



The Green Sheet

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

August 25, 2003
Issue 03:08:02

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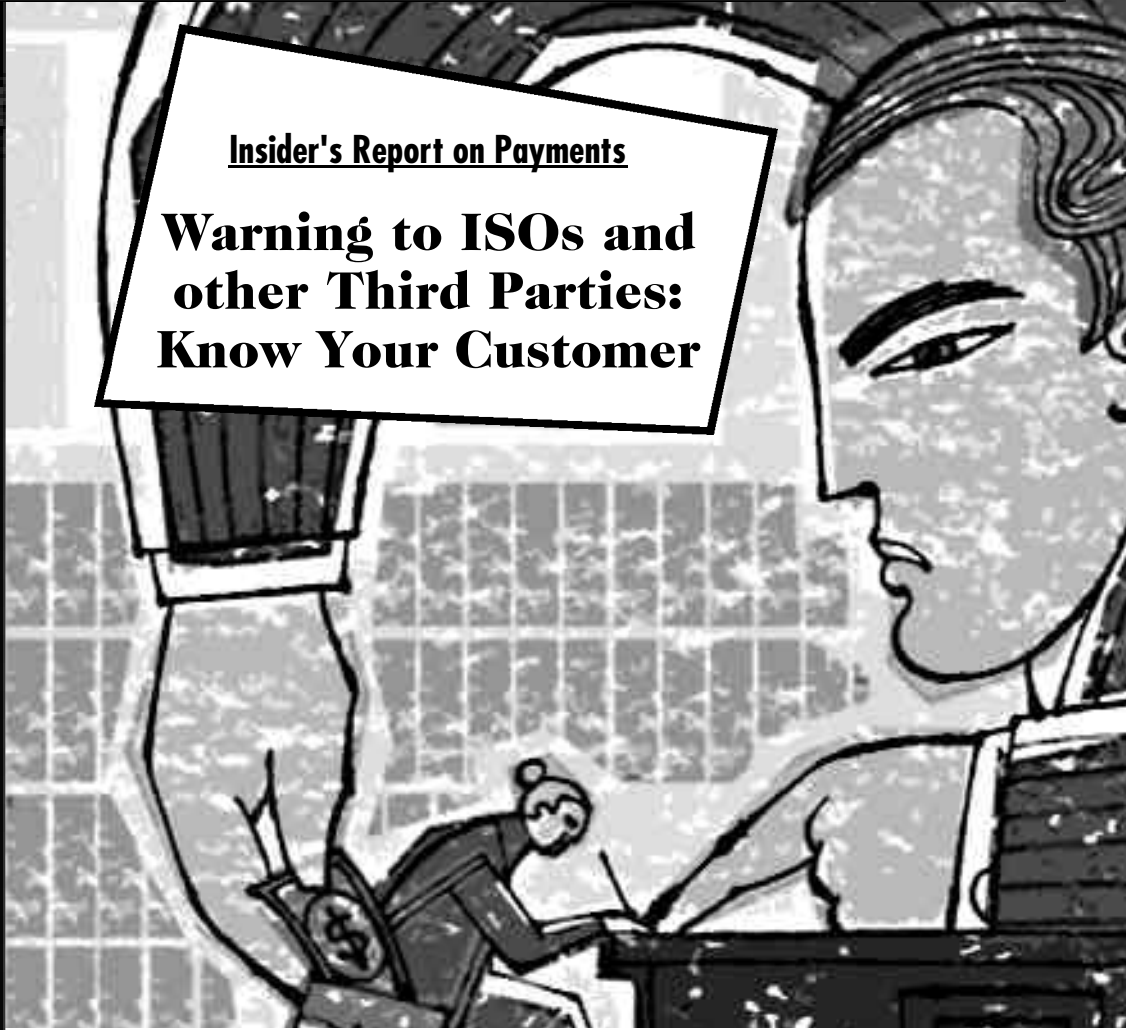
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Insider's Report on Payments

Warning to ISOs and other Third Parties: Know Your Customer

By Patti Murphy

Like it or not, the transaction-acquiring business has been pulled into the global war on terror. As a result, you can expect a lot more folks to be looking over your shoulder, and I'm not just talking about the Feds. Card companies and net-

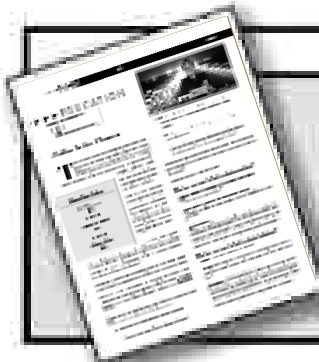
works, too, are placing a sharper focus on the relationships between banks and the litany of non-banks that regularly come into contact with transaction data. This includes ISOs and their independent contractors, authorization and processing

See Payments on Page 42

Notable Quote:

Always deliver your presentation with excitement and enthusiasm. Enthusiasm is contagious, and prospects respond positively to sales professionals who show a real interest in what they are selling.

See Story on Page 47





- » Neal Anderson-NGA Enterprises
- Adam Atlas-Attorney at Law
- » John Arato-Golden Eagle Leasing
- » Penny L. Baker-National Bankcard Systems
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- » Audrey Blackmon-POS Portal
- » Robert Carr-Heartland Payment Systems
- » Steve Christianson-TransPay Processing
- » Rob Connelly-VeriFone
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- » Steve Eazell-Secure Payment Systems
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- » Ed Freedman-Total Merchant Services
- » Patrick Gaines-LML Payment Systems
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- » Larry Henry-L. Henry Enterprises
- » Ginger Hollowell-Electronic Money
- » Jared Isaacman-United Bank Card
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- » Gary LaTulippe-Schmooze
- » Mitch Lau-Money Tree Services
- » Dan Lewis-ABANCO International
- » Douglas Mack-Card Payment Systems
- » James Marchese-IRN Payment Systems
- » Paul Martaus-Martaus & Assoc.
- » David McMackin-AmericaOne Payment Systems
- » Doug McNary-First Data Merchant Services
- » Patti Murphy-The Takoma Group
- » Steve Norell-US Merchant Services
- » Anthony Ogden-Bankcard Law.com
- » Christopher O'Hara-Profitcentric
- » Paul Oswald-NOVA Information Systems
- » Bill Pittman-RichSolutions
- » David Press-Integrity Bankcard Consultants
- » Brian Rogers-PurchasingPower
- » Stuart Rosenbaum-U.S. Merchant Systems
- » Charles Salyer-GlobalTech Leasing
- » Dave Siembieda-CrossCheck
- » Matthew Swinnerton-Merchant Services Direct
- » Scott Wagner-Hypercom
- » Dan D. Wolfe-Barons Financial Group



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The Financial Services Industry, Consumer Education, Strategies and Alternative Advice

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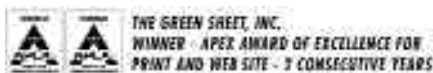
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Check Cards vs. Debit Cards vs. Credit Cards

I am looking for something that shows statistics on how frequently check cards are used in comparison to debit or credit cards. Can you direct me as to where I can find this information?

Terrie

Terrie,

A few studies of consumer debit card usage have been completed, but to our knowledge, there is no concrete data comparing debit and credit card usage. This is at least partly because offline (signature) debit transactions can look like credit card transactions during the clearing and acquiring steps, and not all companies differentiate the two when tallying transaction data. But here's some data that may help.

A study completed by Analytica Inc. at the request of Pulse (a bank-owned ATM/POS network with a large presence in the Southeast) suggests consumers are just as likely to use an ATM debit card with PIN as they are to use the card's signature authorization feature for POS purchases.

That study, which tracked transactions during a three-week period in November and December 2002, found consumers use their ATM cards twice as often for purchases as they do at ATMs. Of the average 10.92 times a consumer used his/her ATM card during the study period, 7.81 times were to make purchases at retail locations versus 3.11 times to withdraw cash at ATMs. Of the average 7.81 POS transactions recorded, 4.06 were PIN-based and 3.75 were signature-based.



Consumers surveyed by Jupiter Research earlier this year seem to prefer credit cards over any type of debit card. Fifty-five percent of those polled said they felt "comfortable" using credit cards, according to a report released by Jupiter in March; 32% were "comfortable" using debit cards and 20% felt "comfortable" using PIN-based debit. Perhaps more telling are the statistics on consumers who are "uncomfortable" using debit cards – 49% who use debit cards and 66% who use debit cards with PIN, Jupiter reports.

Editor

Looking for Authoritative Advice on Managing

I am ashamed to admit that I had been hopelessly behind in reading my issues of The Green Sheet. Over the past two weeks, I have read 12 issues – all in a row. I thought I would share some of my thoughts. The magazine is great. It appears to be getting stronger with each issue. It has a variety of topics from education to inspiration. The new calendar will be very useful. Even the ads are interesting -- and this is from someone who no longer works in this end of the industry.

The one thing that I think is missing is a column on management issues. I know a lot of the readers are the Merchant Level Salespeople, and I think they need help managing their businesses.

When I did this job (for First Tennessee), I had a hard time setting goals, knowing how to negotiate, having a vision of where I wanted my business to go, communicating well with the client, etc. I had no training or support from FTB, so I was pretty much on my own. I think a monthly column on one of these issues, as well as others, would be an excellent addition to the regular articles. Just thought I would share my two cents' worth. I look forward to each issue and hope to not get so hopelessly behind again.

Vicki Daughdrill
President

Financial Women International

Vicki:

Thank you for the positive comments. We really appreciate your idea for some future GS articles. Perhaps after your FWI meeting in September you will have time to write a few management tips for GS.

Editor



INDUSTRY UPDATE

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NEWS

GDP Grows in Second Quarter

The **U.S. economy increased** at an annual rate of 2.4% in the second quarter of 2003, according to advance estimates of real gross domestic product (GDP) from the U.S. Department of Commerce's Bureau of Economic Analysis. The report shows a moderate increase from the previous quarter, when GDP grew 1.4%. Major contributors to the Q2 increase include personal consumption expenditures (PCE), federal defense spending, non-residential fixed investment and residential fixed investment.

ANNOUNCEMENTS

Thales Moves Terminal Center

Thales e-Transactions announced a relocation of its terminal deployment center to a larger facility:

Thales Service Center

509 Medtech Parkway
Johnson City, TN 37604
Repair Status Hotline: 423-952-7414
Thales Customer Help Desk: 888-710-0100
Sales: 888-726-3900

ISOs Manage with Global @dvantage

Global Payments Inc. now offers its ISO partners Global @dvantage, a secure place on the Internet (open 24 hours a day) where ISOs can access information about their accounts such as sales volume, transaction count, average ticket and residuals. The site also provides risk-management and portfolio-management tools, contact directories and documentation on Global's product and service offerings.

MIST Awarded Smart Card Patent

The United States Patent and Trademark Office awarded **MIST Inc.**, parent company of **NBS Card Technology Corp.**, U.S. patent #6,588,673 for its "inline EMV smart card personalization process" technology – also known as its "one-step smart process." NBS' software developers created a new method for EMV smart card issuance that eliminates the duplication of the hardware security module.

NACHA Tests Electronic Billing Model

NACHA-The Electronic Payments Association is testing an EBIDS (Electronic Billing Information Delivery Service) program whereby companies will deliver billing information electronically using the Automated Clearing House (ACH) network. NACHA said that, if successful, the pilot could serve as a universal model for financial institutions using the ACH network to distribute consumer bills.



- **U.S. consumer debt** fell 0.2% in June 2003 as consumers charged less on their credit cards for the first time in seven months, according to the Federal Reserve.
- Major U.S. retailers posted better than expected same-store sales in July 2003. Retailers such as **Wal-Mart, Best Buy, Federated Department Stores, Gap, AnnTaylor** and **Abercrombie & Fitch** all raised their quarterly earnings forecasts.
- **McDonald's** reported an 11% increase in July same-store sales.
- **Wal-Mart** wants to open 40 Supercenters throughout California over the next four years, beginning with La Quinta and followed by Bakersfield, Hanford, Chico and Redding.
- **Alimentation Couche-Tard Inc.**, an operator of convenience stores, plans to purchase 43 stores of Clark Retail Enterprises, Inc., all with gasoline-dispensing operations. Thirty-three of the stores are located in Illinois, and the rest are in Indiana, Iowa, Michigan and Ohio.
- **7-Eleven Inc.** has partnered with **GTECH Corp.** to offer customers the ability to purchase lottery tickets through its Vcom kiosks. The ATM-style kiosks are located in 1,000 7-Eleven stores in 14 states. 7-Eleven sells more than 700 million lottery tickets each year.

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New Report on Fraudulent Merchants

Houston-based **Galt Systems, Inc.** announced the availability of its **Terminated Store Report**, an industry-wide database of merchants that have been terminated for fraud and A/R write-offs. If you are considering a merchant for a check truncation product, you can potentially save thousands by preventing those with a negative history from signing up, Galt Systems said. The company supplies risk management, collections, call-center operations and IT solutions to check acceptance providers.

PARTNERSHIPS

NOVA to Process for Provident Merchants

As part of a long-term agreement, **NOVA Information Systems** will process credit and debit cards, electronic check services and other value-added services for Cincinnati-based **The Provident Bank's** merchant customers. The Provident Bank is a subsidiary of Provident Financial Group, Inc. NOVA values this agreement at \$900 million in Visa and MasterCard sales annually. Provident and NOVA also will jointly market merchant processing services to new customers.

Global eTelecom Gets Thrifty

Global eTelecom, Inc., along with **Integrity Card Services**, will provide **The Thrifty Nickel** with an integrated electronic check conversion solution, allowing the free classified newspaper (both printed and online) to accept and process paper checks electronically.

NPC Signs Three

National Processing Co. will provide authorization and settlement services for credit and debit card transactions for **Sheetz, Inc.**, a privately owned, family-operated convenience store business with more than 290 locations in five states. NPC also will process online debit transactions for **ShopKo Stores, Inc.** NPC provides authorization and settlement services for ShopKo's MasterCard and VISA transactions.

