The Green Sheet

GS

The Financial Services Industry Source for Education, Inspiration and Actionable Advice

Meeting Builds Foundation

A 'Sales' Union Forms in the South

On February 24, 2003 in Tampa, Fla., a new association began its formation efforts. This organization has a different mission than any previous industry association formed to date – it hopes to garner the support of ALL of the Feet on the Street as it caters directly to the sales professional.

This new association, temporarily dubbed NAPP (National Association of Payment Professionals), hopes to eventually call every salesperson in the payment industry a member.

While everyone in the industry was invited, about 60 people attended the formation meeting and approved the creation of a not-for-profit association with the following mission statement:

This organization shall exist for all those selling in the Payment Processing industry, by providing Education, Benefits, Liaison/ Representation and Certification.

Perhaps the most interesting resolution put forth in the meeting was that the majority of NAPP's Board of Directors always should be individuals who sell and sign contracts within our industry.

Even more interesting is that this concept of a "sales-controlled Board of Directors"

NAME

MISSION STATEMENT

GOALS

BOARD OF DIRECTORS
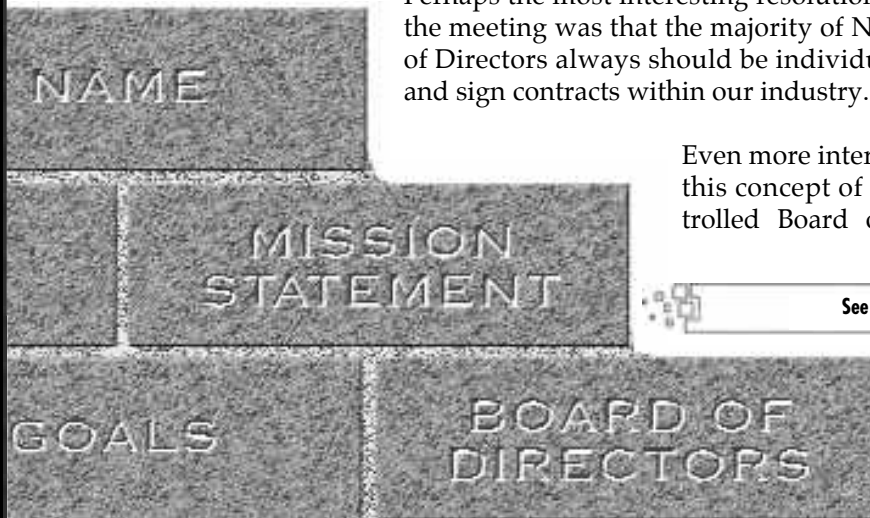
Notable Quote:

"The industry has changed so much over time, you have to find new ways to find the merchants and ultimately keep them. We believe that we've developed the efficiencies and really kept one step ahead of the changes ..."

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* excerpt from greensheet.com ISO Forum

GS Advisory Board Member Craig Millington Dies

Craig Millington, a member of our Advisory Board and a former ETA President, died March 3, 2003 in Huntsville, Ala. Most recently, Craig was Senior Vice President of Compass Bank; he was President of the ETA from 2000-01.

Craig was an active, eloquent participant in our Advisory Board, and you could readily feel his passion and dedication in his responses. For example, in response to a question last year about the problem with "bad ISOs," he wrote:

"This is always a hot spot with me. YES! There are still BAD ISOs, unfortunately; most of the bad ones are the same old bad ones that never seem to go away. They sustain a bad image for our otherwise great industry. I have personally had situations where I have terminated the same bad guys twice and they still continue to find new unsuspecting banks to take advantage of."

In announcing Craig's passing, ETA Executive Director Ken Bowman wrote, "Not only was Craig a friend of ETA but of our industry. His involvement with ETA began 13 years ago at its very first meeting in San Diego as a speaker representing MasterCard International. ... Craig was always available to help ETA in any task that was asked of him. He truly is going to be missed."

Craig's family has asked that, in lieu of flowers, donations be made to the American Heart Association or St. Jude's Children's Hospital.

Sheet. We do monitor the registrations to this space to do our best to limit participation to ISOs in the payment-processing industry. We will be revoking and refusing registrations for people we can identify as writers for other companies.

For now, let's close with another botched proverb: "Beware ISOs bearing polls!"

Good Selling!
The Green Sheet Staff

You Read It Here First

I don't know if you know this, but Transaction World magazine is getting its topics from your Forum on www.greensheet.com. No kidding.

For example, in its January 2003 issue TW has subjects such as "Certifying Agents and Rating Processors." In February 2003, it has a poll asking about agent associations and training, etc.

These have been hot topics on your board for a couple of months or so. As far as I know, TW has no forum for agents and ISOs to participate in and bring up these discussions.

Just wondering what you thought about the use of your board in this way.

Anonymous ISO Subscriber

Dear ISO:
To paraphrase an ancient proverb – plagiarism is the highest form of flattery!

Although we host and monitor the ISO Forum on The Green Sheet Online, we do not "own" or copyright the text posted therein. Nor are we responsible for what is posted, although we monitor and remove "flaming" that can be detrimental to the economics of our industry.

Most of the participants in the ISO Forum are avid readers of our publications, and we truly appreciate their support of The Green

Delivering Money Orders

Hi, Paul,
I've been in the credit card industry for years, and I work with many convenience stores that rely on me for many of their services (ATMs, credit card processing, check guarantee, etc.). Many want to be set up to take money orders, and I would like to know if you know of anyone I can hook up with to sell for them. Please help me find this out.

Best Regards,
Tom Griffith
Merchant Payment Services

Tom:

We don't have any information on hand regarding this service. We will publish your letter in the Forum in The Green Sheet to see if our readers have any information for you. I also suggest that you post this to the ISO Forum online: www.greensheet.com/forum/

Good Selling!
The Green Sheet Staff

CORRECTION

The WRG Services, Inc. profile in the February 24, 2003 issue of The Green Sheet (issue 03:02:02, Page 59) incorrectly reported the status of one of the company's offerings. In the future, WRG plans to offer rechargeable prepaid cell phone time at the ATM, but it does not provide that feature at this time.
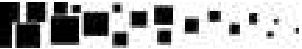
was unanimously approved by those present.

The turnout for the NAPP formation meeting represented most states in the U.S. as well as BIN banks, leasing companies, processors, registered and unregistered ISOs and many independent contractors.

In shaping the association, those who attended believe that the development of standardized training materials, both technical as well as consultative selling, are a high priority for future members, as is giving the independent sales representative a collective voice in the industry.

In addition, the association will seek to develop a benefits program for its members, including such things as medical and retirement benefits.

Over the eight-hour meeting, many temporary steps were taken to get the association going:

1. An interim name for the organization was approved until the members choose an alternative.

2. A Mission Statement, as noted on Page 1, was approved.

3. Temporary Officers, Directors and Advisors were elected.
   - Executive Director: Brett Mansdorf
   - President: Steve Norell
   - Vice President: Bill Paul
   - Secretary: Carmen Carrero
   - Treasurer: Keri Golden
   - Director: Andy Pitts
   - Director: Neil Mink
   - Director: Chuck Saden
   - Advisor: Paul H. Green
   - Advisor: Paul Martaus
   - Advisor: Corey Saftler
   - Advisor: Jim Maher
   - Advisor: Greg Cohen

4. Rick Brennes, an ETA board member, was elected the ETA Liaison and Director for NAPP.

5. The future makeup and size of the Board was approved.

6. Staff attorney position was elected and filled by Ben Huddleston.

7. Voting and non-voting positions were defined, with 11 voting seats to be elected (officers and directors) and two voting seats to be appointed (Executive Director and ETA Liaison). In addition, five non-voting Advisor seats were defined. (five Board seats remained open at the close of the meeting.)

8. Steering Committees were approved: Executive, By-Laws, Membership and Fund-raising, and all committees were fully staffed with five to eight volunteers.

9. Short-term organizational objectives were approved:
   <u>March 2003:</u>
   - Get initial Web site available to prospective members
   - Sign members and raise funds
   <u>April 2003:</u>
   - Open Board meeting with committee reports (TBA)
   - Initiate elections page on Web site and accept applications

10. Membership dues were tabled for a committee discussion; however, it was agreed that the objective is to keep the dues as low as possible to encourage broad independent contractor membership.

11. Short-term goals were approved:
    <u>Quarter 1-2003</u>
    - Develop interim operational plan
    - Procure URL, non-profit status and Web hosting
    - Membership of at least 50 members

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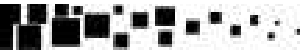**It's Easy!
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<u>Quarter 2-2003</u>
• General assembly meeting (perhaps by Web)
• Publications on Web site
• Certification committee established
• General elections once membership exceeds 500
• Consider third-party management or association management
• Work toward exchange of board seat with the ETA
<u>Quarter 3-2003</u>
• Membership of at least 1,000
<u>Quarter 4-2003</u>
• Membership of at least 1,200
• General assembly meeting

Having seen such association building efforts before, I remember that it can be a bit like making sausage. While many like sausage, no one enjoys watching it being made.

I am happy to report that in this case it was not at all messy. In fact, the discussions were spirited but respectful while being both professional and fun.

Everyone at the meeting acknowledged that building an Association would be challenging, given the need to give voice to so many sales representatives who remain unregistered.

While the balancing act of forming an Association of heretofore faceless sales professionals won't be easy, providing needed training, certification, benefits and recognition will be a strong incentive for independent contractors to become active members of an Association built specifically for them.

Assuming NAPP is able to meet its lofty objectives in the months and years ahead, this Association will become much more than an ETA-Lite.

It can be the vehicle to get good information to those selling on the street and help to more fully professionalize the bankcard and other payment efforts on the street.

YOU CAN HELP!

NAPP is beginning to raise support and funds for its expansion. The Green Sheet has donated $5,000 in seed money to help with the formation efforts.

If you are interested in being a member and might even be willing to serve in an Association position or committee, please contact membership chairman Elbert Enrique at 813-376-3060.

ADVISORY BOARD

The Best of the Best

Periodically, we build articles for our publications utilizing our Green Sheet Advisory Board. This cross-section of the payment-processing industry has agreed to support our efforts by answering industry-related queries posed by our staff and readers. Each of the professionals in the group has agreed to "give back" to this terrific industry by sharing their personal experience and knowledge with our readership.

This time we asked them to tell us which industry trends they would like to see discussed in our publications in the coming year. We found their varied responses thought-provoking and will be reporting on these topics in the months to come.

If you have a suggestion for a Green Sheet article, a topic that you would like to read more about, please send your thoughts to paul@greensheet.com.

