of the fortitude of the founders and senior managers in continually believing in what they are doing and making others believe.

Business conversation is the fuel of new ideas, new force and new directions. So I, for one, would like to start 2003 with the positive rather than the negative and believe that the next five years for ISOs may be the best ever because we collectively are going to make it so.

We have to remember that when the negative begins to dominate conversation, it begins to overwhelm the ideas people have and makes it hard to change the negative trends.

Good Selling!
Paul H. Green

Watch for more answers from the street in a future article, and share your thoughts with us by dropping me a line at paul@greensheet.com.

If it's only transportation...

why build a Cadillac® ?

It's about value. An identity and pride that comes from being associated with the best.

That's the feeling you'll receive through your association with First American Payment Systems. The confidence that comes from being part of an organization driven to provide more than just an ordinary experience for our merchants, ISO's and sales agents.

Since 1990, First American has risen above our competitors by delivering on our promise of providing quality solutions and predictable results to those who count on us. We live up to our commitments, and provide service that is exemplary and unique.

Isn't it time you joined a team of professionals dedicated to providing more than a low price? Give us a call today and start building your own value story.

FIRST AMERICAN
PAYMENT SYSTEMS

Quality Solutions. Predictable Results

Call Steve Robins, Sr. VP of Sales & Marketing

1-866-GO4-FAPS
(1-866-464-3277)
e-mail: SteveR@first-american.net

CDPD Minus AT&T Equals ISO Opportunity, But Handle with Care!

By Julie O'Ryan-Dempsey

The Green Sheet Online ISO Forum was abuzz in mid-January with news concerning AT&T's announcement that it was pulling out of the Cellular Digital Packet Data (CDPD) network marketplace. How will this affect the wireless POS space? How will it impact ISOs? What do the merchants stand to lose?

We posed these questions to the GS Advisory Board, and the consensus, at first glance, made sense: "For us there is none [no effect] since there are plenty of other wireless providers that give us the service we need."

However, this isn't the full story.

CDPD, a data-transmission technology developed for use on cellular phone frequencies, is one of many wireless-data networks available in the U.S. marketplace, which includes Mobitex by Cingular and DataTAC by Motient. The primary obstacle to entering the wireless POS space in the domestic market is a lack of standards, according to VeriFone's Michelle Graff.

"VeriFone is happy to report that it has not deployed any wireless terminals conforming to CDPD communications," Graff says. "When the company was researching wireless technologies a few years ago, it determined that CDPD was a dead-end technology, and the company correctly forecast that CDPD would not be around for the long haul.

"VeriFone determined that investing in CDPD would have resulted in the delivery of terminals that could not be upgraded to the more reliable and robust wireless communication standards that were emerging at the time. The solutions would have become obsolete, forcing customers (acquirers, ISOs and merchants) into an expensive support nightmare."

Michael Grossman, Senior Vice President for Lipman USA, has a different viewpoint. "We've been able to succeed with multiple wireless networks, supplying modems that work with each," he says. "The key to wireless technology is coverage. Lipman's terminals are ready for the new technology. We want our terminals to work everywhere your cellphone works."

Marc Shultz, Vice President of Business Development for U.S. Wireless Data, says that, unlike changing the credit card processor on a terminal involving reprogramming the software, the wireless network configuration is a hard-wired

"The best Agent Program ever!"

"Be Rich!"

"Become our ISO!"

"Be our Partner!"

"Instant Approvals!"

"Signing Bonus!"

"Be your own Boss!"

"Amazing Lease Factors!"

"Make Loads of Cash!"

"Incredible Buy-rates!"

"Join Us!"

CONFUSED?

Choosing the right processing relationship is often confusing and a hassle. It is important that bankcard professionals focus on the values that will help them succeed. Real values like "care" and "financial growth."

Yeah sure, we offer an "interchange plus" pricing structure, revenue share in all fee categories and online reporting. But without care, and a plan for personal growth, it's tough in this industry to develop the "kitten" into the "lion." We can help you grow.

We understand that there are many agent/ISO programs out there. Choosing one is not exactly easy — we have been in your shoes, we built this company from scratch ten years ago. Contact us and we'll give you a clear overview of our programs.

- Free POS equipment upgrade program.
- Lead generation program.
- Revenue-share in all fee categories.
- Virtual office support (email, voice mail, web presence and online reporting).
- Stock options.
- Training for your representatives.
- Residual advance buyout — up to 24X.
- Agent bank program.
- And more goodies of what you expect from a good processing partner.

For details, contact Tannon McCaleb:

800.655.8767 Ext. 262

or by email at: tannonm@usms.com

Newark, CA
www.usms.com

hardware issue. A POS terminal is able to communicate with only one wireless network and cannot be changed through an upgrade.

For all POS terminals currently serviced via the AT&T wireless CDPD network, the effect of AT&T's decision is immediate obsolescence in AT&T territories unless there is another CDPD provider in the area. CDPD terminals will be able to continue to operate in other geographic areas serviced by different CDPD carriers, including Verizon and ALLTEL.

"U.S. Wireless Data offers a multitude of turn-key wireless payment solutions for the electronic payments industry using Cingular, Motient, CDPD, Nextel and satellite networks," says Daniel Lamb, Director of Marketing for U.S. Wireless Data. "Because there has never been one single wireless network that provides truly ubiquitous coverage in the U.S., we have built

our Synapse wireless gateway on a latticework of wireless networks. This approach to wireless POS minimizes the impact of AT&T's announcement to our customers."

Where does this leave the leasing companies? If merchants are left holding POS paperweights – nonfunctional, non-upgradeable wireless terminals – they are likely to default on the lease payments. But herein lies the potential for a negative economic impact.

Can ISOs work with the lease companies to replace this equipment and maintain the revenue streams for all concerned? Can the leasing companies, ISOs and bankcard processors apply pressure on the communication networks to standardize while moving to the next-generation CDMA and GSM/GPRS networks? Perhaps this is an agenda item for the new ETA lobbyists in Washington, D.C.?

"VeriFone built its Omni 3600 terminal to support CDMA or GPRS communications – technologies that are more reliable and deliver improved price performance," Graff says. "CDMA and GPRS use IP technology, a universal standard that results in a more flexible solution than CDPD. Additionally, the Omni 3600 securely runs payment and value-added applications and supports the latest in 3DES security standards."

These next-generation wireless networks, currently operational in Europe, can offer a standard format for U.S. adoption. This would enable all of the wireless equipment suppliers to benefit from a stable network environment.

Certainly there are now thousands of wireless terminals out there that need to be replaced. This is a real opportunity for the ISO community but one that must be handled with care.

Visa, MasterCard Might Have to Pay $500 Million Refund

Visa and MasterCard are in the hot seat again. The associations might have to refund $500 million to consumers for not properly disclosing currency-conversion fees charged on purchases made abroad or on foreign-based Web sites using Visa- and MasterCard-branded credit cards.

California State Court Judge Ronald M. Sabraw's preliminary ruling on a lawsuit against Visa International, Visa USA Inc. and MasterCard International is sealed, but the Wall Street Journal reported the judge sided with the plaintiff's claim that Visa and MasterCard should have required their card issuers to clearly divulge fees charged for currency conversion.

The judge didn't prohibit charging the fees but did say that Visa and MasterCard should refund the cardholders and in the future require their member banks to clearly show the surcharges on statements.

When a cardholder makes a purchase overseas, Visa or MasterCard charge an exchange rate plus 1% to their member banks. The banks pass that charge on to cardholders, and many of them add on additional fees of their own, ranging from 2% to 4%.

The complaint is that many of these banks do not disclose fees they charge for the currency conversion beyond the agreement the cardholder receives in the mail with a new card.

On their monthly statements, many cardholders just see a comparison of the amount owed in foreign currency and that figure converted into local currency.

Visa might face the brunt of the California state judge's decision. Because Visa International's headquarters are in Foster City, Calif., Visa would be required to refund money to all of its cardholders nationwide, while MasterCard only would be required to reimburse cardholders residing in California. The banks that own and fund the associations might have to pay some of the money, too.

Judge Sabraw did not state an exact number Visa and MasterCard would have to pay, but the plaintiff's attorneys, Milberg Weiss Bershad Hynes & Lerach LLP, estimated that $500 million represents five years of conversion fees from 1996. The judge is expected to make a final decision soon based on review of responses to his initial ruling.

TRIAD SM

INTRODUCING TRIAD.SM
THE NEW 3-TIERED PROCESS THAT
CAN HANDLE ANY SIZE ACCOUNT.

Pyramids have always been a symbol of power and wealth. That continues today with Triad, the new three-tiered approval process from MCCS.SM

With Triad, MCCS can handle any size of account with ease—whether you call on small, medium or even large, big-ticket accounts. Which means you now have one, convenient source for all your sales. So you can take on more business than ever before.

The Triad process uses customized, customer-specific data to provide a highly effective new system for merchant approvals. Combine that with guaranteed residual income and the unsurpassed service that MCCS is known for, and you have a powerful combination for growing a strong portfolio of profitable customers.

For years, MCCS has been a recognized industry leader, with over $2.4 billion in annual transactions. And now, with our new Triad system, we can offer you even more ways to grow your business.

To discover the power and wealth of the pyramid, you don't have to go to Egypt. Just call 1-866-826-MCCS (1-866-826-6227) or email info@mccs-corp.com and ask about the new Triad.

Then watch good things begin to happen.

MCCS SM
MERCHANTS' CHOICE CARD SERVICES

E-Billing and Payment: An Elusive Goal

By Patti Murphy

Electronic bill presentment and payment (EBPP) is one of those modern conveniences that just doesn't seem to catch on. Sure, a fair share of Americans are viewing and even paying bills online. TowerGroup, a Needham, Mass.-based research and consulting group, estimates 20% of American consumers are looking at their bills online these days. A report released by TowerGroup in December suggests consumers who pay bills online do so for an average of 3.7 bills a month (which translates to about one-third of the average household's average monthly bill-paying activity).

Bank of America, meanwhile, said in October that it had convinced 1.5 million customers to use its online bill-paying service – a 50% increase in six months after dropping monthly charges for the service, according to published reports.

Many observers think B of A is on the right track – the touted savings and budgeting advantages of e-billing and payment are simply insufficient to warrant the fees that are being charged for these services. I concur but would add that there are other stumbling blocks to widespread adoption of this orphan child of the electronic payment revolution.

Consider, for example, that most of the electronic processes in e-billing and payment end with the consumer's initiation of a payment request. Some consumers are learning this the hard way, with billers assessing late fees on payments those consumers had assumed were timely since they had initiated the payment requests in advance of the due dates. Consumers like my friend Susan.

Susan is a financially savvy professional. She manages a tech shop at a large financial services organization, earns a good salary and is not averse to adopting new ideas. So when her bank began offering online bill payment, Susan says she saw it as an opportunity to simplify budgeting and her bill paying.

Being a "techie" and savvy, Susan understood that her online payment instructions weren't going to result in instantaneous payments. What she didn't understand is that the back-end processes that supported her bank's online bill-pay service were nearly as slow as the U.S. Postal Service's traditional "snail mail" service. The upshot: Her next bill from the electric company included a late-fee assessment for the previous month's payment.

"I initiated the payment with plenty of time to spare," Susan complained. Apparently not.

For as long as I can remember, bankers and billers alike have talked fervently of the need to eliminate the paper shuffle inherent in bill presentment and payment. But when it comes to implementation, strategies have been lacking. Instead of using the electronic payment systems they've built (such as the automated clearing house, or ACH) to clear and settle customers' online bill payments, most banks and other bill-pay service providers effect bill payments on behalf of their online customers using a process known as "check and list."

In other words, all payments earmarked for a particular biller (e.g., Baltimore Gas & Electricity) are bundled together; a check for the total is cut and a list of paying customers (with corresponding invoice/account numbers and payment details) is handed off to the biller. The biller then has to reconcile that list with its customer bills and apply payments on an account-by-account basis – a process that can take days to complete.

What makes this practice seem even less appealing is that

CAREERS AREN'T BUILT BY CHANCE...

SNAP YOUR DREAMS INTO REALITY.

Comerica
Comerica Merchant Services

Comerica Merchant Services offers you a whole series of new bonus opportunities to help you earn extra money up front. You can earn up to $6,600 in bonus dollars per year and up to $5,000 for every major merchant you bring in.

In addition, Comerica Merchant Services also offers you many other benefits you just won't find anywhere else. For example:

- Overnight approval process
- Web-based application submission, processing, and tracking
- Guaranteed Lease Program with a 48-month factor as low as .0285
- Interchange as your Buy Rate
- 100% vested residuals from day one
- American Express® sign-up commission
- Full debit processing with 12 debit networks
- EBT processing
- Web-based merchant reporting
- An affiliation with one of the nation's leading business banks
- A dedicated relationship manager providing unparalleled agent support to help you make more money
- A 33-year history of continuous residual payments to all our sales partners! Comerica provides a safe and stable sales environment for you.

If you are looking for an exceptional, long term relationship with a rock solid Merchant Processor, call Comerica Merchant Services today and find out how you can become part of the Comerica family of sales agents.

Call Ken Stewart at 1-800-790-2670 and get started right now!

Is it any wonder, then, that consumers continue to prefer writing checks to pay their bills? According to TowerGroup, check writing remains in vogue even among online consumers. The firm reports that 41% of online banking customers still write checks and place them in the mail for bill-payment purposes; the same goes for 26% of households using Internet bill-payment services.

often the biller's bank and a customer's bank are one and the same, but there is really no way of effecting bill payments electronically in the bank's back shop because corporate and consumer banking systems aren't integrated. Instead of electronic debits and credits being initiated in-house, the consumer's account is debited and a check is cut and sent to the biller, which then must reconcile and clear the payment back through the same bank.

