



The Green Sheet

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

March 25, 2002
Issue 02:03:02

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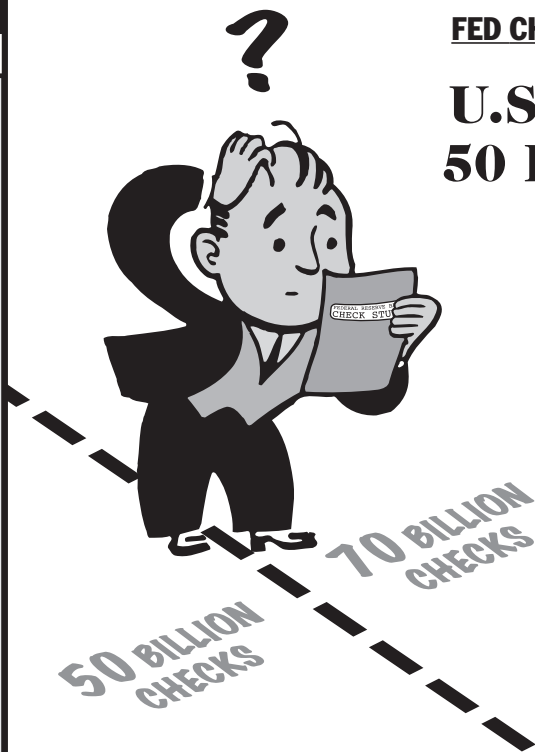
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FED CHECK STUDY

U.S. Checks Are Only 50 Billion Annually ... Or Are They?

By now you have probably read or heard about the recent definitive study on checks conducted by the Federal Reserve Bank¹, which concluded that the number of checks written in the U.S. is much smaller than everyone thought. Which, in fact, is the first interesting element in this study, since 50 billion checks is less than the Federal Reserve thought as well. William Poole, President and CEO of the Federal Reserve Bank of St. Louis, puts it very clearly: "One of the more interesting findings is that

the number of checks written in 2001 was estimated to total 49 billion — far below the estimate of 60-70 billion commonly used by those in the industry, including the Fed."²

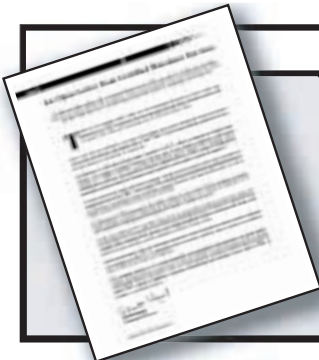
Have Checks Declined from 70 Billion to 55 Billion?

The answer is very clearly NO, although I already have read one newspaper misreporting the decline of checks from 70 billion to 55 billion. The truth is, there is much more that we need to know before any sense of growth or decline is possible. Poole, in commenting on the Fed study, makes this point: "Although the Fed has long encouraged the use of electronic payments, we are not ready to predict that a checkless society is around the corner. We don't even know if the number of checks has stopped growing."²

How can this be, you may ask; if the Fed can now tell us that the number of



See FED on Page 8



Notable Quote:

"... CMS has undertaken numerous actions designed to correct activities criticized by customers and the FTC, to generally improve business practices and to improve our relationships with both merchants and employees."

See Story on Page 26

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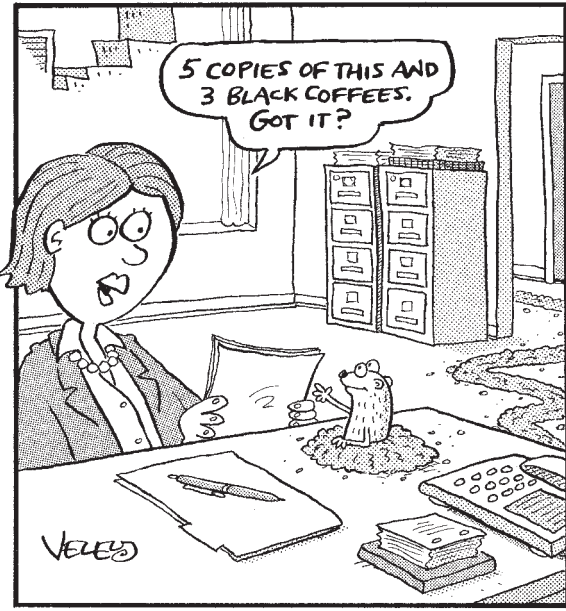


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The North American Gofer, in its native habitat.

Looking to Canada ...

We are an ISO in Brooklyn, N.Y. Do you know of an American company that accepts Canadian accounts?

Thank you,
Sol Kolman

Dear Sol:

The Green Sheet's Resource Guide includes listings for two companies you might contact. PayNet Merchant Services Inc. handles U.S. merchant accounts for Canadians; its phone number is 888-855-8644. PsiGate Payment Services handles non-U.S. merchant accounts; its phone number is 877-374-9444.

Good Selling!
The Green Sheet Staff

... And All Over the World

Do you or any of your readers know of international ISOs or processors that have multinational bank relationships who will allow ISOs to sell and sign up accounts in those countries and get paid? I am especially interested in accommodating large U.S. merchants with foreign locations.

Thank you,
Mercury Payment Systems
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We directed your inquiry to a member of the Green Sheet Advisory Board, Bob Carr of Heartland Payments. His response was to suggest that you contact the Electronic Transactions Association (ETA) at www.electran.org.

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Additionally, as part of the 2002 Annual Meeting & Expo on April 10 through 12 in Orlando, ETA is conducting a seminar on emerging markets. The session will present overview information of the ETA International Symposium, including cross-border processing and multicurrency processing and settlement.

Good Selling!
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Wireless Inquiry

Whom can you recommend for wireless service in New York, New Jersey and Connecticut with great rates for Lipman wireless terminals?

Best Regards,
Steve Paul
Security Edge LLC

Steve:

Unfortunately, we don't have that information on hand. We will post your request to readers in Forum. We also suggest you post your inquiry on the ISO Forum Online, at www.greensheet.com.

Good Selling!
The Green Sheet Staff

CORRECTION

The names of two companies – Stephen D. Kane Enterprises, LLC and GTCR Golder Rauner – were misspelled in the Steve Kane profile in the Feb. 28, 2002 (02:02:02) issue of The Green Sheet. Also, Kane was director of PMT, National Computer Print and NOVA Corp. after leaving First Financial Management Corp., and Stephen D. Kane Enterprises was formed in April 1996. Kane can be reached at skane@intlps.com.

Send your Questions, Comments and Feedback to us today!
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A Compliment From Left Field

At The Green Sheet we tend to see ourselves as a small newsletter publisher in a niche market. We work hard to serve the ISO community and truly appreciate our loyal readership. We don't have the circulation of a major consumer magazine, but our readership is very respectable for an independent newsletter.

Sometimes compliments come out of left field. Still, they can give you a fresh perspective on how your enterprise is viewed in the marketplace.

One of our standard features in The Green Sheet, both print and online, is our "Datebook." This ongoing listing of trade shows and events in our industry is published as a service to ISOs. On our Web site we include direct links to the Web sites for the various events. These have included meetings for NACHA, the ETA and any other trade show we believe will be of interest to our readership.

Recently, Thomson Financial, sponsor of Card Forum &



Expo, sent a press release about its show to The Green Sheet. We responded that it would be added to our listing. We then received an offer of a co-marketing agreement. This seemed like a great opportunity.

We agreed to provide Card Forum with two full-page ads in future issues, an online ad and inclusion of its brochure with a GS mailing. This ad package costs \$3,700 on our current rate card.

In exchange, GS was to receive our logo and a link posted to the Card Forum Web site, distribution of GS at the show, an ad in the forum documentation, and a one-time-use set of labels of the attendee list.

We believed this was an equitable arrangement and looked forward to finding mutually beneficial ways of working with Thomson Financial. Unfortunately, the publisher of Credit Card Management did not see it that way.

Thirteen days after signing the marketing agreement, we received an e-mail message from Thomson Financial stating, "The Green Sheet is a direct competitor of Credit Card Management, and because Credit Card Management supports the Card Forum & Expo, I was told to terminate our agreement."

We've always known that a large percentage of our readership also reads CCM, which is published by a much larger organization than The Green Sheet, Inc. We believe it is a significant compliment that they view us as a "direct competitor."

We are always striving to better serve the ISOs with our publications and services. We appreciate that you have continued to push us to higher levels of professionalism and success. As always, we want to hear from our readers — your raves and requests. Here, we just wanted to share the moment! ☺

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FED from Page 1

checks is smaller than we and they thought, why can't they tell us if it is still growing? This answer is in the small print of the Fed's new report.

For example, the principal number for the current estimate is extrapolated from the information returned by 1,293 banks (the U.S. has more than 7,000 financial institutions) that provided their information for March and April 2001. While the number and value of checks cleared by the Federal Reserve (I will talk more about this in a moment) is known with a great degree of accuracy, the other categories (meaning checks cleared by the banks on which they are drawn, as well as private clearing information) are estimated, and each has a margin of error of at least plus or minus 15 percent.⁴

Here are more specifics about the number of financial institutions that responded with information on which the Fed could make this estimate: About 825 banks responded, about 350 credit unions, about 100 thrifts and about 18 other banks whose information apparently was anomalous to the first group of banks.

1. In this study, the Federal Reserve's goal was to estimate the total volume and value of all checks written in the United States over a 12-month period, based on a two-month sample period. The Fed notes that the two months were adjusted for seasonality.
2. William Poole, President and CEO, Federal Reserve Bank of St. Louis, President's Message, The Regional Economist, January 2002, The Research and Public Affairs departments of the Federal Reserve Bank of St. Louis, www.STLS/FRB/ORG.
3. William Poole, loc.cit.

BY THE NUMBERS... CHECK FACTS

The number of checks written has more than doubled in the last 20 years.

Checks are still the dominant form of non-cash retail payments (approximately 50 billion out of a total of 80 billion payments annually).

While reaching a significant number of larger institutions would seem to be an adequate amount of information for such an average, we also must keep in mind that the largest U.S. banks in the country are responsible for only 26% of check transaction volume.



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BY THE NUMBERS... CHECK FACTS

My Previous Forecast

Mechanism	% of Total	Check Amt
Private Clearing	42%	\$1,059
Bank On-U's Clearing	33%	\$590
Federal Reserve Clearing	25%	\$762
Total	100%	\$830

In fact, we often have the sense in the U.S. that it will take only a few banks to reshape the future of the check. This could not be further from the truth. Only 11% of checks are written on the 10 largest bank holding companies in the U.S., and in turn these banks clear only 16% of the checks of others. In fact, 69% of all checks written are drawn on banks other than the top 100 bank holding companies in the U.S., and institutions other than the top 100

are the collecting bank for 54% of all checks cleared.⁵

Dollar Value Is Yet Another Measure

The Fed 2001 study concludes that the average check in the U.S. has a face value of \$965. Before this report, all previous estimates exceeded this estimate. The conventional thinking was \$1,059 to \$1,194.⁶

If you review my book, *Checks at the End of the 20th Century and Beyond*, you can see that over the previous four years of check reports, I had worked out what I thought was the best estimate of the average check in the U.S., and I was the first to report a U.S. average check of less than \$1K, at \$830, plus or minus 15%. This difference in average check volume has a significant effect on the value of U.S. checks.⁷

4. Retail Payments Research Project, A Snapshot of the U.S. Payments Landscape, Research Results from the Federal Reserve System, Depository Financial Institution Check Study, Exhibit 2, Footnote 4.