The Respondents:

Steve Christianson, TransPay Processing
Rob Connelly, VeriFone
Tom Haleas, Bridgeview Payment Solutions
Jared Isaacman, United Bank Card
Allen Kopelman, Nationwide Payment Systems
Dave Siembieda, CrossCheck
Scott Wagner, Hypercom
Dan D. Wolfe, Barons Financial Group

> **?** *Which emerging payment-processing trends would you like to see discussed in The Green Sheet or GSQ publications during the coming year?*

Steve Christianson
TransPay Processing

"Perhaps more items on the ISO management/ownership issues, such as portfolio evaluation, why portfolio values are depressed, portfolio management alternatives. More on the effect of the stock market on banks as related to portfolio valuation.

"Perhaps a national salesperson directory whereby all salespeople selling processing for each ISO can be 'registered.' Salespersons terminated for 'unbusinesslike practices' – theft, deception, etc. – are noted in their file. The list would be private to the holder, such as The Green Sheet or ETA.

"Now that the initial scare of the Certified Merchant Services suit is being settled, it would be a good time for the industry to set its general guidelines up as a template of operations for all ISO companies. Those who do comply and set up their organization under the suggested template would be less likely to be investigated by the government in the future. The creation of a code of ethics for the ISO business. Perhaps after attending an industry orientation, the new or established ISO would receive a plaque stating a code of ethics the ISO would need to follow.

"Think of the publicity of having 300-400 ISO presidents/CEOs taking the 'pledge' or 'oath' standing on a stage in front of invited media, dignitaries and other government officials. Big-time mileage could be had. ETA would have to start a committee to develop the code of ethics and then present it to the membership and take a vote. Upon passage, the group could stand for the photo opportunity. The rest would be history."

Rob Connelly
VeriFone

"I'd like to see more emphasis on trends that will help ISOs differentiate their business, improve merchant retention and generate new sources of revenue. There's a lot of activity in the areas of value-added applications, particularly electronic check, gift card and prepaid telco. ISOs need to understand the value propositions and the go-to-market strategies as well as what's 'real' vs. what is 'hype.'

"Additionally, ISOs need to be prepared for the road ahead and need the right payment terminals to support emerging trends and technologies so that they aren't left behind. Advances in technology include fast processor speed, high-speed modems, IP technology, 3DES security, RFID technology and a host of other emerging standards."

Tom Haleas
Bridgeview Payment Solutions

"In an article by Bob Carr that appeared in a recent edition of GS, you already have entertained discussion on the possible industry ramifications from the Visa-FDR litigation. I suggest you continue to closely follow this

lawsuit. I agree with Bob that, depending on the outcome, the payment-processing industry may be dramatically altered."

Jared Isaacman
United Bank Card
....
"As technology progresses, we become less reliant on existing framework to pave the way for the new advancements. One of the major underrated payment systems available is IP-based transaction processing. Processing IP transactions requires an established Internet connection through high-speed broadband such as DSL/cable or even traditional dial-up.

"The vast majority of the country has an Internet connection of some kind, and virtually all businesses do. Payment processing via IP gateway eliminates the need for a traditional phone line, accelerates approvals to as fast as two seconds, and decreases the transaction cost for the processor. Until recently, accessing this technology was limited to computer software such as PC Charge and online gateways, but terminal manufacturers such as MIST and Hypercom have developed POS Terminals to interface with IP gateways.

"The launch of these new-generation terminals should present an exciting new market for the processing industry. United Bank Card has developed a strong presence in this processing arena by developing our own in-house IP gateways certified with two major front-end platforms. We are actively working with several terminal manufacturers to launch this new processing technology to our ISO and merchant base."

Allen Kopelman
Nationwide Payment Systems
....
"We need to get information on what software is compatible to make these programs work and which processors are offering these programs. I have tried in the past to obtain this information, and it has not been available."

Dave Siembieda
CrossCheck
....
"I think that there would be great interest in emerging new retail payment markets: health care, check cashing, payroll cards, quick-service restaurants and remittance processing (ARC). Also, there is an explosion of new ISO opportunities coming from IP Addressable Terminals as traditional check/cash transactions are electrified. Can The Green Sheet report on how these new markets are being opened by ISOs at the forefront of these emerging product and new-business segments?"

Scott Wagner
Hypercom
....
"I have found the articles written by Bob Carr very compelling. Continued information along those lines would be very welcome. I crave info on what merchants are buying and/or looking for. Why did they sign up with XYZ processor and are they doing a good job?"

Dan D. Wolfe
Barons Financial Group
....
"I would really like to see more information on check truncation. My telemarketers tell me that this has been a hot topic. We believe that this will be the easiest door opener for 2003. Next would be the Palm Pilot and cell phone attachments for mobile merchants."

Best Payment-Processing Players
....
We asked the Advisory Board to rate the various participants in our industry. We agreed to keep their responses anonymous. We have used their responses as our nomination process for a "Best of" ballot.

Enclosed with this issue is a Best Payment-Processing Players ballot. Please mail or fax the postcard no later than **April 30, 2003** OR you can vote online. Please, ONE VOTE per subscriber only.

We have enabled you to vote WRITE-IN if you choose.

In appreciation of your participation we will send you a free, surprise gift from The Green Sheet.

Nomination Categories

- Best POS Terminal
- Best ISO Organization
- Best Processor
- Best Leasing Provider
- Best Customer Service by an ISO
- Best Customer Service by a VAR
- Best Customer Service by a Processor
- Most Influential Technological Advancement
- Most Influential Industry Leader

And the Nominees Are . . .

Here are the nominees for each category and a synopsis of why they were chosen.

Best POS Terminal

- Hypercom ICE – The most robust features, fast, reliable and easy to use.
- Nurit 2085 – Well made, very capable, doesn't lose the load.
- Thales Talento – Can load multiple merchants, load multiple applications – i.e., credit, debit, checks and gift cards – into the terminal without disrupting the credit card processing. The terminal has a built-in PIN pad for debit, it is affordable, and it can be programmed manually for quick fixes.
- VeriFone – Its latest terminals are truly capable of handling multiple applications without interfering with existing applications on the terminal.
  - VeriFone Tranz 330 – Still the workhorse of the industry.
  - VeriFone Omni 3200 – Best bang for the buck.
  - VeriFone Omni 3750 – Competitive edge.

Best ISO Organization

- Barons Financial Group – Preset appointments for affiliates.
- Bridgeview Payment Solutions – 10 years of experience, integrity.
- CPS/Concord EFS
- Lynk – Works hard to provide the best services and technology to its merchants.
- United Bank Card

Best Processor

- FDR – North Platform has the most features along with the most extensive product set. It is truly fast, especially with those terminals that are synchronous. Very good customer service and widespread front-end capabilities.
- NPC – Handles a tremendous amount of business with the highest level of professionalism.
- Paymentech – Overall service, including a sufficient help desk.
- United Bank Card
- Vital Processing Services – DSL processing, builds files quickly, and there is a back-door number for reps to call in on. Can fix problems quickly, and the staff is knowledgeable.

Best Leasing Provider

- CIT Lease Finance Group
- Integrated Leasing – Answers questions; you can always speak to someone who can make a decision there.
- Lease Finance Group

Best Customer Service by an ISO

- Barons Financial Group – Preemptive customer service to talk to customers before they have problems; this also lowers our attrition rate.

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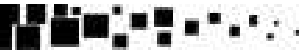
• <u>Innovative Merchant Solutions</u> – Always has gone out of way to help merchants whenever needed.
• <u>TransPay Processing</u>
• <u>United Bank Card</u>

Best Customer Service by a VAR

• <u>JR'S P.O.S. Depot</u> – The staff is great, they fix your equipment in a timely manner and they stand behind their work; if you ever have a problem they never give you grief, they just take care of it.
• <u>TASQ</u> – Good all-around program.

Best Customer Service by a Processor

• <u>Concord EFS</u> – Great help desk.
• <u>FDR</u>
• <u>Paymentech</u>
• <u>United Bank Card</u>
• <u>Vital</u> – Fast, friendly.

Most Influential Technological Advancement

• <u>Biometric payments</u>
• <u>Check truncation</u> – Because of the doors it has opened.

• <u>Hypercom's ICE line</u> – Like any good technology, it is ahead of its time.
• <u>Wireless payment systems</u> – Infrared solutions utilizing equipment that is already in the marketplace, such as cell phones and PDAs, will dramatically change the face of retail.

Most Influential Industry Leader

• <u>Mary Dees</u>
• <u>Joe Kaplan</u> – He is always looking for the best solutions to offer his merchants and understands the value of high-quality customer service.
• <u>Larry Stone</u>
• <u>The Courts</u> – From the Wal-Mart case to the Visa-FDR lawsuit to the FTC's action against Certified Merchant Services, litigation was the buzz in the industry during 2002. Court rulings will continue to dominate industry news in 2003.

VOTE

Voice your opinions! Complete the ballot enclosed in this issue and return it to The Green Sheet office (mail or fax) or vote ONLINE.

Deadline is **April 30, 2003**. Winners will be announced in the June 9, 2003 issue.

Coming Soon . . .

Five New Certifications for the Acquiring Industry

ETA UNIVERSITY IS DEVELOPING FIVE CERTIFICATIONS FOR THE ACQUIRING INDUSTRY

- ■ PROCESSING: Certified Electronic Transactions Processing Professional (CETPP)
- ■ SALES: Certified Electronic Transactions Sales Professional (CETSP)
- ■ OPERATIONS: Certified Electronic Transactions Operations Professional (CETOP)
- ■ TECHNOLOGY: Certified Electronic Transactions Technology Professional (CETTP)
- ■ EXECUTIVE: Certified Electronic Transactions Executive Professional (CETEP)

The first level of certification for the CETPP will be available in the Fall 2003

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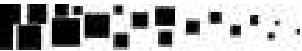
Hacker Attack Threatens to Cut Consumer Credit Confidence

A computer hacker broke into the system of a third-party processor and gained access to upward of 8 million Visa, MasterCard, Discover and American Express accounts the week of February 3, 2003. Initial reports said the point of access was through the third party processor's system, which at first was unnamed. In response, National Processing Co. (NPC) and Fifth Third Bancorp both declared in statements that their systems had not been accessed by any unauthorized users.

Since the story broke, the processor has been identified as Data Processors International (DPI) of Omaha, Neb., which mainly handles transactions for high-risk merchants. An Associated Press report said the company issued a statement on February 19 confirming "an unauthorized outside party" had broken into its computer system, prompting criminal investigation. DPI did not state how the breach occurred.

According to the company's Web site, DPI specializes in credit card payment processing services for retail, Internet, direct response, catalog, home-based and other direct marketing merchants. DPI's acquirer is Provident Bank of Cincinnati, a subsidiary of Provident Financial Group, Inc.

