The Green Sheet

DEDICATED TO THE EDUCATION AND SUCCESS OF THE ISO AND MLS

www.greensheet.com

News

Features

Views

Education

Continued on page 3

January 24, 2011 • Issue 11:01:02

Hiring trends to watch in 2011

Recent data suggest the employment outlook across major U.S. industrial sectors is positive. That's right. Positive. Early forecasts indicate stability in certain sectors and renewed interest in others set to rebound as the economy strengthens. Shifting employer confidence levels reflected in hiring activity is a key indicator of economic health. For merchant level salespeople and ISOs, upward trending segments can signal new opportunities.

An *ADP National Employment Report* indicated seasonally adjusted private-sector month-to-month employment grew by 297,000 in December 2010, with the service sector adding 270,000 new jobs, the largest monthly gain in the report's history. The Bureau of Labor Statistics Jan. 7, 2011, report showed nonfarm employment, including public sector jobs, also grew by 103,000 in December, with the largest increases occurring in leisure and hospitality and health care.

Positive projections

In the *Manpower Employment Outlook Survey, United States, Q1/2011*, over 18,000 randomly selected employers were asked, How do you anticipate total employment at your location to change in the three months from Jan. 1 to the end of March 2011 as compared with the current quarter? (The current quarter was the fourth quarter 2010.)

"The first quarter survey results reflect the strongest hiring expectations since the fourth quarter of 2008," said Melanie Holmes, Vice President Community Investment for Manpower Inc., which has published employment outlook surveys since 1962. The seasonally adjusted net employment outlook, at 9 percent,

Forecasted employment change in Q1 2011

Likelihood of change in %	Increase	Decrease	No Change	Don't Know
Construction	10	19	66	5
Education & Health Services	11	5	81	3
Financial Activities	10	6	82	2
Government	10	10	76	4
Information	16	6	75	3
Leisure & Hospitality	22	10	66	2
Manufacturing – Durable Goods	15	9	72	4
Manufacturing – Nondurable Goods	15	9	72	4
Mining	16	69	10	5
Other Services	11	7	80	2
Professional & Business Services	20	9	68	3
Transportation & Utilities	14	12	72	2
Wholesale & Retail Trade	20	10	68	2

Source: Manpower Employment Outlook Survey, United States, Q1/2011

See Hiring on page 51

The Green Sheet Inc.

AdvisoryBoard

Affiliations:

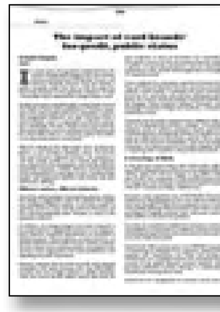
ETA WPA

Produced and printed in the U.S.

NotableQuote

With the change in the legal entity status of three key players in the electronic payments space, MasterCard, Visa and Discover Financial Services, the question is, will this change modify in any manner the organizations' behavior in the marketplace, and will this behavior potentially represent a further effective monopolization of the marketplace?

See story on page 30



Inside this issue:
CONTINUED

WINNER APEX

41 Awards in 9 years

Green Sheet, Inc. — Winner
APEX Awards for Publication Excellence
in print and online – 9 consecutive years.
Plus, Grand Awards in 2004, 2005, 2006, 2007 & 2009

The Green Sheet Inc.

President and CEO:
Paul H. Green .... paul@greensheet.com

General Manager and Chief Operating Officer:
Kate Rodriguez .... kate@greensheet.com

CFO/Vice President Human Resources & Accounting:
Brandee Cummins .... brandee@greensheet.com

Assistant VP, Editorial:
Laura McHale Holland .... laura@greensheet.com

Senior Editor:
Patti Murphy .... patti@greensheet.com

Associate Editor:
Dan Watkins .... dan@greensheet.com

Staff Writers:
Cheri Lieurance .... cheri@greensheet.com
Ann Train .... ann@greensheet.com

Assistant VP, Production and Art Director:
Troy Vera .... troy@greensheet.com

Production Manager:
Lewis Kimble .... lewis@greensheet.com

Assistant VP, Advertising Sales:
Danielle Thorpe .... danielle@greensheet.com

National Advertising Sales Manager:
Rita Francis .... rita@greensheet.com

Advertising Coordinator:
Kat Doherty .... kat@greensheet.com

Circulation Assistant:
Vicki Keith .... vicki@greensheet.com

Correspondence:
The Green Sheet, Inc.
800-757-4441 • Fax: 707-586-4747
6145 State Farm Drive, Rohnert Park, CA 94928
Send questions, comments and feedback to .... greensheet@greensheet.com
Send press releases to .... press@greensheet.com
NOTE – Please do not send PDF versions of press releases.

Print Production:
Hudson Printing Company

Contributing Writers:
Adam Atlas .... atlas@adamatlas.com
Nicholas Cucci .... ncucci@nmi.com
Daniel Federgreen .... exvala@gmail.com
Ken Musante .... kenm@eurekapayments.com
Caroline Hometh .... chometh@rocket-pay.com
Bill Pirtle .... billpirtle@yahoo.com

The Green Sheet (ISSN 1549-9421) is published semi-monthly by The Green Sheet Inc., 6145 State Farm Dr., Rohnert Park CA 94928. Subscription is FREE to participants in the payment processing industry, an annual subscription includes 24 issues of The Green Sheet and 4 issues of GSQ. To subscribe, visit www.greensheet.com. POSTMASTER: send address changes to The Green Sheet Inc., 6145 State Farm Dr., Rohnert Park CA 94928. Any questions regarding information contained in The Green Sheet should be directed to the Editor in Chief at greensheet@greensheet.com. Editorial opinions and recommendations are solely those of the Editor in Chief.

Forum

Are company profiles paid advertising?

I'm about to start up a new ISO, and I was wondering how much it would cost to have a company profile published in *The Green Sheet*. I don't have much of a budget for marketing and promotions right now, but I'm planning ahead for when the business is well established and I'll be seeking more agent and partner relationships.

David Roebeth
Merchant Level Salesperson

David,

The company profiles we publish in The Green Sheet *are feature articles. They are not "advertorials," a type of paid advertising designed to read like editorial content. We do not publish advertorials.*

We strive to publish profiles of companies that will be of interest to our readers. That means they are usually companies the payments industry's feet on the street can partner with in some way to enhance their companies and the services they provide to merchants. They might also be companies involved in inspiring activities or other endeavors that affect our readers' business interests.

In researching and writing profiles, we look for what is unique about each company – what it does that no other enterprise does, what its philosophy is, what its products and services are, what its history and objectives are and, most importantly, the company's relevance to our audience.

We typically publish one company profile in each issue; occasionally we publish two. The profiles come out in print, as well as online in PDF and HTML formats.

We also spotlight company profiles in an alphabetical directory on our website for approximately three years. These are located at www.greensheet.com/company_profiles.php.

It is easy to get on the list of companies we are considering for profiles. All you have to do is send a brief email to editor@greensheet.com. *State that you'd like your company to be profiled, provide the name and brief description of your company, and be sure to include accurate contact information for the person at your company who will be moving the project through the interview and research process.*

We have a long list of pending profiles, so I cannot predict how soon after you are put on the list that one of our writers will contact you. However, we do get to each company as soon as we can.

We also occasionally introduce new companies (less than 18 months old) to our readers through our First Look features. Your company may qualify for this. If you're interested in a First Look, just send a note to editor@greensheet.com.

We do, of course, offer an array of advertising options, both in print and online. If you're interested in learning more about those, contact Danielle Thorpe, our Assistant Vice President of Advertising Sales at danielle@greensheet.com *or 800-757-4441.*

We do draw a line between our editorial and advertising activities. In editorial, our goal is to provide the most useful and timely news, analysis and educational information payment professionals need to advance their careers. We focus on being a lasting, unbiased resource, one from which our readers, contributing writers and advertisers benefit immensely.

Editor

Call us, write us

Would you like us to cover a particular topic? Is there someone you consider an industry leader? Did you like or dislike a recent article in *The Green Sheet*? What do you think of our latest *GSQ*? Email your comments and feedback to *greensheet@greensheet.com* or call us at 800-757-4441.


WAKE
UP!

QSGS

A quick summary of key articles in this issue to help keep you up-to-date on the latest news and hot topics in the payments industry.

1

Cover Story

Hiring trends to watch in 2011

Recent employment data suggest hiring is on the rebound in many U.S. jobs sectors. That spells good news for job seekers and the economy overall. For payment pros looking for new gigs, that means opportunity and new horizons to explore. Payment recruiters and others give ISOs and merchant level salespeople (MLSs) insights into who's hiring and where.

33

Feature

Under the hood of hybrid cards

There is a new prepaid product category to contemplate – hybrid cards. Part prepaid account, part credit facility, the hybrid card promises a new way for prepaid card providers to interest new customers in their products and help underserved consumers into the financial mainstream.

26

View

Dodd-Frank repeal unlikely, interchange changes possible

As the 112th session of Congress takes up the business of the nation, implementation of the Durbin Amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act remains on top of the legislative ledger. A move is afoot to repeal the amendment, but is it realistic or even desirable?

41

News

UBC first to deliver free POS system

United Bank Card Inc. is at it again. Not content to sit on its laurels, the enterprising ISO just unveiled its new POS system offer. Now, select merchants that sign up to process with UBC get free Harbortouch POS systems, with UBC's agents getting an upfront commission for each new system set up.

30

View

The impact of card brands' for-profit, public status

The fact that MasterCard Worldwide, Visa Inc. and Discover Financial Services are publicly traded companies must have some effect on how the payments ecosystem functions, right? One way to gauge that effect is to analyze the merger and acquisition activity of the card brands before and after their initial public offerings.

43

News

Is the S1-PayPal partnership cause for ISO concern?

When PayPal Inc. makes a move, the payments industry takes notice. The new partnership between the alternative payment processor and S1 Corp. for person-to-person payments might not directly impact ISOs, but keeping a watchful eye on PayPal's moves might be wise.


When what you need is financial seed...
Merchant Benefits
1. Wide variety of payment products
2. 24/7 customer support
3. Online reporting
4. PCI-compliant equipment
Capital for Growth
Comprehensive Consultation
Full-Service Support
Partnership Stability
The growth opportunities for Agents and ISOs are substantial, and at First American, we want our partners to have what they need to realize their business dreams. Committed to helping our partners grow, we can provide – *and have provided* – the financial assistance it takes to execute a profitable business plan. As you hire employees, expand your workspace or reach out to a new market, remember that when it comes to choosing a business partner, it pays to do business with First American.
- Kevin Jones, Vice President of Sales and Marketing
FIRST AMERICAN PAYMENT SYSTEMS
Contact me directly to talk about growing your business.
817-317-9167 | kevin.jones@first-american.net | www.go4faps.com


#14: Winery Tour
How to Spend
Your Payment Gateway
Residuals


Best
Decision
Ever.
No risk. No worries.
Just guaranteed residuals – for life.
Merchant Warehouse
AGENT & ISO PROGRAM
Join the Merchant Warehouse Agent/ISO Program Today | 800 743.8047 | merchantwarehouse.com/iso

IndustryUpdate

NEWS

Visa steps up fraud detection

Visa Inc. upgraded VisaNet, its global processing platform, to improve security and its ability to detect and prevent electronic payment fraud. Visa developed new fraud models that enhance the speed and accuracy with which the company detects attempted card fraud. An analysis suggested the enhancements could identify $1.5 billion in fraud a year, representing a 29 percent performance improvement from 2009.

According to Visa, enhancements to the processing platform that powers Visa Advanced Authorization increased identification of fraud. A new operating system analyzes more information at once and performs more complex processing functions. A new cross-border model increases fraud detection for transactions occurring outside a cardholder's home country. Visa Advanced Authorization is also better able to detect high-speed fraud – when criminals attempt multiple transactions within a short time period, the company reported.

EMV stateside: VeriFone, Gemalto team up; Mercator weighs in

VeriFone Inc. and **Gemalto** plan to jointly introduce Europay/MasterCard/Visa (EMV) chip and PIN products to the U.S. market. At the end of 2010, the companies completed Gemalto's handover of its POS business to VeriFone in return for being named the preferred supplier of machine-to-machine wireless modules for VeriFone payment systems. "Combining the two companies' expertise at both issuing and accepting smart cards will provide a ready infrastructure to advance the U.S. market toward a much more secure and convenient payment method," the companies stated.

A new **Mercator Advisory Group** report, *Waiting on Debit, a Mandate, or Just the Opportune Moment*, forecasts at least one major U.S. card issuer will provide fee-based EMV cards to high-net-worth, traveling clients later this year. "The constraints of cost, uncertainty over ongoing debit regulation and the impact of evolving NFC [near field communication] mobile payments … means any EMV announcement will be delayed," stated George Peabody, Mercator Director of Emerging Technologies Advisory Service. In anticipation of an eventual rollout, the report advises merchants to "spend the $10" for EMV-capable terminals now.

Global Payments reports solid second quarter

For its fiscal second quarter ended Nov. 30, 2010, **Global Payments Inc.** reported 8 percent revenue growth, to $443.5 million, over the same quarter of the prior year. However, diluted earnings per share fell to 67 cents, from 76 cents a year earlier. Excluding one-time expenses, adjusted earnings were 70 cents a share, compared with 71 cents a share in the same quarter of the prior year. Global Payments businesses performed especially well in Asia, according to Chairman and Chief Executive Officer Paul R. Garcia.