5. Alice M. Rivlin (Committee Chair), Committee on the Federal Reserve in the Payments Mechanism, January 1998, p 15.

6. In the footnote to the 1991 data from Bank for International Settlements (BIS) the justification for assuming a U.S. average check value of \$1,150, which is slightly greater than my 1997 research results (\$1,059), is not explained by BIS, and this assumption has been utilized in BIS reports for each of the years 1987 through 1994. Additionally, I have found two more sources reporting a higher U.S. check average. The first is a study prepared for The Banking Research Fund (BRF), which reports that the National Clearing House Association processed 877,000 transactions a day in the third quarter of 1994, for \$1 billion per day, or an average check of \$1,140. NOCH also reported in 1996 that "a check averaged \$1,194."

7. In my book, *Checks at the End of the 20th Century and Beyond*, I noted that in 1998, the Federal Reserve served as the clearing mechanism for 25% of the checks processed in the United States, with a \$762 average check amount. Private clearing mechanisms (clearing house, correspondents and direct sends) processed 42% of checks, with a \$1,059 average check amount, for 1997 and early 1998 data (first half) reflect what may be a \$122 increase entirely because of ticket growth at the New York Clearing House. Given the addition of another 33% of "On-U's" bank clearing as the remaining clearing mechanism, the "On-U's" check average is likely to reflect the average of the National Organization of Clearing Houses average, less the New York segment. I have historically taken the New York data out of the "On-U's" calculation, to tone down the effect of this very unusual check average. With a \$548 average check amount for 1997 and early 1998 data (first half) reflecting what may be a \$42 increase, I was inclined to raise the "On-U's" ticket for 1998 because neither the missing NCHA or Southwest Clearing House data would have driven the 1998 ticket down. These calculations reflect an average check of \$590 (the 1998 half-year total, less New York) and creates an overall weighted average check amount as follows, of \$830.

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Where Checks Are Cleared

The Fed's 2001 information on where checks are cleared and the fact that the difference also has an effect on the dollar value of checks are the two most specific reasons why the results of the 2001 study differ so much from previous estimates.

BY THE NUMBERS... CHECK FACTS

National Average Check Size

BIS= \$1,059

BRF= \$1,140

NOCH=\$1,194

Our #= \$1,059

Based on the 1979 study, it has been assumed that 25% of checks were cleared by the Fed, 33% were cleared as "On-Us" items⁸ and the balance of checks (42%) were cleared by various private clearing houses. In our previous studies, we had used as much clearing house information as it was possible to obtain, and in so doing we found that the dollar value needed to be reduced by the New York Clearing House volume to normalize the balance of the data.

The 2002 study concluded that the Fed is clearing about 35% of all checks (10% more than previously thought) and another 30% is cleared as "On-Us" items (statistically, this is about the same number as what was being used).

The Fed's study breaks down the remaining check clearing as 20% clearinghouse activity, 10% Same-Day Settlement, and a category called Other. This is extremely important overall because it means that private clearing houses handle (clear) significantly fewer checks than it was generally thought.

Where And To Whom Checks Are Written

A wide variety of methods have been used to estimate who writes the majority of checks in the U.S.

8. Checks received and settled by the bank on which they are drawn, meaning no other bank is involved in clearing.

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and, further, to determine to whom these checks are written. In most cases, these estimates have attempted to determine how large the business-to-business segment of check writing was, and, further, the consumer-to-business segment, with special emphasis on checks written at the point-of-sale.

In a secondary study last year, the Fed asked selected banks to randomly review checks and determine the payee, payor and dollar value. Less than 30,000 of the estimated 50 billion U.S. checks were reviewed and reported to the Fed.

Based on this sample, the Fed determined that 15% of all U.S. checks are written by businesses to other businesses (we had previously reported 23%) and that these checks represent nearly 43% of the value of all checks. In contrast, it further estimated that nearly 34% of all checks are written by consumers (we previously reported 55%) and that these checks represent only 10% of the value of all checks. It is worth noting that this sample was unable to determine the payee or payor 14.3% of the time for the

"For those who want to stick with checks, rest assured that the option will not be taken away."

— William Poole, President/CEO,
Federal Reserve Bank
of St. Louis

number of checks and 15.9% of the time for the value of checks.

Conclusion

While I certainly do not want to dispute that the current check estimate from the Federal Reserve may well be right, I also think that we do not yet know all the answers from these estimates and averages and may not know for some time.

And as for averages, we must keep in mind that if you have one hand on dry ice and the other on a hot stove, your average temperature is just fine; however, both of your hands know better.

Before this or any other check study makes you change your method of payments or seriously revise your business plan, remember, the Fed's Poole says, "The Fed will conduct another payments study in two or three years — not another 20 — to get a better idea of where the various forms of payments are headed. ... For those who want to stick with checks, rest assured that the option will not be taken away."⁹

9. William Poole, loc.cit

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ADVISORY BOARD



SOUNDS OFF

One of the most important functions of The Green Sheet's Advisory Board is to give readers insight into the state of the industry. Their responses to our questions will be featured regularly.

What's Hot (Handheld), What's Not (Smart Cards) in New Products



Question 1:

What new products do you see on the horizon?

made terminals. It seems only logical to design processor-specific terminals in mass quantities at a low cost."

Steve Christianson

TransPay Processing

"Handheld wireless Palm top credit card interface is already here. Other than that, I see none."

Stacy Bell

Advanced Payment Technologies

"I believe that we are moving toward using biometrics a lot more. After September 11, 2001, both merchants and customers are becoming a lot more security-conscious. Biometrics will be used in a lot more applications, most importantly at the point-of-sale."

Douglas Mack

Card Payment Systems

"The only new ideas out there that, in my opinion, are hot would be a solution for pay at the table, PIN-based debit over the Internet, and vending machine card acceptance."

Jason Burgess

Artaban Solutions, Inc.

"With Bluetooth technology entering the marketplace, I think vendors will began developing more products that are wireless and/or have the ability to operate on a cellular phone and/or handheld PDA."

Robert Carr

Heartland Payment Systems, Inc.

"Cardless payment products and the Visa pay card are very exciting products for us."

Jared Isaacman

United Bank Card, Inc.

"The new products that I think we will continue to see being developed are going to be along the lines of integrated platforms ... more products with integrated debit, check readers, credit, smart card, thermal printers and signature capture. I think you will also start seeing some of the large processors getting into the proprietary, custom-

Mitch Lau

Money Tree Services, Inc.

"As you may know, our handheld instant merchant system seems to be the latest and most innovative product in years."

Alan Gitle

Merchant First Bankcard

"I am not sure you call it a new product, but the importance of the Internet will continue to grow. Offering merchants products that match those needs will grow."

Stuart Rosenbaum

U.S. Merchant Systems

"Can't tell. It's a secret — seriously!"

Russ J. Goebel

Retriever Payment Systems

"The question about new products on the horizon is centered on what our merchants want. Technology is available to make processes more efficient, and thus I believe we will improve our current processes. Examples are: merchant setup, downloads, smart cards, electronic check conversion and all-in-one POS devices."

Larry A. Henry

L. Henry Enterprises

"Mobile, wireless, self-contained. Once hardware has given the merchant the freedom that new technology is moving toward, I believe that our new products will center on information reporting. Increased use of credit cards, debit cards, smart cards and check processing will allow the merchant to gather an ever increasing amount of data. Whether the data is used for the purpose of tracking inven-



tory, better marketing or improved customer service, information will become an important by-product of the approval process."

Bob Joyce

Alliance Payment Systems

"I'm not creative enough to see anything on the horizon. My expectations stop at online apps at the

point-of-sale, something like what Money Tree seems to have now. I think ISOs should share in the risk and therefore be more involved in the approval process, which would likely serve to enhance the image of ISOs in the marketplace. Image always has been and will be a problem. I don't see that changing anytime soon."

Chris O'Hara

Profitscentric

"The following appear to have significant growth opportunities: Wireless will continue to gain momentum in both the mobile and fixed wireless segments as more retailers capitalize on the benefits of speed, mobility and the opportunity for reduced telecommunication costs. Also, ATMs and other cash-dispenser equipment should continue to

expand as merchants capitalize on the additional foot traffic and incremental profits that can be realized from dedicating a small real estate footprint to cash-dispenser solutions. Check guarantee, verification and conversion may significantly expand should the electronic authorization and settlement initiatives of Visa or the bank-owned SafeCHECK roll out. Pay at the table and signature capture may also expand if the industry elects to bring these solutions to the small-merchant community."



Question 2:

How is the continuing evolution of e-commerce products affecting your business?

Stacy Bell

Advanced Payment Technologies

"Surprisingly, the e-commerce evolution is really not affecting our business at all. Our market has always been small- to medium-size retail businesses who really only use e-commerce for advertising. New brick-and-mortar merchants are popping up every day, and they still have to have all of the point-of-sale systems that they needed before."

Douglas Mack

Card Payment Systems

"We do not do a lot of e-commerce, so it really does not affect us."

Robert Carr

Heartland Payment Systems, Inc.

"Not in a significant way. Traditional bankcard products are not viable long term in e-commerce because of the repudiation issue. If a merchant can afford to build in enough profit to cover high fraud losses and high interchange rates, bankcards will work for those e-commerce merchants. However, the promise of huge dollars of e-commerce B2B business with traditional bankcards has become ephemeral at best."

Jared Isaacman

United Bank Card, Inc.

"United Bank Card has always been a retail-focused processor, but we have seen the demand for e-commerce and have since taken control of our own gateway to meet the market requests. I think the demand of e-commerce is coming stronger from the ISO and agent market than the actual merchants. The risk concerns are always going to be high, but in a controlled atmosphere, which I think most

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"With all the parties within the verticals of our industry, I believe the old saying plays its role – 'Don't put all your eggs in one basket!' E-commerce is one part of distribution in a business model and has its role in the overall success of an organization."

—Russ Goebel, Retriever Payment Systems

processors and banks are building, e-commerce can be a continuing profitable market to explore."

Craig Millington

Compass Bank

"The upward spiraling of risk/fraud/chargeback problems and affiliated losses with Web-based sales is scaring our senior management into a constant re-evaluation of the acquiring industry and the potential to get out altogether."

Steve Christianson

TransPay Processing

"While we do not shy away from e-commerce, we still focus our energies on the \$10K-to-\$100K volume merchant that is storefront. Unless you get lucky with some large Internet company that is legitimate and does good business and backs up its product, there is simply not enough money in it. The risk is high and the return low. We want to keep doing what we do well and not focus on Internet and risk losing our business to fraudulent operators and low-cash-return merchants."

Mitch Lau

Money Tree Services, Inc.

"We have been gearing up for the growth by increasing the capabilities of our risk-management software, adding additional risk-management personnel, adding the ability for the merchant to apply online and receive account approval within seconds and, in order to mitigate risk, use identity authentication."

Alan Gitle

Merchant First Bankcard

"E-commerce is increasing our sales because we sell advanced-technology products at reasonable prices."

Stuart Rosenbaum

U.S. Merchant Systems

"Actually helping our business a lot."

Russ J. Goebel

Retriever Payment Systems

"E-commerce trade is balancing out; most folks understand the exposure associated with the Internet. With all the parties within the verticals of our industry, I believe the

old saying plays its role — Don't put all your eggs in one basket! E-commerce is one part of distribution in a business model and has its role in the overall success of an organization."