Is it any wonder, then, that consumers continue to prefer writing checks to pay their bills? According to TowerGroup, check writing remains in vogue even among online consumers. The firm reports that 41% of online banking customers still write checks and place them in the mail for bill-payment purposes; the same goes for 26% of households using Internet bill-payment services.

It's a situation that bodes poorly for banks and non-banks alike.

Billserv, Inc., a third-party provider (outsourcer) of e-billing and payment services to companies, has been threatened with delisting from the NASDAQ national market because its stock has been trading so low – at less than $1 a share since fall. (In mid-January, Billserv was trading at about 21 cents a share.) Billserv counts more than 100 corporate billers as customers, including the student-loan company Sallie Mae and Time Warner Cable.

Spectrum, an e-billing and payment service launched in 1999 by three big banks – J.P. Morgan Chase, Wachovia and Wells Fargo – was sold last year to Metavante (the outsourcing arm of Marshall & Ilsley Corp., a Milwaukee-based banking concern), which counts many small and midsize community banks as clients.

The founding banks said they couldn't make a go of it; Metavante is packaging Spectrum with existing services to offer end-to-end e-billing and payment through its client banks.

Late last year, BillingZone, a corporate-focused e-biller set-up by PNC Bank, Pittsburgh, and Perot Systems, was sold to First Data Corp., which has folded the firm into its emerging payments unit, eONE Global. Raj Kushwaha, Managing Director and CTO of eONE Global, says the "combination of BillingZone's services and First Data's existing paper document and check-handling capabilities [will] create the most comprehensive offering available to large companies for automating both paper and electronic financial supply chain transactions."

The operative word here is "comprehensive." Americans need (want) comprehensive, end-to-end electronic services for bill presentment and payment. They want (deserve) an online solution that's at least as close to real time as ATMs or POS card terminals are.

Oh, and by the way, consumers don't want to pay much more than the perceived value of online bill paying, which these days works out to about $4.44 (the cost of stamps for an average household's monthly bills).

Patti Murphy is Contributing Editor of The Green Sheet and President of Takoma Group. She can be reached at patti@greensheet.com
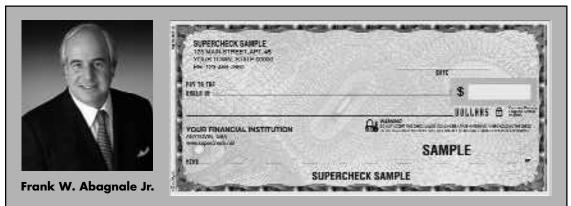
Notice to Fraudsters: 'Cash Me if You Can'

Who says you can't learn a thing or two from Hollywood? People flocking to see one of the top movies in the country today should be motivated to make a few changes when they leave the theater.

The movie, Steven Spielberg's "Catch Me If You Can," focuses on a master fraudster in the late 1960s who leaves a trail of bad checks around the world. The fraudster, Frank Abagnale, portrayed by Leonardo DiCaprio, was eventually caught, but not before he managed to forge about $2.5 million dollars' worth of checks. (The book that has been written about him, and the movie that was created from it, say the figure was much more, but Abagnale insists on his Web site that $2.5 million is correct.)

In real life, Abagnale served time and was released from prison early on the condition that he help the government in its efforts to catch other check fraudsters. Today, Abagnale is a law-abiding citizen and teaches banks and corporations how to fight check fraud.

Frank W. Abagnale Jr.

SuperCheck is his latest creation. SuperCheck is a new personal check designed by Abagnale to thwart most check frauds. While consumer checks in America have only three or four security features, at least a dozen security features have been incorporated into the SuperCheck design, including several previously available only to large corporations.

The paper is manufactured by Leigh-Mardon in Australia, and the check is printed and distributed through financial institutions in the United States by SAFECheck, a check fraud prevention company based in North Hollywood, Calif., and by Liberty Check Printers in Mounds View, Minn.

Technology has made it simple and convenient for busy people to bank, pay bills and even buy stocks – as simple as clicking a computer mouse. But there's a flip side to this simplicity: otherwise savvy consumers are often caught in a web of deception and rendered powerless, victimized by check fraud.

"Consumers need every method of protection they can find," Abagnale says. "SuperCheck is designed to help consumers protect themselves and their bank accounts."

Check fraud is a multibillion-dollar-a-year problem that is tough to quantify because there is no central repository of information about the crime. Depending on who's doing the guesstimating, losses from check frauds cost the U.S. economy between $10 billion and $20 billion annually. Additionally, every jurisdiction treats check fraud differently. Even though a fraudulent check for $500 might be enough of a loss to merit the attention of local investigators in a small Massachusetts town, that's not likely in a large city like Los Angeles.

Although corporations are most vulnerable to check fraud because of the huge amounts of money that can be stolen, frauds involving consumer checking accounts are more common today. The American Bankers Association (ABA) estimates that nearly three quarters of all check fraud at so-called "community banks" involve consumer accounts. At the largest banks, 64% of fraudulent checks are drawn on consumer accounts, according to the ABA's data.

To help limit their own losses, banks are rewriting liability contracts and signature card agreements to reflect the need for customers to take proactive steps against check fraud or suffer the financial consequences. Greg Litster, SAFECheck's President and CEO, says he asked Abagnale to help design a personal check for American consumers that would reach the high level of check security that SAFECheck already provides its corporate clients.

The result is a check two years in the making that has 12 built-in security features, some visible, some covert. These security features make it difficult to scan, duplicate or alter a SuperCheck.

"SuperCheck is the check for people with something to lose," Abagnale says.

For more information, visit www.SuperCheck.net.

Par Excellence.

Join Bridgeview Payment Solutions and score big profits with a proven winner in the merchant processing industry. We are a wholly-owned credit card subsidiary of Bridgeview Bank and Trust, a 30-year old financial institution with a sterling reputation for honesty and integrity. As a principal member of Visa U.S.A.® and MasterCard International®, we provide some of the most profitable ISO programs available. Our Net Income Split Program can't be beat, any way you slice it.

Be a player with Bridgeview.

Bridgeview
payment solutions

Your Bridge to Better Merchant Processing

710 Quail Ridge Drive
Westmont, IL 60559
630.321.0117
www.bridgeviewbank.com

Bridgeview Payment Solutions is a wholly owned subsidiary of Bridgeview Bank and Trust.

▶ ▶ ▶ WHITE PAPER

Check Fraud: A Guide to Avoiding Losses

By Eric Thomson

The Uniform Commercial Code (UCC) is the body of law that covers the guidelines and rules under which check transactions are settled among the payee, payor and financial institutions. Over the last five years, UCC changes have effectively moved most of the liability for fraudulent check transactions from the bank to the commercial sector of our society. At the time this document was written, check fraud represented 43% of the Financial Crimes Enforcement Network's (FinCEN) suspicious-activity reports and most of its criminal-investigation resources.

Today, following the Sept. 11, 2001 attack on our country, these law enforcement resources have been redirected toward terrorism and leaving members of the commercial sector, especially the retailer, to their own devices to address the problem of check fraud. Most studies on consumer check usage report that POS check writing is either stable or may have peaked and is beginning to decline.

And yet check fraud predictions are forecast for continued growth. With an estimated $12 billion of check fraud in the United States this year and projected to grow to $15 billion by 2004, it is important that processors and ISOs, as "trusted advisors" to their merchant clients, understand the challenges posed by fraudulent checks and how best to protect them from this growing form of loss. In the remainder of this column, I will be summarizing a white paper on how to protect against check fraud from a retailer's perspective.

Executive Summary

This white paper was drafted by a consortium of financial and law enforcement agencies, including the FBI, Federal Reserve Bank, IRS, Office of the Comptroller of the Currency, U.S. Postal Service and U.S. Secret Service, operating together under the Check Fraud Working Group. Before I report the white paper findings and recommendations, it is important to first summarize some of the contributing factors that make check fraud such a challenge for merchants.

Trying to respond effectively to check fraud is difficult for most retailers. The people passing bad checks are

employing very sophisticated technology, and often the employees accepting these documents are inexperienced, trusting and being paid at minimum wage with turnover rates of 100% a year. Check fraud is a relatively low-risk crime that can be highly lucrative – especially if conducted by organized gangs that have studied a retailers' fraud-prevention techniques and understand their weaknesses.

The document surveyed national banks and found the most common source of check fraud was checks written against consumer accounts. The most common types of fraud were forgery and checks drawn on closed accounts. About a quarter to a third of fraud was linked to new accounts. The period from October through February is the busiest time for check scam artists.

A few years back, TeleCheck conducted a national survey of fraudulent checks by retailer type. The survey found that check fraud is more prevalent in industries such as gaming, hotels and grocery stores and in stores that sell products that easily can be resold. Bad checks are usually written on the most expensive items that are easily refundable. Criminals passing bad checks will attempt to get a refund from another store in the chain, before the bad check has time to clear and be returned.

Bad checks, from a retailer's perspective, come in two forms: "Good Customer" and "True Fraud." "Good Customers" present bad checks that are either:
• **Non-Sufficient Funds (NSF):** These are typically made good on representment and also generate a profitable "check handling fee" if the proper signage was displayed at POS.
• **Closed Accounts:** This type of returned checks typically can be collected by contacting the customer and requesting a replacement check. If the closed-account checks are obtained by criminals, then their use represents fraud and, if cashed, they are virtually impossible to

Don't Be Held Back In 2003

Make 100% of:
Residuals - MC / Visa / Amex / Discover
Commissions - Amex / Discover / Diners
Equipment Sales / Leasing Revenue
Retriever Check (ECC) Residuals
Retriever Card (Gift/Loyalty Card)

Retriever Will Help You Become
Your Own Independent Sales Office!
Call Today

(800) 376-3399

Retriever
America's Payment Systems Authority.

Lease Program funded by Lease Finance Group, A division of CIT

collect.

• **Check Incorrectly Written/Procedure Errors:** These also are honest mistakes that are caught either before deposit or are returned by the bank for improper completion, signature, payee, pay amount, etc. Again, contacting the customer is typically all that is needed to collect these items.

"True Fraud" checks are:

• **Altered MICR:** The Magnetic Ink Character Recognition symbols on the bottom of the check have been altered so that funds are drawn from an unsuspecting consumer's bank account.

• **Altered Check:** The criminal takes a legitimate, completed check and uses chemicals or other means to erase the amount or the name of the payee so that new information can be entered.

• **Counterfeit Checks:** These are checks presented based upon fraudulent identification or false checks drawn on valid accounts. The more sophisticated criminals will be using electronic publishing equipment, advanced scanners and color copiers to generate checks that can look better than the original.

• **Stolen or Lost Fraud Checks:** These checks often are taken from businesses' or individuals' check inventory without the rightful party being aware they are missing.

• **Identity Fraud:** A relatively new form of fraud caused by another individual assuming the identity of an unsuspecting individual. According to the FBI, this is the fastest-growing form of white-collar crime in America. The process occurs when a criminal learns enough information about another individual to misrepresent himself or herself as that person. Various schemes involve changing bank account addresses, transferring funds, requesting new checks and making purchases with those checks.

• **Check Fraud by Gangs:** Gangs typically go after retailer chains and will cash payroll checks across the country. They will use the latest technology to generate expert-looking paychecks on major employers in a market, often with a scanned signature from an authorized paycheck and false identification.

This Check Fraud Report lists various preventive measures that retailers should make part of their internal controls. In addition to conducting background screening on new hires, employees should be trained to watch for whether:

• The picture ID presented matches the name and address on the check and the signature matches the ID. They should not accept checks without a name and address, and they should be especially careful with low-sequence-number checks for new accounts.

• The check has no perforated edge or has a financial institution typed rather than printed – or includes spelling errors.

• The check is payable to a corporation but is being presented for cashing by an individual.

• The MICR code on the bottom of a check looks shiny or feels raised. True magnetic ink is dull, and legitimate printing produces characters that are flat on the paper.

• The check is being presented at a busy time by a belligerent or distracting customer who is trying to force employees to bypass check-acceptance procedures.

• The check has dollar amounts in numbers and in words that do not match.

Employees need to understand that they always should call over a floor manager to review a suspicious check, and it is recommended that they call the bank the check is drawn on to determine if the check is legitimate.

Eric Thomson is Executive Vice President of Profit Source Advisors. He can be reached at etprosc@attbi.com.

Web Sites for More Information on Check Fraud

www.ckfraud.org/
The National Check Fraud Organization. This is a network of local law enforcement and federal agencies and retailers who are notified by fax or e-mail of known financial and criminal crimes — such as check-passing gangs — that may directly affect them.

www.amcrin.net/
The American Criminal Investigators Network. Amcrin is a network of fraud-investigation services for the public and corporate criminal investigations community. Its CrimeDex system provides case collaboration and data-management tools for members with special emphasis on identifying fraudulent check writers and providing a central clearinghouse for retailers and local law enforcement agencies.

www.acom.com/micr_lib/news001.htm
"Check Fraud, the UCC and You."

www.clev.frb.org/ccca/fo1q96/fraud.htm
"Fed Offers Advice for Fighting Check Fraud," by the Federal Reserve Bank

www.ebanklink.com/articles/positivepay.htm
"Fighting Corporate Check Fraud."

www.ebanklink.com/Images/ Winning%20the%20war%20Ck%20Fraud-TMA%20article.pdf
"Winning the War Against Check Fraud," by Rich Love, AcuPrint President and CEO

www.printech.com/resources/checkfraud.shtml
"Anatomy of Check Fraud."