While the Visa and MasterCard card associations issued statements reiterating the integrity of their systems, at least two issuing banks canceled tens of thousands of their customers' Visas and MasterCards. One bank in Rhode Island, Citizens Bank, closed 8,800 customer accounts whose card numbers had been accessed after being notified of the breach by MasterCard on February 14. PNC Bank of Pittsburgh deactivated about 16,000 Visa-branded check cards on February 20 after it received notification of the breach. Three million PNC customers have cards carrying the Visa logo.

The sheer volume of accounts that potentially had been accessed made this story big news. This was clearly an event with ramifications for the financial services industry, raising questions about security issues as well as who bears the ultimate responsibility for protecting information. When the story broke later in the month, it was widely reported in both financial news outlets and mainstream media.

As a result, this story also brought the process of payment transactions to the forefront of public awareness when reports explained the behind-the-scenes nuts and bolts of what happens when consumers use their credit or debit cards to make purchases. When one report called the third-party processor the weakest link in the chain, making it vulnerable to outside hacks, consumers also learned what a third-party processor is and what role it plays in completing a payment transaction.

DPI later announced that 10.2 million accounts had been accessed, making this the largest breach of security ever for the card associations. The original estimate put the total at 5.6 million to 8 million, of which 3.4 million are Visa accounts and 2.2 million are MasterCard accounts. It's unclear, though, exactly how many of those accounts were compromised or if any have indeed been used for fraudulent purposes.

Visa said there have been no incidents of fraudulent activity reported on any of its cardholder accounts. MasterCard said that 2.2 million of the hacked accounts were registered to its users and had been "possibly compromised." The affected accounts make up nearly 1% of the 574 million Visa and MasterCard accounts in the U.S. More than one billion Visa-branded banks cards are in circulation around the globe; MasterCard has 1.7 billion cards in worldwide circulation.

The card companies said they were notified of the incident in early February, and as of late in the month they had received no reports of fraudulent activity involving the accounts. Visa, MasterCard, American Express and Discover all have policies in place protecting consumers from liability for fraudulent use of their accounts. All major card companies said they were monitoring affected accounts for suspicious activity.

The hacker's location is not known; whether the origin is within U.S. borders or overseas remains to be determined. The FBI and Secret Service are involved in the investigation.

CMS Obtains Restitution from Former Sales Rep

Certified Merchant Services has reached a settlement with Cliff Torrence, a former seller of CMS processing services who admitted to violating the court order that protects CMS and agreed to pay restitution to the company.

In November 2002, CMS was granted protection by the U.S. District Court for the Eastern District of Texas, Sherman division, in a court order the company sought after learning competitors were engaging in activities harmful to the company.

The order prohibits persons in the merchant processing industry from seeking to acquire or use confidential or proprietary information of CMS; using the existence of the receivership as a reason for trying to solicit CMS merchants for business or solicit CMS employees or CMS sales agents for employment; making any false, misleading or disparaging statements against CMS in an attempt to harm CMS; and doing anything that interferes with the receivership.

CMS continues to operate under federal court supervision and protection.

Mary Dees, General Manager of CMS, said in a statement, "A significant part of my responsibility is to make sure that the company is protected from people trying to take unfair advantage of CMS. We are pleased that the federal court supports this protection, as shown in its action against Mr. Torrence."

CMS first learned of Torrence's behavior in the fall of 2002. According to Dees, Torrence was in violation of the court order because he was using the previous investigation of CMS by the FTC and the receivership as reasons for trying to lure customers away from CMS to another transaction processor.

CMS would not disclose the amount of the settlement. According to Dees, when CMS learns of behavior that is in violation of the court order, it first sends a "cease and desist" letter to the person responsible for the behavior, attaching a copy of the court order.

"Usually, when we send this to someone, they understand right away," Dees said. "Taking legal action is a last course."

Some Places Visa Doesn't Want to Be

Visa USA has quietly set up a system over the last year to eliminate the use of its branded cards on Web sites that deal in child pornography and other objectionable material. Visa is utilizing Web crawlers and "spidering" techniques to search more than one million sites a day and is then passing the information along to law enforcement agencies.

According to abcnews.com, which cited The Christian Science Monitor as the story's source, Visa is also requiring the 7,000 financial institutions that are members of its association in the U.S. to register merchants who process adult content and accept Visa cards for purchasing the material. If the institutions don't comply, they risk losing their Visa relationship.

Recently, Web sites have begun to charge a fee to access their material. According to Visa, 80% of the 400 Web sites it has identified as objectionable have been shut down by law enforcement, or their Visa privileges have been revoked.

Visa began looking at the issue of adult entertainment in late 2001 and wanted to make sure its cards were not being used for illegal activity. The company said it looks at sites and merchants on a case-by-case basis.

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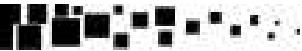**Be a player with Bridgeview.**

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Show Me The Money: Part II

This time we will try to relate some of this data to those salespeople affectionately known in our industry as the "feet on the street."

The first article in this series, published in the first February issue of The Green Sheet (February 10, 2003, issue 03:02:01), has generated much comment. Part II of this article will dig deeper into some of the macro-economic issues of the bankcard acquiring industry. This time we will try to relate some of this data to those salespeople affectionately known in our industry as the "feet on the street."

One of the major unknowns in our industry is just how many people solicit and provide services to the 4 million merchants in America. Charles Fote, Chairman and CEO of First Data, said on his investor conference call on February 18, 2003 that 4,800 salespeople represent First Data's merchant business, selling all of its products. First Data and its alliance partners acquired 44.6% of the nation's bankcard volume in 2002, according to the January 2003 GSQ figures (slightly adjusted by me). If First Data's "feet on the street" coverage is typical, then 10,762 sales representatives would be selling merchant services in the U.S.

According to one industry gadfly, Brett Mansdorf, there are between 24,000 and 28,000 reps on the street ("New Association's Aspiration: Pave the Way to Street Savvy," The Green Sheet, February 10, 2003, 03:02:01). Let's assume for the sake of discussion that these two estimates represent the extremes of the range of the number of "feet on the street" in our business.

In Part II, I want to take a different perspective on the macro-economic landscape using some of the information presented in previous articles in this series. You might need to refer to those articles to understand some of what follows.

Let's start with a discussion of some metrics of the four non-bank public companies in our industry. These companies in aggregate processed about 68.7% of the acquiring volume in 2002, according to adjusted GSQ figures.

These companies are First Data (44.6%), NPC (12.4%), Concord EFS (7.0%) and Global Payment Systems (4.7%). If we remove the earnings from Western Union, TeleCheck, equipment and other non-recurring product sales, the STAR and NYCE networks, ATM driving, Canada and other non-U.S. venues and other non-acquiring revenues, the four companies claim annual recurring acquiring revenues of about $2.6 billion and operating income of about $1.3 billion in the aggregate.

If this is close to being accurate (these figures are problematic to extract from the data reported) and also representative of the acquiring industry in general (two big ifs!), then the industry produces net revenues of about $3.8 billion (8.6% higher than the estimate calculated using the discount-fee method used in Part I of this article) and operating income of about $1.9 billion.

Now let's look again at the costs of processing a bankcard transaction. These four companies process the vast majority of the transactions not processed by Vital. Let's assume each of these companies processes transactions with a cost of 2.5 cents, including all fixed and variable costs (a typical fee to a supersize merchant) and provides all help desk, back office and accounting functions for an extra $100 per year per merchant.

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KNOWLEDGE IS POWER
By Bob Carr

Let's do the math: 2.5 cents times 17.1 billion transactions equals $427.5 million and $100 per merchant times 4 million merchants equals $400 million for a total cost of $827.5 million. These figures represent my best guesses of what the actual fixed plus variable "processing costs" are on average for the large transaction processors.

If we take the $3.8 billion net revenue estimate, here is a breakout summary of where the net revenue dollars are going:

Net Revenue	3,800 million
Processing Costs	827.5 million
Gross Margin	2,972.5 million
Expenses	1,072.5 million
Operating Income	1,900 million

If these numbers are in the ballpark, then $1.07 billion is left to pay for all of the non-processing expenses of our industry after taking out the processing costs and operating income. These non-processing expenses include all of the operating costs of running the businesses – including administration, finance, travel and entertainment, prod-

uct development, the mergers and acquisitions department, IT support, directors and officers insurance, marketing, selling expenses, legal fees, office expenses, settlement of class-action lawsuits, insurance, in-field service and ... ISOs and all other sales compensation.

Therefore, ladies and gentlemen with "feet on the street," out of the $22.65 billion collected from the merchants in this country for bankcard processing fees, only $1.07 billion is left for all of the expenses that the CEOs and the Boards of Directors of the various businesses believe they need to spend to continue to generate and grow the $1.9 billion of operating income generated in aggregate by their companies.

How much of this $1.07 billion do you think is going directly into the pockets of those people called "the feet on the street?" How much is allocated to pay for the in-field servicing of the merchants – the additional duties assumed by ISOs and their independent contractors for the so-called face-to-face service of their merchants?

The fact is that no one knows the answers to these questions. Because of the excessive lack of disclosure that plagues our industry, we are forced to make educated guesses.

Let's take a few hypothetical figures and see how they play out. Let's assume, for example, that 20% of these expenses are paid to the sales employees, independent contractors and ISOs. That would mean that about $200 million is going to cover the income and expenses of the 10,762 to 26,000 salespeople in the industry.

If this estimate is close, then the average rep earns between $7,692 and $18,584 to pay for his out-of-pocket expenses and then to earn a living wage. Of course, these residual commissions are supplemented by the extra income from non-processing expenses, mostly from equipment sales, as well as from income from non-industry employment.

If the amount were 25%, the average pay to sales reps would be in the $23,230 to $9,615 range. At 15%, the range is $13,938 to $5,769. It is hard to believe that more than 25% is going into the pockets of the sales reps. It is far easier to believe that less than 15% is a closer number. But, for the sake of argument, let's assume that the average rep earns somewhere between $5,769 and $23,230 in annual residual earnings.

We all know that people can't make a living in this day and age on that kind of money – even if they live in the most remote parts of rural America. So how do these 10,762 to 26,000 people make a living?

Most of "the feet on the street" formerly earned a living primarily by selling equipment for big prices. On the February 18 First Data investor call, a Wall Street analyst

KNOWLEDGE IS POWER
By Bob Carr

Ken Boodie, the co-founder of Horizon, used to joke that the most dangerous place in America was the parking lot during the grand opening of a new business because of all the ISOs pulling into the parking lot at the same time trying to get in the door first to lease a credit card terminal.

asked about FDC's accounting treatment for signing bonuses. Fote said that about $275 million was generated by FDC in product and equipment sales (this number was excluded as non-recurring revenue and was not included in the numbers above) and that the up-front expenses such as signing bonuses were accounted for as equipment costs.