In addition, **ISO CoCard Marketing Group, LLC** renewed a multiyear processing agreement with NPC, which will continue to provide credit and debit card authorization and settlement to CoCard's merchant customers.

USA Petroleum Picks Paymentech

Paymentech, L.P. will process credit and debit card transactions using DSL connections for **USA Petroleum's** 160 stores. USA Petroleum is a national convenience store and gas station chain. Paymentech also will provide USA Petroleum with an interface to Fleet One, USA Petroleum's fleet processing partner. Both the DSL and Fleet One interface will originate from **VeriFone, Inc.'s** Ruby SuperSystem.

Skipjack and CardinalCommerce Partner

Skipjack Financial Services, Inc. and **CardinalCommerce Corp.** have formed a partnership whereby Skipjack will offer CardinalCommerce's payment authentication software, Cardinal Centinel, to its online merchant customers. Cardinal Centinel was designed for acquiring banks and merchant service providers and their merchants. The company says the software reduces the level of online fraudulent transactions and guarantees payment to online merchants while protecting cardholder accounts.

Tranax Offers Payroll Check Cashing

CashWorks, Inc. is providing **Tranax Technologies, Inc.** with functionality to support government and payroll check cashing on all Tranax ATMs. CashWorks' payroll check-cashing solution allows merchants to create a new source of fee-based income while also increasing customer loyalty and sales in the store. CashWorks began offering this capability in July 2003 on select Tranax ATM models and said it has plans to offer it on all of its models.

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National Car Rental System, Inc. will begin using **NSF Check Retrieval's** free check recovery service to collect on bounced and bad checks written by customers. NSF Check Retrieval handles check collections through a process called electronic re-presentment, which allows NSF to debit each bad check and a service charge directly from the bad check writer's bank account.

CheckAGAIN Signs Major Shoe Store

CheckAGAIN will provide 300 **Rack Room Shoes** locations with check management services such as point-of-sale check authorization, electronic check representment, centralized returns and Web-enabled reporting. Rack Room Shoes is a privately held shoe retailer.

Newtek Offers e-Commerce Software to Merchants

Newtek Business Services, Inc. subsidiary **Newtek Merchant Services** has partnered with **Mercantec, Inc.** to provide its merchant customers with Web site building software. The application Newtek will offer through the partnership is called **Mercantec PowerCommerce**, and it helps merchants build a Web site and accept and process credit card payments. A bundled offering includes Web site hosting, an optional integrated gateway and online support for first-time e-commerce merchants. **Mercantec** said its software package is especially designed for resale by ISOs.

ACQUISITIONS

Global Payments To Buy DolEx

Global Payments Inc. announced plans to acquire **Latin America Money Services, LLC** and subsidiary **DolEx Dollar Express, Inc.**, based in Arlington, Texas. **DolEx** is an electronic money transfer firm that services mostly Hispanic customers who send money to family and friends in Mexico and other Latin American countries. **DolEx** operates through approximately 550 retail branches.

Global Payments expects to pay approximately \$200 million for the company and expects the transaction to close before the end of 2003. In 2002, **DolEx** processed 4.6 million electronic money transfer transactions and reported nearly \$70 million in revenue.

iPayment Acquires ISO

In its first acquisition as a public company, **iPayment, Inc.** acquired **ISO Card Payment Solutions, Inc. (CPS)**. **CPS'** portfolio contains more than 4,000 small merchants and is valued at approximately \$400 million. **iPayment**

paid about \$16 million for the company (\$12 million in cash, nearly \$3 million in stock and assumed \$1 million of debt).

Newtek Buys AMS

Newtek Business Services, Inc. acquired **Automated Merchant Services, Inc. (AMS)**, a provider of electronic merchant payment services to businesses and government agencies in the U.S. **Newtek** said it gained 2,100 customers and 10 sales representatives in Florida with the transaction. The company plans to grow **AMS** beyond the Florida market and eventually will change its name to "Newtek Merchant Solutions."

Providian Sells \$850 Million Portfolio

A joint venture formed by **CompuCredit Corp.** and **Merrill Lynch** purchased a portfolio of approximately 435,000 credit card accounts with \$859 million in outstanding balances from **Providian Financial Corp.**, a subsidiary of **Providian Bank**. **Providian** expects to transfer servicing of the portfolio by mid-August 2003.

Western Union Enters Top-Up Market

First Data Corp. subsidiary **Western Union Financial Services, Inc.** has purchased a majority stake in **Eposs Limited**, a Cambridge, U.K.-based provider of electronic products and payment solutions for the prepaid cellular, or "mobile top-up," entertainment and services market. Terms of the transaction were not disclosed. **Eposs'** sells its products in-store by integrating with retailers' point-of-sale systems and through multimedia vending machines.

APPOINTMENTS

Blackstone Names Acton President

Blackstone, provider of prepaid products and services, promoted **Michael D. Acton** to President of the company. **Acton** previously served as **Blackstone's** General Manager. He has been with **Blackstone** for four years.

Andrews Promoted at Catuity

Catuity, Inc. promoted **Douglas Andrews** to the position of Account Director. **Andrews** previously served as Senior Account Manager at the company. He has more than 25 years' experience with manufacturing and financial services organizations. Before joining **Catuity** in July 2001, he served as Director of Internet and Direct Retailing for **Michigan National Bank**. He also worked at **Detroit Bank and Trust**, **Hughes Aircraft** and **Allied Signal**.

Bennett Appointed President of NET1

Verus Financial Management promoted **Bob Bennett**

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to President of its subsidiary, **Network 1 Financial** (NET1). Bennett joined NET1 in December 2001 as Executive Vice President. He previously served as President of Virtual-Plastic Corp., an Internet Shopping Card start-up and President of MIC, Inc.

Bennett also was the Chairman and CEO of MicroFridge, Inc. Prior to MicroFridge, Inc., Bennett directed sales efforts for high-growth computer companies, managed software applications and worked as a consulting engineer.

FDC Appoints Global Compliance Exec

First Data Corp. appointed **Christine E. Carnavos** to serve as Senior Vice President of Global Compliance for FDC's Payment Services businesses, including Western Union. First Data created Carnavos' position to support the company's efforts in maintaining regulatory compliance with global regulatory requirements, anti-money laundering initiatives, the Bank Secrecy Act and the USA Patriot Act. Carnavos has more than 25 years of compliance, legal and government experience.

She previously served as Executive Associate Director of the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury, where she was

head of the Office of Compliance and Regulatory Enforcement. She also served as Chief Compliance Officer and Manager, Corporate Compliance at PNC Financial Services.

She was a member of the Board of Advisors for the National Compliance Schools of the American Bankers Association (ABA) and the ABA's Compliance Executive Committee.

Banking Veteran Joins Carreker Board

Carreker Corp. announced **Keith W. Hughes** joined the company's Board of Directors. Hughes is a 30-year veteran of the banking industry and former Vice Chairman and Director of Citigroup. He also served as Chairman and CEO of Associates First Capital Corp., which is now part of Citigroup. Hughes worked at Crocker National Bank, Northwestern Bank and Continental Bank. He currently serves as a consultant to financial institutions.

Magner to Head Citigroup Consumer Group

Citigroup promoted **Marjorie Magner** to Chairman and Chief Executive of its global consumer group, which handles Citigroup's retail banking, consumer finance and credit card operations.

Magner joined Commercial Credit, a predecessor company to Citigroup, in 1987. She also worked at Chemical Bank. Magner is the second woman in Citigroup's top executive ranks, the Associated Press reported.

Integrated Leasing Hires CFO

Integrated Leasing Corp. hired **Paul Peterik** to serve as Chief Financial Officer. Peterik, a CPA, has more than thirty years of senior-level financial and operating management experience in various industries in both the public and private sector. His prior financial service industry experience includes the \$4 billion Wickes Companies, Inc., where he oversaw all treasury activities, bank financing and leases and the captive and third-party consumer credit card operations.

Vital Names New President

Beverly Wells has been appointed President and Chief Executive Officer of **Vital Processing Services**. Wells succeeds Jonathan Palmer, who left Vital to tend to family responsibilities in Florida. Wells most recently served as Executive Vice President for Vital's Retail Division. She previously worked at Wachovia Corp. for 26 years.

She led Wachovia's \$7.8 billion dollar credit card operation and worked in multiple leadership positions, including management of Wachovia's Treasury Services Group and management of consumer lending and all retail branch activities. ■

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New on GS Online: Payment Processing Litigation

At The Green Sheet, our mission is to provide MLS/ISOs with every tool needed to create wealth in the payment processing industry for themselves and the vendors they represent. In an industry built by independent contractors, knowledge is power and due diligence a necessity. To this end, we have created the Payment Processing Litigation (PPL) section online under the MLS Portal.

In the PPL section, we will provide links to public records regarding litigation filed pertaining to our industry. Our intent is to provide links to court records in civil and criminal cases at the federal, state and county jurisdictions, including small-claims suits. Additionally, we will provide links on legislative and regulatory matters that are relevant to our ISO/MLS readers.

Payment Processing Litigation is

published under the supervision of Adam Atlas, Attorney at Law, Legal Editor for The Green Sheet, Inc. Adam will be responsible for vetting all of the materials for PPL.

In the coming weeks we will add the case documents for the Wal-Mart v. Visa/MasterCard suit and the Visa antitrust litigation.

The PPL area includes a form for submitting case information to us. If you know of a court complaint or are party to litigation pertaining to the payment processing industry, please complete the information submission form. Submissions can be made anonymously.

All case leads will be researched under Atlas' supervision. Decisions to post public records will be made solely at the discretion of Adam Atlas and The Green Sheet, Inc. Questions or comments may be directed to gs@adamatlas.com.



Please do not contact The Green Sheet for further information on these cases. We are providing a link to the public records as a community service. No further information on the cases is available from our staff. The Green Sheet is very specifically NOT providing opinion, analysis or commentary on the litigation. ☒

Atlas Ready to Carry PPL Ball – and More

The newest member of The Green Sheet team is Adam N. Atlas, B.A. Hon., B.C.L., LL. B. one of North America's elite young IT attorneys. A member of the bars of the State of New York and the Province of Quebec, Canada, Atlas practices almost exclusively advising clients in the electronic transactions business in the United States.

His daily fare is negotiating, drafting and reviewing bank, processor, ISO and MLS agreements in the electronic transactions business. He recently joined GS as Legal Editor.

The Green Sheet Online has added a new service to its MLS Portal section titled Payment Processing Litigation (PPL). (See adjacent story.) As Legal Editor, Atlas will supervise the research and content for this area.

Additionally, he will continue to respond to legal queries within the MLS Forum online and pen his GS column, "Legal Ease."

Atlas is based in Montreal, Quebec, where he articulated with Stikeman Elliott, Canada's top corporate law firm. He practiced with Stikeman Elliott in corporate commercial law for four years, with particular emphasis on knowledge-based businesses.

In 2003, Atlas founded a new law firm (www.adamatlas.com) to deliver more personalized expert advice in his area of expertise, electronic transactions law. His clients run the full range from banks to Merchant Level Salespeople and include everything in between.

As Legal Editor, Adam also joins the GS Advisory Board. When asked "why" he wanted to participate with the AB, he responded in a very un-lawyer-like way:

"I enjoy sharing my experience and expertise with partic-



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ipants in the business, whether or not they are my clients. The more information that is available to participants in the business, the more these parties will be in a better position to negotiate their deals in a way that is responsible and efficient for all parties concerned.

"There is a real need in the industry for legal education. By joining the Advisory Board I feel that I'm able to satisfy, in a small way, some of that need. Writing a column, "Legal Ease," for the Green Sheet also allows me to share some of my experience with readers. I find electronic transactions law an exciting field in which to practice because the issues are changing every day, which means that I'm learning new things every day.

"Above and beyond providing legal advice, as a lawyer in the electronic transactions industry, I am often contacted by people looking for other people of a particular kind in the industry, such as ISOs looking for international processors.


"As such, I expect that being on the Advisory Board will enable me to not only share my experience with a broader audience but also put more people in touch with other people, which is what this business is all about, after all."

Born in 1971 in Kingston, Ontario, Canada, Atlas holds a Bachelor of Civil Law, Bachelor of Common Law and a Bachelor of Arts in Political Science, with Honors, all from McGill University. During a year on exchange from McGill, Atlas studied law at the National University of Singapore and traveled widely in Southeast Asia.

Atlas was the class valedictorian on graduation from McGill Law in 1997. He has been a member of the Bar of the Province of Quebec and the Bar of the State of New York since 1998.

His other memberships include, the American Bar Association (ABA), the ABA Section of Science and Technology, the ABA E-Privacy Law Committee and various community philanthropic organizations.

In his free time, Atlas enjoys sculpture and painting. Of course, as our Legal Editor we don't expect he'll have much time for those pursuits in the coming months.

Please also read Atlas' "Legal Ease" article on Page 62 of this issue. Questions or comments may be directed to gs@adamatlas.com. 

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Green Sheet Receives Five Awards

The Green Sheet was honored for the second year in a row when it received five APEX Awards of Excellence on July 1 in a national competition of publications produced by professional communicators.

The excellence in publications awards were given in the following categories:

- Printed Newsletters
(for overall content)
- Columns & Editorials
("Visa/MasterCard Face Many Challenges," issue 02:08:01, August 12, 2002, written by Patti Murphy)
- Overall Web Site
(including design, content and navigation ease)

One issue (Vol. 5, No. 2, "Fraudbusters") of The Green Sheet's quarterly publication, GSQ, also received two awards:

- Design and Illustration of Cover
- Magazine & Journal Writing

The Green Sheet won three APEX Awards in 2002.

APEX (Awards of Publication Excellence) 2003 was the 15th annual program sponsored by Communications Concepts and received nearly 5,000 submissions from businesses, freelance communicators, professional organizations and non-profit groups from across the country.

The judging is organized into 11 main categories and again into 105 subcategories; 100 Grand Awards

were presented to honor outstanding work in all of the main categories. Awards of Excellence recognized 1,541 exceptional entries in the sub-categories and were based on graphic design, editorial content and the quality of the overall communications achieved.