"As we enter our 20th year of business, we'd like to say thanks to the sales professionals that have contributed to our success."

J. David Siembieda, President and CEO

When CrossCheck was founded in 1983, the payment industry was on the eve of a revolution. Bankcard services, previously available only through financial institutions, were starting to be sold by independent agents. Huge opportunities became available as new equipment and services were introduced to retailers nationwide. With an eye towards the future, CrossCheck's founders embraced the energy, excitement and challenges of this new marketplace and, with a group of ISOs, grew a successful and profitable check guarantee company.

It's the "feet on the street" that have helped make CrossCheck the nation's largest privately-held guarantee company and the third largest of all of the check guarantee companies.

Today, many of our original ISOs are still with us, reaping the benefits of our lifetime residuals and partnership programs. In addition, we've offered innovative sales programs, sales support, free supplies, and private-label opportunities unique to our industry.

We're looking forward to the next twenty years and think they'll be as exciting and challenging as the past. New services for conversion, wireless and Internet applications will take payment processing in directions we couldn't have imagined years ago.

If you are currently selling our services, thank you, and get ready to make money as we take on the industry. Not yet selling CrossCheck's services? Then join us now. The opportunities are bigger and better than ever and we guarantee it'll be an interesting ride!

Best Wishes,
J. David Siembieda
President & CEO

(800) 654-2365
WWW.CROSS-CHECK.COM
PARTNERS@CROSS-CHECK.COM

Industry Rankings and Some Rankings
We Would Like To See

GSQ published in January 2003 its annual industry rankings of the large acquirers, and The Nilson Report will be next. Many industry observers pay a lot of attention to these rankings. In this article, I want to provide some interpretations and give some thoughts on the meaning and value of these rankings and discuss other rankings that would provide valuable information to all of us.

KNOWLEDGE IS POWER
By Bob Carr

For many years, The Nilson Report published the most complete annual rankings of industry acquirers. Others also have published annual rankings, but none has focused on all of the acquirers, including ISOs. Several years ago, Paul Green began to publish his GSQ list. Both of these lists are extremely useful. However, they are based on different information, some of which may not be 100% accurate. The result has been some confusion to many.

Both publishers ask major acquirers to report information on the honor system. In other words, the numbers published in these lists are self-reported and are as accurate as the information provided. No audits are performed on any of the reported data. While I believe that the majority of acquirers report the best information available to them, I learned long ago that some people count funny in this industry. For example, merchant locations or "sites" mean different things to different people.

I seriously doubt, for example, that the number of "sites" has grown from 4,265,358 in 2001 to 5,345,690 in 2002 (1,080,332 net new sites) or 25% as reported in the January 2003 GSQ. I am not doubting the accuracy of what was tabulated by GSQ but the accuracy of some of the information submitted! Some of the reporting acquirers count sites in a creative manner – sort of like Enron and Xerox were reporting their revenues awhile back.

Just for fun, divide the reported volume by the number of sites for some of the acquirers reported in either list. You will find portfolios with less than $1,300 per month per site! It's hard for many small businesses to survive that long. Methinks that way too many sites may have been reported by some acquirers. The result is that the number of sites reported isn't very reliable. Too bad for our entire industry that the honor system isn't taken more seriously by some of the reporting entities.

In gathering information, the two publishers ask very different questions, and the reported rankings are therefore different. The GSQ rankings are based upon the volume of transactions processed for the calendar year. The Nilson Report rankings are based upon the estimated annual volume of merchant contracts owned by the reporting acquirer at year end.

The GSQ rankings for 2002, for example, show that First Data Merchant Services (number 2) processed $162.7 billion of volume. This does not necessarily mean that FDC owns 100% of the merchant contracts for which it processes. It might just provide authorization and capture services, for example. Indeed, some of the acquirers in these rankings function as "servicers only," at least for a portion of their reported volume.

Most of the 31 acquirers ranked in the GSQ outsource 100% of their authorization, capture and settlement processing. However, all 31 report the volume as their "processing" volume. This means that some of the volume is

Our ISO Pricing
is customer tailored just for you.

We understand that every one of your selling situations is unique … that is why our pricing is customer tailored … just for you … on a one-to-one basis.

PartnerAmerica eliminates the risk, restrictions and minimums. We guarantee 100% lifetime residuals, customized payment solutions and complete support … for virtually any type of merchant.

It is what has made us successful for over 15 years.

Want customer tailoring that makes sense for you? Call us today.

- *Income From ALL Transactions*
- *Faxed Applications Accepted*
- *Same Day Approvals*
- *24/7 Customer & Technical Support*
- *No Risk, No Restrictions, No Minimums*
- *Internet Gateways & Wireless Solutions*
- *Online Detailed Status Reports*
- *Debit, EBT & Check Processing*
- *Trade Show Co-Op Services*
- *Gift & Loyalty Cards*
- *Direct Leasing Agent*
- *No Upfront Fees*

PARTNERAMERICA

An ISO First

1-800-366-1388 Ext. 0 • www.Partner-America.com

IT PAYS TO PARTNER WITH PARTNERAMERICA

**Some acquirers outsource all of their transaction processing, all of their
back-end processing and all of their sales. Yet they call themselves "processors."
In fact, the only acquirers who might process all of their transactions are
First Data, Concord EFS, Paymentech and Global Payments.**

double counted in the GSQ rankings. The word "process" means different things to different people.

Some acquirers outsource all of their transaction processing, all of their back-end processing and all of their sales. Yet they call themselves "processors." In fact, the only acquirers who might process all of their transactions are First Data, Concord EFS, Paymentech and Global Payments. (But then, all four of these true "end-to-end" processors outsource a very large portion of their sales to ISOs. There is nary a single 100% vertically integrated acquirer in this country today!)

Another point is that Bank of America, Certegy and the Sovereign Bank/First Data Alliance are not included in the 2002 GSQ rankings. Together these acquirers probably processed about $40 billion in 2002 (based upon published statistics). This brings the total processing volume

of the top 34 acquirers to more than $1.2 trillion. If this is more than 100% of what Visa and MasterCard report, the above explanations partially account for the variance.

I am not trying to find fault with the GSQ rankings here. For goodness' sake, it is almost impossible for the stockholders of public acquirers to obtain accurate information about processing statistics. The public acquirers work hard to keep their processing data very private.

So in my view, despite the points I am making here, I think GSQ is doing a good job of reporting the best data the staff can garner from the acquirers. It is valuable to have the actual processing volumes reported – even if the data is not perfect.

Nilson asks for different data: the run rate of "owned" contracts as of Dec. 31, 2002. This is a whole new ballgame. Run rate is a snapshot of the portfolio at a specific point in time.

Again, this is useful information, but it is important to understand that "run rate" is a lot different than "actual processed volume" when reporting industry rankings.

For example, it has been reported that TransFirst aquired a several-billion-dollar subset of Bank of America's portfolio during 2002. It is likely that this several billion dollars of portfolio will be reported in the TransFirst numbers and subtracted from the Bank of America numbers in Nilson's 2002 rankings regardless of who actually processed the volume.

As indicated, the word "processing" means different things to different people. But the word "ownership" means different things to different people as well. Who really owns a merchant contract?

According to Visa and MasterCard rules, only the member bank has association rights and responsibilities relating to merchant contracts. That is why a member bank must be a party to every merchant contract. Member banks enter into contracts with acquirers and transfer their rights to the revenue stream after their fees and losses are paid.

In turn, thousands of alliance and ISO contracts with member banks define the "beneficial ownership rights" of the alliances and ISOs in the merchant contracts. Still more tens of thousands of contracts define "residual

INDEPENDENT
POS DISTRIBUTION

Going your own way doesn't seem to be *the* way in POS distribution. Mergers, takeovers and buyouts have created a bevy of look-alike, sound-alike suppliers and left ISOs with few options when choosing a distributor.

At The Phoenix Group, we've revolted against this trend of conglomeration. We're an independent equipment distributor and service provider free to offer POS equipment and supplies from all the big names: Lipman, VeriFone, Hypercom, Thales, Ingenico, Magtek and others. We've chosen to remain flexible and quick on our feet so we can develop a truly personal relationship with our ISOs. By putting forth the effort everyday, we get to know you and your business so we can better service your needs.

It's a radical approach, we'll admit. It also seems a popular one, as we are now one of the fastest growing POS distributors in the industry. Seems a little revolution now and then is a good thing.

THE PHOENIX GROUP
RISING TO NEW LEVELS IN POS. SERVICE

Call Scott Rutledge today at 866-559-7627

KNOWLEDGE IS POWER
By Bob Carr

rights" between acquirers and ISOs and salespeople.

Merchant contracts are a lot like little oil wells. Lots of different parties have beneficial ownership in the profits of the contracts. So what does ownership mean as reported in the Nilson rankings?

Nilson contacts the major acquirers, and the major acquirers report their "owned" contracts. But if you are an ISO who is paying one of the outsource processors for services, you think you own the contract, right?

Twelve of the top 34 acquirers are non-banks, and 10 of these outsource most or all of their processing to the four processors mentioned above, who also are listed as the top eight acquirers. Most of the 22 member banks in this ranking also process with these same four processors.

Does this mean there is some double counting in the volume? I think that Nilson works very hard to make sure double counting does not occur within the alliances of First Data and U.S. Bank, for example. However, some of the reported data cannot be verified, and some errors slip into the mix.

To summarize, the rankings of acquirers provide useful information, but some of the information is double counted or reported by people who count funny. Hence, many of the totals reported are off and should not be taken as gospel.

As valuable as these rankings are to those of us who care about such things, I wish we could rank the players by different metrics. I think it is fair to say that most businesspeople are focused on creating stable, growing, profitable businesses.

Our industry has been one of the most attractive industries to public investors because of its recurring revenue model and the stable growth year over year in the topline revenues.

As I indicated in a previous article in The Green Sheet, the acquiring industry generates approximately $3.5 billion of actual revenue annually in this country. Of this, approximately $1 billion goes for transaction processing and the other $2.5 billion goes for the rest of the acquiring functions.

Wouldn't it be great to see a ranking of the acquirers and processors by the amount of the $3.5 billion pie that each earns? Wouldn't it be great to see a ranking of how much of the $3.5 billion pie goes to the ISOs/sales organizations of the acquirers?

KNOWLEDGE IS POWER
By Bob Carr

It would be interesting to see rankings based upon the "quality" (i.e., profitability) of the acquired volume in addition to the "quantity" of volume processed. What is the net revenue generated by the processed volume? What is the gross margin after ISO and sales commission payments? What is the EBITDA generated per dollar processed? What is the bottom line per dollar processed?

My point is that processing one $10 billion customer for 2 basis points of gross margin after commissions is qualitatively much different than processing $10 billion of volume for a portfolio of 50,000 merchants at 30 basis points. I believe that both of these extremes are realities in portfolios reported in recent rankings.

Another factor is that some acquirers process huge volumes of transactions for which they report "ownership" but in fact earn only the 5- to 12-cent transaction fee they are charging the ISO. These "acquirers" pay the rest of the revenues to the true owner of the beneficial interest in the contract – the ISO. Volumes processed in these cases are not relevant to the quality of the business of the "acquirer."

Some industry analysts confuse transaction processing with acquiring because all of the true processors except Vital are also acquirers. False conclusions are too often reached about the issues of commodity pricing and scale factors because the lines are now so blurred between true processors and the acquiring portion of their portfolios.

The key metrics I would love to see measured to clear up this confusion are:

- Net revenue
- Processing costs plus infrastructure depreciation
- ISO payments and commission expenses
- Gross margin after commissions
- EBITDA
- Amortization of intangible assets (mostly purchased portfolios)
- Net profit before taxes

These rankings would help all industry observers better understand who is creating what value for their companies with the transactions and volume they process or "own." If these qualitative factors gained visibility, a lot of arguments about scale and commodity would go away and more people would truly understand the power of the small-acquirer and ISO models. This level of reporting is not going to happen in my lifetime, but wouldn't we all love to see it!

GET READY.

YOUR UPFRONT BONUS AND RESIDUAL INCOME ARE ABOUT TO TAKE OFF.

Total Merchant Services has launched the most lucrative pay plan in the industry.

UPFRONT BONUS

We've set aside more than $1 million to pay you upfront money for simply writing an account on our program. Our production bonus program has no limits. It's NOT a signing bonus. You earn $100 per deal, every single month. Writing only 10 deals a month makes you $1,000 more each month. And the sky's the limit!

You can make even more with our conversion bonuses. For each merchant currently processing over $10,000/month, we pay you $150 to $250. We'll also pay you an extra $1,000 bonus on your first 10 leases. [Leasing program funded by Lease Finance Group (LFG), a division of CIT.]

RESIDUAL INCOME

Take advantage of our "choice" program to maximize your earnings. You get to choose, on a merchant-by-merchant basis, either our lucrative revenue-sharing program, or our aggressive buy-rate program. On average, our sales partners earn $30 to $40 per month on each account!

FREE SERVICES

Count down our list of free services. Marketing materials; color brochures; business cards; customizable website; conversion assistance and merchant training; pin pad swap-out and encryption; dedicated sales partner terminal support team; wireless activation fees; Internet payment gateway software from Authorize.net and Plug 'N Pay a web-based transaction information management tool for your merchants; sales training events including payment for your airfare, hotel and meals; and many other FREE services you can find out about by calling or visiting our website.

WANT YOUR UPFRONT AND RESUDUAL INCOME TO TAKE OFF?

CONTACT TOTAL MERCHANT SERVICES TODAY.