Equipment commissions have driven the sales models of the majority of ISOs and sales representatives in our industry for the last 15 years. ISOs are clearly the preferred channel of merchant acquisition for the large acquirers when there is no affinity relationship, such as a banking relationship, to drive the merchant sale.

If merchant turnover is one-third because of merchants going out of business and two-thirds because of changes for competitive and "other" reasons (another statement on

the February 18 First Data call), then 500,000 to 800,000 merchants probably change processors in any given year. Depending upon the economy, another 200,000 to 500,000 bankcard-accepting merchants change hands and/or open their doors for the first time each year in the hopes of achieving success, buying an existing business or starting a new venture.

It's hard to believe, but some of these 700,000 to 1.3 million merchants are not sophisticated and still have not learned to shop for credit card terminals on eBay or at Sam's or Costco or from an acquirer who does not focus on the leasing game. In fact, some of them are so young or new to America that they have never even heard of the horror stories of the Peachtree or Cherry Payment days. Some of them have never even heard of the pre-FTC version of Certified Merchant Services!

These naïve and inexperienced merchants form a pool of potential victims for a four-year non-cancelable $59 equipment lease for a used piece of equipment manufactured in 1988 offered with a "lifetime" warranty.

Ken Boodie, the co-founder of Horizon, used to joke that the most dangerous place in America was the parking lot during the grand opening of a new business because of all the ISOs pulling into the parking lot at the same time trying to get in the door first to lease a credit card terminal.

How many of these 700,000 to 1.3 million transitioning merchant "opportunities" are candidates for a high-commission equipment lease? Are there enough to support 10,762 or 26,000 "feet on the street?" If the average sales professional needs to earn $75,000 to pay his expenses and live a reasonable lifestyle, then these 10,762 to 26,000 sales reps need to earn an aggregate total of $807 million to $1.95 billion dollars – just to average $75,000 of income. It appears that only about $200 million of that is coming from recurring residual payments or sales salaries.

That means that 607,000 to 1.75 million equipment sales with an average commission per merchant of $1,000 must be generated to support the "feet on the street" under the equipment leasing sales model. Clearly, high-priced equipment leases aren't carrying the day any longer – especially with the largest microticket lessor exiting the business because of incredible losses on fraudulent leases!

Most veteran salespeople know that the days of earning a $2,500 or a $1,000 equipment commission selling a $350 set of equipment are mostly in the past. In fact, the days

of earning a $600 commission for selling a vanilla terminal are also coming to an end. Companies such as First Data that have covered the up-front costs of selling non-affinity merchants through ISOs are on a certain price-compression collision course, which I will lay out in Part III of this article.

The old days of the acquiring business are coming to an end, and the new thinkers are taking over the industry in the trenches while the guys with nothing to offer whine about price compression and excessive competition. That's what happens when your only "product" is trying to make your merchant believe that he is getting a lower price.

Today, there still might be enough naïve transitioning merchants to allow some ISOs and sales reps to make a living supplementing their $6,000 to $23,000 earnings from recurring residual revenues with fat equipment commissions. But as the nation's merchants (and sales reps) learn more and more about the real costs of interchange, transaction processing and credit card equipment, the ISOs hiring these reps are being forced to find ways for their sales reps to earn money in other ways.

Enter gift cards, payroll processing, prepaid cards, check truncation, time and attendance, integrated software applications, debit card issuance and a whole host of 21st-century integrated and related merchant products. The smart ISOs have learned to bundle other services and products into their service offerings to create revenue opportunities to support their sales organizations and their own companies as well as provide real value to their merchant customers.

A new day has dawned but, as always, a lot of folks are sleeping in! More to follow.

Bob Carr is the Founder, CEO and Chairman of Heartland Payment Systems, the nation's largest privately owned merchant acquirer and ninth largest overall, with annual revenues exceeding $300,000,000. Heartland was recognized by INC Magazine as the 57th fastest-growing private company in America and is one of the 10 largest INC 500 companies. Bob was a Founder and Vice President from 1988 to '90 of the Bankcard Services Association, which has since become the ETA.

To learn more about Heartland, visit www.hpsteammates.com or www.heartlandpaymentsystems.com, or e-mail Bob at Bob.Carr@e-hps.com.

To Innovate and Serve

INDUSTRY LEADERS
JOE KAPLAN

Joe Kaplan knows the secret of success, and he won't hesitate to share it with others: A successful business is the result of successful relationships. Kaplan, President, CEO and co-founder of Innovative Merchant Solutions (IMS), a billion dollar bankcard processor, credits his achievements with the fact that he serves customers well. And he means really, really well.

"I believe that you can be successful for the rest of your life if you provide great service to one customer because they know five people and they know five people and they know five people," Kaplan said. "And then it just kind of perpetuates."
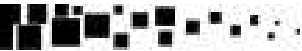
Innovative Merchant Solutions services more than 85,000 merchants. The company offers multiple payment-processing solutions ranging from different types of bankcard transactions, check guarantee and an Internet payment gateway. IMS also owns its own bank and even offers a concierge service to its merchants.

Kaplan believes that small businesses often don't have time to seek out products and services for growing their business. "If you can create a loyal merchant by servicing them really, really well with one thing, then they'll utilize all the other services that you have," he said. "After they start to use more and more [of your services], the less chance you have of them ever leaving you. You've got to service your customer."

Kaplan has a diverse background that includes working in the meat-processing business before and after college, graduating with a B.S. degree from UCLA, attending law school for several years at Whittier College in Southern California and, of course, making a name for himself in the payment industry.

"The industry is fast, it's dangerous, there's a great cast of characters, it really attracts a unique group of people that I believe are just awesome, and it's an opportunity that you're the bearer of your own destiny," he said.

Kaplan started out in 1990 as a sales rep for Cardservice International (CSI), and it didn't take him long to make a mark. He said he noticed the company's agent program wasn't producing a lot of business – only about 400 deals a month, so he asked CSI if he could "redesign" and run the program. He did this by firing agents who weren't producing any business, starting over again with a core group of people, and then building from there.

Under Kaplan's direction, in 18 months CSI's agent program grew from writing 400 deals a month to 3,000 a month. "I offered them the opportunity to feel more like part of a company than just being an outside agent," he said. "We created some great relationships and developed better efficiencies than they ever had in the past, so it was easier for them to do business."

Kaplan worked with CSI until September 1994 but eventually left the company because he felt as if its philosophies were vastly different than his own. "I felt that the industry was very production-oriented and not customer service-oriented and that it needed to change," he said. "Everybody can produce in this world. It's the ones that can service and keep their customers happy and then capitalize on that relationship that I believe can succeed."

Superior Bankcard Service

Kaplan wanted to start his own business, so he sought out a partner who shared a similar philosophy about providing service. Tim Jochner was in charge of CSI's bankcard program at the Bank of Oakland. Kaplan says Jochner helped CSI change from a marketing company into a service company, so he asked Jochner to be his partner. Together, they started Superior Bankcard Service in November 1994.

Kaplan and Jochner had trouble raising money for their new venture, even after revising their business plan several times (they had never created a business plan before). So instead they turned to other means: their own savings accounts.

"At the time we invested all of our life savings, and we really were too stupid to realize we could fail," said Kaplan. "We just went at it. We knew that we knew how to market and we knew how to service. And we knew how to create relationships. And so whether it was bankcard or something else, we would have an opportunity to grow in whatever endeavor we undertook."

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Kaplan and Jochner hired a few people, and the staff quickly grew to seven. "Fortunately, we found amazing people to work with at Superior, and we grew organically to become the eighth-largest non-bank acquirer in three years," Kaplan said. He attributes a lot of Superior's success to the service it provided. The company manned the phones with live operators and had less than 30-second hold times.

As Superior grew, the industry changed, too. Mergers and acquisitions become more prevalent.

"Companies were rolling up into each other and buying one another. We felt like if we didn't do something, we could be left in the lurch," Kaplan said. "Not so much economically, but that we'd be so small and insignificant as a business that we would really miss the boat."

Although business was strong – Superior was profitable and debt free – Kaplan and Jochner decided to take control of their destiny. They negotiated a deal in July 1998 to sell Superior to PMT Services, Inc., which then was merged with NOVA Information Systems two months later. Kaplan and Jochner worked for NOVA for a year and then "retired" in September 1999.

Innovative Merchant Solutions

Kaplan said they "retired for a day" but soon realized they still wanted to stay in the industry. So the two set out again and started Innovative Merchant Solutions.

"It's not often in life you get to recreate the wheel you've created before and make up for all the mistakes along the way," Kaplan said. "We had the knowledge we left with about the good, the bad and the ugly, and we tried to create an even better organization than we had before."

Once they secured a location to build their headquarters, they were up and running and processing transactions within 30 days. Kaplan attributes their jumpstart to solid relationships with vendors, great employees and persistence. "One person's job was calling Pac Bell every 15 minutes to ask if our T1 line was going to be put in today," he said.

When Innovative Merchant Solutions opened for business on October 11, 1999, its goal was to sign up 100 merchant accounts in 20 days. Kaplan said IMS signed 1,063 merchant accounts in 11 days and grew from there, to the point where they were writing 5,000 accounts a month. The growth didn't stop. Kaplan estimates that, in the last three years, IMS has written more than 100,000 accounts.

Innovative Bank

Kaplan believes that the banking industry, in general, is not great at making impersonal relationships personal relationships, and this belief spurred IMS's next move.

"We felt that by the sheer nature of the contract a merchant has with the ISO and the bank that they are already a customer of the bank, so we should be providing them with checking accounts and also other things like loans and CDs that go with banking services," he said.

> "We (Innovative Bank) felt that by the sheer nature of the contract a merchant has with the ISO and the bank that they are already a customer of the bank, so we should be providing them with checking accounts and also other things like loans and CDs that go with banking services."

> **"Our goal is, let's have one phone call that a merchant can make and eventually get all of their small-business services from one line. As we create this trickle chain of all these types of services, the agent who sold that account originally starts making passive income on all these other things that merchant uses, just because you serviced them really well the first time."**

At the end of 2001, IMS purchased the Bank of Oakland – the same bank where Jochner started as a teller and had been working when he and Kaplan first partnered. They changed its name to Innovative Bank in April 2002.

"Not only do we now go to a merchant and say, 'Can we do your bankcard?' but we have the opportunity to differentiate ourselves and say, 'We can grow with you and also maybe give you a loan,' " Kaplan said. "So we're helping our customers get access to cash as well as providing them checking account solutions and banking services."