The panel of judges reviewing entries included John DeLellis, Concepts Editor and Publisher; Christine Turner, Contributing Editor, Writing That Works; Dr. Paul Fisher, Concepts Senior Evaluator and former professor of journalism, University of Missouri School of Journalism.

Communications Concepts Inc., based in Springfield, Va., sponsors the APEX competition every year. It provides services to help publishing, public relations and marketing professionals improve publications and communications. ■



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Bob Carr's Speech at Midwest Acquirers Convention

Editor's Note: On July 31, 2003 in Chicago, Bob Carr, Founder, CEO and Chairman of Heartland Payment Systems, was given the first Life Achievement Award presented by the Midwest Acquirers Association. This is the verbatim text of his speech.

I am humbled and honored to be recognized with this award. There are a lot of people to thank who have helped me to earn this prestigious award. First, I would like to thank the founders of the MWAA, Jim McCormick, Caroline Marino and Mark Dunn and others.

I would especially like to thank Mark Dunn, who was instrumental in creating this award and has been a respected friend for many years.

I would also like to thank Marty Uhle, who I suspect had something to do with my selection for this award. Marty is the Heartland Payment Systems representative to the ETA Advisory Board and is the President and Chief Operating Officer of HPS and a very effective and emerging industry leader.

Also, this award would have been impossible had it not been for all of the tremendous efforts of the 85 Heartlanders in this room plus the 750 Heartland employees who were not able to be here today.

Also, I want to especially thank Don Lassiter, my first business partner going back to 1987 and a leader within the Heartland community. Next, I want to recognize three people who are not here today.

First – Ted Hardison, who helped me figure out how to pay a sales professional and allow him to make a decent living while he built up his portfolio without extracting upfront cash from the merchant. Ted finally was able to convince me that this was an absolute requirement if we weren't allowing price gouging on equipment.

Second is Larry Schiffer. Larry believed it might be possible for us to grow from one-half to \$5 billion in three years and he provided us the opportunity to "be all we could be." Third is Paul Green. There is no more brilliant mind in our industry than that of Paul Green.

I met Paul Green in 1986 in a meeting I will never forget. We were discussing a possible joint business venture, but it was obvious to me that I was not even close to being in his league at that point in my bankcard career.

In June 1997, Heartland placed its name in The Green Sheet under the Resource Guide section under "Banks

Looking for ISOs." At that time we had a portfolio of less than one-half of a billion dollars.

When that ad hit, we were flooded with calls from seemingly desperate folks looking for a home. We thought that might happen and it did. We had identified a vacuum in the industry and a pent-up demand for sales professionals and ISOs looking for a better platform upon which to build their businesses.

At the Long Beach ETA meeting in 1997, I suggested to Paul that we do a joint national road show. We did it in 1998. Each of these The Green Sheet Seminars was followed by a two-day Heartland training and recruiting seminar. It was during these road shows that I was introduced to many of you in this room today. In December of 1997 Paul Green began to publish my series of articles, called Knowledge Is Power.

It was because of Paul Green and The Green Sheet that I was able to write controversial article after controversial article. My theory was that the more sales professionals understood the economics of card processing, the better it

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would be for the industry as well as for Heartland.

These Knowledge Is Power articles allowed us to plow new ground and bring important issues out of the inner sanctum and to expose them once and for all to the light of day. Paul received negative reactions from many of my articles, but he never once yielded to any pressure to shut me up. Many of the topics that are discussed openly today were not even on the radar of salespeople five or six years ago. These include:

- Publishing of interchange for all to see for the first time.
- Explaining the costs of authorizations, settlement and ACHs.
- Explaining the benefits of revenue sharing.
- Disclosing every source of margin available to processors.
- Discussing the potential pitfalls of a buy-rate contract.
- Defining portfolio equity.
- Cajoling Discover to create an American Express-like model.
- Educating sales professionals on how processors make their money.
- Talking about how the revenue pie is sliced up.
- Discussing how much portfolios are worth and who is buying them.
- Ranting and raving about merchant rip-offs by ISOs with price gouging on equipment and obfuscated surcharging.
- Talking about how the FDC-Concord merger could create a crippling monopoly.

For all of these reasons, I would have nominated Paul Green to receive this industry's first lifetime achievement award. I would like to thank Paul Green for being the pioneering publisher of the payments industry and for not wavering under the pressures that were brought to bear.

I would like to thank Paul Green for providing me with the forum to give my opinions and to assist in teaching many of you how to make money honestly in the payments industry.

For all of these reasons, I want to share this honor today with Paul Green and ask each of you to stand with me and give Paul, who is not with us today, the standing ovation he so richly deserves. *(A long standing ovation followed.)*

So this – this road to the industry's first lifetime achievement award – has been a long and unplanned trek. I want to take a few minutes to talk about this journey, which took me from being one of the youngest to becoming one of the oldest in just 31-plus short years.

My early days were sort of a whirlwind. After graduating

from high school in 1963 from Lockport Township High School, just 25 miles southwest of this hotel, I went to the University of Illinois, another 120 miles down the road in Champaign-Urbana, with the ambition to become a high school math teacher.

Four years later I had received a bachelor's degree in mathematics and a master of science degree in the brand new department of computer science.

There were only six of us in 1967 with master's degrees in computer science, and I discussed job offers with IBM, the CIA and Bell Labs. But I couldn't take any of these jobs because I was only 21 and the selective service was taking every able-bodied man they could find who was under 26 years of age.

With one of those serendipitous events that happens to each of us, a brand new community college, Parkland College, was being formed in Champaign, Illinois, and a friend suggested that I could get a draft deferment if I could get a teaching position there. I wasn't against the Vietnam War. I just wanted to get on with my career.

Well, there weren't too many people with a computer science graduate degree looking to take a job at a communi-

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MASTERCARD
Interchange & Assessments
August 2003

* Highlighted Areas = New categories and changes to existing pricing

MASTERCARD	DEBIT (offline)	CREDIT
CONSUMER CARDS	INTERCHANGE FEES	INTERCHANGE FEES
Payment Transaction	0.19% + \$ 0.53	0.19% + \$ 0.53
Services Industries	0.97% + \$ 0.10	1.15% + \$ 0.05
Supermarket	0.00% + \$ 0.29	1.25% + \$ -
Warehouse Club	0.00% + \$ 0.29	1.25% + \$ -
Merit III	0.97% + \$ 0.10	1.43% + \$ 0.10
Public Sector	0.97% + \$ 0.10	1.50% + \$ 0.10
Travel Industries Premier Service (TIPS)	0.97% + \$ 0.10	1.58% + \$ 0.10
Passenger Transport	0.97% + \$ 0.10	1.70% + \$ 0.10
Convenience Purchases	1.35% + \$ -	1.80% + \$ -
Key-Entered	0.97% + \$ 0.10	1.90% + \$ 0.10
Merit I	0.97% + \$ 0.10	1.90% + \$ 0.10
Consumer Standard	0.97% + \$ 0.10	2.65% + \$ 0.10
World MasterCard T & E	n/a	2.20% + \$ 0.10
International Payment Transaction	n/a	0.19% + \$ 0.53
International Electronic (1)	n/a	1.37% + \$ -
International Merchant UCAF (2)	n/a	1.91% + \$ 0.10
International Full UCAF (2)	n/a	2.01% + \$ 0.10
International Standard (2)	n/a	2.10% + \$ 0.10
		(1)
		(2)
		(2)
		(2)
CORPORATE CARDS	INTERCHANGE FEES	INTERCHANGE FEES
Corporate Payment Transaction	n/a	0.19% + \$ 0.53
Corporate Large Ticket	n/a	1.15% + \$ 40.00
Corporate Warehouse Club	n/a	1.25% + \$ -
Corporate Face-to-Face	n/a	1.43% + \$ 0.10
Corporate Data Rate III	n/a	1.45% + \$ -
Corporate Data Rate II	n/a	1.90% + \$ -
Corporate T&E III	n/a	2.00% + \$ 0.10
Corporate T&E II	n/a	2.10% + \$ 0.10
Corporate T&E I	n/a	2.30% + \$ -
Corporate Data Rate I	n/a	2.45% + \$ 0.10
Corporate Standard	n/a	2.65% + \$ 0.10
International Corporate Payment Transaction	n/a	0.19% + \$ 0.53
International Corporate Purchasing Large Ticket	n/a	0.75% + \$ 30.00
International Corporate Purchasing Data Rate II	n/a	1.55% + \$ -
International Corporate Purchasing (3)	n/a	2.15% + \$ -
International Corporate (3)	n/a	2.15% + \$ -
		(3)
		(3)
MASTERCARD ASSESSMENTS		
Assessments		0.0950% + \$ -
		(4)

(1) Interchange Fee includes the Acquirer Program Support Fee of .21%

(2) Interchange Fee includes the Acquirer Program Support Fee of .41%

(3) Interchange Fee includes the Global Corporate Acquirer Program Support Fee of .30%

(4) Assessments apply to Debit and Credit sale transactions.

This document is for informational purposes only. Contact your MasterCard Member Sponsor for actual interchange rates and notices.

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* Highlighted Areas = New categories and changes to existing pricing

VISA CONSUMER CARDS	DEBIT (offline) INTERCHANGE FEES	CREDIT INTERCHANGE FEES
CPS Supermarket - Check Card	0.00% + \$ 0.26	0.00% + \$ 0.40 (1)
CPS Supermarket - Tier I - Select Merchants	n/a	1.20% + \$ -
CPS Supermarket - Tier II	1.23% + \$ -	1.20% + \$ 0.05
CPS Retail - Check Card	1.23% + \$ -	1.25% + \$ 0.10 (1)
CPS Retail - Tier I - Select Merchants	n/a	1.39% + \$ 0.10
CPS Retail - Tier II	1.23% + \$ -	1.43% + \$ 0.10
CPS Retail 2 - Emerging Markets	1.23% + \$ -	1.43% + \$ 0.05
CPS Automated Fuel Dispenser (AFD)	1.23% + \$ -	1.50% + \$ 0.05
CPS Hotel/Car Rental - Card Present	1.23% + \$ -	1.58% + \$ 0.10
CPS Hotel/Car Rental - Card Not Present	1.23% + \$ -	1.58% + \$ 0.10
CPS Hotel/Car Rental - E-Commerce Preferred	1.23% + \$ -	1.58% + \$ 0.10
CPS Small Ticket	n/a	1.65% + \$ 0.04 (2)
CPS Passenger Transport	1.23% + \$ -	1.70% + \$ 0.05 (3)
CPS Passenger Transport - E-Commerce Preferred	1.23% + \$ -	1.70% + \$ 0.05
CPS Retail - E-Commerce Preferred	1.23% + \$ -	1.80% + \$ 0.10
CPS Retail - Key Entry	1.23% + \$ -	1.85% + \$ 0.10
CPS E-Commerce - Basic (AVS)	1.23% + \$ -	1.85% + \$ 0.10
CPS Card Not Present - MO/TO	1.23% + \$ -	1.85% + \$ 0.10
Express Payment Service	1.23% + \$ -	2.00% + \$ 0.02
CPS Account Funding	1.23% + \$ -	2.14% + \$ 0.10
EIRF	1.23% + \$ -	2.14% + \$ 0.10
Signature Electronic	n/a	2.14% + \$ 0.10
Consumer Standard	1.23% + \$ -	2.49% + \$ 0.10
Signature Standard	n/a	2.63% + \$ 0.10
Passenger Transport Credit	1.18% + \$ -	1.94% + \$ -
Non-Passenger Transport Credit	1.18% + \$ -	1.62% + \$ -
Select Mail/Phone Order/e-Commerce Credit	1.18% + \$ -	2.00% + \$ -
VISA CORPORATE CARDS	INTERCHANGE FEES	INTERCHANGE FEES
Purchasing Large Ticket	n/a	0.95% + \$ 35.00
GSA Purchasing Large Ticket	n/a	0.95% + \$ 35.00
GSA Purchasing Large Ticket 1	n/a	1.35% + \$ - (2)
Business Electronic	n/a	2.14% + \$ 0.10
Corporate Electronic	n/a	2.14% + \$ 0.10
Purchasing Electronic	n/a	2.14% + \$ 0.10
Business Standard	n/a	2.63% + \$ 0.10
Corporate Standard	n/a	2.63% + \$ 0.10
Purchasing Standard	n/a	2.63% + \$ 0.10
Passenger Transport Credit	n/a	1.94% + \$ -
Non-Passenger Transport Credit	n/a	2.21% + \$ -
VISA ASSESSMENTS		
Assessments		0.0925% + \$ - (4)

(1) These Credit Interchange Rates apply to those merchants who opted out of the Visa Check/MasterMoney Antitrust Class Action Litigation

(2) These Interchange rates/categories take effect October 2003

(3) As of October 2003, special programs for Interregional Passenger Transport are available. Contact Visa for further details

(4) Assessments apply to Debit and Credit sale transactions. The Assessment increase takes effect October 2003

(5) Contact Visa direct for interchange Rates in the following territories: American Samoa, Guam, Marshall Islands, Northern Mariana Islands, Palau, Puerto Rico, US Minor Outlying Islands and US Virgin Islands

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ty college back in 1967, so I was hired immediately and became the fifth employee of Parkland College at the age of 21. A year later I was elected President of the faculty association and was promoted to become the Director of the Computer Center.

Two years later I was offered a job with the Bank of Illinois to establish a computer department to automate the bank and provide services to customers. I was flattered but explained to the bank president that I would get drafted 15 minutes after I resigned my "critical occupation" with the college.

Back then, times were different, and the presidents of the bank and the college worked out a deal where I could stay at Parkland and still work at the bank – with the benefit of two full-time salaries! I couldn't believe how much money I was making! I never dreamt of making \$30,000 a year and life was good. These were the days when I was the youngest.

During the next two years, I was able to do a lot of things. One of them was to turn down the newfangled BankAmericard (which now, of course, is Visa) team that wanted me to establish a Midwest processing center for their national roll-out of credit cards.