1-888-84TOTAL, ext. 411

WWW.UPFRONTANDRESIDUALS.COM

255 Gold Rivers Road | Third Floor | Basalt, Colorado 81621

total merchant services
payment solutions for your business

FLYNN

1-800-BANKCARD
1-800-BANKCARD
1-800-BANKCARD

POWERED BY:

MSI MERCHANT SERVICES, INC.

FTC Consumer Complaint Report for 2002: Huge Jump in ID Thefts for Credit Card Fraud

Consumer Complaint Categories
(CALENDAR YEAR 2002)

43%
Identity Theft

38%
Other *

* Including:
Advance-Fee Loans & Credit Protection
Shop-at-Home/Catalog Sales
Foreign Money Orders
Prizes/Sweepstakes & Lotteries
Business Opportunities & Work-at-Home Plans
Telephone Services
Health Care
Magazines & Buyers Club
Other Categories

6%
Internet Services &
Computer Complaints

13%
Internet Auctions

Source: Federal Trade Commission

The fastest-growing crime in America topped the list of consumer fraud complaints filed with the Federal Trade Commission in 2002. Incidents of identity theft doubled over t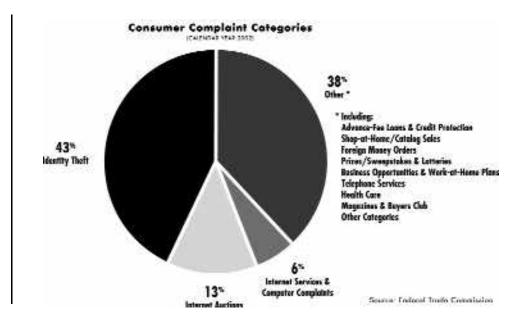he previous year and accounted for the largest percentage of fraud-related complaints, according to the FTC's annual report detailing consumer complaints.

Identity-theft victims in all 50 states and the District of Columbia said that when thieves stole their personal information, it was used in credit card fraud more often than for any other purpose – such as to open accounts with phone companies, utilities and banks; to forge government documents to get benefits; in employment-related situations; or in loan frauds. Credit card fraud was cited in 37% to 50% of all incidents reported state by state in the FTC report.

The FTC's Consumer Sentinel database compiles and analyzes information collected on complaints filed with the FTC and more than 100 other organizations. The data showed, for instance, that out of the 380,103 complaints filed regarding fraud, 161,819 were related to identity theft last year. That's an increase of almost 88% over the 86,198 incidents reported in 2001. Overall, consumers reported losses from all types of fraud last year at greater that $343 million, according to the data.

Consumer fraud complaints are broken down by category in the report. Identity theft comprised the largest portion of all complaints by far – 43% – followed by Internet auction fraud at 13%.

The increase in identity theft last year can be explained by several factors. J. Howard Beales III, Director of the FTC's

Bureau of Consumer Protection, said the sharp rise in the number of complaints from 2001 to 2002 might be attributable to the success of his organization's outreach programs.

Identity Theft Victims by State

The Top 5
1. Washington D.C. 123.1
2. California 90.7
3. Arizona 88.0
4. Nevada 85.3
5. Texas 68.9

(VICTIMS PER 100,000 CITIZENS)

Source: Federal Trade Commission

tributing and utilizing information on the Consumer Sentinel database. Forty percent of all the complaints in the database were contributed by the Social Security Administration's Office of Inspector General, the Internet Fraud Complaint Center, Better Business Bureaus from all over the U.S. and other organizations, he said.

The methods used by identity thieves also are becoming increasingly sophisticated, making it an easier crime to commit. Another consideration is misuse of financial or personal information stored in databases; employees with access to many customers' or users' personal data can pose a large threat to the security of that information.

According to the report, Washington, D.C., residents are more likely to become victims of identity theft than anywhere else in the country, followed by California and Arizona. People between the ages of 30 and 39 reported 27% of all identity-theft complaints; people between ages 18 and 29 filed 26% of the complaints, and those between ages 40 and 49 filed 22% of them.

"More people know where to complain about fraud and identity theft. More complaints give us a more complete picture of the types of fraud that are occurring, the characteristics of fraud victims and the companies that are appropriate targets for law enforcement," he said in a statement.

Beales also suggested the increase might have something to do with better cooperation from agencies both con-

The FTC makes information in the Consumer Sentinel database available to law enforcement agencies domestically and overseas.

A whole new way to organize and submit applications

Declining Paper Check Volume
Spurs Fed to Make Cuts

Consumers and businesses continue to substitute electronic payments for paper checks, and the Fed has noticed. The Federal Reserve Banks announced plans to reduce staff, close offices and consolidate back-office check-processing operations in order to adjust to the decline in check payments in the last decade.

Recent Federal Reserve studies in check use found that approximately 40 billion checks were written in the United States in 2002, down from about 50 billion checks written in 1995.

The Federal Reserve Banks, collectively the nation's largest processor of checks, process about 17 billion checks each year, previously at 45 different locations. The Federal Reserve is comprised of 12 regional banks, their 24 branches, and all national and state banks that are part of the system.

From 1992 to 2001, the Reserve Banks earned an average annual after-tax profit of 12.2%. In 2002, this declined to 4.2%, which the Fed attributes mainly to declining check volume. In response to these changes in the marketplace, the Fed plans to reduce check-service operating costs by $60 million in 2005 and about $300 million over the next five years.

"The Federal Reserve Banks are committed to remaining a leader in providing payment services, including check processing," Cathy Minehan, President and CEO of the Federal Reserve Bank of Boston and Chair of the Reserve Banks' Financial Services Policy Committee, said in a statement. "Adjusting our operations to respond to changes in the marketplace will position the Banks to continue to fulfill this roll."

To achieve their cost-cutting goals, 13 of 45 Reserve Banks no longer will process checks, and five of the 13 will close altogether.

The eight locations that no longer will process checks but will remain open include Little Rock, Ark.; Louisville, Ky.; Miami; Omaha, Neb.; Pittsburgh; Richmond, Va.; San Antonio; and El Paso, Texas. In addition, check adjustments will be handled at only 12 Reserve Bank locations (down from 43).

The five offices closing are in Charleston, W.Va.; Columbia, S.C.; Indianapolis; Milwaukee; and Peoria, Ill.

In response to the closings, nine locations will expand their check-processing capacity. These include the offices in Baltimore; Cincinnati; Cleveland; Charlotte, N.C.; Chicago; Dallas; Des Moines, Iowa; Jacksonville, Fla.; and Memphis, Tenn.

The Banks also will eliminate overall check-service staff by 8%, about 400 positions. Staff reductions will occur through layoffs and attrition although exact numbers have not been released.

Using new check-imaging and check-adjustment technology, the Banks vow to continue providing check services across the U.S. with the goal of maintaining current service levels.

To help handle the new volume, the Banks estimate they will add about 900 new positions at locations that still process checks.

In 2003, the Reserve Banks said they expect to post an after-tax loss brought about by costs associated with the restructuring; however, they project the changes in operations will position check services to recover completely by 2005.

Align your future with the leader in payment processing

LEADERSHIP | PROFITABILITY | CHOICE | PARTNERSHIP | SATISFACTION

FIRST DATA

Merchant Services

First Data provides ISOs with state-of-the-art tools to help attract and retain profitable merchant accounts. We have the world-class products and services, competitive pricing and superior customer support that you need to help maximize your profitability and satisfy your customers.

▶ State-of-the-art technologies that let you offer unique and branded payment products

▶ Turn-key account set-up, underwriting, risk management and customer service that let you streamline back-office operations

▶ Wide range of choice for your customers, including an extensive selection of terminals, front-end solutions and payment methods

▶ Expert support and service that lets you build your business hassle-free

▶ Comprehensive merchant services that exceed your customers' expectations

For more information about the First Data ISO Program, contact us today at 866-FDMS-ISO or visit us on the web at www.fdms.com/ISO/program.

Building business, every hour, every day.

COMPANY PROFILE ◄ ◄ ◄

MIST Inc.

ISO contact:
Cathy Kenworthy
Phone: 602-955-6478
E-mail: ckenworthy@mistwireless.com

World headquarters:
703 Evans Avenue, Suite 500
Toronto, Ontario, Canada M9C 5E9
Phone: 416-621-1911
Fax: 416-621-8875
Web site: www.mistwireless.com

U.S. office:
2999 North 44th St., Suite 308
Phoenix, AZ 85018
Phone: 866-955-MIST (6478)
Fax: 602-840-2806

ISO benefits:
• Freedom Family's Internet-enabled terminals boast unique features; they're the only terminals that utilize 128-bit SSL security.
• Provides wireless and Internet gateway that enables seamless integration.
• Terminal prices are extremely competitive.
• Provides training, 24/7 help desk and quick turnaround for merchant accounts.
• Perfect for low-end merchants who need all-in-one terminal.

It's All in the Freedom Family

Take one pure technology company focused on wireless and the Internet. Merge it with an established entity that manufactures 20% of the world's credit cards. The result: a leading provider of wireless and Internet transaction-enabling solutions and smart card issuance technologies.

MIST is an amalgamation of industry leader NBS Technologies, a publicly held corporation that has been intrinsically involved in the credit card business since 1974, and C&D Data Technologies. NBS acquired C&D in 1999.

"At that time NBS produced standard dialup terminals for transactions," says Charles Lee, President of MIST. "We had 10-year-old terminals and we started thinking. In the technology industry, many changes had gone into communication, such as wireless, so we looked at that market. We went through a radical change focusing on emerging technology. Our mandate was to grow our business. We got funding and developed Freedom II and then Freedom III."

For those who've been living on a deserted island for the last two years, the Freedom series is a terminal product line that MIST has developed and deployed with wireless, dialup and Internet capabilities. The Freedom III, an Internet-enabled terminal, boasts unique features and is the only terminal that utilizes 128-bit SSL security.

Lee says MIST is superior in other areas as well. "We understand wireless and Internet technology from end to end," he says. "Our competitors say, 'Here's a terminal – integrate it into your system.' If that bank or processor doesn't have the connectivity, they have to build a network and change their back end.

"We provide a gateway that enables seamless integration ... and we provide it faster than anyone. We are absolutely a step or two ahead of our competition. We were the first in 2000 with a wireless terminal. We were the only booth at the ETA in Hawaii with wireless. This past year, we were the only company that showcased secure Internet transactions on a terminal in Seattle. We stand out because we are end to end."

MIST boasts that its core competency is more than just wireless. It is advanced-transaction technology using the latest data capabilities. That technology is evidenced in MIST's Freedom terminals as well as its value-added proprietary transaction gateway, FreedomGate.

For example, the Freedom III is an Internet-enabled, countertop, point-of-sale wireless device with SSL security. It features a backlit LCD touch-screen, a backlit keypad, a Web browser and an integrated thermal printer.

The Freedom III offers the convenience and flexibility of communicating using different modes: Ethernet, wireless and dialup. Freedom III enables users to complete debit, credit and smart card transactions using FreedomGate.

> **"All of our competitors are moving up into the higher-end market. We led the marketplace in that area, being the first to come out with IP and wireless. We noticed that the bottom end of the market was being abandoned. We came up with an all-in-one product ..."**
>
> – Charles Lee
> President, MIST

FreedomGate that connects wireless data networks, the Internet and public switched telephone networks to each other as well as to financial-transaction processors and banks. FreedomGate enhances MIST Freedom transaction terminals by enabling their usage with the latest communication methodologies and by providing secure gateway services with value-added options such as messaging, time-and-attendance recording and order fulfillment in addition to financial transactions.

FreedomGate also enables interdevice communications, data collection and financial transactions on other third-party wireless terminals, wireless devices such as cellular telephones and pagers, and other Internet-enabled devices.

Before the introduction of Freedom III, MIST brought the Freedom II terminal to the marketplace. Designed for mobile merchants, it features an integrated secure proces-

sor to complete debit card transactions and a built-in printer for receipt printing. The Freedom II terminal makes the customer the point-of-sale.

Powered by an easily replaceable and rechargeable battery pack, the Freedom II operates for hundreds of transactions between charges. The built-in battery charger connected to a small AC power adapter eliminates the need for a bulky charging stand. Its backlit, graphical display is readable both in daylight and at night. The luminescent "glow-in-the-dark" keypad ensures that it can be used even in low-light conditions.

A third product in the Freedom Family is the FreedomLITE, a terminal MIST developed for the low-end merchant market.

"All of our competitors are moving up into the higher-end market," says Lee. "We led the marketplace in that area, being the first to come out with IP and wireless. We noticed that the bottom end of the market was being abandoned. We came up with an all-in-one product – high-speed dial capability, integrated debit, high-speed clamshell printer, smart card reader and secure access module – every card technology built into one, at a low cost."

Cost is key at MIST. Its FreedomLITE terminals are priced at less than $300. Its Freedom II is less than $800, and its Freedom III is $500, with moderate volume variable.

With such a variety of terminals comes a variety of target markets for MIST. The FreedomLITE is best suited for the mom-and-pop merchants who want an all-in-one device at a lower cost, Freedom II is for the mobile merchant, and Freedom III is for those large merchants who need fast transactions in an Internet environment.

More than 600,000 merchants are making MIST their terminal of choice. They include financial institutions, credit and debit card processing companies, card-issuing service bureaus, retailers, hotels, health care institutions, loyalty service providers and ISOs.

ISOs are an important sales channel for MIST, especially because MIST is relatively new to the U.S. market with its Freedom terminals even though its card manufacturing business has been around for more than 20 years. Already, nearly 50 ISOs across the country are embracing the MIST program.