IMS offers a myriad of products and services to keep its merchants interested ... and coming back for more. The company built proprietary systems that provide quick approvals on merchant accounts, offering same-day live merchant numbers. IMS offers faxed leasing programs and has developed technology that allows merchants to

submit applications online with electronic signatures. The company designs and develops its own gift card applications and provides Internet-based transaction processing services.

"The industry has changed so much over time, you have to find new ways to find the merchants and ultimately keep them," said Kaplan. "We believe that we've developed the efficiencies and really kept one step ahead of the changes by having things like loan programs and concierge services – just really pushing on different types of products and services that are a little bit ahead of the game.

"Our goal is, let's have one phone call that a merchant can make and eventually get all of their small-business services from one line. As we create this trickle chain of all these types of services, the agent who sold that account originally starts making passive income on all these other things that merchant uses, just because you serviced them really well the first time."

Contributions

Kaplan believes in giving back to the industry that has given him so much. Throughout his career, he has served on several advisory boards such as VeriFone's and The Green Sheet's, and he also is on the advisory board for the Lloyd Greif Center for Entrepreneurial Studies at the USC Marshall School of Business. The board meets with students and also helps define the objectives for the department's strategic direction.

"Being on the [USC] advisory board is just wonderful. It allows me an opportunity to meet young entrepreneurs who are fresh with ideas and desire, and everyone thinks that I'm giving up my time to be with them when in reality I'm learning so much," he said.

He also is on the Board of Directors of the Electronic Transactions Association (ETA); he has been involved with the ETA from its early stages and has seen it grow and change. "The ETA has been a great cornerstone of growth to really help legitimize what we all do," he said. "We came from obscurity to really an industry of strength and knowledge."

Kaplan and his businesses have been decorated with many honors, which are displayed proudly on IMS's Web site. In June 2002, IMS was included in the top 10 of Entrepreneur Magazine's "Hot 100" list of the U.S.'s

fastest-growing businesses.

In addition, in October 2002 Los Angeles Mayor James Hahn awarded IMS the Spirit Award, which recognizes businesses that help minority businesses succeed.

"These are not awards for me or my partner; they're really awards of the culmination of everybody's hard work and dedication," Kaplan said. "Because you receive one award today, or because you've made a sale today, or because you've had a good day today doesn't mean that you can rest on your laurels for tomorrow."

Part of the Family

Joe Kaplan prefers to use "we" instead of "I" when speaking about accomplishments, and there's passion in his voice when he talks about the success of Innovative Merchant Solutions and its employees.

"I wish I could take the credit, but it's the people that work with us, who are part of our family, and the agents included, that really have helped us grow and be a significant force in this industry," he said.

Innovative Merchant Solutions has 120 employees; most of them work in Calabasas, Calif., providing customer service 24 hours a day, seven days a week, 365 days a year.

Kaplan said IMS trains all of its employees in every aspect of the business so that each employee understands what others do and how that relates to what that employee does. All of this training has other benefits, too. When IMS operators send a call to customer service and all reps are busy, the call then rings on everyone's phone, from the file clerk to Kaplan.

"We're all able to answer that phone call; in fact, over 88% of the calls that we answer on overflow are resolved by that same person who answers the phone," he said. "[The caller] is not pushed from one department to another. Our one-time call resolution is in the 90th percentile, and our one-time call resolution by one person is in the high 80s."

Kaplan's rigorous commitment to customer service does not mean that IMS employees don't get time

> **"No matter how large we get or how many merchants we have, we'll always still be a small company with a lot of heart."**

to let off steam. "If you were to come to our workplace, you'd see people throwing balls around, playing video games; when it comes time to work we are more efficient than most any company out there," he said. "No matter how large we get or how many merchants we have, we'll always still be a small company with a lot of heart. For us, we'll go wherever the wind takes us."

As a 13-year veteran of the payment industry, Kaplan has witnessed many changes in the way business is conducted, especially with the adoption of new technologies. "With the advent of the Internet, it's become more of a faceless sale," he said. "And whether that be direct mail or Internet or an e-mail campaign, we're becoming a commodity marketplace by not being personal anymore. And I'm fearful sometimes that merchants will feel like it's a commodity as opposed to a service industry."

But Kaplan vows to keep pushing forward and holding true to his beliefs. "If you don't deviate from your own value set, then good things will happen," he said. "It's not something that you have to force. Too often people don't have patience and they won't work at a long-term benefit. It's really about building foundations and relationships."

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- Acquisition by First Data has meant creative opportunities for agents.

Still Growing after All These Years

The year was 1988. Many agents on the street were frustrated by account-approval obstacles. But Chuck and Lisa Burtzloff believed that if they could take down those obstacles, agents would gladly join their new company. Through hard work, honesty and making good on their promises, Cardservice International grew and subsequently set the bar for other independent sales organizations.

"You can't find too many companies with the same name, same business model and same leadership that have been around for 15 years," says Chuck's son John, a Senior Vice President with the company. "One reason we stick out is that we have stayed the course and stayed focused."

That focus is clearly seen in CSI's reported figures. The company services 200,000 merchants, which translates to 125 million transactions annually totaling $12 billion in credit card volume. CSI attributes these impressive figures to its 250 sales offices nationwide, representing an army of 2,500 sales agents. It boasts 7,000 to 8,000 new accounts each month, all processed through its one-day approval system.

"We approve accounts better than anyone in the industry," John Burtzloff says. "We offer a lot of support for our sales agents and manage risk well. Our departments do a better job than anyone else in the industry for small to midsize merchants. And we do it with passion.

"Our real advantage is our honesty. It breaks out in many different ways. We've added so much support and intangibles that an ISO couldn't get anywhere else. We establish relationships. We provide a roof over their head. We're not going anywhere, and in this industry it's nice to have somebody have your back."

And Cardservice does have the back of its agents. Among its 800 employees are 20 reps in a sales-support division that responds immediately to calls from agents.

"What makes it unique for our ISOs out there is that they have an opportunity to call who they need in the shop," says Burtzloff. "Most have a relationship with someone in our support department. For instance, if we have a high-risk account and funds need to be held, the agent that handles that particular account can call up right away and discuss the situation. Their rep works through the details. We make it easy to navigate through the building."

Hand in hand with support is training. At CSI headquarters in Moorpark, Calif., a dedicated sales training group conducts on-site seminars as well as hub seminars around the country throughout the year. Cardservice brings agents in and flies out to introduce new products and services as well as provide continuing education on what's working ... and what's not. Online training modules, CDs and other comprehensive materials also are standard for Cardservice ISO support.

> **"Our services benefit both the new guys as well as the seasoned agent. Some of those agents have large portfolios, and it was difficult for them to come aboard because we didn't have programs and services they could benefit from. Now we do."**
>
> — John Burtzloff, Senior Vice President
> CardserviceInternational

One new program garnering considerable attention and support is Cardservice's online application, My Agent Office. MAO is a Web-based product and is all-inclusive for any agent to run a business successfully. It provides hands-on support ranging from managing residuals to ordering equipment to real-time reporting on account status.

While Cardservice's pricing may not be the lowest in the bucket, it's not the highest.

"Our costs are very competitive in our niche, and that niche is high risk as well as across-the-board small to midsize merchants," Burtzloff says. "We focus on what we are good at, and we are in the process of putting together programs that will be even more competitively priced.

"We plan on offering more services that ISOs can make money off of. The more we give them, the more money they will make and the more they will feel secure and continue to do business with us."

Whom does Cardservice want to do business with?

"Over the last year, our regional sales managers have been working extremely hard to develop relationships with anybody in the industry and even those that aren't in the industry that can mutually benefit from what we are creating. Additionally, we are focusing on the guys who are looking for a different opportunity as well as the new kids on the block. Our services benefit both the new guys as well as the seasoned agent. Some of those agents have large portfolios, and it was difficult for them to come aboard because we didn't have programs and services they could benefit from. Now we do."

Perhaps one the reasons that Cardservice looks a bit different is the recent acquisition by First Data Corp., the superpower in electronic commerce and payment services. First Data acquired the remaining 50% ownership interest in Cardservice International on Dec. 28, 2001. Since 1997, First Data had held a 50% ownership.

"We have been fortunate to have First Data behind us," says Burtzloff. "With lots of advantages and power behind us, we've been able to put together creative opportunities for our agents. They are a great group of guys. Doug McNary, our new CEO, came from First Data, and you couldn't get a better guy in this position. He is a sales guy, and it's unique to find a corporate guy with sales focus.

"First Data has always been a good partner, and now they are a great owner. They understand this market."

As for disadvantages of the new ownership, Burtzloff says, "We may be limited in the way we can go out and recruit different ISOs. Payment and residual structure has been a bit of a challenge, but we are still very competitive. Under Doug's leadership, we're rolling out new programs and definitely changing the landscape."

Those changes have not gone unnoticed by Cardservice sales offices. Rich Yanek, President of Cardservice of Virginia, has been part of the CSI family since 1992 and is optimistic about the new ownership.

"The changes I've noticed is that they are more focused on

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> **"ISOs deal with a lot of risks, and Cardservice absorbs all of it as part of their offer to agents. Their support in general is very strong. They have a great infrastructure that makes doing business pretty easy. And that support extends to our merchants as well."**
>
> – Rich Yanek, President
> Cardservice of Virginia

the success of sales, the long-term success of sales," says Yanek. "They are looking to make aggressive changes to be competitive with other ISO and agent offerings. These are positive changes."

Yanek sees many benefits in being associated with Cardservice, including underwriting and risk management.

"They take on risks we don't have to worry about," says Yanek. "ISOs deal with a lot of risks, and Cardservice absorbs all of it as part of their offer to agents. Their support in general is very strong. They have a great infrastructure that makes doing business pretty easy. And that support extends to our merchants as well."

Fred Dickstein, President of Cardservice of Gold Coast in Fort Lauderdale, Fla., echoes those sentiments.

"I've been affiliated with Cardservice since 1993," says Dickstein. "When I started in the business, no one but Cardservice approved merchant accounts. It was like going out on a boat and you caught all these great fish but weren't allowed to eat them. No one wanted swordfish or mahi mahi. Everything you wrote was critiqued.

"Then Cardservice came along and had the ability to approve it all. They looked for the best quality and still do it today. They look for a reason to approve rather than a reason to deny. That's the big difference from everyone else out there."

Dickstein has an interesting opinion about Cardservice's evolution:

"Chuck Burtzloff maximized Cardservice and took it to the heights of a private owner, higher than anyone else could take a business. When he reached that height,

where else was he left to go? It had to be to a company with the strength of First Data to lead Cardservice to even greater heights.

"It's good to be affiliated with the tops in the business. There's no other company out there with better programs. Cardservice offers the best imaginable, and with the power of First Data and Cardservice combined, it's a whole new level in the bankcard processing industry."