Larry A. Henry

L. Henry Enterprises

"We have not experienced a drastic change to business as usual. The Web is facilitating the sale and purchase of equipment, supplies and merchant services at very competitive prices. However, most of our business is still done by direct contact, assuring the client of the quality and stability of the product."

Bob Joyce

Alliance Payment Systems

"Not at all."

Question 3:

What are merchants telling you about smart cards?

Stacy Bell

Advanced Payment Technologies

"We really don't hear very much about smart cards from any of our merchants. The only time it seems to be mentioned is by equipment manufacturers and processors, not merchants or customers."

Douglas Mack

Card Payment Systems

"Merchants really are not telling us anything about smart cards. Some of them ask us about them and their status, but we more or less educate the merchants about them.

We really feel that smart cards are more of a problem than a solution and also think that it will be quite some time before they really take off. In the meantime, most salespeople are using them to push equipment, which, in my opinion, is really a disservice."

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Tom Haleas

Bridgeview Payment Solutions

"The small- to medium-size merchants are curious about smart cards, but there is not a huge buzz about them yet. I believe that will change when more value-added components become available and the cards are (much) more widespread. They potentially offer some very interesting features to help merchants increase their sales."

Jason Burgess

Artaban Solutions, Inc.

"I have not had any dealings with smart cards or an interest in smart cards by any of my clients."

Jared Isaacman

United Bank Card, Inc.

"Our help desk very rarely gets calls or questions regarding the future compatibility of smart cards. Right now it seems that the merchants haven't seen the cards enough to take an interest. I think the sales force is doing a great job upselling merchants with PIN pads and smart card readers."

The Nurit 252 and Hypercom S7SC PIN Pad are really going to make smart card deployment much easier.

Overall, no one is going to make smart cards a primary focus until the issuing banks start mailing out the new-generation credit cards."

Steve Christianson

TransPay Processing

"Some ISOs push smart card terminals to get new equipment sales. When we order new equipment for a merchant and it has smart card capabilities, we get it. But 99% of our merchant base has not seen a smart card, and it looks as if branded (MasterCard/Visa) smart cards are a long ways from being a factor in the market."

Merchants will accept smart cards when the settlement and funding issues are solved on the acceptance end. In the meantime, they are not interested because of the additional cost of equipment and the fact there are none out there to speak of anyway."

Mitch Lau

Money Tree Services, Inc.

"Merchants will become interested when they see the need to accept smart cards. Currently, there is no demand."

Russ J. Goebel

Retriever Payment Systems

"Smart cards will be in demand when the consumer starts



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using them as a payment mechanism. The issuers must utilize a push strategy if smart cards are to gain overall acceptance. At this point, merchants will request the capabilities to accept this payment, and the effect will be felt through out all verticals in our industry.

Smart cards are popular in Europe and we test-marketed them at the 1996 Summer Olympics in Atlanta, but today we are still stagnating with the acceptance in the United States.

Patti Murphy

The Takoma Group

"Smart cards are a solution looking for a problem, even today. Merchants care little about these, and consumers are probably even less interested."

Stuart Rosenbaum

U.S. Merchant Systems

"They don't care."

Alan Gitles

Merchant First Bankcard

"We don't hear about smart cards, but we specialize in small merchants and we are not very competitive in the convenience market, where they might help."

Larry A. Henry

L. Henry Enterprises

"At this point, merchants are asking us about smart cards since their customers have not requested the service. Their equipment supplier or bank has told them that they must purchase the new equipment because of the change that will soon be made.

We do not see this change coming soon or quickly. Smart cards will take a change to consumer habit. This will not happen overnight.

Bob Joyce

Alliance Payment Systems

Nothing.

Chris O'Hara

Profitscentric

"Most merchants view smart cards as another cure for a problem that does not exist in the U.S. market. Our magstripe technology and telecommunication infrastructure are so dependable that there is little reason for merchants to support a smart card device.

Furthermore, the costly infrastructure required to support smart cards at the point-of-sale is an expensive proposition — even during an optimistic economic environment. It is often difficult for merchants to cost-justify the installation of PIN pads or check readers, both of which are mature products with quantifiable benefits.

Even in Europe, smart cards have lost a significant reason for their existence now that the adoption of the euro has simplified the currency-conversion issues that we do not face here in the U.S." ■



An Open Letter from Certified Merchant Services

The following letter written by the court-appointed receiver for CMS was posted on its Web site. The Green Sheet remains hopeful that the FTC investigation will be resolved efficiently and quickly. We felt that the actions specified in the letter are an important step forward and wanted our readership to be aware of it.

Thank you for visiting CMS's Web site. As Permanent Receiver, I want to share my impressions of CMS's current situation and prospects for the future. Periodic updates will be made to this letter and I encourage you to visit from time to time.

First, I ask you, our customers, associates and suppliers for patience during this time of transition and assure you that you are dealing with a "new" CMS. If you have questions, problems or suggestions please do not hesitate to contact me.

On February 11, 2002, the Federal Trade Commission ("FTC") filed a complaint in United States District Court against Certified Merchant Services and several related companies (collectively referred to as "CMS"). The FTC, an independent Federal agency charged with "stopping actions that threaten consumers' opportunities to exercise informed choice," made a number of allegations, generally involving unfair and deceptive trade practices, and sought a variety of remedies.

On that date Federal Judge Paul Brown entered a Temporary Restraining Order and appointed me temporary receiver for CMS. I am a Dallas CPA with broad receivership and operating experience. As Receiver, I assembled a team including seasoned financial and legal professionals as well as highly experienced credit card processing consultants.

On February 12, 2002, pursuant to the Judge's order, we took control of the company and immediately initiated a program to eliminate the questionable practices. As ordered by Judge Brown we also undertook an independent investigation to address a number of issues.

On March 6, 2002 the FTC and CMS entered into an agreement providing, among other things, for my appointment as permanent receiver. Until ordered by the Court to do otherwise I intend to retain control of the company and to operate it in a legal and ethical fashion consistent with sound, competitive business practices and in compliance with the Court's orders.

Under my direction, CMS has undertaken numerous actions designed to correct activities criticized by customers and the FTC, to generally improve business practices and to improve our relationships with both merchants and employees.

The company appears to be sound financially, and operational improvements are being implemented virtually each day. I expect those who deal with CMS to notice the impact of these changes immediately and for some time to come. It is my goal for the cumulative effect of these changes to make CMS a model of integrity, corporate responsibility and customer service and for CMS to emerge as an industry leader.

Garrett Vogel
Permanent Receiver

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Back to the Future for B of A, STAR

Bank of America, which left the STAR network of PIN-based debit transactions for Visa's Interlink system six months ago, has signed a long-term participation contract with STAR.

B of A debit cards will be accepted at the more than 198,000 STAR system ATMs across the country. The agreement also calls for B of A to place its ATMs in 17 states into the STAR network. B of A debit cards and ATMs will carry the STAR logo beginning in late March 2002.

Our top priorities for ATM network participation are a broad connectivity with extensive product functionality, access to high quality service and a voice in the network's direction, said Bond R. Isaacson, Payments Executive at Bank of America. The STAR brand has significant value for the B of A ATM network and, most importantly, our millions of cardholders nationwide.

STAR is a wholly owned subsidiary of Concord EFS, a financial services industry processor. The purchase of STAR, which had been founded as a bank-owned

network, was a major coup for Concord because STAR was the largest of the bank-owned ATM/POS networks. Concord is a new giant in the payments arena and seeks to compete head-to-head with Visa, especially over debit products.



It was speculated when B of A left the STAR system last year that the bank was sending a message to Concord about interchange fee pricing. Currently, B of A uses Concord's ATM processing services for approximately 1,100 ATMs in retail locations.

Last fall, plans were announced by Visa Interlink to increase the interchange fees charged to merchants. Retailers like Wal-Mart and Walgreen Drug Stores responded by announcing debit cards with only the Visa Interlink system logo no longer would be accepted at their stores.

B of A had 22 million debit cards linked exclusively to the Interlink network at that time. Four million of those cards did not include the Visa logo, and those customers were not able to use their debit cards at Wal-Mart, Walgreen and other retailers taking part in the boycott. ☐



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Well, for the sales representatives of Money Tree Services, Inc, getting to "yes" has never been easier. That's because of the revolutionary "Instant Merchant System" (IMS), which allows them to conduct business at the speed of sound.

The IMS, the first of its kind in the industry, allows Money Tree's sales reps to complete an online merchant application and agreement at the merchant location. They'll receive an account approval decision within seconds. Once approved, it allows them to then download a program for the merchant's credit card terminal in just minutes. Once uploaded to the terminal, the new customer is ready to go.

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For Now, E-Checks Fail Their Physical

My friend Maggie Scarborough called the other day. She had been at the doctor's office, preparing to write out a check for her insurance co-payment, when the clerk advised her that the doctor no longer accepted checks. "I did my first ECK," Maggie said excitedly, using the bygone vernacular of electronic check conversion.

INSIDER'S REPORT Patricia A. Murphy

"So what's the big deal?" you might be wondering. Well, when I first met Maggie, sometime in 1996, she was working for NACHA-The Electronic Payments Association, the Herndon, Va.-based group that oversees initiatives involving the automated clearinghouse (ACH) system.

Her job at the time: direct an initiative that would assess market readiness and develop transaction-formatting standards for check truncation via the ACH (today known as electronic check conversion).

Maggie left NACHA a year or two later and today runs a consultancy, VisionSharp Strategies, based in Ellicott City, Md. Her husband, Joe Spatarella, is a former banker who today is a salesman for BankServ.

Based in San Francisco, BankServ was a pioneer in the electronic check conversion movement. These days, the company offers a respected check conversion product that integrates with check guarantee services from Insta-Check, through a joint venture known as BankServ Check Services, Inc., headquartered in Miami. BankServ is also a leading provider of backroom ACH and wire services to financial institutions.

As steeped as these folks are in the payments business, generally, and ACH and e-check payments, specifically, I would have expected Maggie's first personal e-check experience to have occurred several years ago. That it happened in 2002 speaks loudly to the pace of change in payments.

For those of you who are new to payments or otherwise unfamiliar with electronic check conversion, here's the process, in a nutshell: A merchant presented with a check for payment runs the paper through a check-reading device, which captures the pertinent transaction information (such as bank routing and account numbers and the payment amount) and converts it to ACH formatting for electronic clearing and settlement.



The customer (in most cases) gets back a check marked "void" or "canceled" and a disclosure explaining the regulatory ground rules for consumer electronic payments.

The transaction shows up as an electronic debit on the customer's next monthly bank statement, and the merchant gets good funds within a day or two.

Maggie, the consummate marketing consultant, immediately began spinning the event. "This is a perfect application for check conversion — low-dollar transactions like insurance co-pays," she offered.

Perhaps, but check conversion hasn't exactly caught on, at medical offices or other points-of-purchase. NACHA counted just 32 million electronic checks processed as debits through the ACH in 2000, the most recent year for which data is complete.

Using the latest data from the Federal Reserve (see GS issue 02:01:02, published Jan. 28), we know consumers wrote at least 7 billion checks at the point-of-sale in 2000. That means less than 0.5% of checks written by consumers at the point-of-sale in 2000 made it into the ACH as electronic debits.