The reasons are numerous. In addition to the obvious

> "We work with ISOs large and small. We want ISOs who understand the proposition of our Freedom terminals. It's easy to like our Freedom Lite. Merchants love it, and every ISO understands that. ... Some ISOs just want to sell a terminal and not worry about technology. We want ISOs to take the time not just to make the sale but to explain it."
>
> – Charles Lee

value add of wireless capability, MIST provides two levels of ISO training, conducted online and via teleconferencing. ISOs also enjoy a 24/7 help desk and quick turnaround for their merchant accounts.

MIST offers same-day shipment for terminals with gateway connectivity within minutes once the device is received. Best of all, MIST does not have an in-house sales force. It works exclusively with ISOs and processors, never selling directly to end-users.

"We work with ISOs large and small," says Lee. "We want ISOs who understand the proposition of our Freedom terminals. It's easy to like our Freedom Lite. Merchants love it, and every ISO understands that. For the Freedom III, they really need to understand the cost proposition of replacing a phone line and then getting three- to five-second transactions. Some ISOs just want to sell a terminal and not worry about technology. We

want ISOs to take the time not just to make the sale but to explain it."

Also paramount to MIST are its partnerships. For instance, its Freedom III recently received certification from Paymentech. The certification will fully support and help continue Paymentech's goal of offering a variety of leading POS options to its vast merchant and client base. This is a big feather in MIST's cap considering that in 2001 Paymentech processed more than $114 billion of bankcard sales.

"At Paymentech, we provide the latest in cost-saving payment technologies for our merchants," says Brian Beacom, Director of Strategic Product Development for Paymentech. "Certifying the MIST Freedom III POS terminal is another way we can enhance both the quality and selection of products we offer to our clients."

MIST is committed to forming strategic alliances with other companies

that understand its technology since that is its edge. It is the cornerstone of the company, and MIST takes it seriously.

"We don't limit ourselves to who we will work with," says Lee. "We are the new kids on the block, so we are always looking for innovative thought that can bring market presence. We have something different and want to work with partners who appreciate that."

It would appear that MIST is successfully meeting the challenges of technology, alliances and keeping ahead of the curve. What poses the biggest threat?

"It's a good thing and a bad thing," says Lee. "It's keeping up with the pace of growth. We have many customers interested in product and wanting to certify with them. Obviously, a company that grows at 100% rate has stress. It's more inter-nal stress, such as hiring the right people."

Growth is the word at MIST. For the nine months that ended June 30, 2002, revenue was reported at $43.8 million, an increase of $4 million compared to the same period in 2001. Revenue from the sale of MIST's Freedom II and III transaction terminals more than doubled over the comparable period last year, to $15.6 million from $6.6 million, as these products continued to gain acceptance in the market.
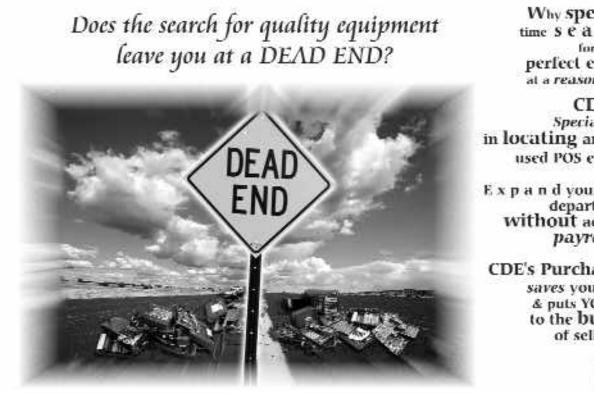
"While we have a high growth strategy, other challenges include building our customer base," says Lee. "We also recognize that our competitors are becoming formidable and are not sitting back. The next challenge is technology and continuing to be innovative."

That innovation can be seen in MIST's latest offering – the Freedom VT. It's a virtual terminal that puts transactional-terminal functionality into a Web browser. The application resides on MIST's FreedomGate.

"If you look at all appliances coming out, everything has a browser," says Lee. "Cell phones and PDAs have browsers. Kiosks have browsers. All of these apps could easily become POS terminals with Freedom VT because they can access our FreedomGate.

"By accessing a common platform, we can enable any Internet-enabled hardware to become a POS terminal. If you can't beat 'em, you got to join 'em. That's where our technology is going.

"Our goal is to build all apps using pure browser-based systems. That is the direction the industry is going, and we are planning for that direction."

COMPANY PROFILE ◄ ◄ ◄

Semtek Innovative Solutions Corp.

ISO contact:
Dennis Mos, Director, Sales and Marketing
Phone: 858-278-6003, ext.12
E-mail: dmos@semtek.com

Company address:
4217-A Ponderosa Avenue
San Diego, CA 92123
Phone: 858-278-6003
Fax: 858-278-6004
Web site: www.semtek.com
E-mail: sales@semtek.com

ISO benefits:
• Provides magnetic card readers designed to work with all standard digital interfaces and protocols.
• Offers complete line of mobile swipe card readers for PDAs and cell phones.
• Strong focus on supporting ISOs.
• Impressive product flexibility, customization and cost.
• Stays ahead of the magnetic stripe curve.

Retail on the Run

With a desire to get ahead of the magnetic stripe curve, four engineers with a combined 35 years of experience and expertise joined forces to meet the needs of a changing payment-processing environment.

Their goal: Build a commodity product for the emerging handheld market, deliver it on time, make it reliable, make it affordable and all the while make sure to take care of the customers. It would give them an edge. And it has.

Since its inception in 1998, San Diego-based Semtek Innovative Solutions Corp. has focused on one special market: anyone who needs to swipe a card on the run. That market includes stadiums, swap meets, taxis, tableside at restaurants, hotel door locks, limos, kiosks, even boarding-pass readers at airports.

In 1999, Semtek introduced magnetic card readers designed to work with all standard digital interfaces and protocols. Whether in single reader or hybrid magnetic card and smart card configurations, Semtek offered its solutions through resellers to merchants who wanted to take advantage of the growing wireless transaction market. Today, Semtek boasts that thousands of merchants have embraced its technology.

"We are the experts," says John Sarkisian, CEO of Semtek. "We have patented technology for detecting fraudulent cards and have developed wireless solutions that involved magnetic stripe card readers. Another feature that makes our device so competitive is our power-management feature."

Semtek's product flexibility, customization and cost also seem to appeal to merchants. "The customization comes into play in how merchants are doing their processing and what units they're using," says Sarkisian. "Some use Java, others use WAP. We customize it all. As for the cost, the processing fees are less than if you were not to do it at all. If merchants can't process that card in certain situations, they've lost the sale."

For the ISO arena, Semtek sees its biggest attraction in its support of that special sales channel. Between 40 and 50 national independent sales organizations are reaping Semtek benefits.

"We support the ISO," says Sarkisian. "The difficulty facing ISOs is that they look for a total solution with a unit, software, airtime and a gateway. So we put together alliances with providers that enable control of the whole process. And we bring this whole package to the ISO."

Those alliances include Casio, Compaq, Kyocera, Motorola, Palm and Symbol. "We look for someone to commit both ways, both for the customer and supplier," says Sarkisian. "We are constantly looking for partnerships since this market is emerging and as form factors change and people look to incorporate all these solutions into one

device, we want to be there with those people as their partner. Take Casio. We're teamed up with them in an exclusive partnership for three years. We were their first choice to build their reader."

Casio is not the only company that opted for Semtek solutions. AIRCHARGE exclusively uses Semtek card readers for its solutions. Based in Chicago, AIRCHARGE packages and sells wireless solutions for such devices as Nextel, Sprint, Verizon, Kyocera and Palm Pilot.

For the past year and a half, it has partnered with Semtek, buying in quantity at a set buy rate. Semtek is a hardware vendor for AIRCHARGE that resells its products to food delivery, heating, air conditioning, plumbing and taxi/limo service providers.

"Their products are high quality and meet the needs of our customers," says Bob Wallace, President of AIRCHARGE. "We don't see return units when utilizing their

equipment. They keep enough equipment in stock to handle all our needs. They have been very easy to work with."

Another partner praising Semtek is North American Wireless Solutions, out of Yonkers, N.Y. A Nextel wholesale business partner for the Tri-State area, North American Wireless relies on Semtek products for its resale success.

"Semtek is very entrepreneurial and very easy to work with," says Gino Ambrosio, President of North American Wireless. "While they offer the best pricing, that's not the defining factor. They offer the best service, the best quality product. It has been fantastic doing business with them. If all my vendors were like them, we'd be doing that much more business."

Ambrosio continues, "I need a company like Semtek to make the wireless credit card component for our customers. As wholesalers, we sell to the retailer. We can take their wireless credit card machine and allow them to do something they've never done before. It's fast. It's a fraction of the cost. It helps upsell our product and solidifies our relationship with our customers.

"We are always looking for different avenues to reinforce our customer relationships. Semtek does it for us. They have been great. I'll never forget John's words when we first met. He said, 'I want to take the Nordstrom approach – if anything goes wrong, we'll take it back.' That has made our life easier and has given us an entire package."

As a technological partner, SecurePay also has found satisfaction with Semtek. Headquartered in Braintree, Mass., SecurePay is a gateway and wireless solutions provider that recognized the innovation of Semtek and has been a partner since early 2000.

"They were one of the first to come to market with a solution we were looking for," says Jody Latimer, National Sales Manager for SecurePay. "As a gateway platform, we needed it for our wireless division to offer solutions through Palm products. We were one of the first to create apps for Palm devices.

"Semtek was one of the first to create the swipe. It's been excellent working with them. They are very responsive. They are very respectful. There are no issues with them. They always want to know what's coming. Old news is old news. As new products come along, they are creating swipes for them. They are ahead of the game."

While Sarkisian acknowledges that making the right alliance choice is an ongoing challenge for Semtek, the bigger challenge lies in meeting market demand.

"As the market matures, certain providers will get the bulk of the business," says Sarkisian. "Our challenge is to increase the functionality of our products by migrating to effectively and efficiently read smart cards, checks, bar codes, and even incorporating a printer feature."

One controversial market demand is smart card technology. Where does Semtek weigh in on the debate?

"We have to be prepared for it, but we're not expecting magnetic stripe to go away anytime soon," says Sarkisian. "Not a lot will be done until the government comes out with standards and/or regulations. And if the big boys like Visa and MasterCard go with smart cards, then we all will have to do it. We will be prepared for smart cards. We are constantly designing new products."

Another application Semtek is focusing on is identifica-

**Semtek's
iSwipe Card Reader**

tion. That focus already has paid off. Sarkisian says one of Semtek's software providers received a request from Nevada state law-enforcement agencies to work with Semtek devices on their handhelds to issue citations. What's next? Handing your credit card to the cop to pay the ticket?

While Semtek's future appears bright, Sarkisian sees obstacles facing the future of the wireless transactional marketplace.

"It's a fragmented industry, meaning there are a lot of people with various solutions on both the hardware and software side, transmitting data," says Sarkisian. "All that has to come together. Whether it be cellular-based phones or handheld devices, therein lies the challenge. Someone has to put it in a package that is simple for mobile merchants."

Semtek is banking on being an important piece of that package. "We are one part of the solution right now," says Sarkisian. "It could be the future for us once we dominate the magnetic stripe business. We want to make sure that if anyone wants to put a magnetic stripe on a handheld, Semtek is the company to do it."

JPMORGAN CHASE - BANK
FIRST DATA - PROCESSOR
MERCHANT DATA SYSTEMS – FULL SERVICE ISO/MSP

THE ONLY THREE REASONS YOU NEED TO BECOME OUR PARTNER IN PROCESSING.

INQUIRE ABOUT OUR NEW TWO HOUR MERCHANT UNDERWRITING, PROGRAMMING & SETUP.

NEVER LOSE ANOTHER DEAL, BE THERE FIRST, WITH MERCHANT DATA SYSTEMS' QUICK START PROGRAM.

PROGRAMS AVAILABLE FOR ISO'S/MSP'S, SALES OFFICES, AND AGENTS.

**CALL TODAY FOR A
PARTNERS IN PROCESSING
INFORMATION KIT
800-249-6377**

Merchant
Data
Systems
partners in processing

COMPANY PROFILE ◄ ◄ ◄

WRG Services, Inc.

ISO contacts:
Mike Stevenson, CEO
Steve Farley, Vice President of Operations
Phone: 800-531-1230 (ask for Sales)
E-mail: steve@wrgservices.com

Company address:
37500 North Industrial Parkway
Willoughby, OH 44094
Phone: 800-531-1230
Fax: 440-954-3670
Web site: www.wrgservices.com

ISO benefits:
• Expanding national network.
• No charge for applications, training and other initial support services.
• Sells or leases its own ATMs as well as machines from other manufacturers.
• Extremely accessible.
• Timely, accurate commission checks.

The Best ATMs in the Western Reserve – and Beyond

From its origins in supplying and servicing coin-operated music and game equipment to the full-service ATM company it is today, WRG Services, Inc. knows electronic machines. Responding to the trend toward access to quick cash, WRG moved from amusement equipment to machines that dispense money.

The company's ATM services include writing software applications, processing transactions, placing and repairing equipment, and devising innovative ways to boost revenue streams. Its goals remain to provide a total solution packaged with high-quality machines and customer service at competitive prices.

Its commitment to providing everything related to operating ATMs from beginning to end has resulted in excellent growth and many accolades for the company. In 2002, for example, WRG earned a spot on The INC 500 list, the "Fast Track 50" list for the second time and, for the third consecutive year, was named to the Weatherhead 100, the Case Western Reserve University's list of the fastest-growing privately held companies in eastern Ohio; it placed at number 13 this time.