ANNOUNCEMENTS

BAI expands website features

BAI recently relaunched its website, *www.bai.org*, with new content and features. The redesigned site presents more information and innovation, an expanded delivery channel with new tools to simplify searches, and an integrated view. The site now offers more in-depth research studies, critical commentary and thought leadership to shape retail banking strategies, BAI noted.

BOTTOM LINES

HEADLINES FROM THE RETAIL WORLD

- **General Motors** dealers reported 223,932 total sales in December 2010, a 16-percent increase from a year ago for the company's four brands. The gain was driven by solid retail sales, which were 27 percent higher than December 2009.
- For the first 11 months of 2010, U.S. retail sales of point-and-shoot cameras were down 6 percent from the same time period in 2009, according to consumer and retail market research company **NPD Group**. The downward trend may reflect the increasing number of photos snapped on smart phones or cell phones.
- A recent study by the **Consumer Electronics Association**, *Consumer Perceptions and Expectations of CE Accessories*, shows more than half of consumers surveyed prefer to have important accessories bundled "in the box" with their electronic devices; 53 percent are willing to pay more for that convenience.

THANK YOU. PLEASE READ AGAIN!
TRANS ID:460465 EMP:120400

BAI streamlined its format of content and resources for easier navigation.

The BAI Intelligence Center delivers commentary on industry issues, as well as original research and market intelligence on consumer sentiment, consumer payment preferences and regulatory compliance issues. For more information, email *info@bai.org*.

BevMo! implements VeriShield

Beverages and more! reportedly reduced its PCI compliance requirements by implementing VeriShield Protect encryption from **VeriFone**. The change allowed BevMo! to direct its capital spending toward a next-generation POS platform, rather than an expensive, compliance-oriented upgrade, according to the retailer.

Coalfire validates Heartland's E3

Qualified Security Assessor **Coalfire Systems Inc.** validated that the E3 (end-to-end encryption) magnetic stripe reader wedge from Heartland Payment Systems Inc. eliminates the scope of the Payment Application (PA) Data Security Standard (DSS) for POS developers. By encrypting card data at the moment of swipe, E3 prevents plain-text data from reaching the payment application. To fully eliminate PA DSS scope, Coalfire specified that no encrypted data can be stored locally, no other payment systems can be supported, and merchants cannot possess or have access to decryption keys.

CO-OP celebrates new milestone

For the first time in its history, **CO-OP Financial Services** handled over 2 billion transactions in one calendar year on behalf of its 3,000-plus credit union clients. The volume represents a 10 percent increase over 2009.

Element named a best channel vendor, selected by Rollins

Element Payment Services Inc. was chosen one of the Best Channel Vendors for 2011 by *Business Solutions* magazine. The company was selected based on surveys of participating value added resellers (VARs) and software vendors. The survey was conducted in partnership with Penn State University.

In addition, **Rollins Inc.**, parent company of Orkin and numerous pest-control service companies, turned to **Element** for hosted payment processing. Rollins is integrating its business management software with Element's Express Processing Platform, thereby removing the need to make the software compliant with the PA DSS and reducing the scope of compliance for individual companies within the Rollins brands.

41st Parameter granted patent

Security services firm **41st Parameter Inc.**, which provides person-not-present fraud detection software, was granted a U.S. patent for its Time Differential Linking technology. TDL detects account takeover attempts. It is used by financial institutions for transaction verification.

Ingenico expands PCI compliance, delivers 1 million terminals to Latin America

Ingenico's iSC2xx series of signature capture devices reportedly have been deemed compliant with the Payment Card Industry (PCI) PIN Transaction Security standard. The series is built on Ingenico's Telium 2 platform, which uses dual processors for extra power.

In other company news, Ingenico delivered over 1 million terminals in Latin America in 2010. The markets showing the greatest demand for terminals were Brazil, Mexico, Argentina, Columbia and Venezuela.

Intuit goes after mobile small business market

To attract small businesses to its mobile payment service, **Intuit Inc.** is offering – for a limited time – free card readers and no monthly service fees with its GoPayment service. Card readers from ROAM Data work with 40 mobile handset models, including the Apple Inc. iPhone and Research in Motion Ltd. BlackBerry.

MORE THAN 300 AGENTS HAVE EMBRACED THE EVOLUTION
When will you?
POS REFERRAL PROGRAM
Revolutionizing the Point of Sale industry by providing superior technology and service - one station at a time
• One-stop shop for you and your merchant -hardware, software and processing.
• You provide the lead, we assist in closing the deal
• Up to $2000.00 or more commission per sale
• Win more deals with a POS offering
• Additional revenue stream – make money on hardware sales
• Lower attrition - POS is impossible to reprogram
• Higher income merchant = higher residuals
UP SOLUTION
Powered by United Merchant Services
CALL US AT 800.303.2567 OR VISIT US ONLINE WWW.UPSOLUTION.COM FOR DETAIL

NAMAA elects officers, adds new members

The **North American Merchant Advance Association** added four member companies to its organization and elected new officers. Joining NAMAA were **American Finance Solutions**, **Business Consulting Options LLC**, **Merchant Capital Access Inc.** and **Merchant Cash Group**.

NAMAA supplies members with a database of merchants that have defaulted on other merchant cash advance providers.

It also prevents two providers from funding the same merchant at the same time. In 2011, the association expects to begin publishing metrics on the merchant cash-advance business.

Newly elected directors and officers include President and Director **David Goldin**, President and CEO of AmeriMerchant LLC; Vice President and Director **Jeremy Brown**, CEO of Rapid Advance; Director **John Damico**, Managing Director of GRP Funding LLC; Director **Stephen Sheinbaum**, CEO of Merchant Cash and Capital LLC; and Director **John Snead**, President of Merchant Capital Access.

Utah county chose Creditron for tax payments

Summit County, **Utah**, selected the ItemAge Express platform from **Creditron** to automate the processing of county tax payments. The platform provides image-enabled payment processing. Most of the county's tax payments include a check and remittance stub with an optical character recognition scan line for account numbers and amounts due.

Simmons heads leadership forum in 2011

Dennis Simmons, President and CEO of Dallas-based **SWACHA – The Electronic Payments Resource**, was elected Chairman of the **Payment Executives Leadership Forum**. SWACHA is one of 18 regional payments associations whose top executives make up the forum.

The leadership forum facilitates collaboration among the associations. The year 2011 "should be an interesting year as we continue to deal with the increasing threat of cyber fraud, alongside Americans' increasing use of electronic payment methods such as debit cards and mobile phones," Simmons said in a statement.

Tyfone racks up authentication patents

Tyfone Inc. was awarded a patent for an aspect of its mobile electronic wallet technology. Tyfone's fourth patent, entitled Asymmetric Cryptography with User Authentication, enables the company's u4ia mobile secure transaction platform.

UBC moves to larger quarters

United Bank Card Inc. is moving its corporate headquarters from Hampton, N.J., to a larger facility in Allentown, Pa., to accommodate the company's growth. The new 30,000-square-foot space is the former regional headquarters for Kraft Foods Inc. The new location includes a loading dock, allowing UBC to consolidate its Harbortouch POS division and deployment center in the same space with its central offices.

PARTNERSHIPS

Payzone picks ACH Federal

ACH Federal is providing automated clearing house (ACH) processing services to **Payzone**, a regional payroll service bureau in Fairfield, Conn. ACH Federal initiates direct deposit services for Payzone's small business customers and their employees.

CheckAlt joins NACUSO

CheckAlt Payment Solutions joined the **National Association of Credit Union Service Organizations** to enhance communication and services to its credit union client base. By joining, CheckAlt extends its

remote deposit capture services to a large number of organizations.

CrossCheck applications certified by Dejavoo

Guarantee applications from check processor **CrossCheck Inc.** have been Class A certified on POS terminals from **Dejavoo Systems**. Dejavoo is a VAR and developer of next generation POS devices.

Fifth Third enters P2P, encryption and CU relationships

Fifth Third Bank will offer its customers the Popmoney person-to-person (P2P) mobile payment service from **CashEdge Inc.** beginning in mid-2011. The service will be offered through Fifth Third's online banking platform. Meanwhile, **Fifth Third Processing Solutions LLC** implemented the MTXEPS ServerEPS Encryption Solution from **MTXEPS Inc.** to assist merchants with PCI DSS validation. It encrypts track data at the card swipe, maintaining encryption through delivery to Fifth Third.

In addition, three credit unions (CUs) signed card processing agreements with Fifth Third Processing. The new clients are **Education First Credit Union**, **USA One Credit Union** and **First Cheyenne Federal Credit Union**.

Polish banks go with First Data

Gospodarczy Bank Wielkopolski, a cooperative of banks in Poland, chose **First Data Corp.** for card issuing and processing services for its MasterCard PayPass Fan Card project. The Fan Card can be used as a stadium season ticket as well as a contactless payments card.

Ingenico, Merchant Link team up

Ingenico partnered with **Merchant Link LLC** to offer to U.S. retailers Merchant Link's TransactionVault tokenization technology with Ingenico On-Guard point-to-point encryption. The combination provides comprehensive data security primarily geared toward integrated multilane merchants.

NAB selects Partner Commerce for affiliate program

North American Bancard, a payment processing company focused on small to midsize businesses, selected **Partner Commerce Inc.**, an affiliate marketing network dedicated to the business-to-business vertical, to build, distribute and manage its affiliate program.

Through the NAB program, affiliates can now offer their customer base free equipment, industry-leading service and support, and the lowest credit card processing rates in the merchant services industry, NAB said.

PPI extends its health care reach

Payment Processing Inc. partnered with **AdvancedMD Software Inc.**, which provides hosted electronic health record and medical billing software.

PPI's PayMover payment platform is integrated with AdvancedMD software, enabling card payments with advanced security features. AdvancedMD software uses MagTek Inc.'s MagnaSafe technology to encrypt card track data.

Brazil bank partners with SafetyPay

SafetyPay Inc. is providing customers of Brazil-based **Banrisul** bank the ability to pay with their own currency when shopping online with international merchants. Credit card use in Latin America is low due to the use of fraud filters that can prevent card payments there, according to SafetyPay.

MI9 integrates with Shift4 gateway

Shift4 Corp. and **MI9** partnered to integrate Shift4's Dollars on the Net payment gateway with the retail MI9 POS and back-office management system. MI9 clients will no longer be required to process or transmit cardholder data or maintain encryption keys.

ACQUISITIONS

Discover expands student loan presence

Discover Financial Services acquired the **Student Loan Corp.**, a private student loan business with assets totaling $4.2 billion. Discover also took on $3.4 billion of SLC's existing asset-backed securitization funding and other liabilities. The takeover expands Discover's presence in the private student loan market. Prior to the deal's closure, Sallie Mae acquired $27 billion of SLC's federal student loans, and Citibank purchased $8.7 billion of SLC's private student loans.

APPOINTMENTS

Ingenico names executives

Ingenico made three new management appointments. **Christopher Coonen** was named Executive Vice President, Global Solutions Sales and Marketing. Previously, Coonen was Vice President and General Manager for Continental Europe at PayPal Inc. And **Michel Leger** was appointed President of the company's Europe, Middle East and Africa region. Leger had been General Manager of Netsize.

Additionally, **Ludovic Houri** was hired as Director of Transaction Services for Ingenico's Single Euro Payments Area operations. Houri had been Vice President for multinational merchants at First Data.

Fiserv appoints Ernst COO

Fiserv Inc. hired **Mark Ernst** as it Executive Vice President and Chief Operating Officer. Most recently, Ernst was Deputy Commissioner for Operations Support at the Internal Revenue Service. Previously, he was CEO of Bellevue Capital LLC, a private investment firm.

Gumbley joins Wright Express

Wright Express Corp., a global provider of business payment processing and information management solutions, welcomed **Gareth Gumbley** as Executive Vice President, Wright Express International.

Gumbley will be responsible for international operations and the execution of the company's global expansion strategy.

Before joining Wright Express, Gumbley was CEO of the e-pay division and Senior Vice President and Officer of Euronet Worldwide.


NEW!
introducing
PROTECTED TERRITORIES for AGENTS
(territorial royalties)
plus:
special pricing - if you are producing 25 new accounts per month you may qualify - call today to make more money!
www.imaxbancard.com

Insider's report on payments

Dodd-Frank repeal unlikely, interchange changes possible

By Patti Murphy
The Takoma Group

The 19th century German chancellor Otto von Bismark once said, "Laws are like sausages; it is better not to see them being made." So if you're feeling a little squeamish, you might want to skip to another article and come back here later, because the focus is on lawmakers.

The 112th session of Congress began in January 2011, and one of the first acts of the Republican majority in the House of Representatives was to introduce legislation calling for the wholesale repeal of the Dodd-Frank Wall Street Reform and Consumer Protection Act (H.R. 87).

It's unclear how serious the sponsors are about repealing the massive financial services industry reform package known more commonly as the Dodd-Frank Act. But if they are serious, we can expect little in the way of substantive banking legislation until, perhaps, the next election year – the one possible exception being a revisiting of debit interchange.

Those were the days

I never could have imagined saying this in my younger years, but I long for the good old days. I'm referring to the days when Congress was controlled by lawmakers and their staffs, and lobbyists huddled in small groups outside committee meeting rooms "educating" staffers and the press and negotiating ways to lessen the impact of various provisions on their clients (primarily trade associations). Those also were the days when lawmakers had the wisdom to accept defeat and let things play out.