Maybe E-Checks Can Find a Place on the Internet

It has always seemed logical to me that the Internet would

be a good testing ground for electronic checks. My friend Paul Martaus disagrees.

"It's ethereal at best," the researcher and consultant says from his office in Mountain Home, Ark. Electronic check conversion will never gain widespread acceptance, on the Internet or at the physical point-of-sale, Paul insists, because Americans depend upon the paper check as a source document that can substantiate legal claims. "Tangibility is the issue," says Paul.

But tangibility for whom? How often does the typical consumer have a disputed check claim? Rarely.

I opened a checking account in the 1980s with a financial institution (an S&L) that technically could not offer checking accounts. S&Ls in those days offered NOW accounts — check-like payments, similar to credit union share drafts.

Instead of returning paid checks, my financial institution lists each cleared check by number, along with ATM and POS transactions on my monthly account statement. It's electronic check truncation in its most basic form.

Mine was one of the lucky S&Ls. It survived the mass failures of the 1980s, got caught up in the merger and acquisition craze of the 1990s, and today my account is serviced

by a major U.S. commercial bank that acquired it through merger.

In all these years, I have only twice needed copies of checks for proof of payment or other reasons, and the institution always has responded quickly with photocopies.

I'm not alone in my preference for this form of check truncation. When the S&L where I opened the account was first acquired by a commercial bank, in the early 1990s, the new owners tried to switch the acquired accounts to traditional check return. But I and thousands of customers balked, and the bank backed down.

The only reason consumers want their paid checks returned by mail every month is that banks have made it standard operating procedure for checking accounts.

If banks were to stop returning paid checks to check writers or reposition check return as a pricey option (as many banks have done already), it wouldn't take long to wean American consumers of their penchant for storing canceled checks in shoeboxes.

Better yet, forget paper entirely and position electronic checks as an alternative payment instrument, designed for the Internet.

Americans (albeit a small number) have been paying bills "online" for years, filling out mock checks on their PC screens that generate scores of checks to payees on the back end, by way of services like CheckFree.

Need a copy of the draft (check) for proof of payment? The online bank or bill-pay service can accommodate you with the draft (check) that cleared and was posted to your account. Better yet, most will work to resolve the dispute on your behalf.

A few bank and non-bank companies are trying to position electronic checks for Internet retailers. The pitch: It's safer than credit cards, especially when it's bundled with a check guarantee service.

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There is still time to register for the electronic transactions industry's event of the year, the ETA 2002 Annual Meeting and Exposition, scheduled for April 10-12 at the Marriott World Center in Orlando, Fla.

Soak up some sun poolside or on the golf course and broaden your knowledge of the industry talking with vendors or participating in seminars, workshops, and briefings. ETA 2002 has enough variety in activities and seminars to make it the must-attend industry event. Participants will come away with an expanded understanding of the latest trends, equipment, technology and people involved.

For fun, a golf tournament on Wednesday, April 10 will provide an opportunity to exercise and network. A wrap-up party on Friday evening, April 12 will close the ETA in style.

You'll have plenty of chances to demo equipment and talk with exhibitors over the course of the Annual Meeting. ETA will present its largest trade show ever, covering more than 50,000 square feet of exhibit space with the industry's top companies showcasing state-of-the-art products and services.

An additional Pre-Meeting Executive Briefing on Technology, scheduled for Tuesday, April 9, is sponsored by the ETA Technology Committee and will offer a peek into the crystal ball of emerging technologies and how they affect the entire acquiring industry.

An all-day "Basic Training 101" session on Wednesday, April 10 will offer an overview of the acquiring industry for everyone involved, from ISOs, financial institutions and processors to software and equipment manufacturers and card associations and companies.

Speakers will explain who issuers and acquirers are, steps in transaction processes, risk and security, and the revenue chain.

Educational sessions taking place over two days are designed to broaden knowledge of the business and offer four tracks to attendees. Depending on your areas of interest, choose from:

• Operations and Management (Surcharging vs. Convenience Fees, Capitalization & Financing, Marketing Merchant Business, Back Office).

• Sales and Marketing (Focusing in Unfocused Times, Database Marketing in the Internet Age, Creativity and Innovation, Revenue Streams).

• Emerging Markets (Biometrics, Sales in Seconds, International Symposium Report).

• U-Commerce (Payment Service Providers and Aggregators, Smart Cards, Wireless Evolution, Picking the Winners).

Keynote speakers Newt Gingrich and Dr. Kevin Hassett will each share their wealth of knowledge and experience to address today's complicated information age-world of politics, domestic and international economic issues, terrorism and the stock market.

Contact ETA for event information by phone at 800-695-5509 or online at www.electran.org.



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Virtual Crooks Committing Very Real Crimes

Real world bad guys have discovered how to put an old scam to work on the Internet. Security holes in the Authorize.net payment processing system enabled hackers to access merchant accounts and steal thousands of dollars in just minutes.

According to MSNBC.com, the virtual thieves broke into the online merchant accounts using only a password to "virtually" return merchandise. The funds are issued as credits to fraudulent debit cards and then can be withdrawn at ATMs. In some instances, credits have been issued to account numbers that differ from the account that originally was charged, allowing criminals to move large sums of money from one stolen credit card to a second card, then liquidate the balance.

Authorize.net is the largest Internet payment-processing company, and the flaws in its security system made the 120,000 merchants it represents particularly vulnerable. Only a user name and password are needed to access those accounts, and for motivated hackers, it doesn't take long to figure out how to put that information to work for them.

The scam has been used by criminals for years. It's called a credit-back scheme and, back in the old days, the criminals had to physically break into a store and manually refund that merchant's legitimate charges to their own debit cards. They then would have to hurry to ATMs to access the cash before the merchant discovered the losses.

The Internet has made life a little simpler in some ways, and that goes for those who live a life of crime as well. Using online virtual merchant accounts to run the credit-back scam makes things considerably more convenient and anonymous — the time constraint for running the online version of the scam is not as restrictive, and tracing the origin of the action is difficult.

It's much less risky than using bad credit cards to buy merchandise online, which then requires an address for shipping and can be traced.

The MSNBC.com report said that CardCops.com, a Web resource covering Internet fraud issues, was contacted by a 14-year-old from New York City who warned about the scheme. The boy said he has friends who are able to fraudulently access \$1,000 to \$3,000 with very little risk.

Authorize.net recently processed 8 million transactions valued at \$600 million for its merchant accounts in a three-month period.


A study released in early March 2002 by GartnerG2, a

research service for business strategies, said online fraud losses for 2001 were 19 times higher than fraud losses incurred from offline purchases.

Fraudulent online sales cost merchants \$700 million, equivalent to 1.14 percent of total annual online sales of \$61.8 billion for the year. The study also reported that one in 20 consumers has been a victim of credit card fraud in the past year and that one in 50 has been a victim of identity theft.

VISA and MasterCard both are offering card-protection programs for their consumer cardholders. With the Verified by VISA program, cardholders must use a password with the card number when making online purchases, making the card number useless without it. MasterCard's system requires consumers to download a special software key that merchants use to verify their identity.

The GartnerG2 study recommended that the card companies lower their fees to merchants to gain more widespread adoption of the systems. ☐



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FAQs on Negotiation: Picking the Brain of a Professional Negotiator

Question: *Bob, you work with businesspeople all over the world. What's the most common flaw you see in negotiators on a day-to-day basis?*

Answer: It's two-fold actually: not preparing properly, and failing to think creatively in negotiating situations.

To increase your chances of achieving the most favorable outcome, it's imperative that you plan ahead to negotiate. Most people simply don't plan. They don't do their homework, and what they do isn't very creative.

Businesspeople typically do a good job with the nuts and bolts, such as prices and quantities. However, the most successful negotiators go far beyond that. They focus on creativity and problem-solving rather than just number-crunching.

Most people are so absorbed by preventing what could go wrong and protecting against risk, they don't explore the creative side of deal-making. A phrase we often hear from clients is, "I hadn't thought of it that way." This part — the planning and creative side of the negotiation process — is what separates the amateurs from the pros.

Q. *What keeps most salespeople from being good negotiators?*

A. Most of us would agree that that the main attribute of many salespeople is their ability to build relationships. Here's the irony of that statement: It's their greatest strength and their greatest weakness.

Many salespeople suffer from what I call a "subservient mentality." They view the person with whom they're negotiating as having all the power — the power to say yes and the power to say no. They think they need the deal to go through more than the other party needs their product, service or idea.

This mentality lends itself to situations in which a person will do whatever it takes to satisfy the other party's needs or extend goodwill. I call salespeople who carry this trait

to the extreme "pleasers."

Pleasers are especially adept at preserving harmony and avoiding disruption in business situations. The drawback, however, is that they can allow themselves to be abused. It's hard for classic pleasers to exert themselves in head-to-head negotiating situations, and, as a result, they often are guilty of leaving company profits "on the table."

Every sales force has a number of Joe Pleasers. Joe has been with the company for several years and has a solid client base. His customers love him because he's great at solving problems and cultivating relationships. His repeat



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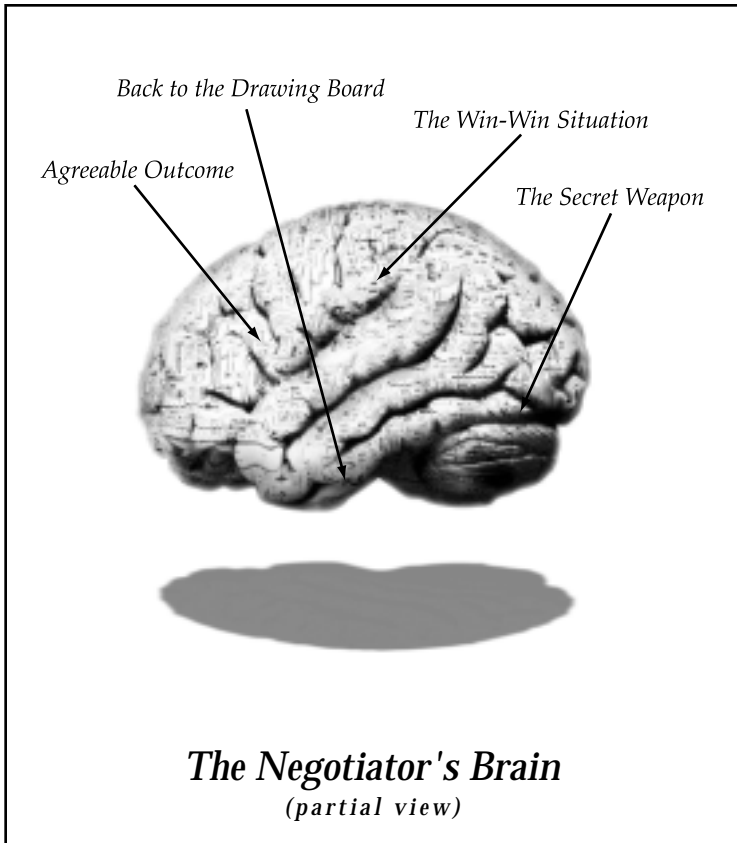
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business is good, but when his accounts are analyzed, the profit margin is below where it should be.

In closing situations, Joe gives up more than he needs to. The problem is compounded by the fact that he often is doing business with decision-makers who are tough negotiators.