"We saw fantastic growth (in 2002)," said CEO Mike Stevenson. "There is no other company in the U.S. that offers what we do – software, processing, machines, leasing. We provide everything to operate ATMs. For us, the answer is always 'the buck stops here.'

"We strive to be the best ATM company in the world!"

WRG Services, Inc. is the new name for the company that used to be Western Reserve Group. (The state of Ohio is part of what used to be called the Western Reserve when the territory belonged to Connecticut in the 18th and 19th centuries.) Twenty years in the vending machine industry gives WRG an edge on the competition, with knowledge and experience in electronic equipment as well as in managing and maintaining the equipment. These days, WRG builds, sells, places, services and repairs nearly 2,500 machines across the nation.

WRG is located in Willoughby, Ohio, and has more than 40 employees on-site, including administrative personnel, engineers, service techs and an in-house sales staff. But WRG also works with a network of ISOs across the nation who deal primarily with retail locations. The majority of the company's sales go through its independent agents.

Stevenson said the idea to move into ATMs germinated in 1996, just as the federal government OK'd deregulation of the ATM industry.

"Jim Penza, who incorporated Western Reserve Group in 1989 as a vending company, had never used an ATM 'til he saw one at vending show," Stevenson said. "We were just on the cusp then, with deregulation

> **"Across the board, we have sold all manufacturers and can service or place any ATMs. Our management tools are very complete. For instance, we monitor our machines remotely so that when there is an error or low balance code, either the sales rep or our service tech will be paged."**
>
> – Mike Stevenson
> CEO, WRG Services

allowing the collection of surcharge fees and off-premise placement. We started writing software and building machines, and then we started putting them at our locations. Since then, we've sold off all the vending business."

As a full-service ATM provider, WRG offers a complete ATM management solution to business owners across the U.S. and Canada. All of the pieces for the puzzle, including equipment, repair, processing and financing, are together under one roof, which simplifies ATM management for the merchant from start to finish. WRG team members first will analyze a merchant's needs and recommend the best machine – whether it's one of their own Fast CA$H or Vision 100s or a machine under a different brand name – to purchase or lease at low rates.

Stevenson said WRG's business philosophy to be a total solution is reflected in the company's product line. It stands behind that promise with quality equipment, competitive pricing and a high level of customer service.

The company's commitment to the customer is evident in both the hardware and software it offers, including its own ATMs and those manufactured by other companies. From software design to the machines and their maintenance, WRG engineers, techs and sales force are knowledgeable and experienced at working with every aspect of ATMs.

"Across the board, we have sold all manufacturers and can service or place any ATMs," Stevenson said. "Our management tools are very complete. For instance, we monitor our machines remotely so that when there is an error or low balance code, either the sales rep or our service tech will be paged."

WRG-manufactured ATMs, built in Ohio, offer a range of options for the businesses that lease or purchase them.

The Fast CA$H works with VeriFone's Omni 490 terminals and is designed to be a dependable, reliable, low-cost cash-dispensing machine. It does not feature a graphic screen component.

The Vision 100 has "all the bells and whistles," according to Stevenson, and utilizes Hypercom's ICE 6000 platform. "We wrote a program to turn it into a terminal," he said. "This allows us to build solutions in a component frame, enables ease of service and makes it very simple to swap components."

Software engineers listen to what customers want and take their feedback into consideration. Programs can be individually written based on the outcome of those discussions. WRG's CASS 2000 software has been designed to power most VeriFone-based equipment as both an ATM and as a processor; that eliminates glitches that resulted in large blocks of downtime in older programs. The TerMon program lets an ATM owner perform operations from an off-site PC that until now had to be done at the location.

The inspiration to write software came from necessity. Before WRG established its distributor network, all of the ATMs the company sold had to be individually serviced from Ohio. A merchant who had a question or problem with a PC-based ATM had to be guided through the maintenance process over the phone.

> "We are always looking for independent sales agents. But we absolutely check backgrounds. For instance, we belong to the Better Business Bureau, and we look for unfavorable postings there. We have severed relationships and turned people away."
>
> — Mike Stevenson

WRG also will help develop ways to make the ATMs money-making profit centers once they're in place. "With ATMs you have a two-by-three-foot space. Once you own that real estate, it's all about adding value," Stevenson said.

WRG works with its ATM customers on ways to increase revenue from the machines. Its ATMs feature screens that can display up to 20 different ads. Another add-on, available on all WRG machines, is rechargeable prepaid cell phone time; WRG provides back-end links to cell service providers.

And, when those machines need a tuneup, WRG's certified repair technicians specialize in quick turnaround time. Again, service contracts are written specifically so that each ATM owner can individualize a program that suits the needs of the business. "We will give them as much or as little service and support as they want," Stevenson says.

Because the company relies heavily on ISO partners who are supported by the on-site support staff in Willoughby, Stevenson said WRG always is interested in signing outside reps. It is cautious, though, when it comes to working with people who will be representing WRG to retailers and other business owners.

"We are always looking for independent sales agents. But we absolutely check backgrounds," he said. "For instance, we belong to the Better Business Bureau, and we look for unfavorable postings there. We have severed relationships and turned people away."

WRG provides ISOs with access to information as well as a venue for sharing information. Stevenson even makes his e-mail address available to every agent, and he really does read each one before forwarding it to the right department for an answer.

NEW PRODUCTS ◄ ◄ ◄

Contactless Payments on Existing POS Terminals

ViVOpay
ViVOtech

Here's a way for your merchants to jump on the proximity-payment bandwagon. ViVOtech has designed a contactless, or proximity, payment hardware device called ViVOpay that upgrades existing magnetic stripe point-of-sale (POS) terminals so they can accept contactless payments from credit and debit cards, cell phones or PDAs.

Contactless payments make transactions faster and easier. There's no swiping. Consumers simply wave their contactless cards (such as MasterCard's PayPass card) or point and click their cell phones or PDAs, and account information gets transmitted securely using radio frequencies or infrared technologies. ViVOtech's solution allows upgraded terminals to accept both contactless cards and traditional magnetic stripe cards.

ViVOtech says ViVOpay does not require altering of an existing terminal's internal hardware, software, transaction networks or back-office systems, and merchants can easily install the terminal. The company also says the cost

to upgrade to its contactless payment solution is less expensive than the cost of a new POS terminal.

ViVOpay works with many terminals and devices, such as the VeriFone Tranz 330/380, the VeriFone Omni 3200, the Hypercom T7P, the Hypercom ICE 5500 and the Dresser Wayne Plus.

In 2002, ViVOtech partnered with MasterCard International in Orlando to pilot MasterCard's PayPass contactless payment program using ViVOtech's ViVOpay terminals ("Tap it or Wave it, Payments Add Up," The Green Sheet, January 13, 2003, issue 03:01:01).

ViVOtech

451 El Camino Real, 2nd Floor
Santa Clara, CA 95050
408-248-7001
www.vivotech.com

Managing Chargebacks Online

Merchant Explorer OnLine
National Processing, Inc.

Oh, those pesky exception items – also known as retrieval requests and chargebacks. For many merchants, managing and processing these can be onerous tasks, and they also have to keep track of all the paper. National Processing Co. (NPC), a subsidiary of National Processing, Inc., helps merchants better manage their exception items with its new product, Merchant Explorer OnLine.

Merchant Explorer OnLine is a thin-client application designed for businesses that process their credit and debit card transactions with NPC. The software allows merchants to view retrieval and chargeback information in real time – no more waiting for batch updates. As NPC

inputs data on its end, merchants can view it online through their own computers.

NPC supplies software on a CD for a small-to-midsize merchant to install on a desktop with Internet access. Users are provided with secure login IDs and passwords in order to gain access to an SQLdatabase, which stores the exception information. The product has extensive search capabilities so users can find information quickly. One can search by case number, card number, etc.

For larger businesses managing a larger quantity of exception items, NPC will make room on its authorization and settlement bandwidth connection for point-to-point communications between itself and the merchant.

Here's a nice benefit: Since NPC stores digital images, the product eliminates the amassing of hard copies of sales receipts. NPC said its users also love the ad-hoc reporting capabilities that allow them to access the database to customize reports.

Merchant Explorer OnLine's reporting capabilities include the ability to track chargebacks and retrievals; submit chargeback reversal requests; view bank documentation or previously scanned images; view detailed transaction, authorization and credit information for exceptions; and create, view and print reports.

Users can access the standard reports that come with the product or customize their own reports by sorting and viewing data in the database as needed. Data also can be exported into other systems.

Since many retrieval requests can turn into chargebacks over a certain period of time if left unaddressed, Merchant Explorer OnLine uses a color-coding system to help merchants keep track of their retrievals so they don't miss a deadline. Critical items are flagged with red, aging items are marked with yellow and new items are labeled green.

National Processing, Inc.

1231 Durrett Lane
Louisville, KY 40213
800-255-1157
www.npc.net

GENERAL NEWS

Eula Adams Leaving First Data

First Data Corp. announced that **Eula Adams**, President of First Data's Card Issuing Services, is leaving the company effective March 1, 2003 to "pursue other opportunities." First Data put a transition team in place to keep operations running smoothly. The team will report to Charlie Fote, First Data's Chairman and CEO, until a successor for Adams is named.

Economic Growth Slowed in Q4 2002

According to advance estimates of the gross domestic product (GDP) from the **U.S. Department of Commerce's Bureau of Economic Analysis**, the U.S. economy grew at an annual rate of 0.7% in the fourth quarter 2002 – a much slower pace than the previous quarter, when it grew 4%. U.S imports increased, which are a subtraction in the calculation of GDP, while growth in GDP is attributed to government spending, personal-consumption expenditures (PCE), equipment and software and residential fixed investment. Preliminary estimates will be released on February 28, 2003.

NACHA Asked to Delay Rule Change

The Association for Financial Professionals (AFP), an organization supporting treasury and financial professionals, asked **NACHA-The Electronic Payments Association** to delay its rule change that allows receivers (payees) of corporate checks to convert funds to automated clearinghouse (ACH) debits.

The AFP says NACHA's new rule allowing business-to-business (B2B) checks to be converted into electronic payments increases a business' exposure to fraud and disrupts corporate cash-management policies. AFP wants the rule change to be delayed until March 2004 to allow time for more corporate education.

The AFP believes payers should be the ones who decide whether to authorize conversion to ACH debits, not payees. NACHA's new rule does allow payers to prevent electronic conversion by using an "auxiliary on-us field" in the MICR line of their checks, but an AFP survey revealed "widespread uncertainty" about the effectiveness of using this opt-out feature and a need to build more awareness of it.
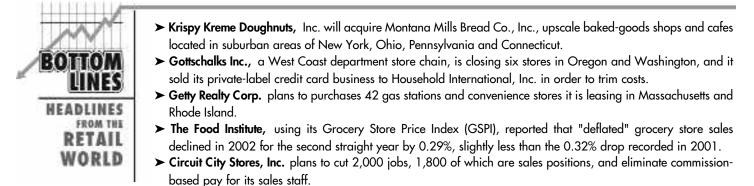
Small Business Owners Love Independence

Nearly three-quarters of employed Americans are either interested in owning, currently own or have owned their own business, according to a recent study* by **The Hartford Financial Services Group**, provider of small-business insurance.

The survey found that financial success was the driver for those thinking of going out on their own (60%), but current business owners said setting their own hours (62%) and being their own boss (53%) are what makes them happiest – only 39% listed financial success as a primary incentive. The study found the following reasons why many shy away from starting their own business:

- Insufficient financial resources (77%)
- The need for a regular paycheck (62%)
- Fear of failure (54%)
- Uncertainty about how to get started (54%)
- Loss of health and disability benefits (47%)

*Study conducted in 2002 by independent online research company **Opinionsite**.

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

- ➤ **Krispy Kreme Doughnuts,** Inc. will acquire Montana Mills Bread Co., Inc., upscale baked-goods shops and cafes located in suburban areas of New York, Ohio, Pennsylvania and Connecticut.
- ➤ **Gottschalks Inc.,** a West Coast department store chain, is closing six stores in Oregon and Washington, and it sold its private-label credit card business to Household International, Inc. in order to trim costs.
- ➤ **Getty Realty Corp.** plans to purchases 42 gas stations and convenience stores it is leasing in Massachusetts and Rhode Island.
- ➤ **The Food Institute,** using its Grocery Store Price Index (GSPI), reported that "deflated" grocery store sales declined in 2002 for the second straight year by 0.29%, slightly less than the 0.32% drop recorded in 2001.
- ➤ **Circuit City Stores, Inc.** plans to cut 2,000 jobs, 1,800 of which are sales positions, and eliminate commission-based pay for its sales staff.

ANNOUNCEMENTS

New ATM Company

Chicago-based **Midwest Bancard Corp.** announced a spin-off of its ATM manufacturing and processing division – a new and separate company called **Qualtex** (www.qualtexcorp.com). Qualtex will launch the WeatherMaster, a new cash dispenser.

Global Payments Certifies APRIVA

Global Payments Inc. certified **APRIVA**'s wireless gateway and point-of-sale product, the APRIVAPOS. APRIVA POS is a hardware and software solution that enables merchants to process credit card transactions from any location using major credit card processors.

Tranax Releases 3DES ATM

Tranax Technologies, Inc. released a fully compliant 3DES-encrypted ATM, the Mini-Bank 1500 ATM. According to Visa, effective Jan. 1, 2003 all newly deployed ATMs should support 3DES. For MasterCard, all new-to-market ATMs must be compliant by April 1, 2003, and existing ATMs must be compliant by April 1, 2005.