On my 26th birthday I was no longer eligible for the draft, and I resigned my two jobs and my \$30,000-plus of salaries to go into business for myself – January 1, 1972. IT IS THE STUPIDEST THING I EVER DID.

Like almost every young entrepreneur I have ever met, I expected to be a millionaire before I was 30. I also expected to be independently wealthy before I was 40 and to be able to run for the U.S. Senate shortly thereafter, financing my own campaign.

Well, it didn't quite work out that way. From 1972 to 1989, I never earned the equivalent of that \$30,000 again. It's not that I wasn't trying, but I was just spending my time writing articles for magazines, writing a couple of short specialty books and giving speeches at places like the Conference on World Affairs in Boulder, Colorado, and serving as a city councilman and mayor pro tem of my home town. It was during this part of my career that I learned many valuable lessons about leadership and responsibility.

I was also trying to figure out how to make real money and to build a business based on the ethics and the principals that were the foundation of my personal philosophy. Frankly, I had never understood the concept of recurring income. Sometimes I'm just a slow learner. I couldn't figure out how to make real money.

During this time I designed and coded some of the nifti-

est PC accounting programs – writing general ledger, payroll, accounts payable, accounts receivable and fixed-asset computer systems that were all integrated and ran on things like the Tandy Radio Shack Model 1.

Sort of by accident, an oil jobber hired me to write an invoicing system for his fuel-delivery business and then for his gas tanks and then for his gas pumps. I wrote software that interfaced unattended gaspumps of Gasboy and PetroVend to my accounts-receivable package.

After selling these accounting packages, which were \$15,000 per copy back then, to numerous oil companies, one of my customers said, "If you can automate the private fleet card transactions, why can't you make these fuel pumps take Visa and MasterCard, too?" That's how I got into the bankcard world in 1986 and met Paul Green a few months later.

In 1987 I set up my bankcard business, selling to hotels and restaurants with PC software packages that captured American Express through TransNet as our value proposition. We did well – we thought. Ten years later we had built a portfolio of \$465 million – four times larger than that of our original bank sponsor, Southern National Bank.

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And through another serendipitous event, I met a gentleman who would change my life and the lives of many hundreds of other people, many of whom are in this room today. He was the Chairman of Heartland Bank, Larry Schiffer. In a dinner on November 1, 1996, a day that I will never forget, Larry and I decided that we could do some great things together.

Within 10 days, we had agreed in principal to form a new 50-50 venture with Heartland Bank. We would contribute our business and Heartland Bank would contribute \$1,000,000.

I had turned down offer after offer to sell the business and these offers were as high as \$5 million, but I didn't want to sell because I thought that another great company could be built in this industry and I was on a mission to build it.

For 10 years we had struggled to get acceptable levels of service from different bank processors – Southern National Bank, BankSouth, First Tennessee Bank and First Bank Systems. My conclusion was that their service levels to ISOs were lacking a lot.

In my opinion, we needed, in effect, to have the level of control of a true bank to establish this great business. We needed access to the Visa and MasterCard systems as well as to the Federal Reserve. Our deal with Heartland Bank made that possible and allowed us to blossom to what we have become.

After writing our business plan and getting approvals from all of the banking regulators and card associations, we formed Heartland Card Services on March 27, 1997 and processed our first transaction on July 15.

Our business plan called for us to grow from a half-billion-dollar portfolio to a five-billion-dollar portfolio within three years.

I felt this was possible because I believed that ISOs would flock to Heartland because we would tell the truth, the whole truth and nothing but the truth all of the time, would not play games and would respond to our honest efforts to give the best possible service.

Above all, I believed that by educating industry sales professionals about the economic details of the industry that we would gain a unique and respected position.

While Larry Schiffer thought our growth plans "might be a little aggressive," he gave us a chance to prove what we could do and we met and even exceeded these aggressive plans. Three years later we bought

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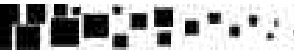
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out the \$1 million investment of Heartland Bank for \$15 million.

In 1999, we changed our name to Heartland Payment Systems and decided to cease being a platform for ISOs. Many, but not all, of our ISOs chose to become employee-owners of Heartland. We did this because with 1099 independent contractors and ISOs, we were not able to gain effective control over how our customers were treated despite our best efforts.

Today, Heartland has grown to become a company of 850 employees, 350 of whom own stock or options in the company. We have 60,000 merchants processing \$19 billion of volume. We have a low-risk portfolio with more than half of our transactions from restaurants and losses of well under of 1 basis point.

Our largest customer represents less than of 1% of our margin and volume. This year we will generate almost \$27 million of EDITDA, almost \$10 million of pre-tax profit and millions of dollars of free cash flow with almost no debt. Life is good. We have come a long way.

I believe that most sales professionals, if given the option, would prefer to be honest in their dealings with their

merchants. If Heartland Payment Systems is about anything and if Bob Carr is about anything, it is about crafting a business plan and business model that has allowed sales professionals, merchants and company owners to all win.

The driving force of our initial success was a sales compensation package designed to be equitable for all parties on a sustainable basis – from the early days of company formation through vigorous growth and on to maturity as one of the top five companies in the industry.

We have succeeded in creating a company that will pay more than \$30 million of cash to sales professionals this year while adding \$9 billion of quality business to our processing portfolio, and we will have done this while treating every single merchant fairly, honestly and with respect. This defines the Heartland story at its core.

I believe that if you show a person how to succeed with an honest approach that most people would prefer to take that road. But for the past 15 years our industry has been controlled by financial engineers, aka "geniuses," who think they are smarter and more deserving of rewards than salespeople. I think many of these financial engineers basically do not respect salespeople as fellow professionals.

These financial engineers play games with their most valuable asset, their sales organization. They seem to change the rules of the game whenever they experience a bad quarter.

They design compensation programs that lead salespeople to rip off their merchants in order to make a reasonable living. They debit merchants for fees to boost quarterly earnings – fees that have no reasonable justification.

A large number of merchants and sales professionals don't trust many of the companies that dominate our industry. Merchants get statements that are designed to obfuscate their fees. I have seen portfolios in which more than 75% of the margin comes from surcharge – aka hidden and incomprehensible fees. This is not acceptable, in my view.

One of our restaurant owners told me Tuesday that his credit card processing payment is his third-highest single expense each month – behind personnel and food. Yet even with such an important expense level for merchants, many "geniuses" have figured out such clever games as surcharging check card transactions by as much as 150 basis points above credit card rates even though the cost of processing them is 43 basis points less costly.

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We have proven that it is possible to build a profitable and ethical top-10 company in this industry starting from almost nothing. I hope that all of us little guys will join with the large, quality companies in our industry like Paymentech and Bank of America and continue to take market share from the companies run by people with no respect for their customers and even less respect for the salespeople who built their portfolios merchant by merchant and block by block.

I can promise you that Heartland will join you in its mission to passionately take market share away from those kinds of companies.

In my remaining years as CEO of Heartland, I have some very specific goals:

- To become a world-class public company with a market cap of more than \$1 billion.
- To increase the number of millionaires that Heartland has created from 17 to more than 100.
- To become one of the five largest processors in America.
- To continue to be a leader in the industry with our ethical business practices.
- To continue to provide a platform for entrepreneurial sales professionals to fulfill their personal dreams.

- To build out our sales and service organization to truly fulfill our mission to become the "Hometown Service Provider" to all of our merchants – a job that is only half finished.
- To build the leading technology platforms in the industry for our servicing center, our sales organization and our transaction-processing and settlement functions.

I can tell you that 31 and one-half years after leaving my secure jobs in Champaign, Illinois, and becoming self-employed, it feels very good to stand before you and to be recognized as an industry leader with this award. This is the part about becoming the oldest.

I accept this award on behalf of all of those who have played a pivotal role in my bankcard career, but above all I accept this award on behalf of the 85 Heartland sales professionals here with us today who are going to receive 250,000 stock options at our second quarter 2003 sales celebration tonight on the top of the John Hancock Building.

I am humbled and honored and thank you.

May each of you be honored in this way after many years of fighting the good fight! 📷

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First Midwest Acquirers Meeting Is a Wall-to-Wall Success

The meeting room was so cramped, trying to get to the vendors was truly a contact sport. The luncheon had to be divided into three rooms, with the keynote speech delivered via television hookup from the main seating area. And the final session, an All-Star lineup of big names talking about the future of the industry, wasn't nearly long enough.

So was the first Midwest Acquirers Association meeting a disappointment? Hardly! It was such an incredible success, the group's Vice President, Caroline Marino of Ingenico, called it "overwhelming." How successful? This successful:

- The organizers originally hoped to get 150 attendees to come to Chicago in late July 2003. The final tally was 396. No wonder Hotel Allegro, which normally caters to much smaller wedding parties, was wall-to-wall with Merchant Level Salespeople and vendors. This was a marriage made in heaven as far as industry people in the Midwest were concerned.
- The general sessions, with topics ranging from gift cards to check conversion to prepaid to acquiring rules, were educational and productive. Among the list of high-profile speakers was attorney Holli Hart-Targan.
- Ed Freedman of Total Merchant Services injected passion and enthusiasm into the luncheon speech.
- Vendors and ISOs alike relished the opportunity to network. In fact, one vendor arrived and paid the full fare midway through the meeting's only full day.

"We had modest goals to begin with," said MWAA President Mark Dunn of Newtek Merchant Solutions. "But you can tell from all the side conversations that we've created a business ferment here."

The MWAA grew out of Dunn's experiences at other industry gatherings, or "an accumulation of layers of paint," as he put it. He was particularly stirred by his brushes with the Northeast Acquirers Association, which meets twice a year.

"I just started saying to myself, 'We need to do this in the Midwest,' " he said, adding, "Years ago, when I started, the industry was largely a mystery. You had to hang around people who had experience and pump them for information."

No pumping was needed during the final session of the

CONVENTION REPORT



MWAA
MidWest Acquirers Association

inaugural MWAA meeting, titled "Vision of Payments in 2004 & Beyond Panel Discussion." This session was so good, the attention of the nearly standing-room-only crowd so rapt, it seemed as if it could have lasted until 2004 and no one would have minded. The four speakers certainly could have gone on longer than 75 minutes.

And what a foursome it was. Start with Bob Carr of Heartland Payment Systems, recipient of the MWAA's first Life Achievement Award. Add in Dave Beck of Newtek, Fred Joachim of Fifth Third Bank and Eddie Myers of Paymentech, and you've got the perfect combination – knowledge and opinions – to create a fascinating discussion.

There was the usual joking around about the complexity of the industry. As Joachim put it, "We can't even tell our relatives what we do." But there also was an overload of sage advice. Carr talked at length – and still had to cut it short – about the Wal-Mart settlement and the effect of First Data on the industry, and the others had solid nuts-and-bolts thoughts about value add, fraud management and merchant retention.

What about the future of the MWAA? Dunn wants to continue to emphasize education and networking and stressed the importance of big-name speakers to deliver the message.

The group also will need to decide whether it wants to form an alliance with the Electronic Transactions Association, which is looking to get more involved with the regional associations.

For now, at least, Dunn wants to keep it to one annual meeting, but the NEAA format of two meetings per year – one for work, one for play – certainly will be considered.

Oh, and one other thing: The MWAA certainly will need a bigger hotel. ■

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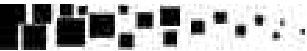
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Opportunity for Growth in the QSR Market

By Gregory Holmes

First Data Corp.

The Quick Service Restaurant (QSR) market represents one of the last remaining vertical market organic growth opportunities for the electronic payment industry. With more than 110,000 locations and an estimated \$129 billion in annual sales, the market is immense.

The QSR market can be broken down into a number of different food segments: Pizza/Pasta, Hamburger, Chicken, Sandwich, Mexican and Other (including other types of food). The breakdown by segment, based on a study conducted by First Annapolis on behalf of First Data, is demonstrated in a chart on Page 36.

The QSR industry has been slow to adopt electronic payments for several reasons. Perceived high costs of electronic transactions remains near the top of the list along with speed-of-service concerns, technology barriers and the highly franchised nature of the business.

More than 83% of QSR locations are owned and operated by franchisees, each with their own ability to make decisions about the forms of payment they will accept. While parent companies can recommend programs to their franchises, the ultimate decision often resides at the store level.

As these concerns are overcome, more and more QSR merchants are taking the leap into acceptance of electronic payments. Because of the

diverse nature of this market, a variety of products and services are needed to meet the individual needs of the operators.

Today's competitive environment for QSR operators is intense. New entrants in the marketplace are threatening the market share of the traditional players, and the more upscale fast-casual restaurants are cutting into the QSR share of consumer wallets.

Operators are fighting to maintain market share by doing everything possible to satisfy the demands of their customers, including offering new and innovative menu items, discounting price and providing a wider range of payment options.

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Mary F. Dees
President Elect, Electronic Transaction Association
General Manager, Certified Merchant Services

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Scott Rutledge
President
The Phoenix Group

I have been an agent with CMS for the last three years, and during that time, I've always been impressed with the professionalism and assistance given me by CMS Agent Support. I want everyone to know what great, caring people we have working for us at CMS.