John Burtzloff admits that while "over the last year, there has been some uncertainty" about the First Data buyout, Cardservice is doing exceptionally well.

"We are coming out ahead," he says. "The biggest challenge now is getting the new programs out on the street. The message is, 'We have really changed and now there's some serious opportunity here.'

"The challenge isn't the new owner-ship. First Data didn't purchase a building or a bunch of merchants. What they bought was a proven sales and marketing force. This isn't a case of an evil stepmother coming in. Especially as Chuck's son I was a bit nervous, but Doug and First Data are the perfect fit. They understood what they purchased and are giving us the opportunity to grow. We couldn't be happier."

John Burtzloff believes Cardservice can convert that happiness into profits.

"The biggest challenge facing our industry remains competition and ease of a guy to become his own ISO," he says. "It could turn our industry into a commodities game, and that can only hurt us. I see some mergers working. I see the industry shrinking and coming back to a working level. However, you can't keep dropping your prices. If you drop costs, there will be no money left for anyone to make. Let's level it out and give merchants more benefits, better equipment and better service rather than the cheapest price.

"For Cardservice, I definitely see an exciting year after we've implemented our marketing plan and programs. We are going to go out and do a heavy recruiting push. We're going to say, 'Here are our changes.' Whoever wants to come aboard will be in for an exciting ride."

It's all summed up in the Cardservice philosophy, which is backed up by the company's history. Times change, but what worked for the company in 1988 is still working. "We are creating a great environment for sales agents, a place easy for them to do business, as well as creating a different opportunity for ISOs not with us to be extremely special," John Burtzloff says. "That was our philosophy then, and it is even more so today."

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Phone: 866-fraud41 (866-372-8341)
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Company address:
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Hollywood, FL 33021
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Web site: www.fraudscrub.com

ISO benefits:
• Eager to work with ISO channel.
• Proprietary gateway technology offers robust solutions allowing flexible communication to different entities all sharing in the risk of online transactions.
• Offers two kinds of "scrubs" — "plain scrub" and "scrub and authorization."
• Can plug in such standards as MasterCard and Verified by Visa.
• Can intercept both planned fraud and friendly fraud.

Wash Away Your Fraud Blues

When the black cloud of fraud showers a torrent of trouble onto your merchant's Web site, how strong is your security umbrella? What tools do you provide to keep transactions clean and dry? If your products aren't getting the job done, consider a new services provider that promises to protect retail Web sites from the fraud storm.

FraudScrub.com launched its products at the 2002 ETA Midyear Meeting in Seattle. With a large booth displaying eye-catching graphics, it garnered a lot of attention. What kept everyone's attention was FraudScrub.com's offering: cutting-edge fraud and risk filters.

FraudScrub.com takes online transaction data, scrubs it through a series of filters, then advises whether the transaction will prove problematic. That's the simple description of a complex and technologically advanced system that is the fledgling child of an established organization.

In 1997, four entrepreneurs came together in Florida. They saw an opportunity to help small to midsize businesses easily and quickly set up Internet-based credit card transaction services.

"We're not from a banking background," says Richard Kwiat, President and CEO of FraudScrub.com. "We were from retail and sales and insurance, but we were anxious to contribute and add value to the Internet. It was a pure entrepreneurial spirit, and the result was WebsiteBilling."

WebsiteBilling is the parent company of FraudScrub.com. Its young offspring takes advantage of its five years of credit card transactional technology and databases, converting that experience and resources into a product that can team with all players on the electronic payment-processing field.

"FraudScrub.com was born out of an idea we came up with last year," says Kwiat. "We depend on technology to protect us from fraud, which unfortunately now is substantial. Routers are being sniffed as data is being flown by. Why not take that technology and come up with a more flexible product to work with everyone online – acquirers, processors, banks, ISOs or even direct to merchants. We created a fraud gateway."

According to Kwiat, the proprietary technology contained in FraudScrub.com's gateway offers robust solutions allowing flexible communication to different entities all sharing in the risk of online transactions. The solutions come in the form of two types of scrubs that utilize state-of-the-art ruleset and neural technology.

The first is a "plain scrub" that incorporates internal filters and ruleset technology. If the transaction doesn't pass this test, it gets declined. The second is a "scrub and authorization," which relies on a more sophisticated system of neural technology.

"Neural technology is fairly special, especially at the price we offer," says Kwiat. "It's more sophisticated and complements ruleset by analyzing all aspects of the sale with a profile developed by our software. It looks at the transaction and compares it to transactions we have history on."

Based on a company's need, both are available with different interfaces. FraudScrub.com even can handle a simple setup for companies that want complete control of approval and opt to go as deep as they wish on a per-transaction basis. It appears both solutions are poised to set FraudScrub.com apart from the competition on their own merits, coupled with other differentiators.

"Not only do we offer a great product, but we understand the weaknesses and strengths of the industry and our competitors," Kwiat says. "We have sophisticated technology that is priced at pennies per scrub. Our products are designed for quick

and easy setup, in some cases just 30 minutes. Our plug-ins manage risk as opposed to authentication. Our services complement each other so we can manage risk on a wider scale."

Contributing to that scale is FraudScrub.com's ability to plug in such standards as MasterCard and Verified by Visa. Complying with Visa regulations, FraudScrub.com's systems speak only through secure connections.

FraudScrub.com is just as serious about its strategic alliances. Its latest is with iShopSecure, Inc., which has been working with WebsiteBilling for more than a year and recently partnered with FraudScub.com.

"They are great people," says Joseph McDonell, President and COO of iShopSecure. "We have always liked Richard and Roland. They work well together, and we like partnering with good people. No one wants

to do business with people they don't like."

How does iShopSecure feel about what this alliance brings to its offering table?

"Our product is a high-end fraud-elimination product. Theirs is more of a scoring system," McDonell says. "We find that merchants are using some kind of scoring system, and inevitably our system is right behind those. When suspect transactions are defined, they funnel down to us. When combined with FraudScrub.com's product, we can help a merchant define which transaction needs to be authenticated. It's a whole turnkey solution. It's also a cross-reseller relationship."

iShopSecure's expectations for the new partnership are just as promising.

"We feel we can launch this through our reseller relationships as well as

bring it to large merchants looking for this type of solution," says McDonell. "There are a good number of merchants who don't have fraud systems in place or they are not happy with their current systems. We will be able to introduce or replace with this entire turnkey solution. And, at FraudScrub.com's end, they'll be doing the same. We all want to eliminate fraud."

FraudScrub.com is seeking other partners with that same fraudbusting desire.

"We'd like to partner with other companies that offer unique methods of authentication that will set well alongside our product," says Kwiat. "For instance, we are speaking to Equifax. We are always open to forming strong alliances. We are looking for companies with reliability and market recognition."

What type of transactions can Fraud.Scrub.com actually scrub? "Both planned fraud and friendly fraud," says Kwiat. "Friendly fraud gives a merchant more trouble. It's

> "We want to work with ISOs, but we've not done a lot of marketing yet. As ISOs set up online merchants, it behooves them to line up fraud services for their merchants as well. That's where we come in. Our partner programs allow for 100% sharing in revenue of all transactions we scrub. "
>
> —Richard Kwiat, President and CEO
> FraudScrub.com

harder to spot, and with online transactions it's a nastier problem. While a stolen card is easy to spot, human deception is more difficult."

To combat both fraud types, FraudScrub.com maintains a database of all types of transactions. Its software sets up a profile, examining sensitive areas and finer points of transactions, and then takes a snapshot of it.

"We don't access each transaction in our history database," says Kwiat. "We have millions of transactions in our history. We do a comparison to a specific point of information in those snapshots. Then we transfer the 'experience' into our database, not all the data."

The appeal to merchants is obvious. Is the appeal to ISOs just as contagious? FraudScrub.com is hoping so.

"We want to work with ISOs, but we've not done a lot of marketing yet," says Kwiat. "As ISOs set up online merchants, it behooves them to line up fraud services for

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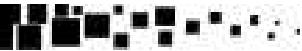
their merchants as well. That's where we come in. Our partner programs allow for 100% sharing in revenue of all transactions we scrub. We also offer private label. We don't need to be seen by the end user."

FraudScrub.com is in beta testing with a number of national ISOs. While the ISO channel is part of FraudScrub.com's future, its current market is focused on large businesses.

"When you look at people who share risks, our target market is acquiring banks, processors and large merchants," says Kwiat. "We are not that experienced with the ISO community and are open to working with any with solid banking relations."

Gaining market share with the ISO community presents a challenge FraudScrub.com probably will overcome. What may not be as easy is taking advantage of all market opportunities.

"Our biggest challenge is throwing the resources at it to take advantage of the potential out there," says Kwiat. "We have the right product at the right time but, like so many, money is an issue. We do have funding but are always looking for more, particularly when an opportunity is in front of you. It's a matter of how quickly you can race to it."

Kwiat sees fraud as gaining in the race. He sees the lack of product as the biggest obstacle facing the payment-processing industry.

"Regarding fraud, it has been the lack of tools available to merchants," says Kwiat. "While we are certainly optimistic with Visa and MasterCard's products making a dent, that remains to be seen. The need for our product came about because no one had the magic tool. I see Verified by Visa as a step in the right direction, but as long as there are people out there on the Internet who are intelligent, they will try to circumvent whatever system is out there. It is an ongoing battle."

Kwiat is banking on FraudScrub.com being a mighty force in that battle.

"I'd like to see us become a standard in the industry partnered with processors and banks and be a recognized product or add-on to help manage merchant accounts," says Kwiat.

"We believe that we will help everyone in a number of ways by helping merchants keep their fraud costs down. With the cost of losing merchandise as well as extremely prohibitive costs of chargebacks that exceed card association thresholds, what is the alternative? We provide a revenue opportunity. It's a win-win situation for everyone."

NEW PRODUCTS ◀ ◀ ◀

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CDT 8810

VeriFone, Inc. and Hand Held Products, Inc.

Two payment industry leaders, VeriFone, Inc. and Hand Held Products, Inc (HHP), have come together to offer a total solution for retailers at the checkout lane: a point-of-sale terminal that supports payment processing and the display of advertising.

The CDT 8810 is a sophisticated customer display terminal that supports debit and credit payments, PIN entry for debit and EBT transactions, access to smart cards, electronic signature capture and presentment, line-item transaction details and on-screen banner advertising.

The device integrates an HHP terminal with VeriFone software and installation and support services. The CDT 8810's features include a 1/4 VGA full-color touch screen display, 32-bit processing, 16 megabytes of memory and a triple-track hybrid card reader.