Q. *Bob, you work a lot with people in the technical professions. You even offer a course named, "STREET-SMART Negotiating for the Technical Professional." Do technical professionals have a different situation when it comes to negotiation?*

A. They really do — for several reasons. Technical professionals, by their very nature, are very left brain oriented. That's why they went into the technical professions. They begin very left-brained, very technical in nature, and when they enter school ... it gets worse!

The curriculum is geared for the scientific/technical mind. The professors are often very technical in nature. What began as a tendency can become an obsession.

A result is that students often are looking for "the answer," as in "the perfect answer" or the "right answer." We've all walked into the office of a technical profes-

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sional and found bookshelves filled with manuals — with rules.

This mindset can be comforting when you're looking for a mechanic to determine the cause of an unusual sound under the hood of your luxury sports car, but it doesn't lead to much creativity in business situations.

There's more. A large part of negotiating well is the right-brain-based activity of seemingly reading another's thoughts — the ability to determine what another person is thinking, how they might respond in certain situations, where their "buttons" reside in business situations.

Good negotiators intuitively know what needs to take place to evoke a certain response and certain reactions.

All of this is extreme right-brain activity. It's been my experience that most technical professionals are not

adept at picking up on those signals.

Lastly, it could be said the business world plays a trick on technical professionals.

Q. *How so?*

A. At the outset of their careers, technical professionals are led to believe that their career path and success will depend strictly on their intelligence, their brightness, and their ability to perform tasks efficiently and flawlessly.

At some point in the career path of a technical professional, the rules change. It's no longer enough to just be good — really good — at what you do. They're expected to have judgment and people skills and influenc-

ing ability and problem-solving expertise in the people arena.

Many technical professionals believe the rules have changed — that business and life have played a trick on them.

The skills that brought them success early in their career no longer work. They need the skills that they have often disregarded as "fluff" or "soft."

So, yes, technical professionals do have a unique situation in that they often have to make a shift in mindset and skill set to progress on the corporate ladder. ☐

Bob Gibson is a sales negotiation specialist and the President of San Francisco-based Negotiation Resources (www.negotiationresources.com).



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EDUCATION ◀◀◀

Leasing 101: Put the 'Peddle' to the Metal and Rev Up Your Profits

By Corey Saftler President, Integrated Leasing Corp.

In my previous article, I discussed how your merchant benefits from leasing as opposed to purchasing point-of-sale equipment. Now let's tackle the real advantage: how YOU, the salesperson (ISO), can benefit from leasing.

When you first contact the merchant, you should be armed with your costs for processing services and the costs for the different types of equipment needed to supply that merchant with the ability to process.

There are different types of equipment available that meet each merchant's transaction requirements at a wide price range.

Benefit 1

Allowing the merchant to spread out small, monthly payments over an extended period of time through leasing enables you to upgrade the merchant's equipment from a cheaper model with a smaller commission to a state-of-the-art, more expensive model with a HIGHER COMMISSION.



Very often, especially with new businesses, the merchant is reluctant to purchase a more expensive model. But if you reduce the upfront costs and give the merchant a better product at a higher price, it earns you a much greater commission.

Benefit 2

Allowing the merchant to spread out small payments over an extended

period of time allows you to set your own commission rate. Just about all leasing companies in our industry allow you to make sales based upon an established price "range."

This range varies from salesman to salesman and territory to territory and, under normal conditions, allows the salesman to raise or lower the price for leasing equipment based upon what the merchant will accept as a fair value for the service rendered and how competitive the sales environment is at that time.

When offered the choice between purchasing a transaction machine upfront for \$750 or paying \$25 for 48 months, the merchant often will choose the latter. At a standard lease factor rate for a good quality merchant, the salesman should receive \$833.33 from the leasing company for the lease.

The result: The salesman (ISO) receives \$83.33 in increased sales commission. Expanding on the above example, if the merchant were

able to afford to pay at the upper "range" for the equipment — let us assume \$29 per month — the commission for the same item would be \$966.66.

The additional sales commission or "spread" between the cash price and the lease price would be \$216.66. Assuming an equipment cost of \$500, the increased ISO commission is 66.6%.

Benefit 3

Upon verification of the installation of the equipment, the ISO gets paid in full by the leasing company. Often, with cash deals, salespeople have to wait to collect their money. Sometimes this requires installments or delayed payments, which are a cash-flow and bookkeeping nightmare.

The ISO's job should be to concentrate on leads. The leasing company assumes the job of billing and collecting, thereby freeing up the ISO to acquire more merchants.

Benefit 4

The top leasing companies turnaround time for approval is usually a few hours. This affords the ISO nearly immediate feedback on the merchant's credit worthiness, which, in turn, gives the ISO the ability to concentrate on the good, profitable merchants and not waste time on the potentially poor, non-performing merchants.

Benefit 5

Smaller monthly payments allow you to add equipment and increase sales. You may be able to add a value-added service such as a PIN pad or a loyalty card program for a small monthly fee.

Using a merchant with good credit as an example, that means that, by adding an additional \$10 payment to the monthly lease, the salesman (ISO) receives an additional \$333.33. ☐

(Next: Merchant quality and why sales commissions vary from one deal to the next.)

Corey Saffler can be contacted by phone at 201-568-1881 or by e-mail at lease99@aol.com.



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COMPANY PROFILE ◀ ◀ ◀



Petroleum Card Services, Inc.

ISO contact:

Cindy Fencl, Executive Vice President

Phone: 866 427 7297

E-mail: pcs@775.net

Company address:

1664 Highway 395, Suite 104

Minden, NV 89423

Phone: 866-427-7297

Fax: 775-782-7572

ISO benefits:

- Provides access to new market for ISOs, with link to pump technicians.
- Unequaled knowledge of pay-at-the-pump operations, which are highly technical.
- All services in-house.
- Eager to work with ISOs, not compete with them.

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In the super-competitive payment-processing arena, ISOs are squeezed like sardines, all gasping for space and trying to break out with new products and services. One company is providing a breath of fresh air through the emerging pay-at-the-pump market. As a specialized merchant service provider with expertise in specific technical knowledge of petroleum interfaces and hardware requirements, Petroleum Card Services offers petroleum solutions for independent sales organizations via all major networks.

Two astute industry professionals, Andrew Hackler and Cindy Fencl, first started researching the marketplace in early 2000. Taking a full year to come up to speed on all necessary requirements, both technological and logistic, they opened the doors to Petroleum Card Services in Nevada with one goal in mind — to effectively capture the pay-at-the-pump processing business.

"We developed the company by really talking to people in the industry, actual pump vendors, equipment suppliers, different processors," says Hackler, President of Petroleum Card Services. "We formed a basis for the business, and then we took it further and developed tech knowledge."

That knowledge encompassed encryption models, processors, pump-type compatibility with controllers and related equipment. Hackler and Fencl met with people

on the mechanical side of the business to define the market; once the market was defined, they then found a processor (Concord EFS) best suited to meet their business.

"It's very difficult for the normal ISO to get into this market," says Hackler. "There are a lot of technical and logistic aspects that have to be met to get them up and running. Most do an immediate about-face. It's too intimidating."

To eliminate ISO intimidation, Petroleum Card Services has created a solid infrastructure that can take the business application all the way through installing it at the gas station.

Hackler defines his organization's core competency in simple terms: "We provide access to a market ISOs have never been able to access."

And it is an emerging market. With recent acquisitions and mergers of the large oil companies, many have had to spin off some stations to independent and unbranded owners, many of which are in need of independent pay-at-the-pump services. Sounds inviting but not all that easy.

As many ISOs can attest, this is not a typical payment-processing space. When ISOs want to sell a pay-at-the-pump service, they have had to work with pump technicians — professionals who supply the equipment to the gas stations, install the equipment and support the station owners. They do all the downloading, handling

blocks of gas stations. Whatever issues need addressing, a pump technician must be called.

What Petroleum quickly realized was that every pump technician needs a reliable network. It is a necessity of the business.

"Anytime you need to do anything with the pump, a certified technician must be involved," says Hackler. "What makes us unique is our relationship with those pump technicians. We got it through establishing contact, understanding their needs and speaking their language."

The language Petroleum Card Services speaks also has been enhanced by its relationship with its processor of choice, Concord EFS. While Concord EFS has handled those large branded stations in the past, it didn't aggressively court the independent, unbranded side. That's where Petroleum Card Services came in, being the singular conduit to this growing market.

"Concord EFS was a pioneer in this business," says Hackler. "We approached them because of their position in the industry. They were our best fit."

And, according to Hackler, Concord EFS was receptive to

the alliance.

In addition to having a strong processor, Petroleum Card Services has other benefits that are attractive to the ISO community. Certified on all pump and controller types, Petroleum Card Service has unequalled knowledge of pay-at-the-pump operations.

Why does success in this space require such specific technical knowledge of gas station interfacing and hardware? "There are a number of companies selling different products compatible to certain things and nothing," says Hackler. "It is all a debit issue. The pump systems make their own controller."

For instance, VeriFone is the only manufacturer that makes a terminal compatible to all types so as not to be left out of any processing equation. However, the only piece it sells is the controller. Other manufacturers sell pumps with the controller being secondary. With controllers determining what point-of-sale system to run on, manufacturers write their own software with distinct specifications.

In addition to technical know-how, another advantage Petroleum Card Services offers the ISO is choice. The independent agent can provide Petroleum Card Services with a lead and Petroleum Card Services will take it from there, including application processing, site inspection and account setup.

On the other hand, the ISO can do the application process, site inspection, quote the merchant a price and then submit the package to Petroleum Card Services, which completes the setup.

"In the normal swipe retail environment, ISOs can download data and bring up their merchants," says Hackler. "It's just way too technical in this industry. An ISO can just get the app, send it to us and we're on it from start to finish. We stand by for the download with the actual pump technician."

The turnaround time for this process is two to three days initially for MID numbers, and from the moment the pump technician is contacted, it averages from 10 days to two weeks for the account to be officially set up. Once that account is up and running, it takes 60 days for the initial revenue stream to start flowing to the ISO, with residual checks paid every 30 days thereafter. There are no application fees, no setup fees and no minimum for the ISO.

Support is another component to Petroleum Card Services commitment. Customer support is available during normal business hours (8 a.m. to 5 p.m. PST) with 24/7 processor support through Concord EFS.



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"Once you bring one of these stations up and realize they have the support; they are not going anywhere. What is great is that everyone is happy, start to finish. The pump tech is happy he's got someone to talk to. The merchant is happy with extremely competitive rates. The ISOs are happy they have a home."

— Andrew Hackler,
President, Petroleum Card Services

"In many cases, the ISOs are just looking for a place to take an application, but we are there for all their needs," says Hackler. "Once you bring one of these stations up and realize they have the support; they are not going anywhere. What is great is that everyone is happy, start to finish. The pump tech is happy he's got someone to talk to. The merchant is happy with extremely competitive rates. The ISOs are happy they have a home."

Just a few months since officially opening its doors, Petroleum Card Services is working with more than 100 merchants in its targeted market of independent and unbranded gas stations. It has contracted from 25 to 30 ISOs and looks to increase that figure.

According to Hackler, Petroleum Card Services will do

whatever it takes to make ISOs comfortable about bringing pay-at-the-pump accounts to the company, including in-house training sessions as well as on-site ones, depending on the size of the ISO.