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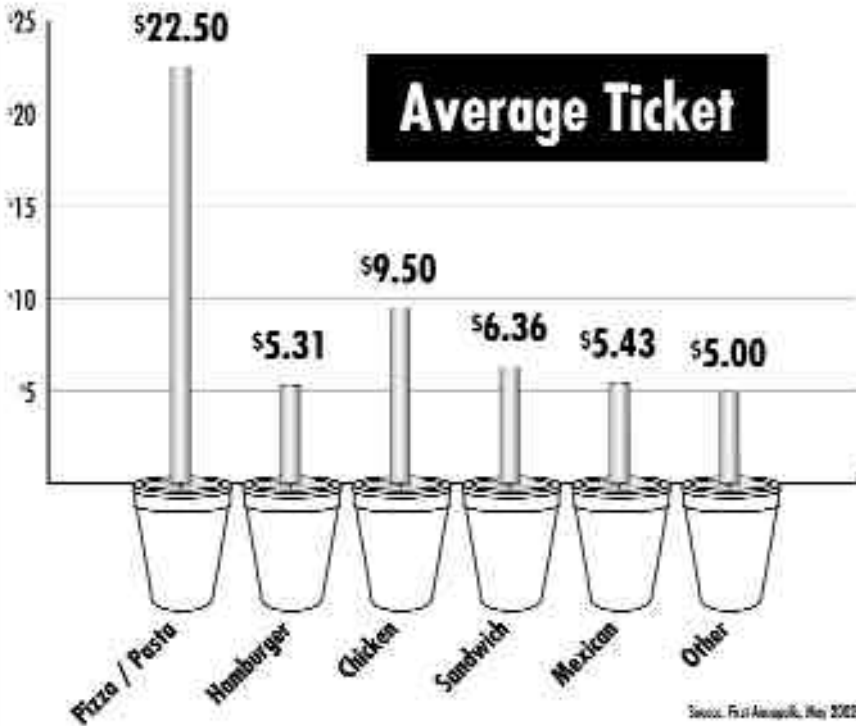
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Quick Service Restaurant (QSR) Sub-Segments



are gift and spending cards, credit, PIN-based debit and PIN-based debit where the merchant chooses to charge the consumer a convenience fee for the transaction. In addition, a variety of terminal deployment options are necessary, including leasing, rental, purchase and free terminal-placement options.

Gift and spending cards offer tremendous opportunity for the QSR market, creating customer loyalty and a point of differentiation for early adopters.

In addition to their traditional use as gift cards, these cards are being used as a way for parents to avoid handing their children cash that can be used indiscriminately.

Many QSR chains and franchisees are in the process of evaluating or planning for the launch of gift and spending card programs

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To enhance customers' speed of service, several credit card associations, including Visa and MasterCard, provide programs tailored to the QSR market. These programs include transaction speed enhancements, such as not requiring an online authorization, customer signature or customer receipt. These programs are working well; Visa has reported a 60% increase in acceptance at QSR locations in 2002 vs. 2001.

From the QSR merchants' perspective, PIN-based debit offers many advantages. The security and protection offered by the customer-entered PIN means much lower chargeback rates and the reduction of fraud.

Additionally, PIN-based debit transactions allow the merchant to offer cash back to customers, providing a value-added service to the customer that can increase customer loyalty.

When it comes to the customers' preference regarding payment methods at QSR locations, there is compelling data suggesting that PIN-based debit is preferred over credit by most consumers. A 2002 consumer survey commissioned by First Data Merchant Services found that, if given the choice to pay with either credit or PIN-based debit at a QSR location, a whopping 61% of those sur-

veyed said they would prefer to pay with PIN-based debit.

Additionally, target age groups for the QSR customer match up well with the demographics that use POS debit transactions most frequently.

The stage is set for tremendous growth for electronic payment acceptance in the QSR market. Gift and spending cards, credit and PIN-based debit are all sure to play a significant part in that growth because of their appeal to both the QSR merchants and their customers. ■

Gregory Holmes is Senior Vice President of emerging market development for First Data Corporation. Gregory specializes in electronic payments in the business-to-business (B2B), Internet and quick service restaurant marketplaces as well as recurring payment industries such as telecommunications, cable, insurance and transportation. He is responsible for the development of card-not-present and other emerging markets for First Data, the leader in merchant transaction processing with 3 million merchant locations.

To learn more about FDC services and the opportunities in the QSR market, contact Kevin Reed at 213-486-0513 (e-mail: kevin.reed@firstdata.com) or Ian Drysdale at 954-845-4160 (e-mail: ian.drysdale@firstdata.com).

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Couple Sues to Recover Online Gambling Debt

A couple in California is suing the credit card companies and card issuers that allowed them to gamble and lose more than \$100,000 from online casinos in 2002 and 2003. The lawsuit seeks to relieve the couple of the debt.

Lisa and Andrew Harding claim that by processing their bets, the businesses violated not only California's Unfair Business Practices Act and a state law that prohibits providing credit for gambling but also the USA Patriot Act, which bans any illegal transfers of funds. The couple's lawsuit is actually a countersuit to a lawsuit originally filed by Retailers National Bank. The credit card company charged the couple with not paying the debt, CNET News reported.

The Hardings are suing credit card companies Visa International, Visa USA, MasterCard International and Discover Financial Services; several card issuers, including Retailers National Bank and Citibank; and Western Union Holdings, which transferred the funds electronically.

Because of the financial dangers and addiction associated

with Internet gambling, many efforts are being made to ban it in the U.S. In July, the Senate Banking Committee approved a bill to block U.S. financial institutions from processing online gambling transactions; the House has passed a similar bill.

Many major credit card companies have policies against processing Internet gambling transactions (although a few bugs appear to be in the system), and eBay's online payment division, PayPal, has stopped sending payments to these types of businesses. Efforts by New York State Attorney General Eliot Spitzer since June 2002 have resulted in many credit card issuers and banks agreeing to block these types of transactions.

Legislators and U.S. financial institutions still might face an uphill battle. A recent report, "Wagering on the Internet," from River City Group and Christiansen Capital Advisors, LLC, predicts revenues from online gambling will double to \$12.6 billion in three years. Most of the revenue still comes from gamblers in the U.S. who find ways to send funds to offshore Web site operators around the world where Internet gambling is legal. ■

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The advertisement features a stylized illustration of a detective in a trench coat and hat, looking serious. A speech bubble next to him says "Made in the USA!". Below him are three circular icons: the first shows a close-up of an eye, the second shows a hand holding a credit card, and the third shows a man's face. The background is a dark cityscape at night. In the top right corner, the text reads "GO software" in a large, bold font, with "an IBM company" underneath it.



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Payments from Page 1

networks, encryption service organizations, ATM maintenance companies, and countless other companies that support transaction acquiring and card-issuing banks.

Visa and MasterCard both have put members on notice that while in the past they may not have strictly enforced what are known as "Third Party Registration" rules, they will do so with mighty vigilance beginning this year. Visa has said it will begin monitoring for compliance by September 30, 2003. MasterCard was unavailable for comment on this article.

Meanwhile, the EFT Association, a multi-industry trade group based in Herndon, Va., has weighed in with a set of "best practices" for ATM acquirers. While compliance is voluntary, the best practices laid out by EFTA's ATM Integrity Task Force pretty much mirror the requirements Visa, MasterCard and the major ATM networks have laid out for transaction acquirers – so it's time to consider EFTA's best practices standard operating procedures in today's marketplace.

In a nutshell, the rules require that banks perform comprehensive due diligence reviews of any "third party" that touches credit/debit card transaction data that clear through the banking system.

The reviews must include financial and security audits of companies, principals and key agents of those companies and their various past business relationships, company/product certifications by the appropriate gatekeepers (e.g., Visa and MasterCard) and detailed information concerning subcontractors.

Companies (and subcontractors) that pass muster can then register with Visa, MasterCard and/or the ATM network. Fees vary somewhat and are paid to Visa and MasterCard by the banks, though many banks will pass along the charges.

At Visa, the cost for adding a new agent to the system is \$5,000. Mike Smith, Senior Vice President for Corporate Risk Management, explained that once an ISO or other organization has registered, there are no additional signup fees if another bank registers the company/person as part of its due diligence.

The due diligence process itself can be labor-intensive and time-consuming. Humboldt Bank Merchant Services, for example, hired a full-time employee just to keep pace with Visa and MasterCard registration requirements, according to Linda Grimm, Vice President of Operations.

The costs can be hefty, too. In addition to initial registration fees, there are annual fees and fees for adding independent contractors to a service provider's registration.

Violations are costlier. A first-time violation of what Visa calls its Cardholder Information Security Program (CISP) is \$50,000; two breaches of the rules cost a bank \$100,000. Failure to abide by MasterCard's rules for registering third parties can result in fines of up to \$50,000 and/or membership termination, according to documents provided by a MasterCard spokesman.

Oh, and let's not forget the potential backlash from a compromised payment operation: At the end of the day, every bank is responsible for transactions it acquires, and every credit/debit card transaction ultimately is "acquired" by a bank. Federal regulations limit a consumer's liability for unauthorized transactions to about \$50.

Several New York area banks got a stark reminder of this in 2001 and 2002. It began when a group of crooks purchased more than a dozen ATMs that, when placed in retail locations, were used to "skim" cardholder information. With new cards created from the "skimmed" data,

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the crooks siphoned more than \$3.5 million from unsuspecting consumers' bank accounts before any one was arrested. (The ringleader reportedly is still at large.)

When the U.S. Secret Service (the federal agency that investigates card crimes) was called into the investigation, it had trouble locating many of the suspected ATMs because of poor record-keeping by some of the ISOs that sold the machines, according to published reports.

"That incident really heightened awareness that the 'know your customers' mantra hasn't been handled well," said Susan Zawodniak, an executive with NYCE, the ATM/POS network.

Know your customer (KYC) has been a mantra in banking, but until recently most folks thought it applied only to over-the-counter relationships – you know, like identifying and documenting customers who walk into banks with satchels of currency, then wire the money to accounts at offshore banks.

"If there is an account involved, the bank has to know who the customer is," said Henry Polmer, a partner in the Washington law offices of Piper Rudnick.

But it's not always that easy. In the acquiring business, especially, at times it seems nearly impossible.

"All too often, we're dealing with entities that we don't even have contracts with," Humboldt's Grimm said. And sometimes, those companies don't want to provide detailed financials. "We're moving forward, doing our due diligence" and passing on some registration requests, sans contracts, Grimm said, adding, "the ones we are working with are cooperating."

Yet, "there are so many third and fourth parties down the line with

access to this data that we don't even know about," she said.

And that might be where the danger lies.

"The U.S. Treasury has concerns about the various ways in which terrorists might use the ATM infrastructure -- as a funds-distribution channel, as a source of funds through fraudulent schemes, even possibly to creating chaos in economies through attacks on public confidence in the integrity of payment systems," the EFTAreport stated. "[T]his problem is very real, it is immediate, it is significant and non-trivial ... it is in emerging regulatory cross hairs."

Visa's Smith concurred that these are real threats. And he said Visa and other big players in the payment space want to be proactive in ensuring that all channels and entry points are protected. "It's across the board," Smith said of the registration process. Acquirers, issuers, prepaid cards, "unbranded ATMs" – these are just some of the business lines that are being scrutinized.

The alternative is greater government oversight. "Regulators are looking closely at this business," Smith said. "We want to be a self-regulated business."

That means a lot more looking over the shoulders of payment companies that use bank-controlled payments networks such as Visa, MasterCard and NYCE.

It means more education, too. So you can expect to hear a lot about the registration process at industry conferences and meetings in the months ahead. ■

Patti Murphy is Contributing Editor of The Green Sheet and President of Takoma Group. She can be reached at patti@greensheet.com

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Coffee is for Closers

This column is the last of my six-part series covering all the bases that every Merchant Level Salesperson must understand to be successful in this phenomenal business of ours. Closing deals happens to be my favorite topic to write about, speak about and instruct. In my opinion, this is the one area that separates a professional from a hack.

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" ... Put that coffee down. Coffee is for closers only. ... Because only one thing counts in this life – get them to sign on the line which is dotted. 'A,' 'B,' 'C,' 'A' always, 'B' be, 'C' closing. Always be closing. Always be closing."

Recently, I placed the following post on The Green Sheet MLS Forum for feedback on the hot topic of closing deals.

"Because I am committed to helping Merchant Level Salespeople dramatically expand their business, I'm dedicating my next 'Street Smarts' column to CLOSING DEALS.

Please send me feedback on the following questions, and I'll be sure to include it in the discussion:

- "What are your most effective closing questions?"
- "What are your most effective closing techniques?"

One of my favorite scenes from a must-see movie for any sales professional illustrates my feelings on this subject. It comes from "Glengarry Glen Ross" when Alex Baldwin gave his famous presentation:

- "What are the best resources that have improved your selling skills (e.g., online resources, seminars, books, tapes)?"
- "What's your most effective technique for overcoming price objections?"
- "What are the most common objections you hear during the sales process? How do you respond to them?"

"Remember, your voice needs to be heard. Be sure to indicate whether you'd like your name and company noted in the article."

Here are some of the responses:

What are your most effective closing questions?

Chuck Saden, President, POS Card Processing:
"When are you going live?"

Doug Kelly, Service Technologies Group:
"Would you like to start putting money back into your pocket?"

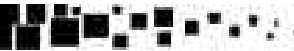
Al Gorthym:
"This is tough because it really varies from merchant to merchant; it really depends on the specific wants and needs of that merchant. I stress the service aspect, the fact that I will be there for them. The question there would be, 'Would you like my home phone number?'"

What are your most effective closing techniques?

Saden: "Socratic Method of Selling."

Kelly: "Side-by-side comparison showing them where they will save money and translate that into real dollars."

Gorthym: "PREPARATION!!! I know as much as possible about the merchant, the industry, the area, the type of business, etc. before I go in. Then I ask a lot of questions and LISTEN CAREFULLY to the responses. I also have a list of about five or six references, other merchants, whose permission I've gotten to use them."



What are the best resources that have improved your selling skills (i.e. online resources, seminars, books, tapes)?

Saden: "Wilson Seminars – a very expensive program from the '70s that introduced the Pain/Pleasure/Avoid Pain motivational slant now used by Tony Robbins and many others.

W. Clement Stone's Personal Sounds of Success" 16 audio tapes which include:

- "As A Man Thinketh" – James Allen
- "Acres of Diamonds" – Russell H. Conwell
- "The Success System that Never Fails and Success Through a Positive Mental Attitude" – narrated by Stone himself.
- "Compensation" – Ralph Waldo Emerson
- "Think And Grow Rich" – narrated by Napoleon Hill and Earl Nightingale
- "Who Cares About Me?" – Bill Sands
- "The Other Wise Man" – Henry Van Dyke.
- "Your Four Minute Mile" – Clarence Blasier.
- "Your Greatest Power" – J. Martin Kohe.
- "How to Get Control of Your Time and Your Life" – narrated by Og Mandino.