Financial services is a tightly regulated industry, and for good reason: banks control lending and payment systems, and money creation (through lending) and exchanges (payments) are as critical to the proper functioning of a free-market society as are air and water to the proper functioning of the human body. That's why after a series of economic collapses culminating with the Great Depression, Congress put in place a series of legislative changes that imposed strictures like the separation between commerce and banking and interest rate caps.

I wasn't alive at the time, but reading accounts leads me to believe the debates over the Banking Act of 1933 (commonly referred to as the Glass-Steagall Act) were heated – and political. But it took opponents nearly 50 years to begin dismantling the prohibitions ushered in by Glass-Steagall and corollary legislation. And despite strong opposition (which I did witness firsthand) the deregulation laws enacted in the 1980s remained basically unchallenged until the economy began tanking about 15 years later.

Dodd-Frank now invested

That ultimately led to years of political wrangling that resulted in legislation that made a significant number of people unhappy and left many pointing fingers.

I'll venture a guess that the only big winners in the debate over the Dodd-Frank Act were lobbyists and political candidates.

According to public records, the commercial banking sector contributed $18,816,944 to congressional candidates during the 2010 election cycle, and (no surprise here) Republican candidates received the lion's share.

During the previous election cycle (the period leading up to the 2008 elections), contributions to candidates topped $37 million, and Democrats were the biggest beneficiaries. (Again, no surprises: historically, the majority of big bank donations have gone to winning candidates.)

Altogether, the financial sector spent a whopping $251 million lobbying Congress (as well as the U.S. Department of the Treasury, the White House and federal regulatory agencies) during the first six months of 2010, according to an Aug. 2, 2010, report posted on CNNMoney.com. That's roughly the period during which final details of the Dodd-Frank Act were being negotiated. One can only imagine how much cash will change hands if repeal becomes a topic of serious debate during this new session of Congress.

And what about all the money, time and energy spent by the government and the private sector trying to understand and comply with mandates of the Dodd-Frank Act? That's why I believe all the hoopla over repeal of the act is just political posturing. The only possible exception may be changes to the Durbin Amendment.

Interchange capping

The Durbin Amendment to the Dodd-Frank Act directs the Federal Reserve to implement regulations that cap debit card interchange and prohibit network exclusivity arrangements in the routing of debit card payments.


Are You Open to Other
Opportunities?
$10,000 signing bonus (Call for Details)
Lifetime residuals
Most competitive revenue share
Upfront Bonus Plans
Faxed & Online Applications
Same day approvals & Live TIDs
One of the highest approval rates
Next day funding available
Agent loan program
Residual buyback
Multiple platforms available
Free Equipment to place or lease
Online Tools
Dedicated relationship managers
Free training
Customer service & Tech support in multiple languages
Over $30 billion processed annually
A company with instant credibility
Call today!
Let us customize a program for you.
iPayment®
GET STARTED TODAY
1-888-519-9466
VISIT US ONLINE
www.ipaymentinc.com
ISO@ipaymentinc.com

The amendment was a major coup for the retail sector, which has been attacking interchange from multiple directions.

In December, the Fed proposed a set of rules implementing the Durbin Amendment and offered two options for capping interchange.

One would cap interchange on debit card payments at 12 cents per transaction for all card issuers subject to regulation under the law. The other is based on issuer's costs and would allow interchange to be set between a minimum of 7 cents per transaction and a maximum of 12 cents per transaction. Either option could slash by 70 percent interchange earned by card issuing banks, vis-à-vis 2009, the Fed estimates.

One of the chief architects of the Dodd-Frank Act, Rep. Barney Frank, D-Mass., suggested the Durbin Amendment was an unintended consequence of back-room deal making. There weren't enough votes to get the bill passed in the Senate without the amendment, Frank told CNBC in a December interview.

As for the Fed's proposal, Rep. Frank said, "I think, the way it was written, the amount the credit card companies are allowed to charge is too low."

He added that "the evidence we've seen is the consumers don't get any benefit from this."

Rep. Spencer Bachus, R-Ala., the new Chairman of the House Financial Services Committee, wants the Fed to go slowly on implementing the Durbin Amendment. "Hastily written rules may end up doing more harm than good to consumers and have negative effects on competition in the marketplace," he wrote in a December letter to the Fed.

It's rare for the incoming and outgoing (opposition party) chairmen of the House Financial Services Committee to agree on controversial issues like interchange, so there may be some real momentum for change. Don't bet the bank on it, though.

What you can and should do is download a copy of the proposal from the Fed's website (*www.federalreserve.gov*), review it carefully and let the Fed know your thoughts. Written comments are requested by Feb. 22. Absent an act of Congress, Fed rules implementing the Durbin Amendment must be in place by July 2011.

Patti Murphy is Senior Editor of The Green Sheet and President of The Takoma Group. She is also the founder of InsideMicrofinance.com. Email her at patti@greensheet.com.

The impact of card brands' for-profit, public status

By Daniel Federgreen
Analyst

In recent years, the payments community has witnessed a fundamental change in the core business structure of MasterCard Worldwide, Visa Inc. and Discover Financial Services. Each has become a public, for-profit entity. Has this or will this affect the day-to-day function of the payments industry? Is there a reasonable way to measure this change if there is one?

Scottish economist and philosopher Adam Smith wrote in *The Wealth of Nations* (first published in 1776) that companies in the same market niche have competitive concerns, and antagonistic behaviors are only overcome when a mutual benefit, such as a monopoly or effective monopoly, is developed. He said, "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

With the change in the legal entity status of three key players in the electronic payments space, MasterCard, Visa and Discover Financial Services, the question is, will this change modify in any manner the organizations' behavior in the marketplace, and will this behavior potentially represent a further effective monopolization of the marketplace? To shed light on this, I analyzed their merger and acquisition behavior both before and after their public offerings.

Different motives, different behavior

One of the critical questions that must be asked is whether the change in legal entity status has affected the merger and acquisition (M&A) activity of the three entities in question. And if so, how will this affect the behavior, and how will that potentially affect "business as usual" in the payments industry?

In addition, the change in legal status from nonprofit to for-profit removes a significant restraint on any organization's behavior: nonprofit organizations are restricted to limited purposes. These purposes, in many instances, are specific functions listed under the law. Further, nonprofits must refrain from entering markets not related to the mission of the organization. No such prohibitions exist regarding for-profit corporations.

Research indicates that for both for-profit and nonprofit companies with gross revenues less than $50 million annually, the rate of M&A activity is similar. However, when one crosses the $50 million annual sales level, the rates accelerate in favor of for-profits over nonprofits. The specific reasons for this are unclear; however, there is greater and growing asymmetric need for for-profit companies to show growth either organically or through the acquisition route.

I have analyzed the companies acquired by MasterCard, Visa and Discover Financial Services since they became publicly traded entities. I examined the prior five-year period to the conversion date and the subsequent time frame. The sources reviewed include corporate websites, the Mergent Online financial database, Securities and Exchange Commission filings and Alacra Inc., a business information source.

Nonprofit and for-profit companies have different objectives in developing their business strategies. A for-profit company needs to deliver continued top-line growth. Continued growth will typically indicate a for-profit company has solid plans for the future, and this will in turn raise the stock price for shareholders. One way for-profit companies can achieve growth is through merging with or acquiring other companies with proven track records.

A chronology of M&As

In the five-year period before their initial public offerings (IPOs), MasterCard and Discover had minimal M&A activity, while Visa did not engage in any M&As until after its IPO. The acquisitions in this pre-IPO period can be categorized into customer services and infrastructure, with each company pursuing a different area.

Discover's only acquisition was of Pulse EFT. Discover improved its infrastructure in two ways with the acquisition. First through Pulse, Discover gained access to one of the fastest growing ATM networks in the nation, thus providing its original customer base with more convenient options to use Discover products.

Secondly, the acquisition doubled the transaction volume and number of cards in the U.S. market for Discover, thus minimizing the gap between Discover and the other players in the credit card market.

MasterCard's M&A activity prior to its 2006 IPO focused on improving its offerings to its customers. MasterCard acquired both TowerGroup and Watch Hill Partners. TowerGroup was a leading research and consulting firm focused on the global financial services industry and provided additional customer offerings to complement MasterCard's existing service lines.

MasterCard also strengthened its customer service through acquiring Watch Hill Partners, who were recognized experts in improving customer relations to ensure that customers are retained.

Following the IPOs, MasterCard, Visa and Discover have all become more active in acquisitions. The acquisitions in this period can be categorized as involving e-commerce, infrastructure or fraud protection.

Visa engaged in the largest singular acquisition of the three companies with its $2 billion acquisition of CyberSource. CyberSource was a leading independent player in e-commerce, as fully 25 percent of all e-commerce dollars were transacted on its software platform. This acquisition gave Visa immediate access to this market.

MasterCard also increased its stake in the e-commerce market by acquiring DataCash Group, which offered a single interface to process payments securely.

Discover continued to expand its customer base with the purchase of Diners Club International Network, adding additional merchants who would accept Discover products as well as increasing its international presence.

Through two acquisitions, MasterCard also addressed infrastructure improvements. Through its purchase of Orbiscom Ltd. and Travelex's prepaid card program management assets, MasterCard sought technologies to develop programs that would increase the number of transactions on its card processing system, as well as accelerate MasterCard's expansion into the prepaid market.

The acquisitions after these corporations went public were not only larger in terms of purchase price, but they also were executed as part of the broader strategy of company diversification and growth.

A key question remains: will this increased pace in M&As continue? As these corporations seek investor dollars and as investors seek moderate returns with minimal risk, companies will need to turn more and more to acquisition. M&As enables a company to get immediate return on its investment compared with developing a new offering internally.

M&As, whether executed by a for-profit or nonprofit corporation, require thoughtful planning of corporate integration to receive the added value of any acquisition. The integration of these various acquired companies into the fabric of the purchasing entity is a significant challenge for any organization, including Visa, MasterCard and Discover Financial Services.

Areas such as business culture integration, synergistic maximization and platform alignment must be addressed. Clearly the most important and immediate item in a financial services relationship is platform integration. Just how much this might delay the full benefit of a merger and the cost of doing this is central to these decisions.

It is my belief that all three entities discussed have, at a minimum, greater flexibility and freedom to act in the broadest aspects of the M&A marketplace under the current status of for-profit, public companies.

Given this, as well as the singular predominance that these three companies have, the risk that they will further reduce competition through M&As is enhanced. Balancing this, however, is the clear ability of regulators to have greater impact upon and control of behaviors of public, for-profit companies versus private nonprofits.

Daniel Federgreen can be reached at exvala@gmail.com. *He currently is employed in the corporate financial group of a Fortune 50 company.*

SellingPrepaid

Prepaid in brief

NEWS

Federal benefits entirely electronic by 2013

The **U.S. Department of the Treasury** said benefits payments delivered to recipients by paper check will be completely phased out by March 2013.

The Treasury Department said 80 percent of all benefits recipients in the United States have already signed up for either direct deposit or having funds loaded on open-loop, MasterCard Worldwide-branded Direct Express prepaid cards.

By transitioning to an entirely electronic benefits payments system, the department expects to save the Social Security program $120 million annually for a total savings of $1.2 billion over 10 years.

Durbin asks CFPB to regulate prepaid

In a letter to Elizabeth Warren, head of the newly created Consumer Financial Protection Bureau, **Sen. Dick Durbin**, D-Ill., author of the Durbin Amendment to the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, said the CFPB should regulate the prepaid card industry, especially as it concerns reloadable prepaid cards.

"These products are often loaded with deceptive and abusive fees, and are frequently marketed to appeal to younger Americans who may not be wise to their dangers," Durbin wrote. "I urge the Bureau to closely monitor the marketing, fees and terms of these products and to alert businesses and consumers about deceptive and abusive products."

Menendez bill worries NBPCA

The **Network Branded Prepaid Card Association** is concerned the Prepaid Card Consumer Protection Act of 2010, which would place caps and bans on fees, would reduce consumer choice or increase pricing, and potentially lead to prepaid cards being withdrawn from the marketplace.

By prohibiting or eliminating certain fees, the legislation sponsored by Sen. Robert Menendez, D-N.J., fails to recognize that consumers choose different prepaid cards based on the services they feature, services that cost money to provide, said Kirsten Trusko, NBPCA President and Executive Director.

ANNOUNCEMENTS

ACE Cash Express gives to March of Dimes

ACE Cash Express Inc. made a donation of $419,743 to the March of Dimes in support of programs to improve the health of newborns.

The donation was made via ACE's annual "Give a Little" campaign – a combination of customer donations and ACE associates' fundraising efforts.

Children's treatment center gifted $5,000

Before Christmas day 2010, **InComm**, provider of the Vanilla Visa gift card, donated $5,000 worth of the cards to the Murphy-Harpst Non Profit Organization for Children, a residential treatment center for at-risk children in Georgia.

nFinanSe expands GPR card footprint

Tampa, Fla.-based prepaid card processor **nFinanSe Inc.** launched its general purpose reloadable cards at Fred's Hometown Discount Stores, a regional chain store in the southeast and midwest United States.

Talk show host promotes Reach Card

Nationally syndicated radio talk show host Tom Joyner made a deal with **PreCash Inc.** to promote the Reach Visa Prepaid Card. Joyner said the Reach Card can "empower people to take control of their finances with a fairly priced prepaid card."

Wolfe.com is hiring

Gift card marketer Wolfe.com plans to add up to 50 new employees in 2011 to staff its Pittsburgh corporate headquarters and its planned regional offices in San Francisco, New York and St. Louis. Positions are listed at *www.wolfe.com/careers/*.