Petroleum Card Services keeps all of its services in-house as far as application process, profiling, pump technician relationships, Web services and training. The only outsourced item is the processing with Concord EFS. This dedication to internal servicing provides for complete control of operations.

"We do so many variables," says Hackler. "Like the wheel man in a restaurant, we keep everything happening at one time, and there is no one except us who does this."

That attitude has caught the attention of some major players. Humboldt Bank announced an alliance with Petroleum Card Services for all of its pay-at-the-pump processing. Money Tree is using Petroleum Card Services exclusively as well. And then there's the United States government.

Voyager is a fleet network that has contracts in 26 states with the government and major companies such as the U.S. Postal Service, the Department of Agriculture, even Sprint.

Anyone who has a fleet network, whether it be government or corporate-based, provides employers with a Voyager card for gas purchases, tires, auto repair, etc. This is a huge market in which many independent and unbranded gas stations need to participate.

About 160,000 gas stations, auto repair shops, car washes and the like in all 50 states are accepting Voyager cards. Petroleum Card Services has an agreement with Voyager. Any ISO looking to take advantage of the Voyager card can bring up a merchant through Petroleum Card Services. In fact, Petroleum Card Services is getting requests from gas stations for Voyager access and would welcome ISOs to work with the company on those accounts.

If that isn't impressive enough, the other major fleet network that Petroleum works with is Wright Express, which boasts 120,000 sites nationwide.

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Hackler makes it clear that Petroleum Card Services is not looking to compete with ISOs; rather, it wants to work with them: "Our plans are that once we have ISOs in place, those leads will go to them. We are in complete support of our ISOs. This is a face-to-face industry and, currently, we don't have a big enough ISO base to meet the faces."

Does Petroleum Card Services have criteria for ISO?

"We are looking for (anyone) interested in doing this business properly," says Hackler. "We have no specific requirements. We'll work with small ISOs as well as the big guys. I always thought it was unfair the way the little guys are treated. I don't care if the guy works out of his house or has 20 employees. If they'll do the business the way we want it, manage it the way it needs to be managed, we want to work with them."

Now would seem to be the time for those eager ISOs to put pay-at-the-pump in their repertoire. Hackler sees this industry increasing dramatically as a lot of stations de-

"Our growth in the next year will be tremendous. We have established ourselves. People know what we can do and people need someone like us."

— Andrew Hackler,
President, Petroleum Card Services

choice."

Hackler also points out that not only will that ISO get all the merchant's fleet business, they'll also get all the other pay-at-the-pump credit card processing business. With the projected dramatic growth of this industry, Petroleum Card Services plans on growing just as dramatically.

"Our growth in the next year will be tremendous," says Hackler. "We have established ourselves. People know what we can do and people need someone like us."

Everyone needs someone who takes care of details, properly processes; follows through with vendors, technicians and ISOs. I don't know of anyone right now who fills this need other than Petroleum Card Services." ■

brand and the demand for fleet networks increases.

"In order for auto repair shops, auto parts stores, gas stations and car washes to access the major government and corporate accounts, they must use a processor that settles these programs," Hackler says. "We are the best



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The Phoenix Group

ISO contact:

Scott Rutledge

Phone: 866-559-7627

E-mail: scott@phoenixgrouppos.com

Company address:

303 Merlin Drive

St. Charles, MO 63304

Phone: 866-559-7627

Fax: 636-329-1710

Web site:

www.phoenixgrouppos.com

ISO benefits:

- Emphasis on supporting ISOs with quality service and inventory.
- Independent company.
- Direct relationship with Lipman and channels with VeriFone and Hypercom.
- Same-day shipment.
- Immediate repairs and equipment replacement.

Independence Day for ISOs

The Phoenix Group's message is simple — to support the "I" in ISO. With a slogan befitting its brand of a phoenix, this small but serious organization is set on rising to new levels of point-of-sale support.

"We want to help the ISO that really needs the service versus just being a distributor that ships product," says Scott Rutledge, founder and President of The Phoenix Group. "We're an independent distributor organization, an IDO, so to speak."

This newly created provider is focused on deployment, repair, overnight replacement and new and refurbished equipment sales as well as equipment buy-back programs for the payment-processing marketplace.

Coming out of the ashes of the industry evolution, The Phoenix Group is banking on its independence as well as its core commitment to create a customer base with a higher level of service.

"Being as small as I am and independent as I am, there are distinct benefits I can offer that larger companies historically cannot," says Rutledge. "Being independent, you're not tied to any manufacturer or processor in particular. Horizon, Tasq, Vital — they're all excellent companies and have evolved to great organizations, but there are things Phoenix Group can do better for the ISO."

For starters, The Phoenix Group is growing its business differently from the other guys. While some distributors have grown through equipment deals that sacrificed margins for market share, Rutledge's company doesn't plan on sacrificing anything.

"Every time you sacrifice margin, something has to go," says Rutledge. "Usually service is the first. We are not looking to sell at high prices. We will be competitive, but we're not willing to sacrifice margin for market share. We really want to grow your business. Ours won't grow unless yours does."

Rutledge admits his company has a number of customers who probably could get a better price somewhere else, but support and inventory is on the side of his organization. "We are the Home Depot approach," says Rutledge. "If you have a problem, we'll bend over backward to make you happy. I think that's been lost."

And Rutledge knows what he's talking about. With more than 13 years in the payment-processing trenches of VeriFone, Horizon and Hypercom, Rutledge is a veteran of the industry. He watched distributors who began with personalized service lose that touch as they grew in size.

He says The Phoenix Group is not looking to become a \$100 million distributor but rather a decent-size company that maintains a good customer base and is better than the competition.

"Whether it be two or 10 or 100 in the organization, we'll deliver the same type of quality service. Nobody cares about the small guy. We'll sign him up and give him quality service. We'll lose our focus if our goal is too big."

— Scott Rutledge,
founder/President, The Phoenix Group

He took the strong relationships he built over the years and, coupled with a concept of higher level of service to the smaller market, Rutledge opened the business in November 2001. Investing his own capital, Rutledge set about to provide customized service to the ISOs who need it the most.

"If a guy buys 10 machines a month, I want to know what he buys, what he wants, what he needs to close the deal," says Rutledge. "Terminals can be bought anywhere. There's nothing unique about it. But if a deal goes bad or an ISO needs customized service for a merchant, some distributors take the hands-off approach. We don't."

The Phoenix Group's approach to ISO-centric dilemmas is

to do whatever it takes to keep the peace. Rutledge is quick to say that if an ISO doesn't want or need that interactive support for the merchant, Phoenix Group can be hands-off as well.

With a core competency in equipment distribution, deployment, repair and refurbishing, The Phoenix Group has a solid, established direct relationship with

Lipman and channels with VeriFone and Hypercom. While Rutledge sees the major players in his space as competition, he's not worried about the smaller distributors.

"You've got other guys doing under \$10 million a year, but they don't offer full-service deployment, repair, overnight replacement, help desk, a true online deployment system, an interactive back-end server," says Rutledge. "Some of the smaller guys don't have an online system and can't interface with larger deployment customers. We will. We will have it all."

Quite a bold statement to make, but Rutledge is solid in his focus and faith. And the hottest and biggest product of that focus is service itself.

"We truly support the independent guys out there," says Rutledge. "Whether it be two or 10 or 100 in the organization, we'll deliver the same type of quality service. Nobody cares about the small guy. We'll sign him up and give him quality service. We'll lose our focus if our goal is too big."

The Phoenix Group's goal is geared toward ISOs across the board, but it's really keen on the small to medium ISO and eventually will expand to larger ISOs. But as Rutledge says, the small segment has been ignored. The Phoenix Group doesn't plan on ignoring anyone.

That philosophy is paying off in spades. Within the first three months, Phoenix Group has sold thousands of machines. Some accounts have bought one, others have bought hundreds, but The Phoenix Group treats them all the same.

"Our growth in the first three months has been tremendous," says Rutledge. "But our goal is not just to sell equipment. You've got to help customers build their business."

For The Phoenix Group, the relationship with the ISO is key. Rutledge poses two questions when establishing a partnership with an ISO: "Is the guy going to be honest? Does he want a relationship with distributor? If they're just after the lowest price, go buy elsewhere," says

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Rutledge. "But if they're looking for a distributor who understands their business and knows and supports how they function, then we're the one."

The Phoenix Group is willing to do business with a lot of people and not just broker deals. According to Rutledge, there's no future in being a broker.

"If you have relationships and customer loyalty, then business becomes fun," says Rutledge. "I'm not looking for it to be a party, but I want to enjoy the people I do business with."

While Rutledge doesn't think The Phoenix Group will make everyone happy, the company understands the needs and problems of the ISO community and will stand behind and support its product and services. Lots of ISOs are looking for a new home, and because The Phoenix Group is not tied to any one processor, Rutledge believes he can help those searching.

"I can give them all competitive pricing, but I

can also help in their decision process and customer service," says Rutledge. "The biggest fear for ISOs is attrition. It's a cutthroat business. If you look at merchant buying, if they get good service, they won't always buy cheapest."

When it comes to maintaining your merchant, discussing new business avenues for your merchants, come talk to us. ISO business is to sell. Ours is to supply and support."

Having invested a lot of on-site inventory, The Phoenix Group can guarantee same-day shipment and immediate turnaround for repair. They offer sec-

"When it comes to maintaining your merchant, discussing new business avenues for your merchants, come talk to us. ISO business is to sell. Ours is to supply and support."

— Scott Rutledge,
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ond-tier support on equipment and promise service on all equipment.

"If a customer has a problem with a machine, even if they didn't buy that particular machine from us, I'll help them with it," says Rutledge. "I'll buy that piece back and refurbish it while sending out a replacement immediately. There are many different ways to make it work for our customers."

The Phoenix Group keeps an extensive database of everything an ISO purchases that translates to high quality and fast service. ISOs won't have to wait a week or two for equipment replacement. The Phoenix Group knows the importance of keeping merchants in business.

That business is changing, and The Phoenix Group is ready to meet the challenges of change. Manufacturers are looking to refresh technology because only so many new business-

es are opening.

With more and more companies trying to carve out of the same pie, technology is what probably will make the difference for merchants. It's no longer how they swipe cards but how they get the data and how it's processed. The Phoenix Group sees the flip side, though.

"There are still merchants out there who just want to know how many credit card sales they've done at the end of the day," says Rutledge. "They don't care. There needs to be something that will make them care, like integrated EBT or chip cards. And in doing so, you can't retrofit the existing terminals. The new pie will be the sale of new terminals."

As for other areas of change, Rutledge doesn't see the wireless market expanding because of the initial cost and lack of demand. Technology may change the market,

but right now he doesn't see a big need for that particular technology.

However, besides screen-based terminals, Rutledge is optimistic about check-reading terminals with integrated units possibly expanding the market. But he believes ISOs still have to go back to the guy who's opening a business and just wants the cheapest way to do it.

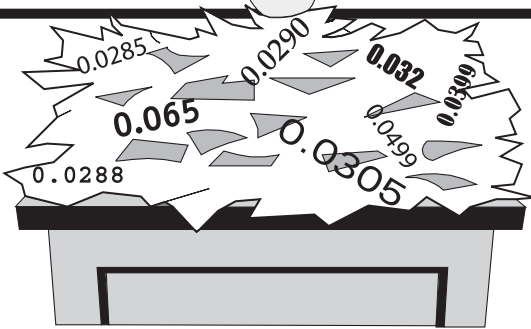
"Some merchants don't appreciate all the benefits of new technology," says Rutledge. "They just want to be able to accept credit cards. There are a 100 different theories on where the market is going. Right now, it's anybody's game."