Tranax says all newly released Mini-Bank 1500 ATMs will be loaded with new versions of AP and EPP (Encrypted PIN Pad) software, which can use 3DES with a 32-digit master key, automatic unique key binding and MACing (message authentication). For Tranax's existing 3DES-capable Mini-Bank 1500s, users can install the new AP and EPP software without upgrading hardware.

POSDATA Opens New Service Facility

POSDATA, Inc. said it has moved from a 12,500-square-foot service facility to a new 50,000-square-foot facility in Louisville, Ky., to provide better service to its customers and prepare for future growth. POSDATA offers multiple services to the retail point-of-sale, financial and OEM (Original Equipment Manufacturer) industries.

CashWorks Raises $5M

CashWorks Inc. announced it has raised more than $5 million in funding; its lead investor is **Capital Southwest**. CashWorks has implemented its PayPort technology (patent-pending) in about 300 retail locations and expects to have more than 1,000 locations by the end of 2003. PayPort provides low-cost check cashing services at existing ATMs in retail locations such as convenience stores.

Metris To Cut Jobs

Metris Companies Inc., issuer of credit cards through its wholly owned subsidiary, Direct Merchants Credit Card Bank, N.A., announced it will reduce its workforce by 180 employees to try to reach profitability again.

More than half of the positions being cut are at Metris' Minnetonka, Minn., headquarters. The reductions include approximately 25% of the company's senior management team.

PARTNERS

ATMSafe Secures Four New Partners

ATMSafe North America, LLC announced two new marketing partnerships. **AXA Assistance** and **National Accident Insurance Consultants, Inc. (NAIC)** agreed to market the ATMSafe program in the United States by offering the program to their clients and distribution sources. Banks **HSBC Argentina** and **BBVA Argentina** partnered with ATMSafe Latin America, sa to implement the ATMSafe program.

ATMSafe is a type of insurance that covers the amount of cash lost and any medical expenses resulting from injuries suffered if a customer is robbed at an ATM. The service also adds a new source of revenue for ATM owners or lessors at each transaction. Many of ATMSafe's clients are in Latin American countries, where safety is often a concern when using an ATM.

Western Union Renews with Kroger

Western Union Financial Services, Inc., a subsidiary of First Data Corp., and its affiliate, **Integrated Payment Systems**, renewed an agreement with **The Kroger Co.** to provide Western Union money transfer and money order services. The deal adds nearly 500 Kroger stores in Texas, California and Indiana to Western Union's network, and approximately 1,000 Kroger-owned locations will now offer Western Union money orders.

More Web Sites Move to Paid Content

Yaga, Inc. announced **uclick, LLC**, formerly Universal New Media, the digital media division of Andrews McMeel Universal, is using its software to sell subscriptions on the Web sites uPuzzles.com and MyComicspage.com.

ECHO Renews with First National

Electronic Clearing House, Inc. (ECHO) renewed its contract with **First National Merchant Solutions**, a wholly owned subsidiary of First National Bank of Omaha. ECHO processes and settles checks drawn on non-participating banks as part of First National's Visa POS program, which is branded and marketed under the name CompletePay. The program converts paper checks into electronic transactions, providing merchants with immediate online authorization.

Certegy Wears the Jewels

Certegy Inc. will provide electronic check and ACH warranty services for consumer-not-present check transactions for telephone orders and Internet purchas-

es through its PayNet platform to **Ashford.com**, an online retailer of fine gifts and jewelry. **Odimo, Inc.**, the parent company of Diamond.com, which has used Certegy's check services since June 2001, recently acquired Ashford.com.

Certegy also announced it is providing check warranty and collection services to all 629 automotive parts and service chain stores of The Pep Boys – Manny, Moe & Jack.

CRI to Market Dell Cash Registers

Computer Resolutions, Inc. (CRI) will market **Dell Computer**'s retail point-of-sale line of electronic cash registers. CRI, a full-service supplier of computer hardware, systems and services, has been an authorized Dell Service provider since 1991. For its cash registers, Dell is bundling one of its desktop PC's with touch screens, bar code scanners, thermal printers and cash drawers.

Starbucks Japan to Use FDC Gift Card

Starbucks Coffee Japan, Ltd. is using **First Data Corp.**'s ValueLink gift and spending card service for the Starbucks card program in Japanese coffeehouses. Similar to the Starbucks gift card program in the U.S., Starbucks Japan's fully integrated system will allow consumers to make purchases and add funds on existing cards at any of the company's 400 locations throughout the country. ValueLink will handle the card transactions, marking the first ValueLink program in Japan.

7-Eleven Vcoms Add Loyalty

Alliance Data Systems Corp. will provide stored value and loyalty marketing services for **7-Eleven, Inc.**'s Vcoms. Vcoms are 7-Eleven's proprietary electronic-commerce touch-screen kiosks that offer financial services such as ATM transactions, purchases of money orders or money transfers, and check-cashing. Alliance Data's program allows consumers to store money on a 7-Eleven Vcom card after cashing checks at the kiosks or loading cash onto the card. 7-Eleven plans to install Vcom kiosks in 1,000 of its stores by the end of May.

TGIF Goes for Fifth Third Bank

Carlson Restaurants Worldwide Inc., the parent company of **T.G.I. Fridays,** has selected **Fifth Third Bank Processing Solutions** to be its endorsed credit card processor. Fifth Third will provide processing for the company's Visa, MasterCard, American Express and Discover credit card transactions. Carlson Restaurants operates, franchises and licenses 713 restaurants in 56 countries.

B of A Spreads Out in Valero

Bank of America has expanded its partnership with **Valero Energy Corp.** and is installing its ATM software in more than 1,100 of Valero's ATMs, located in Valero - owned retail stores Diamond Shamrock Corner Stores, Stop N Go, Ultramar, Valero, Beacon and Total. B of A's previous contract with Valero was for only 300 ATMs in the Stop N Go convenience stores.

ACQUISITIONS

Humboldt Finds New Buyer for ISO Business

First National Bank Holding Co. has agreed to buy Eureka-Calif.-based **Humboldt Bancorp**'s proprietary merchant processing operations for $32 million in cash. The deal is expected to close by March 15, 2003, and Humboldt said it should recognize an after-tax gain on the sale of approximately $18 million during Q1 2003. Humboldt Bank will continue to provide card sponsorship processing for two ISOs until their agreements expire. In 2002, Humboldt attempted to sell its merchant processing division to iPayment Holdings, Inc. for $34 million in cash, but the deal did not go through.

E*Trade Acquires 4,000 ATMs

E*TRADE Access, Inc., a wholly owned subsidiary of E*TRADE Bank, recently acquired a portfolio of more than 4,000 ATMs from **XtraCash ATM, Inc.** E*TRADE's ATM network now includes more than 15,000 machines, making it the second-largest ATM network in the United States. eFunds Corp. says it has the largest network, with 16,844 ATMs. E*TRADE said the acquisition increases the size of its network by approximately 30% and expands the company's reach in California and the western states.

APPOINTMENTS

Siembieda Elected to STM's Board

CrossCheck, Inc. President and CEO **J. David Siembieda** was elected to the Board of Directors for Fillmore, Calif.-based Solid Terrain Modeling (STM), a manufacturer of full-color 3-D solid terrain models. Siembieda also is a member of the advisory boards of The Green Sheet and AR Analytics of Mill Valley, Calif., and is a member of the Infrared Data Association (IrDA) and the Electronic Check Council for NACHA.

eFunds Announces Appointments

As part of a recent reorganization plan, **eFunds** hired and promoted several new executives. eFunds hired **Kevin Reager** as Senior Vice President (SVP), Division Executive, ATM Solutions; and **Mike Feliciano** as SVP, Division Executive, EFT Solutions. **Kathleen Flanagan** was promoted to SVP, Division Executive, Outsourcing Solutions. In addition, **Tommy Andrews** was hired as SVP, Corporate Development; **Kim Jones** joined as Director of Security; and **Sean Murphy** is the new Director of Audit.

> WATER COOLER WISDOM
>
> *A happy person is not a person in a certain set of circumstances, but rather a person with a certain set of attitudes.*
>
> — Hugh Downs

Say Cheese

Out in the workplace, as in our personal space, nothing contributes more to building and maintaining strong relationships than a positive attitude. Attitude communicates mood. It sets the stage for dialogue. It can make or break a sale.

Attitude starts inside. It's a mental focus on external surroundings, and like a camera, you can focus either on the positive or negative aspects of your day. Attitude is a process of viewing and interpreting your working environment. In other words, it's about perception. You can concentrate on the fun and fulfilling activities of your selling routine ... or you can see it all as a drag. You have the power to take the photo.

If you want to know what you're seeing through your career lens, ask yourself the following questions. Your answers will tell you where you're placing your F stop.

• I concentrate on positively adjusting my attitude each morning on my way to work.
• My colleagues would rate my attitude as always upbeat.
• Each day I make an effort to positively build co-worker relationships.
• I have a healthy sense of humor in the workplace.
• I have an enthusiastic approach to my work.
• I don't dwell on small negative problems at work.
• I communicate a positive attitude over the phone on each call.
• I show patience and respect in all of my business dealings.

ISO, Can You Hear Me?

Ever put yourself in the prospect's shoes? There's value in walking a mile in someone else's moccasins. Here's what you might hear while wearing them.

"So, you want to sell me the latest and greatest payment-processing solution. You say you have the answer to my particular business prayer. You swear the secret to solving my processing problems lies in your services. OK, but before we get into it, can you answer a few questions for me?

• Do you know what my company sells?
• Do you know who my customers are?
• What specific area of retail do we specialize in?
• Have you estimated our annual sales?
• Do you know how many employees I have?
• Do you know how many locations we service?
• Do you know our hours of business?
• Have you visited our Web site?
• Are you familiar with our target market?
• Do you work with any of our competitors?
• Have you determined where our biggest problem lies?
• What will you get out of this partnership?

If you can answer these questions correctly, you'll be that closer to making a deal. Granted, it takes more than a preliminary questionnaire, but if you fail this first-level test, there's no makeup exam. At least not with that prospect.

So, before you meet your next potential customer, hit the books. Bone up on that business and be ready to hear what the customer says. The opportunity to be heard will be a welcome surprise to a prospect anticipating a hard sale.

DATEBOOK

ETA 2003 Annual Meeting and Expo

Highlights: "Beat the Odds" and raise the stakes for your company's success at the Electronic Transactions Association's big annual gathering in Las Vegas. Companies from all areas of the financial services industry will be there showcasing products and services; attendees from executives to vendors will have plenty of networking opportunities. The event opens on Tuesday, April 8 with meeting registration, an all-day golf tournament and an evening welcoming party with exhibitors. An ETA University Basic Training session is scheduled for 8:30 a.m. to 4:30 p.m. General and educational sessions and an exhibition covering 50,000 square feet will follow April 9-10.

When: April 8-10, 2003
Where: MGM Grand, Las Vegas
Registration Fees: Vary by ETA membership status, workshop selections, activities and registration date
How to Sign Up: Visit www.electran.org, phone 800-695-5509 or e-mail Shawn Canfield at ETA headquarters at s.canfield@electran.org

Visa Workshops
Key Management (one day), Auditor (three day)

Highlights: Visa will present a series of one-day workshops around the country and a three-day auditor workshop in Boston. The workshops are designed to provide information for anyone involved in the management or operation of ATMs, PIN pads, cash dispensers and hardware-security modules and the management of cryptographic keys. Topics will include DES cryptography, Visa's PIN security program, PIN-based transaction trust models, knowledge control, cryptographic methods and operations. The three-day auditor workshop will cover current and future threats and a thorough study of Visa's 35 PIN security requirements.

When and Where:
Key Management Workshops:
April 16, 2003 ....New Orleans Hyatt Regency
May 21 ....Kansas City (Mo.) Hyatt Regency Crown Center
June 18 ....Visa USA Headquarters, Foster City, Calif.
Sept. 17 ....Philadelphia Doubletree Inn
Nov. 4 ....Visa Latin America Regional Office, Miami
Auditor Workshop:
August 26-28, 2003......................Omni Parker Hotel, Boston
Registration Fees: One-day Workshops – $495 per person; Auditor Workshop – $1,395 per person
How to Register: E-mail Marsha Jackson at mjackson@visa.com

Selling Vocally

An integral component of your selling game is your voice. It is the initial tool one uses when making that all-important first impression. What impression is your voice making?

Just as you hone your sales skills, you need to develop a voice that sells. In an industry where face-to-face meetings are the exception rather than the rule, sales professionals don't have the luxury of presenting visual aids to support sales pitches.

Their voice is their only instrument. If you want your voice successfully singing the praises of your products and services, consider the following before you make that next sales call:

• **Tone it Down ... or Up.** Whether it's loud and brash or meek and monotone, prospects will react strongly to an annoying sound. Their likely reaction: to hang up. A more moderate but still vibrant tone that modulates in pitch will produce a more desirable reaction.

• **Speak into the Mike.** Grab your pocket tape recorder and make a recording of your sales-call presentation before you dial the phone. Play it back, keeping in mind that your prospect will hear exactly what you've recorded. Now may be the time to go back and re-dub!

• **Practice Your Pitch.** Rather than skim through the morning paper, turn on your tape recorder and read aloud from any article in your normal speaking voice. Now, reread the article with more emphasis, impact and feeling. Compare the two. Which one sounds more confident and convincing? Which one delivers the message?

• **Fine Tune.** Think of your voice as a stereophonic signal. Your mind is the mental control panel. Volume can be loud or soft. Speed can be fast or slow. Energy can be up or down. However you adjust it, remember that if your prospects hear a signal that is irritating and static-filled, they'll change the station. If your signal comes across crisp and clean, they'll stay tuned.