PARTNERSHIPS

Soccer fans get Club América card

Mexico City-based soccer organization **Club América** teamed with **Denarii Systems LLC** to roll out the Club América Prepaid MasterCard to soccer fans in the United States. Club América said it has 20 million fans in Mexico.

Green Dot enhances security with NICE Actimize

Green Dot Corp. selected **NICE Actimize**, a division of NICE Systems, as its risk and compliance software platform. Green Dot said it recognized a need to increase the sophistication of its systems to provide greater operational efficiencies and flexibility.

Ukash taps iovation for fraud protection

Fraud manager **iovation** reported that virtual prepaid MasterCard provider **Ukash** adopted iovation's ReputationManager 360 for global fraud protection.

Prepay Nation, Qcell Gambia enter JV

Prepaid phone card provider **Prepay Nation** allied with mobile telecommunications company **QCell Gambia** to offer to Gambian residents international top-ups on Prepay Nation's mobile money platform.

ACQUISITIONS

Edenred purchases Euroticket

Gift and meal voucher processor **Edenred** acquired **Euroticket**, Romania's fourth-largest provider of meal and gift vouchers, for 5.5 million euros.

Edenred said the purchase enables the France-based company to consolidate its position in Romania, where it now enjoys close to a 40 percent market share.

First California enters prepaid with EBS buy

First California Financial Group Inc. reported that **First California Bank** entered an agreement to acquire the **Electronic Banking Solutions** division of Palm Desert National Bank. Terms were not disclosed.

Western Union buys own agent

The Western Union Co. signed an agreement to purchase **Angelo Costa SRL**, one of its money transfer network agents in Europe. Western Union, which already owns 30 percent of Angelo Costa, will acquire the remaining 70 percent of the company for a reported 100 million euros.

APPOINTMENTS

SparkBase bolsters management

Stored-value processor SparkBase appointed **Matt Mignona** Vice President of Sales and **Andrew Kraynak** Vice President of Marketing. The Cleveland-based company said it hired seven additional staff members in 2010.

Features

Under the hood of hybrid cards

By David Parker
Polymath Consulting Ltd.

All new, growing and evolving industries adopt new language and jargon to describe new products, technologies and services. The prepaid card industry is no different. A recent addition to the prepaid lexicon is the term "hybrid prepaid."

Although there is no definitive agreement on what constitutes a hybrid prepaid card, for the purposes of this article we will consider hybrid prepaid to be a prepaid card that also offers users some form of credit, or line of credit, they can access through the card.

Hybrid prepaid cards come in two key types: a "credit builder" and one that offers a line of credit.

A slight variation on these types is the card with "multi-purse" wallet functionality – the ability to have more than one account or "purse" on the card.

Credit building cards

The aim of credit builders is to help customers improve credit histories. Three different business models have developed for this type of card:

> **1. The loan structure**: When a user purchases the card, the monthly management fee (for example, $5) is converted into a loan (for example, $60).
>
> The user then repays this monthly via a monthly management fee for use of the card. At the end of the year, when the loan is repaid, a loan repayment history is reported to a credit bureau.
>
> This product has delivered retention and usage figures

far higher than industry norms. One example is the UK's APS CashPlus Prepaid Credit Card.

2. Lending back the user's money: These cards comes with three accounts per card.

- The cash account is used for cash loading, money transfers, ATM transactions and bill payments.

- The secured account is used to secure lines of credit. Money is transferred from the cash account into the secured account to increase the credit line. However, funds in the secured account are not accessible since they are used to secure the credit line.

- The credit account is used to make all purchases.

The UltraVX Visa Card is an example of this hybrid type.

3. Reporting history: There are two kinds of business models here.

1. Each time a hybrid card is used to pay a bill, a report of that bill payment is sent to a credit bureau. The AccountNow card issued by Palm Desert National Bank does this.

2. Three tiers of cards are offered, each with an annual fee attached. Cardholders who opt for one of the top two tiers (those with the highest fees) are offered a credit builder facility. Eufora manages such a card.

Words of advice

The hybrid card is a new product, and there will be hurdles. One has already occurred with the iAdvance loan program managed by MetaBank, which helped users secure short-term loans for unexpected expenses. In October 2010, the Office of Thrift Supervision, a U.S. federal bank regulator, ordered MetaBank to discontinue iAdvance, which was offered to consumers via NetSpend Holdings Inc.'s prepaid cards.

The OTS said MetaBank engaged in "unfair or deceptive acts or practices in connection with its operation of the iAdvance program."

In the European Union, legal issues must be addressed as well. But that being said, hybrid cards offer the international prepaid card industry what it is known for – innovation and opportunity.

David Parker is the Chief Executive Officer at U.K.-based consulting and research firm Polymath Consulting Ltd. He can be reached at davidparker@polymathconsulting.com.

Is 2011 the year of the health care card?

The market for prepaid cards tied to health insurance plans and wellness programs has been slow to develop. But 2011 may be the year the health care market and the prepaid card industry converge in a big way.

The main driver of market growth is economic. In a Fidelity National Information Services Inc. (FIS) webinar entitled *Wellness Programs – What does the future hold?*, Laurie Knutson, Product Strategist in FIS' Healthcare and Wellness division, said the rise in health care costs is unsustainable.

According to Knutson, such expenditures are currently about $2.5 trillion annually in the United States, up from $700 billion in 1990. Employers' health care costs increased almost 8 percent in 2009, she added.

The chief reason costs are so high is chronic disease, which causes 75 percent of national health care expenses, according to statistics cited by Knutson from the Centers for Disease Control and Prevention. Chronic disease is related to such behaviors as smoking, poor nutrition and lack of exercise.

Wellness programs

One way to reduce health care costs is by employers implementing wellness programs that incentivize workers for completing smoking cessation, stress management and weight loss programs.

The most popular way to reward employees for exhibiting healthy behavior is via prepaid cards, according to Chris Byrd, co-founder and Executive Vice President at Evolution Benefits Inc. (EB).

"If you get money on a prepaid card, it's a very high-value reward from the employees' perspective," Byrd told SellingPrepaid. "So the prepaid debit cards have the highest return on investment in that sense to the employer."

Byrd said employers win because wellness programs help employees make healthier choices, which results in more productive employees who spend less time not working due to illness. "What the employer spends on incentives and rewards to employees to get them to participate in these programs … more than pays for itself," he added.

CDHC

The other primary cost reducer is accomplished by shifting the burden of paying health care costs onto consumers. If consumers recognize they have to pay for more of their own health care, they will take better care of themselves to reduce costs, the argument goes.

The consumer directed health care model utilizes prepaid cards tied to employee-funded flexible spending, employer-funded health reimbursement and employee- or employer-funded health savings accounts.

Byrd said EB has seen steady growth in the number of consumers using its cards. Fifty percent of consumers who have health insurance accounts tied to cards processed by EB now use the cards, he said. "If you turn the clock back three or four years, that number was probably in the high 20s," he noted.

Byrd attributes the reason for that growth to the increased efficiency of the cards. He said auto-substantiation rates (that ensure the cards are being used for IRS-approved health care-related purchases) are in excess of 90 percent on the highest performing cards in EB's portfolio.

That means insurance companies and third-party administrators of insurance plans are not wasting as many resources on determining what costs are approved and what are not, since they are being taken care of electronically at the POS, Byrd explained.

Furthermore, Byrd said multiple purse technology allows cards to have more than one health insurance account or double as wellness and incentive cards, with one "purse" dedicated to the insurance account and one to the wellness program.

Legislation

Byrd said the health care card industry was exempted from the provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009. However, Byrd is concerned that health and employee benefits cards will somehow get caught up in the implementation of the Durbin Amendment to the Dodd-Frank Act, even though the cards were excluded from the law under the general-use prepaid card exemption.

As for the new health care reform law, The Health Care and Education Reconciliation Act of 2010, Byrd believes it may work in the industry's favor because the law fails to "bend the cost curve," something the cards accomplish.

"And what that means is that these consumer directed approaches to health insurance and health care coverage [are] likely to continue to gain adoption, to gain favor, to be used by more and more employers," he said.

"All the surveys that have been taken since health care reform was passed confirm that fact. The products are continuing to grow. So the underlying market in which we operate continues to grow. At the same time, more and more people are using cards to access these various accounts."

CompanyProfile

CLAIRVEST

Clairvest Group

ISO/MLS contact:
Mitch Green
Principal
Phone: 416-413-6040
Email: *mitchg@clairvest.com*

Company address:
Clairvest Group
22 St. Clair Avenue East, Suite 1700
Toronto, Ontario, Canada, M4T 2S3
Phone: 416-925-9270
Fax: 416-925-5753
Website: *www.clairvest.com*

ISO/MLS benefits:

- Acquisition of competitor ISO businesses
- Refinancing of high-cost debt or purchase of shares from inactive shareholders
- Creation of payment hub through acquisitions in different parts of transaction processing value chain
- Acceleration of in-house development to broaden product and service offerings

Equity partner targeting payments space

Clairvest Group, a Canadian provider of equity financing, is looking for investment opportunities in the payments space after a series of successful funding ventures in other industries since its founding in 1987.

Clairvest's portfolio companies have included financial services, business services, information technology, contract manufacturing, gaming, health and medical, and waste management companies, among others. It has over 800 million Canadian dollars (CA$800 million) of equity capital under management.

Lately, Clairvest has been eyeing the payments industry for potential partners. "There are definitely a number of different verticals that we would look to invest in, in the industry," said Ryan Feldman, an Associate at Clairvest. "Those verticals include the ISOs and processors of the world, gateways, electronic bill presentment and payment companies, software companies, as well as integrated payment solution companies."

Feldman and Mitch Green, a Principal at Clairvest, are "domain experts" on the payments industry, having researched the trends occurring that could signal a sector ripe for investment opportunities. (To be considered a domain expert at Clairvest, an investment professional must dedicate at least 30 percent of his or her time to that area for at least a year.)

Green joined Clairvest in 2002 and provides domain research and investment origination, structuring and execution for the company. He worked previously in leveraged finance for BNP Capital Markets and in corporate finance for Bank of America Corp.

Feldman joined Clairvest in 2008 and participates in all areas of the investment process. Prior to joining Clairvest, he worked at Deloitte & Touche Corporate Finance Canada Inc. There he advised clients on acquisitions, divestitures and financing mandates across various industry sectors.

Feldman and Green reach out to potential client companies within the domains they've researched, but they also receive queries from companies interested in taking on an equity partner.

"Our mission is to 'know and be known' in our chosen domains, the payments industry being one of them," Feldman said. "Sometimes we'll meet a company through our outbound efforts, build a relationship over several years and ultimately receive an 'inbound' call from the CEO to evaluate an equity investment."

Finding the right partner

Clairvest targets fragmented industries on the cusp or in the midst of consolidation. Within those industries, it searches for mid-market companies that boast a personally invested management team, robust internal returns on capital, a wide customer base, strong customer relationships and recurring revenues.

Green said a good Clairvest investment would be "us putting money … behind an owner/operator to give them the capital required to make acquisitions that can result in increased market share and new products and services on the revenue side, and then on the cost side, reduced overhead."

Companies targeted by Clairvest earn between $10 million and $100 million per year, which usually means the businesses have achieved a certain level of maturity and stability, but still demonstrate an "entrepreneurial flair."

Finding companies with such a flair is an important and continuing theme for Clairvest. "The company was founded by successful Canadian entrepreneurs, so we have that in our DNA," Feldman noted. "We were founded by entrepreneurs for entrepreneurs."

Green defined an entrepreneurial owner/operator as "someone who is focused on organic growth, creating shareholder value and not just the status quo." He added that "entrepreneurial" means you are "willing to wear a bunch of hats, do what it takes to get it done."

Clairvest looks for an "alignment of interests," including a shared vision for the company's future. "We don't just want to be money for the company to grow; we want to make sure that we both believe in the same growth initiatives for the company," Feldman said.

An alignment of interests also relates to having the same core values, Feldman added. "We believe in passion, working hard, having a lot of experience in the industry and just ensuring that you are making sound decisions," he said.

Offering assistance beyond cash

Clairvest invests between $15 million and $50 million in each portfolio company, depending on the size of the company and its goals and tactics for growth.

"Doubling, or tripling the size of a company, in our view, is a great success," Green said. "We pride ourselves on being realistic in our expectations. We're not just selling pipedreams. We're trying to find that perfect balance between good, aggressive growth, and risk tolerance."

In addition to an influx of cash, Clairvest noted that it brings to the table extensive experience gained through more than 180 acquisitions on behalf of its portfolio companies. "We've realized synergies from strategic acquisitions, grown revenues, expanded market share and ultimately sold those companies for a much higher valuation than we paid, creating value for our partners and Clairvest as well," Feldman said.

In return for an investment, Clairvest reported that it acquires an ownership position ranging from 20 to 80 percent, but it doesn't want to take over the day-to-day operations of a business or make drastic changes in its leadership.

"We don't buy and take control," Feldman said. "We are investing in the current management team. We typically wouldn't make the initial investment in the company if we planned on letting people go."

Instead, Clairvest consults with the management team on growth strategies. "If they are looking to enter new markets, make an acquisition or broaden their employee base because they want to build a new product in their IT group, for example, we can help them analyze these new projects and new markets and come to a point of view on whether or not they should proceed," Feldman said.

If needed, however, Clairvest advisors do not hesitate to roll up their sleeves and "make sure that the actual blocking and tackling gets done to make sure the growth strategy is effective," Green said.