- "Where to Find the Secrets of Success" – W.H.M. Stover.
- "How to Manage Money, Save Money, and Acquire Wealth" – Ed Burgh.
- "How to React to a Self-Help Book and How to React to an Inspirational Tape" – narrated by Stone.

Kelly: "Talking to people who have 'been there, done that.' I find no teacher like experience. And Zig Ziglar tapes. I love the guy."

Gorthym: "I read the books, I do about one seminar a year, and that all really helps ... but the one thing that has made me a better salesman is LISTENING!!! Talking to my existing customers, to my prospects, to other businesspeople. If you let someone talk long enough, they will tell you exactly what it is that they want."

What's your most effective technique for overcoming price objections?

Saden: "Compare your services to other professional services. Are you going to use the lawyer that runs a TV spot every day claiming to solve all of your IRS problems for \$25? If you have open heart surgery, are you going to pick a doctor based on the co-pay?"

Kelly: "If you could get the service you need, when you need it, and the support and security of a solid industry leader, would you sign today?"

Gorthym: "Price is only an issue in the absence of value. I work very hard to create value from the very first contact with the merchant. If offered a product that meets all their wants and needs at a reasonable price, most people will buy.

For me, at least, the key is to make the issue one of proper application. If you NEED a knife, and a knife costs \$100, you'll pay \$100 for a knife. The other guy wants to sell you a spoon for \$25 ... but you just told me that you NEED a knife."

What are the most common objections you hear during the sales process? How do you respond to them?

Saden: " ' I have to think about it.' Response: Five-Point Rebuttal Formula and Socratic Method."

Kelly: " 'I hear some awful stories about those machines.' 'I need some time to think about it.' Response: It depends upon how comfortable I feel with the customer, but usually it is a matter of, 'Mr. Prospect, if they were all that bad, everyone wouldn't be using them, would they?' 'Mr. Prospect, I do not want you to do anything you don't want to. I want you to make an informed decision. What information do you need to start saving money today?' "

Gorythm: "I'd say price, rate, that sort of thing ... I just

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try to create as much value as possible from the first contact."

Ed's Five Easy Steps

Now it's my turn to weigh in on getting the merchant to sign on "the line that is dotted." The difference between a professional salesperson and a hack is that a professional salesperson has a game plan for every sales presentation, whether it is in person or over the phone.

The successful closer controls the process. The successful closer can take a prospect from cold to close in five easy steps. Let me show you my secrets to closing more deals:

1. First, break the ice. You need to introduce yourself and make the prospect feel comfortable speaking with you. I have no idea why people like talking about the weather or their local sports teams – but they do. For whatever reason, it's easy to get the process started on one of these subjects. Here are some examples of how to break the ice:

- "How are you today?"
- "What's happening in your neck of the woods?"
- "I see you're from San Antonio ... how about them Spurs?"

- "How's the weather? This is the hottest, driest summer in years ..."

2. Next, interview the merchant. Ask lots of questions that lead your prospect to make small commitments along the way. Use their answers to help you explain and validate your recommendation.

Here's a key, strategic question to ask initially. You will use the answer to this question to set up an effective closing technique:

"Do you have a time frame in mind as to when you want to be set up and running with your merchant account service? Immediately? A week? Two weeks?"

Additional questions you'll want to include are:

- "What is the business name you want to appear on your customers' credit card statements? Do you have a checking account in that same name?"
- "What is your estimated monthly sales volume for the next three to six months? What is your estimated average sale amount?"
- "How would you describe your personal credit history? Excellent, fair or poor?"

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If your prospect wants to process transactions on the Internet, then ask the following:

- "Do you have a Web site or are you planning to set one up in the near future?"
- "Do you currently have a shopping cart program installed on your Web site? Do you need a shopping cart program to help them accept and process credit card payments?"
- "Do you have a pre-set idea of which virtual terminal/payment gateway you want to use?"
- "Does your Web hosting company have a preference or pre-set list of acceptable virtual terminal/payment gateway providers?"
- "Do you need a recurring billing feature?"
- "Do you need an e-check processing service?"

3. After you've broken the ice and interviewed the merchant, now it's time to make a recommendation. Based on the answers to the questions posed, you've garnered a full understanding of your prospect's needs and are ready to provide a specific solution.

Here's how to present it. Make this opening statement part of your regular closing vocabulary and watch your sales grow:

"Based upon what you've just explained your needs to be, I would recommend ..."

Then include examples of retail terminal equipment, wireless terminals, offline credit card processing software or online Internet commerce software and any other quality products and services that fit your prospect's business profile.

4. Next, you must provide the prospect with a good explanation of the start-up costs as well as what needs to be done logistically to get the merchant account service up and running. For example, you might want to say:

"Other than the fees that Visa, MasterCard and the bank charge you to process credit cards, these are your costs to get started ..."

5. What follows next is the assumptive close. Here's where that key initial question smoothly transitions you right into a strong close. Start by saying:

"Based upon the time frame you told me, you'd like to be set up and running ___ (refer back to their answer to your initial question). To do that, we need to get this process started today. Are you ready to hire me to get

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this job done?"

The best part of this assumptive close is that it does not matter whether they tell you they need to get set up in two days, two weeks or a month. We always need to get started TODAY!

One final tip: Always deliver your presentation with excitement and enthusiasm. Enthusiasm is contagious, and prospects respond positively to sales professionals who show a real interest in what they are selling.

So there you have it – my secrets to closing deals. Here is a professional, planned sales call that is a secret no longer, but I offer one last secret weapon: I'd like to recommend a MUST READ book. It's Zig Ziglar's "Secrets of Closing the Sale." This book gives you practical advice and effective questioning techniques that you can use to transform prospects into clients.

As always, I'd love to hear from you. Please send feedback on this topic (and any others) to streetsmarts@totalmerchantservices.com. My next column series will focus on the resources available to Merchant Level Salespeople in our industry.

Please watch for my Green Sheet MLS Forum Post on this topic. I'd really like to include your opinions in that discussion. 📧

"You can have everything in life you want if you will just help enough other people get what they want."

– Zig Ziglar

I'll see you next time where the rubber meets the road.

Ed Freedman is founder and President/CEO of Total Merchant Services, one of the fastest-growing credit card merchant account acquirers in the nation. Ed is the driving force behind all business development activity as well as the execution of Total Merchant Services' marketing plan, including recruiting and training independent sales offices and establishing strategic alliance partnerships with leading vendors, so that Total Merchant Services can provide its customers with the highest quality and most reliable services available. To learn more about Total Merchant Services, visit www.totalmerchantservices.com. To learn more about partnering with Total Merchant Services, visit www.upfrontandresiduals.com or contact Ed directly at ed@totalmerchantservices.com

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Beyond Bankcard

'My Negative File is Bigger Than Your Negative File'

By Lin Fellerman

Secure Payment Systems

For as long as I can remember, merchants, banks, merchant acquirers, ISOs, independent contractors and collection agencies have seemed mesmerized by the notion that the bigger the negative file, the better the risk prevention. Dueling negative files would seem to be a good tune, but there are those who have actually lived in the business who proclaim to know better.

Having grown up in this industry, I can only assert that if you run the math the result is that:

1. If complex risk management methodologies are employed, a check service processor does not need a negative file of any size to earn a reasonable profit at competitive pricing.

2. The addition of a negative file, however, does in fact aid in further loss reduction.

3. The value of negative file data has a relatively short shelf life and, as such, diminishes dramatically and quickly over time, so you might as well take anything older than one year (roughly 80% of the size of the file) and chuck it into the can as it relates to its "age valuation."

4. The size of the negative file of New York bad check writers is somewhat immaterial to the lone merchant in Los Angeles given that most losses are concentrated within dense geographic pockets that don't require nationwide coverage. In fact, our own studies prove that half of a merchant's losses generally could be prevented by a given merchant's OWN proprietary data and velocity algorithms.

In tests of negative file sanctity (and sanity as well!) that I've commissioned, it is clear that:

1. Some third-party files are better than others.
2. Bigger is not better. And when I say "better," I really mean "more valuable."

As proof of these axioms, we tested our guarantee claim data against two large third-party negative file sources. During one week we gave one vendor real-time transactions for that week and asked which ones it would decline based on its negative file.

We separated the files into ID types such as driver's license transactions, MICR transactions and the combination of the two given we have merchants that meet the conditions of these differing ID requirements.

We subsequently waited for four to six weeks to analyze how many of our customers' checks actually bounced (because they were guaranteed by us and hence were mailed to us for reimbursement).

The results were abysmal at best! More than 95% of the transactions the one vendor said should be declined (anywhere from 0.50% to 1.50%) based on its own negative file data (but were really accepted by us) actually cleared the bank!

Suffice it to say that we didn't go in that vendor's direction. While the company is nationally known and recog-

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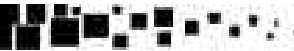
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nized for its systems capabilities, I would not use its file if it were free. Could the results have been a quirk? Perhaps, but the tests were based on large data samples, so I leave it to your imagination.

The other vendor produced results more consistent with what I had seen while I was President of Telecredit/Equifax Check Services. So, while we are indeed using a national third-party negative file to augment our own guarantee negative claim data, what is the definition of the word "consistent" that I use above?

Well, at this stage I think you need to take a deep breath and take a step back; even the best third-party file is not "squeaky clean" given that tests show more than 50% of the negative file hits would have cleared when presented despite the negative file flag on the system.

The good news? We've done an analysis that demonstrates that the "inaccurate" declines could be mitigated by drilling down into the demographic detail of the original bad check, including but not limited to the age of the bad check when the next transaction is conducted, the amount of the bad check, the amount of the current check, the check number, the age of the check writer, the reason the check was returned, etc. We've been able to improve

on those percentages but not to any significant degree.

Moreover, we can only perform that analysis and subsequent benefit enrichment to the merchants on data that is available to us – namely, our own bad check data and not that of a third-party negative file where detail of the bad checks on file or negative file "hits" is not released to users of those negative files.

Shouldn't merchants be keenly interested in knowing that 50% of all negative file declines are inaccurate lost sales margin?

Abad check might be outstanding, but there are factors to consider:

1. It might be in the stage of "reclearing limbo."
2. It might have already cleared after being represented yet is still negative on the system.
3. It might be negative only because the service charge has yet to be paid.
4. The money order/cashier check payment is in the mail and is yet to be posted.
5. A personal check was mailed, and the processor waits two to three weeks before removing data from the negative file to ensure adequate bank-clearing time. Naturally, these waiting periods are testimony to our banking system, where we only know when items don't clear and not when they do clear!

It has been my experience that third-party check guarantee companies generally have "cleaner" negative files in that the data is representative of their own losses – unlike collection companies or other third parties that accept data from "others" who are at the mercy of data contributors as it relates to how promptly (if at all) payments are reported so as to keep the file "current." And if data is stale, then consumers are being declined though payments already have been made, cleared and posted!

So where do we go from here?

First, data contributors must report data promptly! Some collection companies report payments only once per month, generally at the same time they pay their clients.

Second, honest stop-payment disputes (where there is clear two-way dispute resolution dialogue occurring between the check writer and the service provider) should not hold an innocent consumer hostage on any negative file.

Third, check companies should pressure third-party neg-

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ative file providers to include extra pieces of detail information so that the check companies can "override" a third-party negative file hit based on analytics using additional information from the original dishonored check.

Fourth, extra care and due diligence should be used in transmitting check conversion data to originating depository financial institutions (ODFI's) lest the wrong consumer be debited (such as might occur in a manual entry, non-POP environment such as Internet-based home shopping).

What happens? An R10 (not authorized) return is created, and the wrong consumer is made negative and will stay negative until collection resolution determines that errors have been made.

The bottom line? Don't take it too personally when someone, even a competitor, says to you, "My negative file is bigger than your negative file." Simply look them in the eye and tell them, "Bigger is not better, better is better."

Everything is relative to the value generated and the analytics behind it. Many companies have started without negative data and prospered! Sure, negative file data

helps, but it is certainly NOT the panacea you think it is. Innovative risk-management methodologies create 10 times as much impact in preventing loss as a negative file of ANY size.

Every second, bad check writers simply open new accounts using new or fraudulent identification that negative files are powerless to stop, even with advanced credit screening and profiling techniques.

Don't select a company if its officials tout the size of their file, select them because they talk about the value proposition important to your customer (the merchant). Simply stated, that should be the mathematical intersection of maximizing sales and minimizing risk. ■

Lin Fellerman is founder, President & CEO of San Diego based Secure Payment Systems, a national provider of Electronic Check and Gift Card processing services. Prior to founding SPS in 1996 Lin was formerly a 20 year employee and 10 year President of Telecredit/Equifax Check Services (now Certegy Check Services).

To learn more about SPS look them up at www.securepaymentsystems.com or you can send email to Lin at lfellerman@securepaymentsystems.com



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Understanding Visa Direct Marketing MCC's

By David H. Press

Integrity Bankcard Consultants, Inc.

High-Risk Telemarketing Merchants must register with Visa before beginning to process, and this registration includes the payment of a \$500 processing fee. An annual fee of \$250 is collected each September 1, following the registration date. Before accepting transactions from a High-Risk Telemarketing Merchant, an acquirer must submit to Visa USA a completed Visa USA High-Risk Merchant Registration and Certification.

Extra scrutiny should be made on these merchants. The card associations are leery of processing for them, and there is a greater danger of being fined. Visa regulations require registration for the following types of merchants:

- Direct Marketing Travel-Related Arrangement Services (**MCC 5962**)
- Inbound Teleservices (**MCC 5967**)
- Outbound Telemarketing (**MCC 5966**)

Every ISO should make sure it is using the current Visa MCC list to establish the MCC for each merchant. The Visa fine for failure to identify a High-Risk Telemarketing Merchant with the correct MCC is \$25,000 per merchant per month. After the third violation in one calendar year, the fine is \$100,000 and/or prohibition against signing High-Risk Telemarketing Merchants and the possible termination of the acquirer program.