What's The Phoenix Group's game?

"We're not looking to set the world on fire," says Rutledge, "We're just looking to offer what everyone is asking for. That's the goal." ■



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The switch from magnetic stripe to smart cards doesn't have to mean a switch to all new equipment in order to read or update chip-imbedded card information. Datacard Group introduced eight packages that provide Visa member banks with the software, hardware and services they need to make the migration easy and cost-effective.

The packages are all Visa-approved and are offered under the Visa Global Smart Partner program. Specially negotiated prices for Visa member banks are designed to give Visa issuers around the world uncomplicated options for planning and executing a successful smart card program, including the migration to EMV chips. The packages simplify the issuance and card life cycle management of Visa-branded smart card products.

The eight Datacard solutions include everything issuers need to create, test, personalize and load smart card applications and applets on Visa smart cards. The solutions also include the necessary software and systems to manage cards and applications on cards after the customers have received them.

The variety and flexibility of the packages makes them adaptable for smart card programs of any size. Along with specific features, each solution includes:

- ¥ Complete turnkey solutions for the loading and personalization of Visa smart cards on virtually any high-volume or Datacard desktop system.
- ¥ A development kit to assist in the creation and testing of Visa smart card applications and applets to run on Java and GlobalPlatform cards.
- ¥ Systems to assist in the testing of the smart card loading and personalization process.
- ¥ Systems and services for the creation and management of a complete, flexible multi-application smart card environment to add, delete or update information onto cards already issued.

"The turnkey nature of the solutions relieves the apprehension some member banks may have regarding the transition to smart cards and EMV chip cards," said Jim Harper, marketing director for Datacard's smart card solutions group. "We've made it extremely easy for card issuers participating in the Visa Global Smart Partner Program to build productive operations and capitalize on emerging smart card opportunities."

Datacard collaborated with Visa to develop the migration solutions for a variety of uses by Visa members. The eight solutions include:

- ¥ A smart card application development and performance testing kit.
- ¥ Smart card personalization development and test systems for loading and testing applications.

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Wireless POS Mighty Mite

Cynergy Data and Comstar Interactive have introduced a compact attachment that really packs a POS wallop. CHARGE ANYwhere is a wireless card scanner that attaches to the serial port connector on Comstar Research in Motion (RIM) wireless handhelds (Models 950/850).

Called the Sled, it's powered by proprietary software that recently was certified by Global Payment, Inc. and allows the wireless transmission of credit card processing data. CHARGE ANYwhere is self-contained and ergonomically designed, powered by a battery contained in the RIM handheld, and is easily attached and detached with a pressure tab.

The Sled has a separate serial port connector to support external electronic receipt printers. It also features a removable, swivel belt clip, is available in a wide range of colors and can be customized to suit specific merchant needs.

"Businesses of all sizes and shapes can enjoy the full range of services offered by CHARGE ANYwhere," said John R. Martillo, President of Cynergy Data. "Cynergy Data and Comstar Interactive are opening new roads to opportunity by allowing businesses to process mobile credit card transactions which they were once incapable of supporting."

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ounces — and user-friendly design allows merchants to conduct wireless credit card transactions and send e-mails and faxes. CHARGE ANYwhere also allows for instant approvals on all transactions, lower processing fees, reduced fraud, nearly real-time reporting, and printing customer receipts.

Comstar has teamed up with Cynergy, a merchant acquirer, to add the CHARGE ANYwhere system to Cynergy's full line of electronic processing options for retail, restaurant, mail order, telephone order and

Internet businesses. CHARGE ANYwhere is especially useful for businesses like taxi and limo services, delivery services and mobile merchants like locksmiths, plumbers, contractors and salespeople.

The 2.0-watt transmitter output offers extended coverage both indoors and outdoors. Comstar utilizes the Mobitex and Motient wireless data networks to provide broad nationwide coverage areas. CHARGE ANYwhere Manager allows merchants using a secure password to log on to Comstar's Web

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	CMS 1-9	CMS10-19	CMS 20+	Program A	Program B	Program C
Buy Rate	1.49	1.49	1.49	1.4966	1.4966	1.49
Trans Fee	0.099	0.095	0.089	0.10	0.16	0.25
Application Fee	0	0	0	0	0	0
Statement Fee	\$5.45	\$4.95	\$4.95	\$5.50	\$7.50	\$7.50
Minimum	\$0 100% above \$10			\$0 100% above \$10		
Mid Qual		.40% of 1.20%	.45% of 1.20%	1.69% + .10	.30% of 1.39%	
Non Qual		.40% of 1.50%	.40% of 1.50%	1.69% + .10	.30% of 1.39%	
Debit	0.24	0.23	0.22	0.28	0.25	0.30
Amex	\$25	\$25	\$25	\$25	\$25	\$25
	24 times*	25 times*	26 times*			
	*Residual buyback per agent agreement					

MOTO - E-COMMERCE

	CMS			Competition		
	CMS 1-9	CMS10-19	CMS 20+	Program A	Program B	Program C
Buy Rate	1.99	1.99	1.99	2.25	2.25	2.29
Trans Fee	0.19	0.18	0.17	0.30	0.30	0.30
Application Fee	0	0	0	0	0	\$25
Statement Fee	\$5.45	\$4.95	\$4.95	\$3.50 of 12	\$3.50 of \$12	\$10
Minimum	\$25 100% above \$15			\$25 100% above \$15		
Non Qual		.40% of 1.50%	.40% of 1.50%	.15% of 1.39%	.30% of 1.39%	
Amex	\$25	\$25	\$25	\$25	\$25	\$25
	24 times*	25 times*	26 times*			
	*Residual buyback per agent agreement					

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NEWS

Chips Ahoy

Following the Sept. 11 terrorist attacks, the **U.S. Department of Transportation** has been hurrying to develop a chip-based identity card for its employees. The agency wants to issue the smart cards to between 12 and 25 million people. The cards will serve identification verification functions for any worker "who needs unescorted access to a secure portion of a transportation facility," according to government documents. That will include millions of people in the aviation, trucking, maritime, mass transit and pipeline industries.

The transportation department smart cards likely will feature a biometric element, such as scanned fingerprint or iris images, to increase security. Issues still to be resolved include who will pay for the smart cards and manage the card data and how the new system will integrate with existing security systems.

NACHA Issues EIPP Guidelines

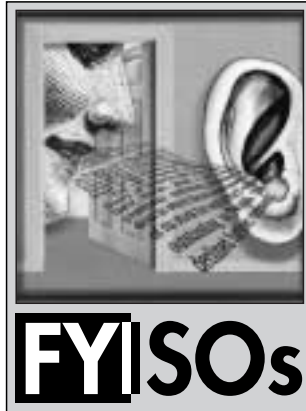
NACHA's Council for Electronic Billing and Payment has made available a presentation that defines the benefits for businesses of integrating accounts payable operations with electronic invoice presentment and payment (EIPP) systems. The council hopes the concepts discussed will pave the way toward automating business processes and improving return on investment.

A survey conducted of members of the Association for Financial Professionals in September 2000 concluded that the major barrier to increased use of electronic payments continues to be the lack of integration between an organization's electronic payment and accounting systems.

Benefits detailed in the presentation include cost reduction, streamlining accounting procedures, increasing control, risk-management capabilities, and accuracy and timeliness of information. Benefits are presented in both presentation and matrix formats and are available online at <http://cebp.nacha.org/publicdocs/publicdocs.html>.

Smart Card President Resigns

Donna Farmer, who has served as President and CEO of the **Smart Card Alliance** trade association and the Smart Card Forum since 1998, has resigned her posts. The Smart Card Alliance was formed in December 2000 when the Smart Card Forum merged with the Smart Card Industry Association. Farmer will continue on as a special advisor to the Alliance; her new company will offer consulting and marketing services to businesses in personal identification security and authentication.



ACQUISITIONS

Concord Goes Shopping

Concord EFS continues on an electronic commerce industry buying spree. The company announced acquisitions of two privately held companies: **Core Data**, which provides ATM processing and related services to financial institutions, retailers and ISOs across the country; and **The Logix Companies, LLC**, which processes electronic transactions such as e-check conversions. Concord cited the

immediate ability to offer these services through its direct and independent sales channels and the effect of the additional services and technology on to its future growth.

Cyber and Cyber

Cyber Business Credit, LLC (Cyber), business risk-management solutions provider, has acquired **Cyber Risk Management, LLC** (CRM). Formerly known as Creditek Risk Management Group LLC, CRM is a specialty broker of credit and political risk solutions. The acquisition of CRM extends Cyber's strategy of developing a trade credit management services company in the global marketplace. This is Cyber Business Credit's fifth acquisition since the end of 2000.


MERGERS

Humboldt Applies to Consolidate Charters

Humboldt Bancorp has applied for regulatory approval to consolidate its three bank subsidiary charters. In an effort to improve operating performance and increase efficiency, the plan will merge Capitol Valley Bank and Tehama Bank with Humboldt Bank. With a single charter, Humboldt expects to save at least \$500,000 pre-tax as well as eliminate duplication of processes required in a multi-charter structure and be better able to manage lending limits, funding and capital. Following the consolidation, Humboldt intends to continue operating branches under its existing trade names in the areas it serves. Pending approval, the consolidation is anticipated to be complete by June 30, 2002.

Welcome to North America

Welcome Real Time SA and **Cyberpro Technologies** announced an agreement to merge. Based in Montreal and Toronto, Cyberpro offers more than 60 different programs in the U.S. and Canada for smart card-based marketing solutions. The merger combines Cyberpro's retail expertise with Welcome's financial industries focus to establish Welcome as North America's leader in smart card market-

ing solutions. Welcome, which develops smart transaction software, is based in Aix-en-Provence, France, and has offices in Philadelphia and Singapore.

APPOINTMENTS

MicroFinancial Inc. announced that its Board of Directors has appointed **Dr. Peter R. von Bleyleben** Chairman of the Board and **Richard F. Latour** President. Bleyleben will continue his duties as CEO; Latour will continue to serve as COO as well as CFO. MicroFinancial is part of the "microticket" segment of the leasing industry. Bleyleben and Latour both have led the company since its founding in 1987. It has been profitable from the beginning and has paid a dividend for 27 consecutive quarters.

David A. Daily has been appointed Director of Business Development for **Global Payment's** Independent Sales Organizations Line of Business. Daily will use his experience in merchant acquiring and the ISO community to oversee sales and support of ISO relationships in the central U.S. region. Before joining Global, he served in management positions with PMT Services for 14 years and was VP of Business Development for an independent private-finance venture.

Precidia Technologies has named **John Terry** as its Director of U.S. POS sales. Terry will focus on the expanding number of debit and credit transactions in this country. Precidia designs and manufactures Internet enabling devices and products addressing the needs for IP access in a wide range of industries, including retail financial transactions.

Don Harrington has been named National Sales Manager for **Semtek Innovative Solutions Corp.** Harrington's experience includes 12 years as Executive Vice President of the Wholesale Division of the National Bankcard Association, specializing in electronic credit card processing and payment systems and ATM processing services, and he also was a Regional VP of Sales for Hypercom. Semtek develops and manufactures magnetic stripe and smart card readers and terminals.