He also pointed out that industries experiencing consolidation – the merging of many smaller companies with singular products and services into larger, more comprehensive solution providers – draw the interest of equity companies who see the return on investment possibilities inherent in helping some of the "best of breed" smaller companies navigate their way through the process and become bigger companies with bigger profits.

Prospects in payments

The payments industry has experienced considerable consolidation already, and Green expects it to continue. "We see the convergence of the traditional merchant acquiring organization with technology-driven service models to create very powerful growth engines going forward," he noted. "And those are the folks who are going to win.

"The opportunity is that there are thousands of these players – some have technology, some have great tactical expertise to their sales organizations – and they are going to need to partner up, whether that is informal, through channel partnerships, more formal through joint ventures or, preferably for Clairvest, to create, through acquisition, payment hubs that can offer multiple services to their customers."

At present, Clairvest has only one payment vendor in its portfolio, a Canadian electronic and print bill presentment and payment company called Kubra Data Transfer.

Since its affiliation with and a CA$13 million investment from Clairvest in 2006, the company has fared well, tripling its size by acquiring two other companies and attracting some high-profile customers, according to Feldman.

"The thesis behind the acquisition was really twofold," Feldman said. "One was cross selling the customers of the acquired companies. The acquired companies were solely focused on print, and Kubra felt they could offer [their customers] the electronic service, and that has gone quite successfully.

"These acquisitions also provided synergies by bringing some of the print business in-house to their current printing facilities."

Mark Visic, Senior Vice President, Business Development at Kubra, acknowledged that Clairvest has been extremely helpful on a strategic level in accomplishing the acquisitions.

In describing Clairvest, he said, "They've been very good partners. They've got confidence and trust in our management team and our leadership, and having partners that are trustworthy is a positive in this space."

Given Kubra's success and the trends Green and Feldman are witnessing in the payments space, they are looking forward to connecting with promising players in the industry.

"We're basically putting together a strategic map of where we see convergence happening in this industry," Green said.

"We have that map underway [so we] can connect those dots and hopefully be an equity sponsor to a leading platform in the space."

UBC first to deliver free POS system

United Bank Card Inc., which is known as one of the ISO community's most innovative companies, has taken the lead once again with the rollout of its free POS system program. UBC said its integrated Harbortouch POS system is the first of its class to be offered at no cost to approved merchants that sign with the company.

"I think it's an industry game changer," said Jared Isaacman, President of UBC. "At some point, it's inevitable that others will follow our lead. We probably have a pretty good head start on the competition just because we got our foot in the front sales system door back in 2007 when we created Harbortouch."

Larger investment, lower attrition

Since 2004, when UBC introduced its free terminal program, the ISO has learned how free POS offers work. "We basically accepted the fact that there's a certain acquisition cost that's reasonable for every merchant, and we have to make it back over time," Isaacman said.

"I think that's just the nature of the recurring revenue business. Naturally, our free POS system is substantially more expensive than anything that's previously been offered, so that means that there's a much longer return on investment."

But the reward is virtually nonexistent attrition, according to Isaacman. "Merchants, when they have a POS system, don't leave over a couple of bucks in savings," he said.

"Their whole business runs around it, and it's also proprietary technology to UBC. Every system is extremely customized right down to the product and inventory that's carried. Yes, it's a high-end solution, but at the same time these are generally higher volume merchants that last much longer than normal credit card accounts."

The system's core package, designed and manufactured by UBC, features a five-wire touch screen POS system with magnetic stripe reader, an Intel central processing unit, UBC's proprietary Lighthouse management and reporting software suite, Harbortouch Hospitality 3.0 or Harbortouch Retail software, a cash drawer, and a thermal printer.

"Everything is entirely turnkey, right down to the on-site installation and training, so there is nothing that they would additionally need," Isaacman said.

He also believes the service level is superior because ISOs can offer more support for a POS system than with a standard terminal. It's functionality makes it an evolving product, with people wanting to "change menu items, redo their menu, change shifts, add employees," he added.

Isaacman also noted that the Harbortouch POS can produce chargeback notifications, deposit information, mode administration, daily backups, live chats and other functions not possible with a standard terminal.

More support for ISOs

"Our same residual program is included with this, and we pay an upfront commission of $300 per system, which is very important because a restaurant could have three or four systems, so that could be a $900 or $1,200 commission," Isaacman said. "It comes with a lifetime warranty. If something breaks, we're going to replace it."

Isaacman noted that, in a pilot test of the new program, a select group of UBC salespeople was able to triple previous sales.

To facilitate the rollout, UBC will offer complementary leads to all active participants involved with the free POS program, as well as online training. ISOs operating in the field can use UBC's POS Sales Center software to demonstrate the product and transmit merchant agreements wirelessly over a laptop or tablet PC.


G093102
9999
CREDIT
SUISSE
10 OUNCES
FINE GOLD
999.9

Is the S1-PayPal partnership cause for ISO concern?

While the new partnership between S1 Corp. and PayPal Inc. doesn't directly affect ISOs, sources contacted about the collaboration believe it is important to stay abreast of PayPal's growth as an alternative to traditional merchant acquiring options.

The S1-PayPal partnership involves person-to-person (P2P) payments for online and mobile banking platforms. S1 integrated PayPal's P2P functionality into the software solutions S1 supplies to credit unions and other financial institutions (FIs). The P2P solution adds a new service that S1 can utilize to attract new FIs, according to Kareem Al-Bassam, Vice President of Payment Services at S1.

"If you're thinking of anything below the top four largest financial institutions in the U.S., most of them will want to leverage a service opposed to establishing their own payment service themselves," he said.

Al-Bassam added that PayPal's service fulfills the primary goal of consumers when they make P2P payments – instant verification that the payment was made. "They want an easy way in which they can execute and receive that money into an account that they already have," he said.

The P2P solution allows consumers to send money via mobile phone or email. Senders log onto bank accounts via computer or mobile phone and input the recipient's phone number or email address to transfer the money.

If the recipient has a PayPal account, the funds are instantly deposited there. If the recipient doesn't have a PayPal account, the individual is prompted to open one.

But, apparently, U.S. residents without PayPal accounts are becoming increasingly scarce. In an August 2010 CardBeat survey, Auriemma Consulting Group found that over 75 percent of survey respondents had PayPal accounts – a 40 percent increase over ACG's 2008 Cardbeat survey results.

Additionally, ACG found that the number of transactions performed using PayPal accounts doubled in two years, with each PayPal user making 21.2 transactions annually in 2010 compared with 10.8 in 2008.

Not a threat – yet

In recent months, PayPal has made a flurry of partnerships. In October 2010, PayPal announced partnerships with VeriFone Inc., Discover Financial Services, Play Span Inc., Bling Nation, Plastic Jungle Inc. and Zuora Inc.

"Anytime PayPal does something, from an ISO's perspective, we've got to be worried because they are a game changer," said Ken Musante, President of Eureka Payments LLC. "So far, however, what we've seen, both on the merchant fronts and on the wireless side, is not necessarily a replacement for what it is that we do."

According to Musante, size is a main difference between the merchants that Eureka Payments services (high-risk and mobile merchants) and those who use PayPal.

Musante estimated that the average PayPal merchant makes only one electronic transaction per day, which makes merchants with larger daily payment volumes less than ideal for PayPal's solutions.

"They do not seem to be an effective competitor because they don't, on the wireless side anyway, have ubiquitous solutions for merchants that are actually on the go and wanting to sell product," Musante said.

"However, we need to be aware of what it is that they're doing and aware of how they're offering their product. From our perspective, we need to provide what they're not."

TSYS adds acquiring heft with full ownership of FNMS

Total System Services Inc. (TSYS), a leading transaction processor, recently completed its quest to own 100 percent of First National Merchant Solutions LLC, the merchant acquiring subsidiary of First National Bank of Omaha. FNMS has been renamed TSYS Merchant Solutions following the deal.

TSYS, based in Columbus, Ga., first entered into a joint venture with FNBO in April 2010, when it acquired a 51-percent controlling interest in FNMS for about $150.5 million. In a transaction that closed Jan. 1, 2011, TSYS purchased the remaining 49 percent stake for $169.6 million.

According to TSYS President and Chief Operating Officer Troy Woods, TSYS sought full control of FNMS from the outset but was content with the initial joint venture.

"We were comfortable with that going in," he said. "It allowed us to be in the majority position. It allowed us to consolidate earnings. And it clearly, contractually, gave us, over a period of time, through several different trigger points, the ability to take on the other 49 percent."

An obvious step

In a media statement, Daniel O'Neill, President of FNBO, said, "We knew from the start of the relationship that TSYS was the right partner to take First National Merchant Solutions to the next level. At the same time, First National recognizes the strategic and capital benefits of completing the next phase of this venture."

The success of the initial joint venture between TSYS and FNBO apparently helped convince the bank to relinquish its minority share.

According to Woods, FNBO was "very happy" with the way TSYS handled the partnership. "Obviously, the last thing they would have done is gotten rid of the other 49 [percent] if they didn't feel comfortable," he said. "Now we have control over the entire acquiring operation of FNMS. It just gives us more visibility and ability to control our own destiny."

Based in Omaha, Neb., FNMS offers transaction processing, merchant support, credit underwriting, risk management and valued-added services, as well as Visa Inc.- and MasterCard Worldwide-branded prepaid cards. It was ranked as the 10th largest merchant acquirer in the United States by dollar volume in 2009 by *The Nilson Report*.

Kurt Strawhecker, co-founder and President of The Strawhecker Group, a consultancy serving the payments industry, applauded the move.

"It was the right buyer for the right seller at the right time," Strawhecker said. "TSYS and First National have been close processing partners for decades, actually, because First National has long used TSYS for their front-end processing. I think there is a common thread in terms of company personality, so I think it was a relatively safe play."

Strawhecker noted that TSYS had followed other leading processors in the move to include merchant acquiring among its services. "I think the headline here is that TSYS is now unambiguously in the merchant business," he said.

"TSYS has, for years, proclaimed that they were very neutral and would not compete with their customers, and now they have certainly joined the other processors, and I think wisely so, and become an acquirer as well as a processor."

A smooth integration

With TSYS' complete ownership of FNMS comes fast tracking of technology integration between the two companies. "The decision about what we are going to do will be accelerated," Woods said. "Because with the older deal, we had a very long-term technology transition agreement with the bank [FNBO], so there was no rush to do it. Now that we own 100 percent of it … there is more of an impetus to go do what you're going to do."

The senior administrative team, including Diana Mehochko, President of FNMS, will remain with the new entity, TSYS Merchant Solutions, according to Woods. "Over the course of time, we'll have to figure out where there might be some synergies and overlaps and work through that, but our general plan is that all of them stay in place, all services remain the same, and it will remain headquartered in Omaha."

Woods declined to say whether TSYS planned to absorb any additional merchant acquirers but acknowledged that mergers and acquisitions, along with organic growth, are part of its strategic plan.

"I don't think you'll see TSYS go do anything from an acquisition standpoint that is afar from our footprint," Woods said. "Anything we're looking to do for the most part, would be augmenting, complementing and expanding the current product and service sector we're already in."

PRC reports data breaches increase in 2010

Statistics from the Privacy Rights Clearinghouse, a nonprofit consumer organization, reveal a total of 181 data breaches were made public in 2010 by financial services, insurance and retail businesses, with approximately 6.4 million records compromised as a result.

The number of reported breaches within these sectors grew from 37 in 2009 to 181 in 2010, although the number of records affected was much higher in 2009 (135.1 million) than in 2010, largely due to the massive data breach reported by Heartland Payment Systems Inc. in 2009.

Of the 181 breaches reported in 2010, 95 were experienced by financial and insurance businesses, affecting a total of 6.3 million records, while the 86 breaches suffered by retail merchants involved only about 58,264 records.

Causes of breaches

In addition to industry classifications, PRC categorizes the breaches according to the cause of data loss, including unintended disclosure, theft by insiders, hacking or malware, payment card fraud, physical loss of equipment, and others.

Compromising the greatest number of records (3.8 million) were 23 breaches stemming from lost, discarded or stolen portable devices (including laptops, personal digital assistants, smart phones, portable memory devices or storage media). For 2010, PRC figures also disclosed 43 hacking and malware attacks affecting 249,320 records and 12 reported cases of payment card fraud impacting 25,244 records.

The data accumulated by PRC does not necessarily reflect the actual scope of the problem. Not every state requires reporting of breaches (although the majority do). In many cases, the data reported is incomplete or is difficult to quantify because the exposure is ongoing. In addition, a single massive loss of data can skew the overall statistics significantly, making spotting trends difficult from one year to the next.

Shifting targets

"We still have structural problems in the industry where reporting is often voluntary, or even if it's not optional, it's sometimes not performed," Tim Cranny, Chief Executive Officer of Panoptic Security Inc., pointed out. "The people trying to put these statistics together and look at trends are looking at blurry information with a lot of the good stuff missing, and only partial visibility and partial insight. So it's dangerous to try and do a simplistic, year-to-year comparison."

Two trends Cranny has observed, based on his tenure in the industry, are the increasing sophistication of hacker attacks and the increase in number of attacks on smaller businesses. The hackers "started off focusing on big players first, and then, as the security industry matures, many of those bigger players are doing a better job of protecting themselves and protecting consumers," he said. "What that means is that there are fewer whales to hunt, but that doesn't mean the bad guys just give up." Smaller merchants are increasingly becoming targets because of their vulnerability, Cranny noted. "The smaller players are often less security conscious, and they don't have the same tools and resources," he said.