The following are all of the Visa Direct Marketing Merchant Category Codes (MCC):

Direct Marketing Insurance Services (5960)

Description: Insurance services that may be offered via direct mail, billing statement insert, magazine or television advertisement. Prospective customers are given a telephone number or an address to which they can reply for enrollment in the service. Services offered include all forms of life insurance, hospital indemnity insurance, accidental death and dismemberment insurance or credit card insurance. Billing of insurance premiums is in the form of periodic (monthly, quarterly, annually) installments that continue until canceled by either the cardholder or the insurance company. Insurance agents are specifically excluded from this MCC.

Example: an insurance company that solicits cardholders for credit card insurance via billing statement insert.

Travel-Related Arrangement Services (5962)

Description: The merchant initiates contact with cardholders via telephone calls, magazine or television ads or through mailings (other than a catalog) to generate sales or to offer potential customers an incentive to call the merchant. The merchant's direct contact methods are similar to the Outbound Telemarketing Merchant, but only travel related arrangements are sold.

Example: discount travel clubs.

Catalog Merchants (5964)

Description: Goods are offered to consumers via a paper or electronic catalog. This category code is designed for merchants with no retail ("face-to-face") sales. Note: A one- or two-page leaflet is not considered a catalog.

Example: television shopping services, catalog services.

Combination Catalog and Retail Merchants (5965)

Description: Goods are sold to consumers via a paper or electronic catalog and at one or more retail outlets. Catalog sales must be processed under Merchant Category Code 5965, and all retail sales must be processed under the appropriate retail Merchant Category Code, for which a separate and unique merchant name and merchant identification number are required.

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Examples: department stores with catalog subsidiaries or divisions; electronics, sports clothes/equipment, or gourmet food/equipment sold by catalog and in retail stores.

Outbound Telemarketing Merchants (5966)

Description: The merchant initiates contact with cardholders (for both products and services) via telephone calls or through mailings (other than a catalog), instructing the cardholder to call the merchant. This classification includes merchants known as "upsellers." These merchants solicit cardholders to make additional purchases when they contact call centers to purchase products of other Direct Marketing Merchants.

Examples: distributors of cosmetics, health care products, vitamins, time-share facilities.

Inbound Teleservices Merchants (5967)

Description: Audiotext or videotext services accessed by the cardholder via fax or telephone. This Merchant Category Code applies to information services as well as products that may be sold through the service.

Examples: horoscope readings, pay-per-call services, sports scores, stock market quotations.

Continuity/Subscription Merchants (5968)

Description: Products or services are offered via subscription to a cardholder on a continuing (monthly, quarterly) basis.

Examples: record, tape or compact disc clubs; collectible services; periodicals.

Other Direct Marketers (5969)

Description: This category code is comprised of all other direct marketing companies that do not meet the criteria for any of the above categories. It includes merchants offering one or two products per promotion, using multiple approaches (including a one-or two-page leaflet with an order form or telephone number for placing orders).

Examples: theater or sports tickets by mail/phone order, specialty items (such as kitchen tools/appliances, exercise equipment) offered only through radio or television.

A merchant assigned to MCCs 5962, 5966, 5967, above, and 7995 (betting, including lottery tickets, casino gaming chips, off-track betting and wagers at race tracks) is monitored under the Visa High-Risk Chargeback Monitoring Program.

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In this program, Visa monitors the total volume of U.S. domestic and international interchange and chargebacks for merchants and identifies merchants that experience all of the following activity levels during any month:

- 50 interchange transactions.
- 50 chargebacks.
- A 2.5% ratio of overall chargeback-to-interchange volume or a 1% ratio of consumer dispute chargeback-to-interchange volume.

Visa assesses High-Risk Chargeback Monitoring Program acquirer penalties that begin at a \$2,500 review fee and \$100 fine per chargeback, and if monthly activity levels continue the fines increase and could lead to the eventual disqualification of the merchant from taking Visa.

When signing merchants with these MCCs, the ISO should make sure that the merchant has an understanding of the ISO's chargeback process and proactive controls are in place to minimize the number of chargebacks.

It has been our experience that most ISOs and processors do nothing more than send out the standard confusing "chargeback notices" to these merchants. Taking a little extra time with these merchants and getting them set up

properly to prevent chargebacks allows the ISO to continue to process for these often very profitable customers.

• • •

In my initial article in this Green Sheet series, I wrote about the importance of using Verified by Visa as a result of the chargeback liability shift from acquirers to issuers for the fraudulent use of a card, effective April 5, 2003. Now Visa is offering an incentive for using Verified by Visa.

In its new interchange rates for credit cards effective August 1, 2003, Visa has established a price incentive to encourage e-commerce merchants to use Verified by Visa. Merchants that have Verified by Visa will still pay the current rate of 1.80% + 10 cents. Merchants not using Verified by Visa rates will increase to 1.85% + 10 cents.

This is an opportunity for ISOs to pass on the savings to merchants as an incentive to use Verified by Visa, or it could be used to create additional revenue for the ISO in offering Verified by Visa to its e-commerce merchants.



David H. Press is Principal and President of Integrity Bankcard Consultants, Inc. Phone him at 630-637-4010, e-mail dhp@integritybankcard.net or visit www.integritybankcard.net.

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Legal Ease Inside Scoop on Non-Disclosure Agreements

By Adam Atlas

Attorney at Law

Editor's Note: Adam Atlas, a practicing attorney from Montreal, Canada, is a member of both the New York and Quebec bar associations. His legal work is primarily focused on U.S. agreements, and a majority of his clients are U.S. businesses in the payment-processing field. Adam recently has begun specializing in electronic transaction law.

Question:

Should I bother to read a Non-Disclosure Agreement?

Answer:
Yes, and closely.

I was inspired to write on this topic while acting for a medium-size Midwestern ISO that was asked by a large East Coast bank to sign an NDA that was heavily one-sided in favor of the bank.

The purpose of a Non-Disclosure Agreement or a Confidentiality Agreement (either of which can be referred to as an NDA) is usually to protect both parties to a business negotiation from the loss of rights or control over confidential or proprietary information disclosed during the course of the negotiations.

Parties are often in a rush to sign NDAs in order to get business negotiations moving as quickly as possible. Most larger businesses, such as banks and processors, have their own standard form of NDA.

Medium-size and even small businesses should consider having on file their own standard form of NDA that is ready for use in case of an unexpected business negotiation.

The following are some key considerations to keep in mind when reading an NDA:

1. Should I Sign an NDA?

If in doubt, yes. Whenever you enter into business negotiations with a new party and there is any risk at all of you disclosing sensitive, proprietary or confidential business information, it is advisable to first sign an NDA. Your attorney is very likely able to provide you with a standard generic form of an NDA that you can use whenever you begin negotiations with the new party.

This is not a complicated document and you should not expect your attorney to spend many hours preparing it for you. If the negotiations you are entering into are particularly important, such as the negotiation of your main supplier or customer agreements, then some additional attention is warranted by your attorney.

2. Bilateral vs Unilateral

A bilateral, or reciprocal, NDA provides protection for information disclosed by either party. A unilateral NDA provides protection for only one of the two parties to the agreement.

For example, suppose an ISO was interested in starting to work with the new processor. A bilateral NDA between these two parties would prevent either party from disclosing to third parties information received from the other.

If, however, the NDA was unilateral in favor of the processor, then information disclosed by the processor would have to be kept confidential by the ISO, but

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information concerning the ISO disclosed to the processor, such as pricing and portfolio size, would not have to be kept confidential.

Unless you are certain that your side to the negotiations will not disclose any information at all, then it is always advisable to have a bilateral NDA rather than a unilateral NDA. It is also standard business practice for an NDA to be bilateral.

3. Definition of Confidential Information

Perhaps the most important clause in an NDA is the definition of Confidential Information. If you are the party to the business negotiations that is likely to be disclosing sensitive information, such as pricing, customer lists or other financial information, then it is in your interest that the definition of Confidential Information be as broad as possible. You even may ask for the definition to include "any information disclosed to the other party."

If the definition is narrower and includes only "financial information," for example, and you disclose sensitive information other than financial information to the other side, that disclosure will not be protected.

Large businesses often feel comfortable having narrow definitions of Confidential Information because they

have in place very strict information-governance systems and rules. Large businesses, therefore, do not expect to disclose information that they were not specifically planning to disclose. Take into consideration your own information-governance rules and policing and consider whether you are able to rely on them or whether you should protect yourself by having a broad definition of Confidential Information in your next NDA.

4. Negotiable

Parties often believe that an NDA is a non-negotiable document; this is not true. Drafting and negotiating an NDA should never take more than a few days, at most, and usually takes only a few hours. If there are major difficulties in negotiating the terms of an NDA, you may take this as a sign of things to come when negotiating the more important business terms of the deal. Negotiating the NDA is actually a good way to get to know the parties on the other side.

5. Non-Binding as to Deal

When an NDA is being put in place as the first step in a business negotiation, it is advisable to have language in the NDA to the effect that neither party is making any commitment to the underlying business deal. Be careful that the NDA remains only a document to



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protect the Confidential Information of the parties; it is not advisable to intertwine it with other business terms such as those that normally would be found in a letter of intent or memorandum of understanding.

6. Title

An NDA should expressly state that it shall not cause any title to pass from one party to the other in any Confidential Information. You want to avoid inadvertently giving away rights in your Confidential Information.

7. Use and Disclosure

An NDA should prevent the recipient of Confidential Information from both (1) disclosing that information to any third party and (2) using that information for any purpose other than evaluating the business transaction being negotiated.

8. Term

Most NDAs remain in effect for a limited time, usually between one and five years. Consider how long your Confidential Information should remain confidential and be sure the agreement protects you accordingly.

9. Rights on Termination

It is standard that upon the termination of an NDA,

both of the parties undertake to destroy or return to the other all Confidential Information received.

10. Other Terms

Depending on the circumstances, other terms specific to the situation may be included in an NDA. Make sure that an NDA that you sign is suitable for your needs.

Whatever the circumstances of your signing an NDA, pay close attention to what rights the other party may have in any information that you may disclose to them.

Remember, the processing business is highly competitive and when sensitive pricing or customer information is inadequately protected, businesses occasionally incur significant losses. An NDA is no less important to your business than antivirus software. Govern yourself accordingly. ☑

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Merchants, Member Banks Stir Up More Displeasure

Even though 8,148,276 notices have been mailed out to merchants regarding Visa's and MasterCard's combined \$3 billion class-action settlement over debit card fees, and the associations have reduced their interchange rates for offline debit card transactions by about one third (as of August 1, 2003), the dust still has not settled.

Namely, not all retailers are satisfied with the deal and neither are many of Visa nor MasterCard's member banks.

Many merchants have expressed discontent over the settlement terms. Some of them say they now

are paying more for debit transactions than others. Select merchants will get as much as a 70% price break while others will receive less than 10%, the New York Times reported.

Federated Department Stores, Sears Roebuck & Co., Walgreens, Circuit City, J.C. Penney and Limited filed court documents requesting that Visa be forced to provide the same discounts to all retailers.

Presiding Judge John Gleeson of U.S. District Court in Brooklyn rejected the retailers' plea. Gleeson said the settlement terms required only that the associations "maintain a certain average discount."



Merchants also are not pleased with both Visa's and MasterCard's recent 1% increase in credit card interchange fees (also as of August 1, 2003).

The card associations say the jump is purely coincidental and that credit card rates were due to be raised because of increased competition and rising costs.

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Banks Take Hit from Settlement

Several top U.S. banks that receive a percentage of the transaction fees have indicated their profit or revenue will be hurt once the settlement fully takes effect.

In a Securities and Exchange Commission filing, Wells Fargo & Co said it expects its fee income to fall about \$30 million per quarter. Bank of America Corp. said the settlement will cost it \$60 million in after-tax profit for the rest of 2003 and \$200 million in 2004.

Bank One Corp. expects the settlement to cost it about \$60 million a year in pretax revenue. Wachovia Corp. also said the settlement will affect its card businesses.

Minnesota-based TFC Financial Corp., a bank that handles more than \$800 million in debit card transactions each quarter, has long been vocal about its displeasure with Visa's settlement ("Card Associations Face New Actions," The Green Sheet, May 26, 2003, issue 03:05:02).

TFC even recently explored terminating its membership status with Visa and switching to another credit card brand. However, Visa sent a letter to TFC explaining a change in its bylaws as of June 2003. Now, any member

bank wanting to leave the association would have to pay large fees, the Wall Street Journal reported.

The fees would depend on the bank's share of Visa's debit card issuance and how much time is left for Visa to complete its \$2 billion settlement payment. TFC said it would have to pay up to \$20 million to abandon its membership with Visa.

Although Visa continually has said that funds for the settlement will come from its operating revenue and not additional fees to member banks, if some of these banks leave Visa, then the remaining ones might have to bear the settlement burden.

The new debit card rate reductions will be in effect until the end of the year. The final part of the settlement kicks in on January 1, 2004 – the revised "honor all cards" policy – where merchants that accept Visa and or MasterCard credit card transactions also will have the option to not accept offline or signature-based debit transactions. Visa and MasterCard have not yet determined what these new rates will be, and the industry is anxiously awaiting the news.

The dust may never settle. ■

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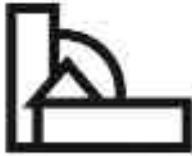
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COMPANY PROFILE ◀◀◀



Property Resource Network, Inc.

Property Resource Network, Inc.

MLS contact:

Sandy Doran, President
Phone: 800-676-1422
E-mail: sdoran@prn-inc.com

Company address:

407-A Traffic Way
Arroyo Grande, CA 93420
Phone: 800-676-1422
Fax: 866-481-6234
Web site: www.prn-inc.com

MLS benefits:

- Focus is exclusively on merchant site verifications.
- Fifteen years of experience in the field.
- Strong relationships with partners.
- Has independent contractors in all 50 states.