The companies tested and designed the CDT 8810 for durability, such as drop-testing it on concrete and pro-

tecting the product with a patented, replaceable screen protection system that blocks intrusion of water and dust.

A national retail drug store chain liked the CDT 8810 so much that it contracted for 6,000 units, replacing a previous vendor.

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Hand Held Products, Inc. (HHP)

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Wirca, Inc.

Instead of digging through your pockets for cash or spare change to make that purchase, why not pull out your wireless phone or PDA? Wirca, Inc. has developed a wireless payment technology called PocketChange that allows consumers to use their mobile devices to make purchases at their favorite retail locations and also enables merchants to accept these types of payments.

PocketChange is a cashless payment network designed for the stores, restaurants and vending machines consumers visit every day. Mobile phone users already have everything they need to use the system: their current mobile phone, their current service provider and their current financial institution. Wirca says 120 million Americans with a mobile phone can make a purchase in a PocketChange-enabled retail store.

For merchants, adding the solution is low-cost and easy to implement. It requires a simple hardware upgrade in Multi Drop Bus (MDB)-enabled vending machines, and at other retail locations, Wirca leverages the use of existing point-of-sale hardware – only a software upgrade is

WIRCA

required. Plus, Wirca says its independent authorizing network allows merchants to reduce the cost of credit and debit transaction fees.

The solution is secure, too. Consumers' credit card information is stored only on Wirca's secure servers and not on the mobile device. PocketChange also does not send a person's personal information or credit card number to any store or merchant when he or she makes a purchase. Wirca is testing PocketChange in several different markets in the U.S. with consumers.

Some of the merchants and restaurants participating in the pilot program include Hallmark, Hereford House, Jack Stack, The Learning Tree, Planet Sub, Yahooz and Zipz Conoco.

In Memoriam

On March 3, 2003, the acquiring industy lost one of its pioneers ... Craig Millington.

Craig was a true friend of not only our industry but also the Electronic Transactions Association. From the very beginning – when the association was the BSA – until today, Craig always played an integral role in our association. He was a speaker at our first industry meeting almost 13 years ago, served on many committees and was a member of the board of directors from 1995 through 2002.

Craig served as ETA's president, being the first bank member elected to that office, in 2000-01. His commitment to this organization and its success was boundless. Craig's knowledge and love of this industry was well known. He was a mentor and resource for countless individuals. He truly will be missed.

Please join us in extending our deepest sympathies to his wife, Joan, and his family. The family has asked that, in lieu of flowers, donations be made to either the American Heart Association or St. Jude Children's Hospital.

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Here's how it works: A merchant scans a participating customer's driver's license or other form of ID and the customer's index fingers; checking account information is also captured and the data is stored securely in BioPay's Indivio database. BioPay says the enrollment process can be completed in less than two minutes.

To make a purchase, a customer enters his or her phone number into the bCheck terminal, places an index finger on the scanning bed and then confirms the amount for purchase. The transaction is similar to a traditional check payment, but settlement is made electronically through an ACH. The customer's fingerprint serves as the signature on a check.

Family-owned Santoni's Supermarket in Baltimore has signed on to using bCheck in its store, which handled more than 1.2 million customers in 2002.

BioPay says merchants using bCheck will reduce their processing costs, payment handling and losses caused by fraudulent transactions. The company says its transaction costs are 75% less than the costs of credit card and offline debit card transactions.

And since recent studies show that consumers are more willing then ever to try out biometric technology for payments ("Bring on the Biometrics," FYISOs, The Green Sheet, January 27, 2003, issue 03:01:02), merchants might find themselves asking: Why not?

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NEWS

Symbol and HHP in Patent War

Hand Held Products, Inc. (HHP) and **Symbol Technologies, Inc.** are in the heat of battle over patents. Symbol Technologies announced it is suing HHP in the United States District Court for the District of Delaware for infringing on 12 of Symbol's patents, which are related to imager-based bar code readers, integrated terminals (batch and wireless) and engines.

Since HHP had earlier accused Symbol of patent infringement, alleging breach of contract regarding Symbol's use of HHP Technology at the U.S. Postal Service (HHP filed a suit in U.S. District Court Western District of North Carolina on July 20, 2001), a condition of Symbol's lawsuit is that HHP declare that 36 of HHP's patents are not infringed by any Symbol bar code scanning system or are otherwise invalid or un-enforceable.

Major Retailers Sued in Patent Dispute

Coral Gables, Fla.-based **Default Proof Credit Card System, Inc.** filed a lawsuit against **Home Depot Inc., Starbucks Corp., Wal-Mart Stores Inc.** and **Sam's Club**, claiming the companies violated its patent on prepaid debit cards, according to a story in the Miami Daily Business Review. In its lawsuit, Default Proof said it should be paid a licensing fee for each transaction. The company filed suit Jan. 15, 2003 in the U.S. District Court for the Southern District of Florida. Default Proof applied for the patent in 1997 and was granted it in June 2002 (patent 6,405,182), which covers a "system for dispensing prepaid debit cards through computerized point-of-sale terminals."

More Banks to Block Online Gambling

New York State Attorney General Eliot Spitzer enjoyed another victory in his continued fight against illegal online gambling. Ten more banks signed an agreement with Spitzer to block cardholders from using their credit cards for online gaming transactions. The banks also agreed to pay a combined total of $335,000 in settlement costs to the state of New York. The banks are:

- Cayuga Bank (now First Niagara Bank)
- Chemung Canal Trust Company
- First Consumers National Bank
- First Premier Bank
- Merrick Bank
- Peoples Bank
- Trustco Bank
- USAA Federal Savings Bank
- US Bank NA
- Wells Fargo Financial Bank

Spitzer began his anti-online gambling campaign in June 2002, when **Citibank** was the first to agree to block these types of transactions. Many other credit card issuers have implemented blocking mechanisms, including **American Express, Providian, Bank of America, Fleet, Direct Merchants Bank, MBNA** and **Chase Manhattan.**

2002 e-Commerce Sales up from 2001

The **U.S. Department of Commerce** reported in its U.S. Census Bureau quarterly report on e-commerce statistics that Q4 2002 retail e-commerce sales totaled $14.3 billion, an increase of 29.3% from the previous quarter. Online retail sales, which accounted for 1.6% of total retail sales in Q4 2002, were $869.6 billion, up from

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

➤ **U.S. Consumer Confidence Index** fell to 64.0 in February 2003 (down from 78.8 in January), its lowest level since October 1993, the Conference Board reported.

➤ **Sunoco, Inc**. will purchase 193 of Speedway SuperAmerica's direct retail sites in the Southeast for $140 million.

➤ **Kmart Corp.**'s plan to close 316 stores was approved by a federal bankruptcy judge.

➤ **Save Mart Supermarkets** purchased 17 Food4Less locations from Fleming Companies, Inc. and also agreed to buy from the company an additional 11 Food4Less locations in California.

➤ **Longs Drug Stores Corp.** will slash 170 jobs, citing a sharp decline in its Q4 2002 profit.

➤ **Gart Sports Company** and **The Sports Authority, Inc.** announced a merger; the combined company will be called The Sports Authority, Inc., and its headquarters will be in Englewood, Colo.

$827.5 billion in Q3 2002. The Department of Commerce estimated total e-commerce sales for 2002 at $45.6 billion, an increase of 26.9% from 2001. Total retail sales in 2002 increased 3.1% from 2001.

Convenience Stores Increase in Number

According to the **NACS/TDLinx Official Industry Store Count** published by NACS, the total number of convenience stores in the U.S. was 132,424 at the end of 2002. In 2001, the official store count was 124,516 stores. Nearly 59% of all stores are owned and operated as a one-store business or franchise. Texas has the most convenience stores (12,688 stores), followed by California (9,149), Florida (8,984), New York (5,969) and North Carolina (5,674).

ANNOUNCEMENTS

NACHA Council Focused on EBT

Recognizing that EBT cards have been widely adopted in the U.S., **NACHA-The Electronic Payments Association**'s EBT Council (established in 1995) has changed its name to the "**Electronic Benefits and Services Council**" to better reflect its new mission: "to assure that EBT standards and operating rules remain relevant and that they accommodate a variety of governmental payments and services using existing and emerging technologies."

TNS Marks 5,000 ATMs

TNS Smart Network Inc. announced it reached a milestone on February 20, 2003: The company now processes for 5,000 ATMs in Canada. TNS said this is a 100% increase in ATMs within 12 months. TNS is a Canadian private service bureau for third-party ATMs.

MagTek Offers USB Connectivity

Since many users of **MagTek, Inc.**'s Mini-MICR check reader prefer to connect it to a PC, MagTek now offers its product with a USB (universal serial bus) interface. The Mini-MICR check reader is compatible with USB 2.0 and 1.1. The RS232 and keyboard wedge models are still available.

PARTNERSHIPS

Starbucks Plans New Credit Card

Starbucks Corp. announced plans to offer its own credit card that also allows cardholders to prepay for their lattes, mochas, baked goods and other treats by loading money onto the card. The company has joined forces with financial industry leaders **Bank One Corp.** and **Visa U.S.A.** to make it happen. Starbucks said it plans to launch the card in late fall 2003 and will use a "significant portion" of profits from the card to support social and environmental causes.

Certegy and NPC Form Alliance

Certegy Inc. and **National Processing Co.** have partnered in check processing. Certegy will offer full-service check processing to NPC's merchants, and NPC will support Certegy check products, including check warranty and verification, electronic check authorization, ACH services and consumer-not-present solutions.

Certegy also announced it will provide electronic check conversion and imaging services to Price Chopper Supermarkets chains in the Northeast. The initial implementation began in 2002, and Certegy said the rollout to all Price Chopper locations would be completed by May 2003.

Hypercom in Northeast Supermarkets

Hannaford Bros. Co. selected **Hypercom Corp.**'s ICE 5500M credit card payment terminal for at least 100 of its multilane supermarkets, including stores under the Shop'n Save and Hannaford names, throughout Maine, New York, New Hampshire, Vermont and Massachusetts. Hypercom expects to deploy more than 2,000 terminals.

Global Payments Expands with California Bank

Global Payments Inc. expanded its merchant services program with **Union Bank of California** to include terminal deployment, terminal replacement and repair, and training and documentation services for merchants using Global Payments' processing services.

DAS Partners with Union Bank Co.

Diversified Acquiring Solutions Sales Corporation Inc., (DAS) and Columbus Grove, Ohio-based **The Union Bank Company** entered into a merchant referral program whereby The Union Bank Company will refer new merchant business to DAS (and receive referral income and residual income on all processed volume), and DAS will handle the sale, set-up and servicing of the processing relationships.