"So they are falling behind in terms of their ability to protect themselves. What that means is that there is a trend emerging where the bad guys aren't necessarily trying to get a million records in one fell swoop. They might do that, but they also might try a thousand different places and try to get just a thousand records from each."

Building Partnerships –

One Gateway at a Time.

More and more ISOs are choosing NMI as their trusted gateway to new opportunities. Here's why you should too!

1. Our Focus Is on You.

NMI is in the business of supporting its ISO partners, not competing with them. We are the only payment gateway in the industry that offers a 100% non-compete guarantee. It's simple – we do not board merchant accounts.

2. Build Your Brand, Not Ours.

NMI's transparent branding program allows you to position the gateway as your own. We work behind the scenes so you get the credit you deserve from your merchants.

3. Achieve Higher Residuals and NEW Growth Opportunities.

As an NMI Affiliate Partner, you'll gain exclusive access to our multi-tiered merchant and sub-agent control panel that allows you to build your business portfolio and earn residuals on every merchant you sponsor on the gateway.

4. Have a Deeper Support Network.

You'll find NMI's "whatever it takes" culture and nimble service structure will provide "one-call resolution" to most of your needs. That's why our ISO Partners think we offer the best support in the industry.

5. Your Merchants Will Enjoy the Most Advanced Processing Tools and Security Applications Available.

From our Advanced Transaction Routing Interface™ and patent-pending load balancing system to security tools like iSpyFraud™ and the Customer Vault,™ our products put you and your merchants in control, and more control means greater opportunities.

Choose the Gateway that Opens More Doors!

To learn more about how NMI's products and services can help you grow your business, call or visit our website today.

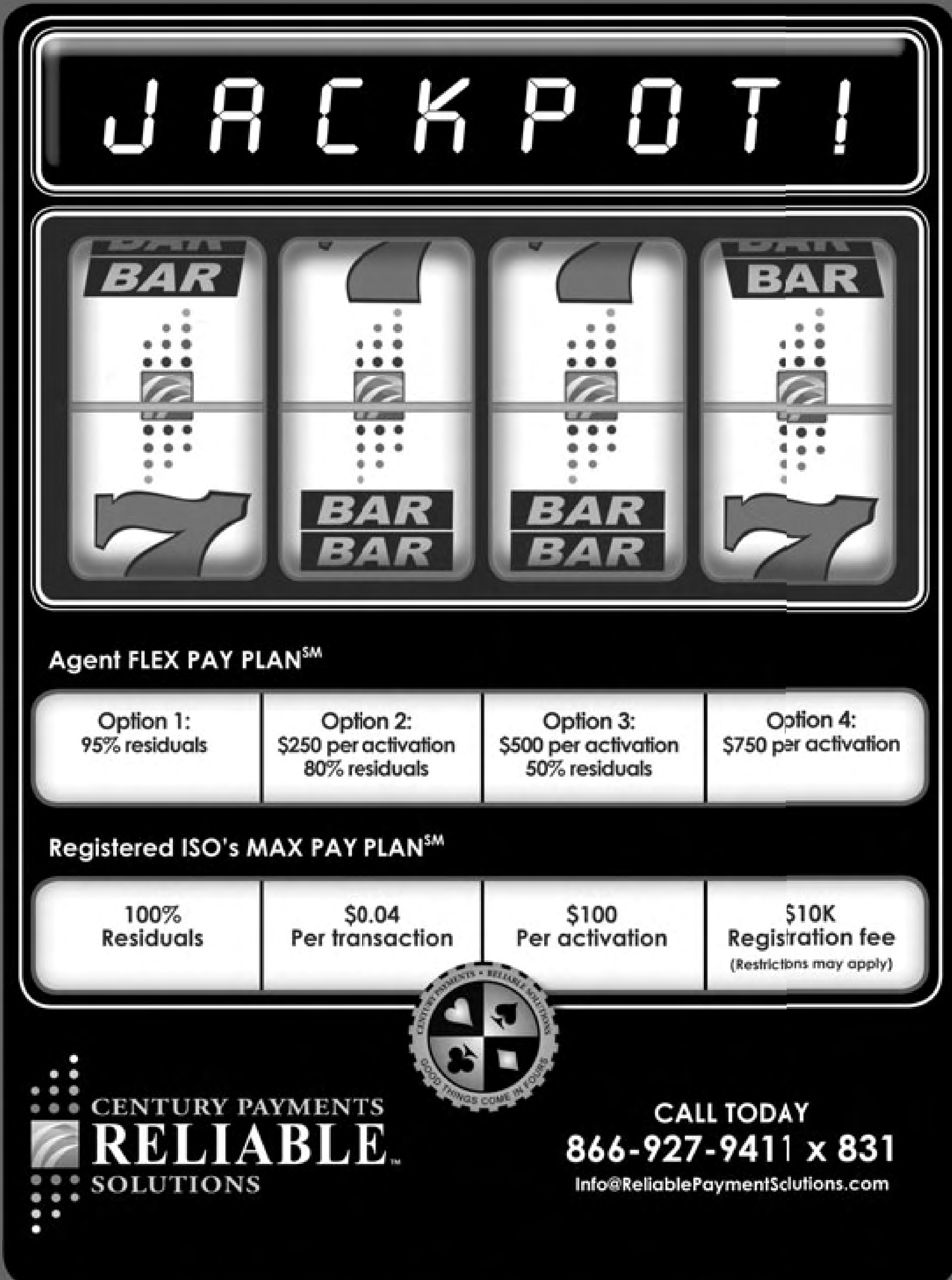
NMI

Network Merchants Inc.
1005 West Wise Road
Schaumburg, Illinois 60193

PH: 847.352.4850
800.617.4850
FX: 888.829.3631

sales@nmi.com

www.nmi.com



JACKPOT!
BAR
BAR
BAR
BAR
BAR
BAR
Agent FLEX PAY PLAN SM
Option 1: 95% residuals
Option 2: $250 per activation 80% residuals
Option 3: $500 per activation 50% residuals
Option 4: $750 per activation
Registered ISO's MAX PAY PLAN SM
100% Residuals
$0.04 Per transaction
$100 Per activation
$10K Registration fee (Restrictions may apply)
CENTURY PAYMENTS • RELIABLE SOLUTIONS
GOOD THINGS COME IN FOURS
CENTURY PAYMENTS
RELIABLE
SOLUTIONS
CALL TODAY
866-927-9411 x 831
Info@ReliablePaymentSolutions.com

Hiring from page 1

is 5 percent above the first quarter 2010. Eleven of the 13 industry sectors reported a positive net employment outlook, which is derived by subtracting the percentage of those who plan to reduce their work forces from the percentage that plan to hire.

Manpower's first quarter projected employment outlook revealed that 14 percent of the respondents plan to add employees, 10 percent expect to cut jobs and 73 percent anticipate no change. "Those numbers aren't as great as we'd like them to be, but at least the trend for the past five quarters has shown positive survey results," Holmes said.

The strongest gains in hiring for the first quarter are expected in leisure and hospitality and in professional and business services. The wholesale and retail trade sector, though down slightly from the previous quarter, has shown steady progress. "The net employment outlook for that sector was 13 percent for the fourth quarter of 2010, and then for the first quarter of 2011 it went down to 10 percent," Holmes said. "Though it went down, it is still high on our list."

According to Holmes, the good news is tempered by the fact that the first quarter outlook remains nearly five percentage points below the average outlook for the past decade. She believes it could take years for the unemployment rate in the United States to return to previous levels of 4 to 5 percent.

Employee job confidence at this point closely mirrors that of most employers. According to *Gallup's Job Creation Index*, the net job market, which measures the difference between the percentage of workers who expect to see layoffs and the percentage who expect hiring to occur, was at 10 percent among the adults interviewed at the beginning of the year.

Over 24 percent of the hiring professionals surveyed in CareerBuilder's annual job forecast said they plan to hire full-time, permanent employees in 2011, up 4 percent from last year. According to the forecast, the greatest demand this year will be in sales, followed by information technology, customer service, engineering and technology.

The recruiter perspective

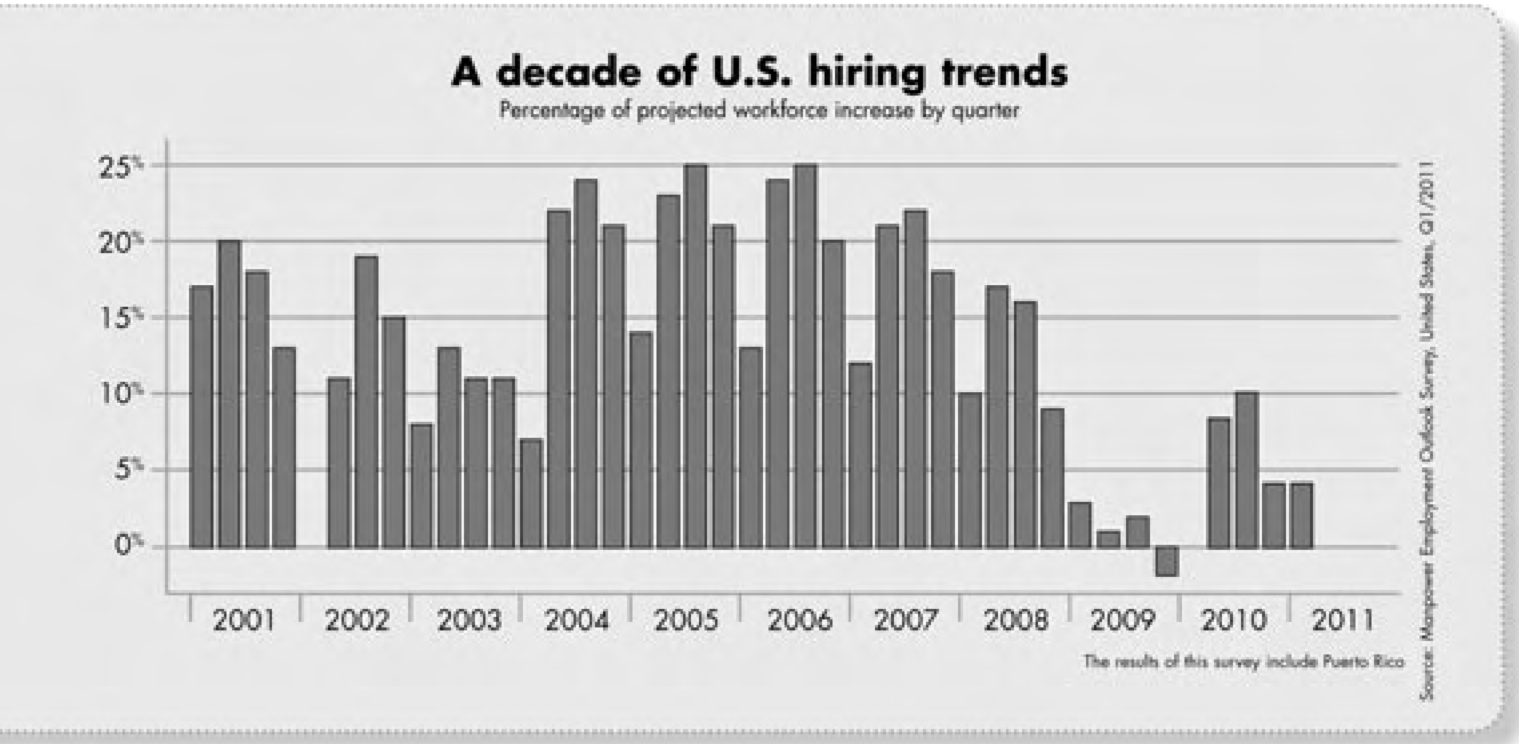
"I just attended a Visa presentation that was very intense on the economic figures," said Cihat Fitzgerald, Managing Partner for Cardgigs, a membership-based online job board for the payments industry. "They stated that by no means is a double-dip recession out of the question, but the chance of it happening is a lot less now than it was six months ago. In the past, our industry was very recession proof, but we're not unscathed by it like we were before."

Curt Hensley, Chief Executive Officer at Impact Payments Recruiting, has seen a reduction in the number of unemployed payment professionals over the past year. "The really good people, where companies folded or were purchased, have landed [jobs] throughout the year. It's more difficult for companies to find good people again, whereas in 2008 and 2009, people were a little bit easier to find.

"I think 2011 is going to be a nice growth year for the payments industry. Nothing explosive, but a nice growth year like 2010 was. I believe we will see the next step, where people more aggressively grow their businesses because they had more success in 2010."

One trend Hensley has observed is that employers are looking for individuals who can sell through multiple channels. "We're getting calls every week from companies wanting a good VAR channel developer or a bank channel developer," he said. "Those affinity partnerships are really key to developing bulk business."

Fitzgerald indicated most of the jobs he's seeing are bankcard-sales related. "In 2010, we saw that ISOs were, for the most part, hiring sales and marketing personnel – business development as well," he said. In a survey of Cardgigs clients, Fitzgerald found that none of his clients foresee major layoffs this year, and hiring of profit-based sales and marketing professionals will continue. Several payment companies surveyed plan to open additional offices this year, he said.



Hensley has also seen more payment companies expressing interest in increasing their market share in undercapitalized markets. Acquisitions and international growth are prime targets for several of Impact's larger clients that contract with Hensley to locate qualified individuals employed by other companies to facilitate corporate hiring initiatives.