The Place to Go for Site Verification

As the old saying goes, one bad apple doesn't spoil the whole barrel. Most certainly you're a good apple and all of the merchant accounts for which you submit applications are on the up and up. But, unfortunately, that's not true for everyone.

In the business world, thanks to the creativity of the criminal mind, banks and processors need proof that people are who they say they are before approving merchant account applications. Financial institutions issuing credit have well-founded concerns over financial losses from fraud. This means that many times they require reports and photos to verify the physical location and validity of the business in question.

According to Sandy Doran, President and one of the principals of Property Resource Network, Inc. (PRN), whether site verifications are required can depend on the leniency of a particular bank. She also said that while it's her understanding that all of the card associations require site verifications, Visa and MasterCard go back and forth on their requirements, depending on the type of business or on the number of chargebacks a merchant puts through.

Doran and partners Betty Maccagno and Lauri Waiters have been conducting physical site verifications since they started the company in 1993. Their goal has been to apply their experience in field inspection to provide a reliable resource for

merchant site verifications.

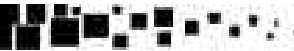
According to Doran, PRN is the only inspection company focusing exclusively on the performance of merchant site verifications. PRN is among the country's top 10 field-inspection companies; First Data, Chase, Discover, bankcard processing companies and Merchant Level Salespeople across the United States use its services and depend on the cornerstones of its business model for accurate verifications and fast results.

It's a simple principle Doran describes as "the good ol' Golden Rule: 'Do unto others as you would have them do unto you.'" This holds true for PRN's clients, staff and outside contractors. In a world where PRN is paid to make sure everyone's telling the truth and being honest and reliable, she said her company places the highest value on its integrity and business ethics.

"We have to be cautious with the kind of information we're dealing with. It's very important that we deal with it legitimately," Doran said.

Located in Arroyo Grande, Calif., PRN has a staff of 10 women and a nationwide network of more than 4,000 independent contractors who conduct site verifications for banks, acquirers and street reps.

When it gets a call from a client, PRN sends one of its field reps out to the business in question. The rep visits the location and, through a written report and photographs,



"A lot of people just aren't comfortable letting us into their homes. But we still have to verify Web or MO/TO businesses that are run out of houses that process transactions. We verify the physical location, but if there is no inventory to photograph, we'll include shots of the office area or a screen capture of the Web site in the report."

– Sandy Doran
President, Property Resource Network, Inc.

verifies the physical address, type of business, inventory, hours, applicable business or state licenses and numbers, signage, structure, work area and inventory.

Doran said the three partners started out working for another company conducting real estate inspections for mortgages, foreclosures and property preservation as well as a small amount of merchant site inspections.

After that company left the area more than 10 years ago, they decided to go out on their own. "We contacted the ETA when it was still the BSA, joined the association and made contacts," Doran said.

They've been members – and exhibitors – ever since. In fact, attending the recent ETA in Las Vegas was part of

their 10th anniversary celebration. "We had a blast!" she said.

PRN conducts site verifications for new accounts and established accounts where changes in address, processing volume or increasing chargebacks start occurring. With new accounts, Doran said a lot of street reps are doing their own physical visits, but it depends on how they're generating clients.

"Some use telemarketing or the Web. There are also chains or medical offices with multiple locations," she said. "Site verifications should be used as a tool as part of the process. You have to report what you see. We ask our field reps to use their intuition, rely on their experience and give opinions, but it's not up to us to say whether there's an elaborate scheme going on."

Doran mentioned one instance where PRN did a verification and found out later that the supposed massage business was laundering money. The client was advised that there was not enough data to determine legitimacy.

To keep things positive, PRN prefers that its field reps set appointments with merchants, calling them first to let them know they will be visiting. This is especially important with home-based businesses.

"We would prefer that the sales agents let their merchants know a site verification is necessary, but sometimes that doesn't happen," Doran said. "A lot of people just aren't comfortable letting us into their homes. But we still have to verify Web or MO/TO businesses that are run out of houses that process transactions. We verify the physical location, but if there is no inventory to photograph, we'll include shots of the office area or a screen capture of the Web site in the report."

A big part of PRN's success has resulted from the relationships the partners have with each other as well as with their staff, field reps and clients. Establishing and maintaining strong relationships with everyone involved in the business is one of the most important factors they work on.

"When we first set up our partnership, we did it with the advice of an attorney," Doran said. "We keep patting our-

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selves on the backs because of the success of the business and that we've managed to stay good friends. We have a lot of respect for each person's contributions.

"We encourage our staff to participate in developing and improving PRN services and offer opportunities for them to achieve their educational goals. Each position is exposed to cross training in order to better understand the overall process. We appreciate our employees, pay them well and offer full benefits. It's more cost effective to retain rather than train new ones.

"We view the reps out in the field as our co-workers; each staff member is assigned a group of independent contractors to work with. We understand that inspections are work and I like them to meet a two- to five-day deadline, so we pay them well and pay them quickly."

There are guidelines PRN has developed for the field reps to follow, available on the Web site. Doran said PRN has independent contractors in all 50 states.

"We view the reps out in the field as our co-workers; each staff member is assigned a group of independent contractors to work with. We understand that inspections are work and I like them to meet a two- to five-day deadline, so we pay them well and pay them quickly."

— Sandy Doran

When the report is complete, the field rep e-mails or faxes it back to PRN, which usually forwards it on to the client either in batches, depending on the size of the client and number of verifications, or individually.

A slight twist on whom PRN is inspecting is also a sign of the times, Doran said: "More and more often these days, along with the merchant information, we're also verifying for the processor that the MLS is who he says he is — where he's living and working."

Future plans for PRN include developing its electronic capabilities. Doran said the Web site is strictly Waiters' area of expertise and that their goal is to be able to receive orders from clients, send them out to field reps and then make the information accessible to clients, all electronically.

"We want to adapt and grow with the future of this industry," Doran said. "We hope to serve as a valuable weapon against potential fraud." ■



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A Gift for Small and Midsized Merchants

Product: First Data Mid-Market Gift Card Program

Company: First Data Corp.

First Data Corp.'s decade-old ValueLink gift card and prepaid program typically has targeted large merchants – but now the company has something in mind for small and midsized retailers.

First Data's Mid-Market Gift Card Program can provide merchants with gift card capabilities and many other point-of-sale functions without the hassles associated with a large-scale implementation. It's all offered on one machine.

The new program uses a point-of-sale terminal; merchants can choose from multiple products on the market, such as Eclipse and the Hypercom ICE 5500, ICE 5700 and the Hypercom T7 series (512K memory only). They need only one terminal for gift card, credit and debit and First Data's TeleCheck electronic check acceptance program. Terminal applications that support the gift card program are integrated on selected First Data credit processing platforms.

The program also offers integrated billing, where gift card fees appear on the merchant's monthly processing statement – one statement for all financial processing services. Merchants also can access gift card transaction reports by day or month on the Web at www.firstdatagiftcards.com.

Merchants can select the standard design for the gift cards and create customized cards. Gift cards help strengthen customer loyalty and also provide a new revenue opportunity for Merchant Level Salespeople and their customers.

MagTek's PIN Pad Goes USB

Product: USB-compatible IntelliPIN PINpad

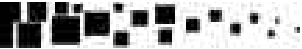
Company: MagTek, Inc.

As more merchants and financial institutions upgrade to USB standard personal computers, MagTek is making the move with them. This spring, the company introduced a USB-compatible version of its IntelliPIN encrypting PIN pad/swipe reader that supports debit and credit card transactions at the point-of-sale.

A dot matrix LCD guides customers through the swiping process. The product measures 3.25" X 4" X 7" and takes up minimal counterspace.

The IntelliPIN pad's three-track magnetic stripe reader reads ISO-standard cards and driver's licenses. The device is secure and tamperproof and protects PIN encryption keys. It also supports DUKPT and Master/Session key management and single DES, triple DES, IdentiKey and DUKPT algorithms. You also can upgrade the IntelliPIN to read and write smart cards.

MagTek still offers the IntelliPIN in a keyboard wedge version and RS-232 serial port configuration, and both are compatible with most PCs in use today.



Results from a 2003 consumer study conducted by ValueLink show the average dollar amount of purchased gift cards among consumers is \$50 per card versus \$44 the previous year. The survey found that 61% of the consumers polled spend more than the initial value of the gift card.

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Electronic Archive of Paper Checks

Product: Check imaging solution


Company: E-Chex

E-Chex has introduced a check image archiving and retrieval system for banks and payment processing companies that find themselves overwhelmed with paper-based checks.

Traditional paper check processing typically includes such steps as scanning or even typing check MICR information and then shipping (via planes, trains and automobiles) and storing the checks.

Checks that need to be reviewed have to be manually retrieved, and checks no longer needed must be physically destroyed. The E-Chex solution will eliminate this hassle.

The system will improve check-imaging procedures in both the front and back office. Check images are captured with an imaging device, and then the image gets stored electronically. Images can be retrieved quickly through a Web-based interface.

E-Chex will handle the implementation, customization and technical support for this system and says most companies can have it up and running in a matter of days. 

E-Chex

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-- Jonathan Swift (1667-1745)

INSPIRATION ◀ ◀ ◀

Conventional Wisdom: Making the Most of Mingling



If you're a successful Merchant Level Salesperson, then you're great at mingling, right? Walking into a merchant's store and closing the sale? No problem! So why do you come back from an industry convention wondering why you didn't get more out of it – and vowing that you won't go back?

For some people, trying to make new contacts at a convention is a bit like public speaking – they'll do it if they have to, but it's not their first choice. The big convention hall and large numbers of strangers make the experience feel more like a trip to the dentist than a pleasurable week away from the office.

If you don't easily connect names to faces, you're probably petrified that you might run into someone you've met only once ... and you can't instantaneously remember the person's name ... but he or she sure remembers yours. A fate worse than social death!

But just as there are common-sense ways to increase your sales success, there also are ways to maximize your convention experience. Call it the **MINGLE** Method:

Map Out a Strategy:

To be successful at sales calls, you've got to prepare, and the same goes for conventions. Make sure you know the agenda. Decide what you want to get out of it. Have it in your mind that you want to bring back at least two or three ideas. If you're nervous about remembering the names of people you might see there, get a copy of the registration list – most conventions have them – and review it. As you come across a familiar name, try to picture the face, too. That way, there's less chance you'll be dumbstruck in an unexpected encounter. If the attendee list includes the names of spouses, be sure to review those, too.

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13th Annual Electronic Retailing Association Conference & Exposition

Highlights: This is the 13th annual conference for the Electronic Retailing Association, the trade group for companies who use the power of electronics to sell goods and services to the public. The purpose of ERA is to foster the growth, development and acceptance of the rapidly growing electronic retailing industry worldwide. The ERA will be the preeminent trade association serving as the most authoritative voice for and the primary source of information on this most important segment of the retailing industry – e-retailing. Through the conferences and other programs, the ERA strives to stimulate total retail sales and increase the percentage of those sales that occur electronically, to improve the profitability of those sales and to create a favorable climate in which electronic retailers can operate successfully and consumer confidence is continually reinforced. Inventors and entrepreneurs from all around the world will be a part of the 2003 ERA New Product Program, held in conjunction with the Conference and Expo.

When: September 14-17, 2003

Where: Paris Las Vegas, Las Vegas

Registration Information: Visit www.retailing.org

NACHA Electronic Check 2003

Highlights: Hosted by NACHA-The Electronic Payments Association and the Electronic Check Council, this sixth annual conference brings together retailers, billers, financial institutions and service providers to focus on the hottest issues, newest challenges and most innovative solutions in the e-check payment industry. Topics to be covered include first-hand e-check decision-making insights from corporate originators; case studies examining various perspectives and unique approaches to accounts receivable (ARC) debit entries; and the latest business practices and rules and guidelines for managing risk and mitigating fraud from the corporate, financial institution and processor perspectives. NACHA projects that the number of ACH e-check payments made by U.S. consumers is likely to reach or exceed one billion in 2003, doubling the number made in 2002. This rapid growth has created many benefits – and challenges – for companies, financial institutions and service providers. Electronic Check 2003 is the ONLY event of its kind backed by NACHA's Electronic Check Council, the premier forum developing solutions to the challenges associated with the conversion of paper checks to electronic entries.

When: September 17-18, 2003

Where: New Orleans Marriott, New Orleans

Registration Information: Visit www.nacha.org

Introduce Yourself to as Many People as Possible:

The easy way out is to stick with your closest friends and spend the entire convention with them. But that's not the best way to get the most out of the event. Make it a point to seek out strangers – you never know when that new contact will pay off. When you go to a convention-sponsored meal, sit with people you don't know and strike up a conversation. Chances are, you'll discover some common ground and, maybe, the solution to a challenge you've been facing.

Network, Network, Network:

As you meet more people, don't let those new relationships fade into one-conversation-and-out oblivion. If necessary, review the business cards you've accumulated and try to recall the faces and something about each person – keep forging the relationships as you see some people again and again during the convention. Most conventions feature group conversations, and you want to know at least one person in as many groups as possible.

Go with the Flow:

Putting together a convention is a difficult, arduous task. Things aren't always perfect – the hotel might be overcrowded, the luncheon food might leave something to be desired, the air conditioning might be drafty. But don't forget that you're going to be around people who don't know you well. If they hear much complaining, your first impression might be a lasting impression – and stamp you as someone to avoid.

Learn from Educational Sessions:

This is your opportunity to hear from the best and the brightest. Don't let that opportunity slip away because you stayed up too late the night before. There's time for socializing and there's time for learning. Make time for both. Then, when you get back to the office, do a report on what you learned and how you're going to apply it.

Enjoy Yourself:

Let's face it, you're never going to get much out of the experience if you don't have a good time. Celebrate the new relationships, the food, the sights to be seen in the surrounding area. Go back to work rejuvenated and eager to mingle ... with your co-workers and customers.

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Paul H. Green

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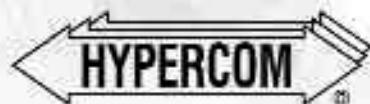
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