ACQUISITIONS

Coinstar Acquires Prizm

Coinstar Inc. acquired **Prizm Technology, Inc**., Coinstar's partner in a 75-store, prepaid wireless supermarket pilot. Financial terms of the deal have not been disclosed. Coinstar owns and operates coin-counting machines in supermarkets throughout the U.S., Canada and the UK. Prizm developed and deploys TOP-UP services and terminals, which allow consumers to purchase services such as prepaid wireless minutes, bill payment, automated check cashing and wire transfers at un-attended TOP-UP kiosks. Terminals are placed in high-traffic retailer areas such as shopping malls, convenience stores and universities.

Cardtronics Moves into Malls

Cardtronics expanded its ATM portfolio beyond retail petroleum and convenience stores by acquiring **CenterCourt Cash, Inc.**'s 22 ATMs and transaction processing contracts that are for locations in 10 shopping malls across the U.S. Of the 22 new locations, 19 ATMs are located in California, and the other three are in Seattle and Baltimore.

FDC Processing More Payments in Europe

First Data Corp. signed an agreement to acquire **TeleCash Kommunikations-Service GmbH** from **T-Systems International GmbH**, a division of Deutsche Telekom AG. TeleCash is an electronic payment network operator of 166,000 point-of-sale terminals that arms merchants with the ability to accept debit and credit card payments.

Innovus Merges with Momentum

New Orleans-based **Innovus, Inc.** (formerly Automated Technology Machines, Inc.) and Houston-based **Momentum Cash Systems** have merged and will do business under the name of Innovus, Inc. A New Orleans real estate developer, Joseph Canizaro, now owns the company.

APPOINTMENTS

Discover Hires Abagnale as Advisor

"Catch Me If You Can" author **Frank Abagnale**, whose life story also was recently made into a movie starring Leonardo DiCaprio, will serve as an advisor/consultant on fraud prevention for Discover Financial Services, a business unit of Morgan Stanley. Discover Card has scheduled Abagnale, featured in the February 24, 2003 issue of The Green Sheet ("Notice to Fraudsters: 'Cash Me If You Can,' " 03:02:02) to appear at several retail and merchant association conferences where he will discuss his life experiences, provide fraud prevention workshops and seminars, and sign copies of his books.

EZCheck Recruits New President

Randy Rutledge joined **EZCheck** as President and Chief Executive Officer; he also will serve on the company's Board of Directors. Rutledge has more than 22 years' experience in financial services. Most recently, he was Senior Vice President and Chief Marketing Officer of TeleCheck Services, Inc., a subsidiary of First Data Corp., where he worked 17 years. Rutledge also was on the TeleCheck Executive Committee and the First Data Operating Committee.

FDMS to Expand in Supermarket Services

First Data Merchant Services hired **Joseph Venezia** as Vice President of Market Development for the supermarket industry. Venezia previously served as Marketing Director with the Scott's Co. and also worked about eight years with the Proctor and Gamble Co. in brand management and marketing.

Vodafone on Mobile Payment Board

The Mobile Payment Forum selected **Alessandra Dell'Otti** as Steering Group Chair. Dell'Otti is Head of M-Commerce, Product Development for Vodafone Group, PLC. The Forum is a global alliance of organizations from the mobile and financial industries, dedicated to advancing mobile (m) commerce. The Forum's 12-seat board includes NEC Corp., Nokia Corp. and T-Mobile International and representatives from American Express Co., JCB Co., Ltd., MasterCard International, NTT DoCoMo, Oracle, Telecom Italia Mobile, Visa International and Vodafone.

CrossCheck Appoints SVP

Chris Schumacher has been appointed Senior Vice President at **CrossCheck, Inc**. Schumacher previously worked at Transworld Systems, Inc. (TSI) in several different positions; his most recent was Director of Operations at TSI's corporate headquarters. He also oversaw TSI's collection operations in Honolulu and Los Angeles.

TransFirst Promotes Joni Floyd

TransFirst recently named **Joni Floyd** President of Shared Services Division. Floyd is a 22-year veteran of bank data services and e-commerce industries and has been a member of Affiliated Computer Services, Inc. management team from 1990 through 2000, where she served in several executive positions, including Executive Vice President of the Electronic Commerce Division. Floyd had served as TransFirst's Vice President of Strategic Development since 2001.

Symbol Hires Fortune 500 Veteran

Symbol Technologies, Inc. hired **Mark T. Greenquist** as Senior Vice President and Chief Financial Officer. Greenquist has served in numerous positions at General Motors Corp., including at GM's New York treasurer's office handling corporate finance, capital markets, foreign exchange and commodity hedging, and investor relations. He has experience with GM's European operations as Treasurer of Saab Automobile and CFO and Managing Director of GM Poland. Greenquist also worked as Vice President and Corporate Treasurer of Delta Air Lines and most recently oversaw executive management and financial operations at Agere Systems.

CheckFree Names Vice Chair

Payment-industry veteran **Mark A. Johnson** has accepted the position of Vice Chairman for **CheckFree Corp**.'s Board of Directors. Johnson has worked in several executive positions at CheckFree for more than 18 years and has served on the company's Board since 1982. He left the company in 2000 to form e-RM Ventures, a private investing consultancy. His background also includes stints at The Federal Reserve Bank and Bank One.

For Your Information

We get a lot of calls looking for information on companies. While it is our policy to not recommend any particular company, we can share some tips on how to dig up some of the information you are looking for. There are many resources right at your fingertips.

First, we always suggest that you search our Web site, www.greensheet.com. All past issues are posted and available for research. You get better results if you can narrow down the search. For instance, typing in "equipment resellers" probably will get you a few thousand hits. But if you narrow down the parameters a bit to "equipment resellers check imaging," you will get a handful of hits that you can more easily navigate.

Our next suggestion is to post your question on our ISO Forum, which was developed specifically to enable ISOs to share information with each other. One of our readers may be able to assist you in your search.

There are many Web sites available to find information on various companies. There's www.hoovers.com, which has some information available at no cost; for some of it, however, you must be a subscriber. If you want information about a business's credit, www.infousa.com charges a nominal fee for reports on the company, its locations and its key personnel.

If the company is public, you can pull up all of its filings at www.sec.gov. The EDGAR database is available at no cost and is easy to use. You can search by company name or by the name of an officer of the company.

Not sure who really owns a company? Try looking up its corporation status. This can be a little tricky if you don't know the state of incorporation. Always start with the state in which the company is headquartered. Delaware is a popular state for incorporations, as is Nevada. Corporations usually are regulated through the Secretary of State.

Other places that are helpful in information searches are the Federal Trade Commission and the Better Business

Bureau. You can check to see if a company has complaints filed. The FTC Web site is www.ftc.gov. The Better Business Bureau can be found at www.bbb.org.

Another Web site that might prove useful to you is www.virtualgumshoe.com, which has many resources for looking up corporate records, phone numbers, e-mail addresses and much more. The site is arranged in a user-friendly fashion and is easy to navigate.

Don't forget to run a general Internet search. There are hundreds of search engines available. One way to search multiple engines is to use www.dogpile.com, which will return hits from 10 different search engines.

Searching for all of this information can be somewhat time-consuming, but your persistence will pay off in the end.

What's in a Name?

You've been polishing your image for months, making sure the first impression you leave with people is that of a knowledgeable, competent sales professional. Your cold-calling skills are sharpened and you are motivated and ready to hit the streets. You set your appointments and are getting ready to send out an e-mail message to your prospects. You write a brilliant message and send it off. But how will your prospects respond to correspondence from ilovebarney@yahoo.com?

Many people forget that the address they use for their e-mail is another reflection of their business. Some of us have set up personal e-mail accounts and have chosen names that reflect our personalities or interests. A number of these names are tongue-in-cheek or just sarcastic. This might be the first contact you have with some of your clients, and you certainly don't want to give the wrong impression.

Just as you have dressed up your home address either by using an alternate address such as a "suite" at the local Mail Depot or renaming your apartment building as a business park, you should consider an alternate e-mail

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

NACHA-The Electronic Payments Association

Payments 2003: Managing the Transition to Electronic Payments

Highlights: The markets for electronic payments continue to grow as companies and individuals around the world demand faster, cheaper and easier means of conducting business. More than 100 sessions delivered by a broad spectrum of payment industry experts will provide practical information from people who are implementing electronic payments. Issues to be covered include practical research findings, fraud prevention and risk management, optimizing ACH services, security and privacy and essential elements for success in managing your electronic payment transitions. A golf tournament and gala evening are two of the additional events in which you can participate.

When: April 27-30, 2003

Where: Orlando World Center Marriott Resort & Convention Center, Orlando, Fla.

Registration Fees: Vary by membership status and events attended.

How to Sign Up: Visit www.nacha.org/conferences/ or phone 703-561-1100.

address for your business. This is not as daunting a task as it may seem. Different options are readily available and quite affordable.

Ideally, you will have a domain name for your company and can set up e-mail through this. It is easy for your contacts to remember an e-mail address that contains both your name and your company's name (John.Doe@ABCWidgets.com). They might not associate your hobby with you and your business if your address is basketballnut@aol.com. Make it easy for prospects to contact you and keep your e-mail address somewhat intuitive.

If you have not set up your own domain, it might be an expense to consider. You first need to register a domain name. The cost for this service is approximately $15-35 per year. Next, you will need to find a hosting service. A quick search on the Internet will yield numerous companies to choose from. If you are just going to use your domain for e-mail, the cost for hosting should be about $10-15 per month.

Even if you choose to not set up your own domain, it is much more professional to use your name with your current e-mail account than a nickname. Most ISPs (Internet Service Providers) allow you to set up more than one mailbox. Choose a name that incorporates either your company name or your own name.

If the name you prefer is taken, try another variation. For example, if your name is Susan Smith, you can try:

```
smith@msn.com
susansmith@msn.com
ssmith@msn.com
smithsusan@msn.com
smiths@msn.com
```

If none of these is available, add a special character to the name. One of the more common characters to add is the underscore. For example:

```
susan_smith@msn.com
```

Whichever option you choose, you can be sure that the image you are creating is professional. You now have a credible address to use to correspond with your prospects and clients. Save the other name for friends and family.

Good Selling!

Paul H. Green

GOOD THINGS COME IN THREES.

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

RESOURCE GUIDE

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

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) 966-5641

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) 966-5641
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
MSP Direct, 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

LOYALTY CARDS

FLEXGIFT/UMSI
(800) 260-3388 x236

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
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
USAePay.com
(866) USAePay (872-3729)

SITE SURVEYS

Property Resource Network Inc.
(800) 676-1422

SUPPORT DESK FOR POS TERMINALS & PC SOFTWARE

CardWare International
(740) 522-2150
TASQ Technology
(800) 827-8297
The Horizon Group
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