In terms of merchant trends, Hensley said, "We're seeing people concentrate on government and utilities because they're more of a low-risk play. On the opposite end, we've seen people trying to expand what they're doing, where they've done very low risk and they're trying to get into a little bit higher risk. I've seen a couple of ISOs that sell to brick-and-mortar merchants expanding into e-commerce, while others are venturing into new vertical markets."

The ISO perspective

Since moving to larger quarters, Michigan-based North American Bancard's ranks have swelled to almost 400, and the company reports that further expansion is underway.

North American Bancard Corporate Recruiter Deb Fonseca said, "Our growth in number of merchants, coupled with our desire to offer industry-leading technology to our sales partners and merchants, have continued to create opportunities to grow our internal development, customer service and technical support teams.

"With two acquisitions in 2010 and more to come hopefully in the future, we are constantly looking for talented IT professionals and others to support the demands of our growing business."

The *2011 Global State of Information Security Survey*, the eighth annual worldwide study conducted by PricewaterhouseCoopers in conjunction with *CIO* and *CSO* magazines, predicts significant job growth in risk management, application security, digital forensics, network security, wireless security and regulatory compliance, all of which are acknowledged to be essential to payments security.

Another trend among ISOs seeking to establish greater market share is branding. "Our brand recognition is something that's very important to our leadership team, so we're doing a tremendous amount of marketing from the inside," Fonseca said. "We've brought it 100 percent in-house at this point for not only North American Bancard, but all of our companies that we've acquired in the last few years have been a huge focus for us."

Considering the current evolution of payments, Fonseca added that flexibility is critical at this stage. Anticipating a surge in mobile payment adoption, NAB took the initiative by forming a strategic partnership with the University of Michigan's School of Engineering, sponsoring a 24-hour "Hackathon," where students were challenged with developing new mobile apps. The company now offers mobile application internships to students engaged in this promising field.

Boston-based Merchant Warehouse has seen significant growth in its agent and value-added-reseller partner channels. "Those are usually bigger companies, restaurants and larger retail brick-and-mortar storefront types of businesses," said Ryan Zdanis, Senior Vice President of Sales at Merchant Warehouse. "Over the last two years, we've grown substantially, and a lot of it has come from bigger affiliates that have sent their business over to us.

"Right now, we're looking to add about 35 internal salespeople on our direct side, which is our in-house internal sales channel. It's a pretty aggressive model in terms of growth for this year." Zdanis expects to see additional hiring of customer service personnel to support the projected influx of new merchants.

Federal initiatives

The federal government has recently enacted measures to spur economic growth, including The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 signed into law on Dec. 17, 2010. It extends the Bush-era tax cuts for two years and provides new incentives for business investment and development.

It also slashes payroll taxes for most employees for one year to encourage consumer spending and further aid economic recovery. Employees will enjoy a 2 percent reduction in their share of the old age, survivors and disability insurance portion (the Social Security portion) of taxes in 2011. Instead of paying 6.2 percent, they now pay 4.2 percent. An individual earning $50,000 this year will realize a one-year payroll tax savings of $2,100.

According to a report published by the U.S. Department of the Treasury's Office of Tax Policy, the cost of capital on new investments under the new legislation will fall from 7.18 percent to 1.68 percent, which the department projects will accelerate $150 billion in tax cuts to 2 million businesses. The legislation provides 100 percent bonus depreciation to shift qualifying business investments into 2010 and 2011.

"Section 179 allows small businesses to count 100 percent of their capital expenditures for the tax year," Fitzgerald of Cardgigs said. "That is going to save companies a lot of tax money and give smaller or midsize businesses an incentive to spend more on hiring and less on taxes. I'm thinking that we will see companies take advantage of that in the coming year."

Still, many experts feel that more needs to be done. The Small Business Jobs Act of 2010 requires that a minimum of 23 percent of the total value of prime government contracts be awarded to small businesses. The American Small Business League calculated that small businesses now receive less than 5 percent, losing out on $100 billion in annual contracts. Sen. Mary Landrieu, D-La, estimated that increasing contracts to small business by just 1 percent would create over 100,000 new jobs.

PROCESSING

VISA

MasterCard

Discover

American Express

Check Cards
PIN debit and credit transactions

PIN-less Debit

Online ACH

PRODUCTS

SecureNet Virtual Terminal™

SecurePOS™
Standalone POS application.

SecureNet Vault™
with tokenization and Account Updater.

SecureNet Mobile™
Wireless terminals and mobile phone apps.

SecurePay™ Online Payment Pages

TouchPay™
Phone POS interface.

AutoBill Recurring Billing

InvoiceNow™
Online invoice presentment.

AGENT BENEFITS

No Application Fees

Same Day Startup

Bonus and Referral Programs

Free Training

Merchant Management System

24/7 Merchant Technical Support

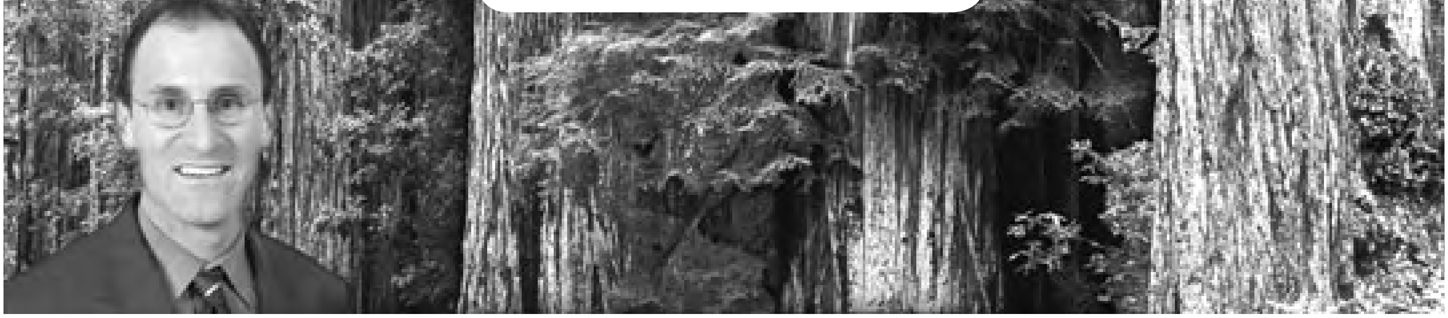
SECURENET
PAYMENT SYSTEMS

Education

StreetSmarts℠

Proudly presented by

Eureka Payments LLC



Will leasing make a comeback? – Part 2

By Ken Musante
Eureka Payments LLC

Editor's note: This is the second article in a two-part series on leasing. The first installment was published in The Green Sheet, *Jan. 10, 2011, issue 11:01:01.*

Let's begin with an excerpt from a section on IRS.gov titled *SBJA and Section 179 Deduction*. It appears to support GS Online MLS Forum member **JPFEYCHE**'s opinion (stated in Part 1 of this series) that a lessee under a capital/finance lease can write off the entire lease amount (up to $500,000 for 2010) in one year instead of depreciating its cost over time:

"A qualifying taxpayer can choose to treat the cost of certain property as an expense and deduct it in the year the property is placed in service instead of depreciating it over several years. This property is frequently referred to as section 179 property.

"The Small Business Jobs Act (SBJA) of 2010 increases the IRC section 179 limitations on expensing of depreciable business assets and expands the definition of qualified property to include certain real property for the 2010 and 2011 tax years.

"Under SBJA, qualifying businesses can now expense up to $500,000 of section 179 property for tax years beginning in 2010 and 2011."

MARINESTABAN suggested also taking into consideration "the lost opportunity factor whereas the merchant can use the money they pay upfront to invest in other aspects of his business. Also, including other products with the terminal such as gift cards … will increase the value of it. Most of my merchants that are CPAs go for the lease option.

Education index

"Last, most of the leases I do involve multiple terminals and more complex setup; therefore the tickets get pricey. There is a place for leasing; you just need to find it."

GMARTIN interjected this view: "Payment consultant: what's best for the merchant while earning a fair profit. Pure salesman: whatever earns the most profit regardless of what is best for the merchant. One model usually gains trust and long-term revenue, while the other gains instant gratification but risks the long-term revenue a merchant can provide."

BER provided a comparison of leasing versus buying. We know merchants may opt for different tax treatments, but at least we can see how MLSs might pitch leases to merchants. **BER** wrote, "As the market moves more toward POS and integrated solutions, I think leasing will grow stronger." He then offered illustrative examples, as well as commentary, which are included in the sidebar accompanying this article.

BER is not a tax professional and did not claim to be offering tax advice. "I talked to my CPA, two of his CPA buds and a corporate accountant friend of mine," he said. "All four let me know it is vague as to the specifics as if credit card terminals meet the 179 eligibility requirements and as to whether the terminal would be eligible.

Why lease?

This information on buying versus leasing terminals was posted by forum member **BER** in the "Street Smarts Article – Will Leasing Make a Comeback?" thread on GS Online's MLS Forum.

Example 1: Merchant buys terminal for $350

- Merchant now has $350 less cash for business expenses, inventory, labor, expansion.
- Let's assume the useful life of the terminal is 5 years.
- At a salvage value of zero (meaning the terminal is useless at the end of 5 years and carries no value) the merchant can write off $70/year ($350/5 years, using straight line depreciation).
- At a salvage value of $50, the merchant can write off $60/year for 5 years ($350-$50/5years).
- If the merchant waits 5 years to replace terminal, they can take full advantage of the depreciation.
- If merchant replaces before 5 years, merchant does not take full advantage of depreciation.

Example 2: Merchant leases terminal for $13/mo for 36 months

(I came to $13/mo by assuming that the terminal in the above example has a cost of $250 and a profit of $100, then figuring a funding rate of 75 percent of total payments. So working backwards ... $350/.75 = $466.66 for the total payment to get $100 in profit; then divide the total payments by 36 months, the term of lease; $466.66/36 = $12.96, rounded to $13.)

- Merchant can write off the total of the lease payments each year, or $156/year each year for all three years ($13 x 12 mos).
- Each year, the merchant writes off their exact cost of the lease that year, what they actually spent, no waiting for the depreciation to equal their initial expense on the terminal.

So why would a merchant lease?

- One of my business professors always said, 'If you can use someone else's money, do it' ... in regards to the cost of your own capital. The same applies here in the lease situation. Like I stated before, if a merchant spends an initial investment of $350, he will have less money for business expenses, expansion, materials and labor.
- The math works out the same, after tax deductions, for a lease versus an outright purchase:
  - + $350 written off in 5 years, if you assume $0 salvage ($70/yr)
  - + $468 written off in 3 years if leasing ($156/yr)
- The benefit here is that a merchant can get a new terminal every three years with the same after tax cost.
- Also, some leases cover if the terminal gets broken, defective, etc. That is a direct advantage of purchasing.
- When a merchant spends on a lease, they write off the same amount they spent that year, as opposed to depreciating the terminal over 5 years in the situation of a purchase, where a merchant would spend $350 the first year and write of $70.

"Also depreciation can be done on a terminal using straight line or MACRS [the modified accelerated cost recovery system]. All four confirmed that it is definite that all lease payments for terminals can be written off each year, effectively zeroing out versus a depreciated piece of equipment/cc term. All four said they'd urge their clients to lease just to make sure to be able to get a full deduction. As well, all understood and agreed that leasing was a better option, if not just for deductions but for getting new equipment sooner."

BER went on to state, "So what about when a merchant leases a terminal for more than what it's worth? Guess what? They can still write off the total of the lease payment and in the end have the same result. So let's say the same merchant leases that same terminal for $19/mo now ... or even $29/mo. While they may have less money per month as a result of the higher lease payment, at the end of the year, the math will equal out ... $13/mo or $29/mo as they can write either off completely. Now, who can explain this to a merchant, build the value and consummate the sale with a $15 x 36 lease? … That's a different story."

BER believes that even competing against the free terminal flyers, postcards and cold calls, leasing is not dead. "We can all agree that getting a merchant with FTP (free terminal program) to switch to a lease is not a likely or easy switch," he said. "But to build value and sell a lease to a brand new merchant [is] not as difficult, especially if you have a referral relationship pushing you the leads.

"I have commercial real estate referral relationships sending me new merchants, relocating merchants and expanding merchants. In order to make it worth it on a new merchant, I lease terminals whenever I can and utilize a program from one of my ISOs with a bigger split and no upfront. Of course this doesn't always work, but I always explain the option to the merchant first. If they would rather purchase, I don't fight it.

"Now if they want FTP, I explain the program as not ever really being free, just moving around of fees charged to make up for the cost of the terminal. At the point they decide on FTP, I decide whether or not a new merchant is worth it, or if they fit what I am looking for in a merchant for my portfolio.

"I can say that I quite frequently walk from FTP for new merchants. I am no longer looking to just add any old merchant; I look at it more like adding an investment to my portfolio ... but instead of deciding if to invest my money like in the stock market, I decide whether to invest my time."

Obviously divergent views on leasing exist, and, as **MTY MSI** reminded us, "profit" is not a dirty word. "So it is agreed that profit is not allowed under the 'Jo Momma' rule (yet to be enacted)," **MTY MSI** posted. "An ISO/MLS should not consider equipment lease as a profit center. We should instead be merchant advocates profiting on reduced margins. Last time I checked the literal IRS distinction between a 'for profit' and a 'nonprofit' entity was profit, aka taxable profit.

"Simple math reveals, for a small volume merchant, you've profited exponentially from an equipment lease. Are you ripping the merchant off? Depends – not if you're assisting with PCI DSS compliance and replacing equipment as necessary. All depends on merchant volume; you price accordingly."