Good Selling!

Paul H. Green

PARTNERSHIP PROGRAM

ACCPC

American Credit Card
Processing Corporation

TO START YOUR OWN BUSINESS
CALL US

1-800-310-3812

A COMPANY OWNED AND OPERATED
BY SALES PEOPLE

RESOURCE GUIDE

The Resource Guide has grown to accommodate increased interest! To add your company to our expanding listing, call 800-757-4441 today.

ATM/SCRIP ISOs LOOKING FOR AGENTS

Access ATM
(866) 874-0384
Amicus/XtraCash ATM
(888) 712-1600
ATM Merchant Systems
(888) 878-8166
Data Capture Systems, Inc.
(800) 888-1431
NationalLink
(800) 363-9835

BANKS LOOKING FOR ISOs/MSPs

Bridgeview Payment Solutions
A Wholly Owned Subsidiary of Bridgeview Bank and Trust
(888) DO APPLY
Comerica Merchant Services
(800) 790-2670
First American Pymt Sys
(866) GO4 FAPS
Humboldt Bank Merchant Services
(877) 635-3570
National Processing Co.
(800) 672-1964 x 7655
Professional Payment Consultants
(402) 496-6381
Retriever Payment Systems
(800) 376-3399

CHECK DRAFTING SERVICES

CFIGroup
(888) FON-CHEX
Checks by Phone/By Web
(561) 998-9020

CHECK GUARANTEE/ VERIFICATION

Abanco Intl., LLC
(866) 231-2030 x2347

CrossCheck, Inc.
(800) 654-2365
ElectCheck Plus
(800) 863-5995
EZCheck
(800) 797-5302 x303
Global eTelecom, Inc. (GETI)
(877) 454-3835
Global Payments
(800) 638-4600 x888
Nationwide Check Services
(800) 910-2265
Secur-Chex
(888) 603-0978

COMPLIANCE/PIN ENCRYPTION

INFORMATION EXCHANGE, INC.
(973) 734-0822

CONSULTING AND ADVISORY SERVICES

First Annapolis Consulting, Inc.
(410) 855-8500
Integrity Bankcard Consultants, Inc.
(800) 816-4224
Novida Consulting
(402) 895-5142
Service Dimensions, Inc.
(800) 578-3800

DEBIT TRANSACTION PROCESSING

CashLane
(800) 325-2862
Global Payments, Inc.
(800) 801-9552

EFT-ACH SETTLEMENT SERVICES

Checkgateway.com
(480) 785-2262
Intercept Corporation
(800) 378-3328

EQUIPMENT

Abanco Intl., LLC
(866) 231-2030 x2347

Assoc. Terminal Mgmt (ATM) Grp
(877) 286-4768
Automated Transaction Tech.
(888) 454-1210
BANCNET
(713) 629-0906
BUDGET Terminals & Repair
(985) 649-2910
CardWare International
(740) 522-2150
CDEServices
(800) 858-5016
Electronic Payment Systems, LLC
(800) 863-5995
General Credit Forms, Inc.
(800) 325-1158
Global Payments
(800) 229-3698
The Horizon Group
(888) 265-2220
Ingenico
(800) 252-1140
Lipman USA, Inc.
(516) 484-9898
MLT & Assoc., Inc. Plastic Refurb
(775) 358-2922
National Processing Company
(800) 672-1964 x 4383
Nationwide Check Services
(800) 910-2265
POSPortal, Inc.
(866) 276-7289
Schlumberger Sema
(800) 732-6868 x202
Teertronics, Inc.
(800) 856-2030
TASQ Technology
(800) 827-8297
Thales e-Transactions, Inc.
(888) 726-3900
Vital Merchant Services
(800) 348-1700

FREE ELECTRONIC CHECK RECOVERY

Gulf Management Systems, Inc.
(800) 947-3156

FUNDING SOURCES

Resource Finance Company, LLC
(866) 211-0114

GIFT/LOYALTY CARD PROGRAMS

CHIPLOGICS
(866) 462-4477
POS Payment Systems
(718) 548-4630 x18

INSTANT MERCHANT APPROVALS

Creditdiscovery, LLC
(877) 789-4976 x8006

ISO RELATIONSHIPS AVAILABLE

Abanco Intl., LLC
(866) 231-2030 x2347
AmericaOne Payment Sys
(888) 502-6374
BioPay Biometric Pymt Svcs
(866) 324-6729
Brennes-Jones Group
(800) 970-2592 x1003
Business Payment Systems
(877) 700-7947 x242
CoCard Marketing Group, LLC
(800) 882-1352
First American Payment Systems
(866) GO4 FAPS
First Data Merchant Services
(866) FDMS-ISO
FMBS
(800) 866-5641
Global eTelecom, Inc. (GETI)
(877) 454-3835
Global Payments
(800) 801-9552
Merchant Data Systems, Inc.
(800) 249-6377
MSI-MerchantServices, Inc.
(800) 351-2591 x9-23
Nationwide Check Services
(800) 910-2265
Partner-America.com
(800) 366-1388

Total Merchant Services
(888) 84-TOTAL x314
United Bank Card (UBC)
(800) 201-0461

ISOS/BANKS PURCHASING ATM PORTFOLIOS

Midwest Bancard Corporation
(888) 272-4325
Momentum Cash Systems
(800) 939-0914

ISOs/BANKS PURCHASING MERCHANT PORTFOLIOS

AmericaOne Payment Sys
(888) 502-6374
CardPoint, Inc.
(410) 592-7485
Concord EFS, Inc.
(800) 778-4804 x66382
Global Payments Inc.
(416) 847-4477
Merchant Data Systems, Inc.
(800) 249-6377
Merchant Services Incorporated
(800) CARDSWIPE x7934
Southwest Financial Services, Inc.
(800) 841-0090

ISOs LOOKING FOR AGENTS

Abanco Intl., LLC
(866) 231-2030 x2347
Advanced Merchant Services (AMS)
(888) 355-VISA (8472)
AmericaOne Payment Sys
(888) 502-6374
American Credit Card Proc.Corp.
(800) 310-3812
Approval Payment Solutions, Inc.
(888) 311-7248
Bancard Payment Systems
(866) 987-7200
BankCard USA
(800)589-8200 x101
Brennes-Jones Group
(800) 970-2592 x1003
Business Payment Systems
(877) 700-7947 x242
CardPoint, Inc.
(410) 592-8998

Certified Merchant Services
(800) 732-7099
Comerica Merchant Services
(800) 790-2670
Concord EFS, Inc.
(800) 778-4804 x 66382
Cornerstone Payment Systems
(866) 277-7589
CPS Group, inc.
(800) 933-0064
Cynergy Data
(800) 933-0064 x 5710
E-Commerce Exchange
(800) 748-6318
Electronic Merchant Systems
(800) 726-2117
Electronic Payment Sys., LLC
(800) 863-5995
EXS Electronic Exchange Sys.
(888) 949-2021
Fifth Third Merchant Services
(800) 669-7228
First American Payment Systems
(866) GO4 FAPS
FMBS
(800) 866-5641
Frontline Processing
(866) 651-3068 x133
Imperial Processing Group
(800) 790-2670
Innovative Merchant Solutions
(800) 397-0707
IRN PAYMENT SYSTEMS
(800) 366-1388
Lynk Systems, Inc.
(866) 828-5965
Merchant Data Systems, Inc.
(800) 249-6377
Merchant Services, Inc.
(800) CARDSWIPE
Momentum Cash Systems
(800) 939-0914
Money Tree Services
(800) 582-2502 x100
MSI-MerchantServices, Inc.
(800) 537-8741 x9-12
MSPDirect, LLC
(888) 490-5600 x112
National Processing Co.
(800) 672-1964 x7655

Nationwide Check Services
(800) 910-2265
Netcom Data Southern Corp.
(800) 875-6680
Online Data Corporation
(866) 222-2112
Orion Payment Systems
(877) 941-6500
Retriever Payment Systems
(800) 376-3399
Signature Card Services
(888) 334-2284
Total Merchant Services
(888)-84-TOTAL x314
United Merchant Services
(800) 260-3388 x236
Vequity Financial Group
(800) 442-8380
Worldwide Merchant Services
(800) 847-2662
Xenex Merchant Services
(888) 918-4409

LEADS GENERATORS

Hot Leads Xpress
(866) 244-2593

LEASING

A-1 Leasing
(888) 222-0348
Abanco Intl., LLC
(866) 231-2030 x2347
ABC Leasing
(877) 222-9929
Allied Leasing Corp.
(877) 71-LEASE
American P.O.S. Leasing Corp.
(800) 349-6516
BARCLAY SQUARE LEASING, INC
(866) 396-2754
Electronic Payment Systems, LLC
(800) 863-5995
First Leasing Corp.
(888) 748-7100
GlobalTech
(800) 414-7654 x 3002
Golden Eagle Leasing, Inc.
(800) WE LEASE
Integrated Leasing Corp.
(800) 398-9701
LADCO Leasing
(800) 678-8666

Lease Finance Group
A Division of CIT
(888) 588-6213
Leasecomm Corp.
(800) 515-5327
Merchants Leasing Systems
(877) 642-7649
Merimac Capital
(888) 603-0978
Nationwide Check Services
(800) 910-2265
Northern Leasing Systems, Inc.
(800) 683-5433 x 8500
TASQ Technology
(800) 827-8297

NON-U.S. MERCHANT ACCOUNTS

PSiGate Payment Services
(877) 374-9444

POS CHECK CONVERSION

Abanco Intl., LLC
(866) 231-2030 x2347
B-CHeX
(877) 700-7947 x242
CrossCheck, Inc.
(800) 654-2365
E-Chex
(877) 474-8924
ElectCheck Plus
(800) 863-5995
ElectroCheck
(877) 509-9399
EZCheck
(800) 797-5302 x303
Global eTelecom, Inc. (GETI)
(877) 454-3835
Nationwide Check Services
(800) 910-2265

POS SUPPLIES

CardWare International
(740) 522-2150
General Credit Forms, Inc.
(800) 325-1158
TASQ Technology
(800) 827-8297
The Horizon Group
(888) 265-2220

EARN A $10,000 SIGN-ON BONUS!*

And Offer …

All new accounts the ability to view transactions on-line using *Merchant E-View*™!

Merchant E-View™ is an online tool that shows the merchant's net deposit and activity.
Using *Merchant E-View*™ allows the merchant to balance their business checking account
statement and their credit card processing statement to their checkbook!

And Best of All …

IT COSTS NOTHING EXTRA!

$10,000 SIGN-ON BONUS
(ONLY THE HAT IS OPTIONAL)

We are proud to provide unprecedented customer service, on-line merchant reports, a universal "all-in-one" application, faxed applications, same day approval, no risk and no liability to you, full disclosure, along with a merchant agreement that is clear and conspicuous. Who else offers this and more in the payments processing industry? We believe, **No One.**

CMS

- 1.49% & $0.089 (100% above)
- .75% + $.10 mid qual. (100% above)*
- 1.10% + $.10 non qual. (100% above)*
- $4.95 statement fee (100% above)*
- .0288 lease factors (no first & last month)
- Online   Status Reports
- Universal "All-in-One" Application

- No Liability / No Risk
- Faxed Applications
- Same-day Approvals
- Full Disclosure Policy
- Merchant Agreement that is Clear & Conspicuous
- Prompt & Responsive Customer Service

*CALL NOW TO EARN A $10,000 SIGN-ON BONUS!

You never know who will walk through the door tomorrow.   *Some restrictions apply   Call for details.
Do business with a company whose methods, practices and procedures are tried and true.
CMS is the organization *Leading a New Era* of ethics, service, and innovation in the payment processing industry!
Leasing program funded by Lease Finance Group, a division of CIT Financial USA, Inc.

CMS Certified Merchant Services
The Innovators of Electronic Payment Processing

(877) 309-1099
Leading a New Era

Valdez Paper Products
(970) 689-1655
Vital Merchant Services
(800) 348-1700

**PROCESSORS LOOKING
FOR ISOs**

First Data Merchant Services
(866) FDMS-ISO
Global Payments
(800) 801-9552
Lynk Systems, Inc.
(866) 828-5965
National Processing Company
(800) 672-1964 x7655
POS Payment Systems
(708) 548-4630

**REAL-TIME CHECK/
CREDIT CARD PROCESSING**

Checkgateway.com
(480) 785-2262
E-Commerce Exchange
(800) 748-6318
eProcessingNetwork.Com
(800) 971-0997
Online Data Corporation
(866) 222-2112

ProPay USA-FaxPay
(888) 486-4701

SITE SURVEYS

Property Resource Network Inc.
(800) 676-1422

**SUPPORT DESK FOR POS
TERMINALS & PC SOFT-
WARE**

CardWare International
(740) 522-2150
TASQ Technology
(800) 827-8297
The Horizon Group
(888) 265-2220
Vital Merchant Services
(800) 348-1700

VIDEO PRODUCTION

Roaring Mouse Productions
(707) 794-9699

WHOLESALE DISTRIBUTORS

Level2 Distribution
(866) 4LEVEL2

Log on. Sign up. Cash in.

Prizes & Rewards.

↗ **Simple**, **easy** and **free**. *Hy-Inside* is the industry's leading loyalty program that rewards you for doing what you do best – selling terminals and services. Here you can earn free gear and cool prizes. And it's just for ISOs, ISAs and independent contractors.

Keeping score in the game of sales has never been easier. Or more rewarding. Do it today.

↗ **www.hypercomusa.com**

HYPERCOM

focused on excellence.

↗ innovation. results. leadership.