Electronic Data Resources has appointed **Marta Camargo** as Sales and Marketing Manager. Her responsibilities include managing and supporting the sales team, which consists of ISOs and more than 100 sales offices nationwide. Camargo will serve as the contact for ISOs requesting information on EDR's marketing programs.

ALLIANCES

Rich Data

RichSolutions RichPayments has been certified and is available to process credit cards of First Data Merchant Services South Platform (NaBanco) for retail, mail, telephone and e-commerce transactions. RichPayments enables merchants to securely process payments entirely over the Internet in five seconds or less. For the retail, mail/telephone order and e-commerce industries, FDMS certified RichPayments for use with or without purchase level 2 cards. RichSolutions is a neutral services provider, allowing merchants to select their own payment processor.

Certegy's on a Credit Union Roll

Certegy Inc. and **Card Services for Credit Unions (CSCU)** have agreed to extend their existing contract for another three years. Certegy will continue to provide payment-services processing through 2007. CSCU is the largest credit union processing association in the U.S.; through its contract with Certegy, CSCU processes payments for more than 1,800 credit unions nationwide. The contract terms provide for the continuation of Certegy's full array of card products, including debit and credit card processing, merchant processing and support services.

7-Eleven Counts on LML

7-Eleven has rolled out its new check authorization sys-

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tem at approximately 2,400 stores across the country. The system features **LML Payment Systems Inc.**'s proprietary retail electronic processing REPS software, activated on nearly 5,000 NCR integrated cash registers at 7-Eleven stores. With the LML application, authorization parameters and risk criteria can be viewed on a chain basis, division basis, store basis or individual cash register basis, all in real time. The front-end authorization system integrates with LML's electronic check representation and check conversion systems.

Lynk and Squirrel

Lynk Systems Inc. has been named the preferred vendor for integrated electronic payment services for **Squirrel Systems**, a provider of restaurant management systems for the hospitality industry, including independent and chain restaurants, hotels, resorts and clubs. The collaboration between Lynk and Squirrel will give businesses cost-effective credit card processing and gift card services; the partnership is the latest addition to Squirrel's POS services expansion program.

Vital Renews Heartland Contract

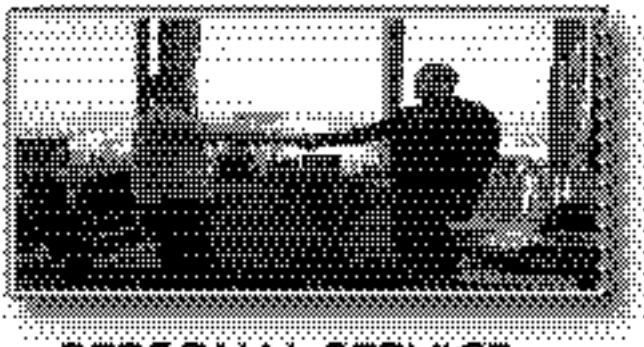
Vital Processing Services and **Heartland Payment Systems** have renewed a long-term agreement for point-

of-sale and clearing and settlement processing services for Vital's merchant base. Vital is a technology-based commerce equipment and service provider whose clients include acquirers and merchant service providers that offer electronic payment processing and related services to merchants. Heartland is a full-service payment systems solutions provider specializing in the lodging, restaurant and food services industries. It handles merchant card and payroll processing for more than 55,000 merchants of all types and sizes.

First Omaha to Work With plaNet Consulting

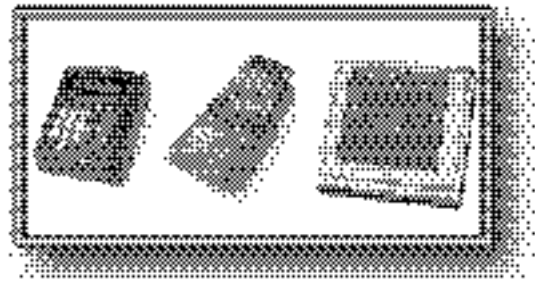
First of Omaha Merchant Processing, a wholly owned subsidiary of First National Bank of Omaha and one of the nation's leading credit card acquirers, and **plaNet Consulting**, an e-business solutions division of CSG Systems Inc., have entered into an alliance. plaNet Consulting will provide software architecture, development, and maintenance services for two critical First of Omaha platforms.

These development projects will provide First of Omaha with robust credit card authorization and billing platforms to be offered to its existing and prospective clients and will build upon the already solid relationship between the two firms. ☐



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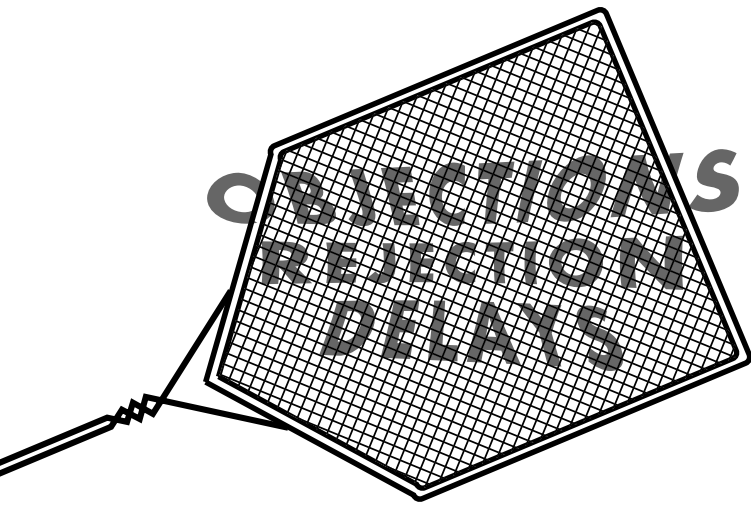
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Debugging Your Program

There's an old saying that you can't fix it until you know what's broke. Many sales professionals get quite frustrated when facing work-related problems. They can't seem to make presentations pay off. They're not getting callbacks. They're not closing sales. The problem isn't that you're not smart enough to solve the problem. It may be that you're trying to fix the wrong problem.

Effective problem-solving is what debugging is all about. Computer geeks are very familiar with debugging. Why? Because they know the intricacies of their motherboards. They get inside the heads of their systems. When is the last time you got inside the head of your prospect?

To communicate with a merchant, you have to learn to think like a merchant. Once you understand how a prospect thinks, then you can look for a logical reason for his or her behavior toward you.

Reading the obvious signs is vital to figuring out what's making a prospect push you away. People communicate through body language, voice and general attitude. Does your prospect appear a bit cranky?

Maybe it's not you who's causing it. It's not your responsibility to debug a potential customer whose morning struggle with getting the kids off to school has translated to a less than cheery mood at the office. It just means today's not the day to make the big pitch.

On the other hand, if his kids went off to school without incident and a big delivery that was due next week arrived early, putting your merchant in a great mood, then you need to be honest and clearly define the problem. Break it down into elements and work on each element separately.

INSPIRATION ◀ ◀ ◀

Go down your checklist:

- ^ Did you arrive on time?
- ^ Did you use the person's name in greeting?
- ^ Did you open the discussion with a question about your merchant's business as opposed to first talking about yourself?
- ^ Did you listen to what your merchant was saying?
- ^ Did you do your homework and tailor your presentation to the specific business needs of the prospect?
- ^ Were you able to answer all questions about your product and services?
- ^ Did you recognize the buy signs?
- ^ Did you end the presentation with the merchant wanting more?

Successful debuggers know that problem-solving is pro-

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ETA 2002 Annual Meeting & Exposition

Highlights: This is the show dedicated exclusively to the acquiring industry. People from all sectors of the electronic transactions industry will attend, including CEOs, sales and marketing reps from ISO programs, service providers, processors, e-commerce companies, debit networks, ATM providers, financial institutions, credit card companies and associations, and equipment/software manufacturers. More than 2,000 attendees are expected at this not-to-be-missed event. Meet, greet, learn, strike deals and solidify partnerships. ETA will present its largest trade show yet, with more than 50,000 square feet of exhibit space. Former Speaker of the House Newt Gingrich is scheduled to be a featured keynote presenter.

When: April 10-12, 2002

Where: Marriott World Center, Orlando, Fla.

Registration Fees: Vary by ETA membership status, workshop selections, activities and registration date. Complete details on Web site at www.electran.org

How to Register: Visit www.electran.org, phone 800-695-5509, fax 816-472-7765; mail to 14 West Third Street, Kansas City, Mo. 64105.

NACHA Payments 2002

Highlights: The only industry event of its kind will provide everyone in any organization doing business electronically with the most timely and accurate information on e-payment trends and solutions. Payments 2002 will include more than 100 sessions covering a broad spectrum of topics and issues, presented by industry leaders. Network, learn how to implement and take advantage of efficiencies and cost savings of doing business electronically with the most current information on the latest advances in ACH, e-business, e-checks, e-government services and international payments. Company leaders and executives, controllers, marketing analysts, legal counsel and business consultants involved in financial institutions and financial services, insurance, securities, retail, technology and information, and federal, state and local governments are among the expected attendees. Jamie Dimon, Chairman and CEO of Bank One Corp., will deliver the keynote address. Visit www.nacha.org for lists of conference sessions and tracks.

When: April 14-17, 2002

Where: Wyndham Anatole Hotel, Dallas, TX

Registration Fees: Vary by NACHA membership status, workshop selections. For complete details, visit www.nacha.org.

How to Sign Up: Online at www.nacha.org. Phone 703-561-1100.

gressive. Problems start out as little ones and, if left unchecked, certainly will develop into big ones. Because of this, always prepare a clear, progressive plan for solving the real problem. Then set realistic problem-solving goals.

You're not going to close all 10 presentations you made this month. But one solid sale will reinforce your budding debugging skills and set the stage for more. Once you understand the hows and whys of problem-solving, you might find you won't need to debug as often.

Let's Go Fishing

Have you been sitting on the dock of the merchant bay with nary a nibble? Complaining there aren't any good prospects left to catch? Perhaps it's not the limitations of the marketplace — it's the lack of creativity on your part that's got you coming home empty-handed.

Ours is a dynamic world teeming with opportunity. All it takes is knowing where and how to take advantage of it. Consider the following often overlooked fishing holes when planning your next prospecting expedition:

‡ **Personnel Departments:** Positions are changing at a rapid rate in today's retail market. Haven't visited a prospect in six months? Chances are the person you met with last year has been replaced by an individual more receptive to your product information. Call them.

‡ **Business Scenarios:** The retail industry has gone through a bunch of changes in policy and procedures to combat current economic climates. Because of that, your products and services may have become more viable to that elusive prospect. Significant fraud losses over the past holiday season, wireless POS terminals, even price increases from the major bankcards all translate to an opportunity for you to revisit and revive a stale prospect. Drop in on 'em.

‡ **You:** The marketplace isn't the only thing that's changed. You have. Are you the same professional you were last year? Surely you're better at what you do than you were six months ago and your product knowledge has improved as well. Take that stronger "net" you've worked hard at building and go fishing. You just might be pleasantly surprised at what you pull into your business boat. Cast off!

Good Selling!

Paul H. Green

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[NEW INFORMATION]

TYPE OR PRINT LEGIBLY

COMPANY NAME

RECIPIENT'S NAME

MAILING ADDRESS
(INCLUDE SUITE OR #)

CITY

STATE/PROVINCE

ZIP/POSTAL CODE

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