Since it was a post by **MAKETELINC** that gave me the idea to discuss leasing here, I thought it appropriate to end with his perspective. He said it was actual experience that spurred him to speak out. "One of my accounts got taken by another guy, who somehow got the merchant supermarket rates on a [farmers] market," he wrote. "He had a greater markup than I did and a bunch of hidden fees, but hung around a few days pretending to go through all the statements and claiming to be saving the merchant a few hundred dollars a month (we all know that never happened).

"After spending a couple of days (not the busy days) in the store, he became a friend, and they couldn't say no. He then explained to them (not the truth) that he was giving them such a good deal where he got nothing for himself (as if). 'I have better equipment than yours – VeriFone 570s at $59.99 a month (four years); after all, you are saving a lot more than that on the processing, so let me make money somewhere,' [he said]. The lease was signed, the terminals installed. … The agent has never been seen since.

"I learned two lessons: one always add an early termination fee … the other lesson was that you could offer the merchant a better rate on condition that they … lease, and explain to them that you get better money from the lease … the rates will be low enough that almost no one could beat them. You get upfront money, and a locked-in lease psychologically binds the merchant… I have acted on my first lesson, but not the second. That was why I posted the original post, to see if anyone would feel that way."

To view the latest comments on this topic, visit the "Street Smarts Article – Will Leasing Make a Comeback?" thread on GS Online's MLS Forum. Thanks to all contributors.

And remember, when in doubt, sell something.

Ken Musante is President of Eureka Payments LLC. Contact him by phone at 707-476-0573 or by email at kenm@eurekapayments.com. For more information, visit www.eurekapayments.com.

Fraud: What to expect in 2011

By Nicholas Cucci

Network Merchants Inc.

Fraud losses cost the financial and retail industries over $250 billion annually. Every year, these losses grow as cybercrimes become more sophisticated. The key for banking and payment professionals is to know the top fraud trends and how to respond to them.

Here are some of the fraud trends expected in the payments industry during 2011:

Card skimming

It entails placing skimmer devices directly over the slots where customers swipe their bankcards to get cash from ATMs. Skimmers read and store sensitive personal information kept on the cards' magnetic strips. Skimmer devices are so small authorities have difficulty finding them.

Skimming has been around since the early 1990s and can be directly traced to a fraud ring in Europe. This trend will be ongoing; however, most countries are in the process of implementing the Europay/Mastercard/Visa (EMV) chip standard. Rather than using magnetic strips, EMV cards employ an embedded microchip for data storage.

According to First Data Corp., as countries have converted to EMV chip technology, fraudsters have thus far stumbled when it comes to finding an effective skimming technique. As a result, the new trend overseas is "card-trapping."

Card trapping

Card trapping relies on a device placed on the ATM that will trap the card. Thus, once a customer puts his or her card in the ATM, the card will not come back out. The fraudster, posing as a helpful stranger, suggests the customer enter his or her PIN again, and the fraudster "shoulder surfs" as the customer does so.

Once the PIN is entered and the card does not come out, the customer then enters the bank to notify a teller. Meanwhile, the fraudster needs only a few seconds to pop the card out of the trapper and leave with the customer's stolen account information.

Malware attacks

Malware, short for malicious software, gains access to and damages a victim's computer without the victim's knowledge. In 2009 the frequency of this type of attack was 10 times greater than in 2008. Most malware attacks today are designed for financial gain. The malware escapes detection while collecting and transmitting sensitive data such as the user's bank account information, passwords and bankcard details.

Hackers and fraudsters create new malware daily, exploiting new vulnerabilities before they can be detected and fixed. Keeping up to date on your virus protection gives you the upper hand because vulnerabilities are usually found in older or out-of-date virus definitions.

Javelin Strategy & Research suggests malware attacks will increase by about 15 percent in 2011.

Phishing, SMSishing and whaling

Pretending to be trustworthy entities like banks or credit card companies, phishers send emails and instant messages prompting users to send sensitive information to confirm they are the actual owner of specified accounts. Phishers even send text messages now (SMSishing).

Whaling in the fraud world is when high-worth accounts are targeted. Usually this is through social networking sites such as LinkedIn and Facebook. They target profiles with certain descriptors such as vice president, chief executive officer, chief financial officer, etc.

Google was hacked in 2010 via a PDF file sent to executives that, once opened, caused vulnerability on each user's computer so hackers in China could grab information.

According to media reports at the time, it is believed the hack stemmed from the Chinese government or was at least approved by it; however, Google cannot prove to a 100 percent certainty the Chinese government's involvement. Phishing can happen to anyone; the key is to be vigilant and never respond to or open unfamiliar files from unfamiliar sources.

The popularity of social media is helping make advanced phishing methods even easier, given the availability of personal information on publicly viewable profiles.

Here are some statistics on the growth of social media:

- Fifty percent of YouTube's 300 million users visit the site at least once a week; it's the second largest search engine on the web.
- One in five Americans aged 18 to 35 use Twitter.
- Twitter has 75,000,000 users; 300,000 new members sign up every day.
- Facebook users share 3.5 billion pieces of content every week.
- Sixty-five million Facebook users access their accounts through mobile phones.

- Fifty-one percent of Americans now have smart phones.

With social media becoming more prominent, the threat of phishing will continue to rise. All information posted on profiles becomes public information, including cell phone numbers, email addresses and even personal addresses. What's scary is now people even have access to photos online of what a person may look like. I highly recommend that anyone with a Facebook, LinkedIn, YouTube or other social media account keep private information private.

Money laundering

Most people never have to worry about having too much cash on hand. But after either selling stolen data or cashing out from using stolen data, criminals don't want to raise suspicions by having too much money in bank accounts or risk keeping it "under the mattress."

As with most other criminal organizations, fraudsters rely on a range of money-laundering tactics to hide their money. Unique to the fraud underground is the use of money mules to transfer money into foreign bank accounts.

Criminals also increasingly launder money through otherwise-legitimate online enterprises, as well as by investing in large-scale brick-and-mortar enterprises to hide their ill-gotten gains. Examples include buying restaurants or developing real estate.

Watch for more fraudulent merchant accounts to pop up during 2011. With more information readily available from social media, once a card or identity has been compromised, the fraudster will absolutely look to open a fake merchant account to funnel funds through.

Geotagging the location of transactions should help differentiate legitimate transactions from fraudulent ones. For example, a dry cleaner's merchant account should not have transactions from overseas. All transactions should come from within the store for the services rendered.

With 2011 now here, we must work together to reduce fraud worldwide.

Nicholas Cucci is the Director of Marketing for Network Merchants Inc. He is a graduate of Benedictine University and a licensed Certified Fraud Examiner. Prior to joining NMI, he worked in the payment processing division for a Fortune 500 company and has advised several large retailers on credit card fraud protection, screening and risk assessment. Nicholas can be reached at ncucci@nmi.com *or 800-617-4850.*

Experts weigh in on social media marketing – Part 2

By Bill Pirtle
MPCT Publishing Co.

Editor's note: This the second in a two-part series featuring expert perspectives on how to use social media for marketing. For the first article in this series, please see "Experts weigh in on social media – Part 1," The Green Sheet, Dec. 27, 2010, issue 10:12:02.

In the first article of this series, a select panel of social media experts addressed several issues pertaining to social media.

Topics discussed were the purpose of social media, how social media can complement an overall marketing plan, how to measure the results of a social media campaign, whether it is wise to accept connections from anyone or restrict them to close friends, what distinct approaches work for various types of clients, and which social media platform deserves the highest recommendation.

The panel who generously offered informed opinions and advice included the following:

- **Terry Bean**, *www.yourcno.com*
  Author, speaker, networking expert
- **Corey Perlman**, *http://theebootcamp.com*
  Author of *eBoot Camp* and national speaker
- **Tom Daly**, *www.bestfitsolutions.com*
  Marketing expert
- **Al Crawford**
  Regional Manager for Local Business Network
- **Sandra Maurer**, *www.maurermarketingminutes.com*
  Freelance writer, speaker, public relations professional
- **Michael Angelo Caruso**, *www.michaelangelocaruso.com*
  Communications expert, author, national speaker
- **Timothy A. Dunn**, *www.youtube.com/timothyadunn*
  Vice President, Agent Bank Business Development for Fifth Third Processing Solutions LLC; credit card processing speaker
- **Jada Brazell**, *http://fapsmarketing.blogspot.com*
  Manager, Corporate Social Media Strategies, First American Payment Systems LP

The conversation continues

Now for the rest of the questions:

Q. What is the best approach for beginners? Do you recommend one platform or all five: websites, blogs, Facebook, LinkedIn and Twitter?

"Start with a personal page on Facebook and make all your mistakes there," Michael Angelo Caruso recommended. "Push the envelope.

"Go to the Help Center and keep clicking on links to get the nickel tour. You're not doing it right if you don't get slapped by the Facebook police once in a while."

Terry Bean said, "Again, that depends on what you're trying to do. Most people will find benefit and value on Facebook unless they get sucked into the games and shenanigans. The key is to have a focus and a purpose for being on social media [sites] in the first place."

"Limit your time on each; otherwise it will consume your life and you will lose sight of your real business," Timothy Dunn advised. "If more than two hours a day are being spent on social media, it is time to outsource."

"The service provider must have a comprehensive view of how social media works and a copywriter's ability to condense meaning into few words (while promoting)."

Tom Daly, marketing expert

Q. What is involved in setting up and maintaining a social media plan?

"[T]here is – or should be – a great deal of time invested," Jada Brazell said. "First, the marketing department should agree upon a social networking goal. All strategies and efforts going forward should work toward that goal. … The maintenance is not as time consuming, but it does require consistency. There are tools designed to consolidate efforts, like HootSuite, which can make updating accounts quick and easy."

Tom Daly recommended two to three hours a day for several weeks as appropriate for serious work. "Much of that time would be used to gain an understanding of how social media can help a business," he said.

"After that, time should be allocated on an ROI basis. Some social media tracking software would be essential. Depending how serious the effort, the software could cost hundreds or thousands of dollars."

Bean emphasized knowing your audience. "Figure out what you want them to know and where they are going to find the information," Bean said. "You can run an effective social media campaign in as little as 15 minutes a day.

What you need is to talk to social media pros who can help you put your program on quasi auto pilot. Only focus on things that are relevant to you and your business. This will save you tons of time and energy."

Dunn suggested taking two weeks to collect information before diving into any platform. "Go slow," he said. "But do it properly; add a new platform every week or so until you get to your objective. And if you find you do not have the time, outsource it. But … you have to stay on top of your message."

Q. Should I hire a service to set up and maintain profiles and campaigns? If yes, what should I look for in service providers?

"If your company has the resources to do this and do it effectively, then no one is better equipped to communicate on behalf of your company than you," Corey Perlman said.

Dunn advised looking for proven, scalable services first unless you know someone you trust. "Handing over your reputation is dangerous unless you know how it will be handled," he said. "Start with something like Hubspot."

"If you are serious, absolutely hire a service," Daly said. "The service provider must have a comprehensive view of how social media works and a copywriter's ability to condense meaning into few words (while promoting)."

Caruso recommended hiring someone on a month-to-month retainer to teach you the best Internet practices. "Selling on Facebook is really a small slice of the Internet marketing pie," he said. "The whole idea is to drive traffic to your primary website, and most people need help or at least ideas to improve the efficiency of that activity."

Q. How important is maintaining privacy versus sharing connections on social media?

"I do not share my LinkedIn connections," Sandra

Maurer said. "A large portion of my connections are private investors, venture capitalists and other elite contacts that I developed over 20-plus years networking. Vital to my business, they are my 'secret weapons.' If my competitors or clients were able to access that information, and could contact them directly, I would lose my edge."

"The money is in your list," Dunn said. "You need to build a list from day one. But keep that to yourself and never ever share it, ever!"

But Bean believes privacy is "moderately important and you definitely need to make your contact information available. Too often people find someone they're looking to do business with on a social media site but can't easily find their contact info…another wasted opportunity."

"If you are using social media for professional reasons, you should absolutely make your information available to other contacts," Brazell said. "You can always send confidential information privately to your connections and simply ensure that your public updates contain information that anyone, including your competitors, could view elsewhere. … Keeping your account public allows greater opportunity for prospects to see and connect with you online."

Al Crawford will terminate a connection if he finds a new connection has blocked his or her contacts from view. Blocking contacts annoys me, this article's author, because my list is open.

However, I do understand the rationale. If you are using LinkedIn to expand your network, leave your list open. If you are using it for customer contacts or desire to limit exposure to valued contacts, leave it blocked. The option is yours. But remember that you may lose some contacts because of it.

Q. Do you recommend any other form of social media? If so, why?

"Other forms of social media can give you the competitive advantage you need," Brazell said. "If you deal directly with consumers, for example, you might provide them the convenience of exchanging information easily via text or phone apps. Take a deep look into the cost and benefit of these tools for your company before using them, to make sure you will get your return on investment."

Dunn recommended spending the first six months to master the "big five" and then making the move to mobile payments. "The mobile payments and integration [market] is five times the size of the entire web," he said. "Mobile consumers are 24 percent more likely to buy when targeted properly. And right now there is very little competition. There are three things that most people keep close at hand almost 24 hours a day: keys, wallet and cell phone. Mobile is the future."

"It depends on your market," Bean said. "If you're going to engage people ages 13 to 28, you had better be texting them. If you're dealing strictly with businesspeople, you may want to look at Plaxo. The key is to go to where your clients are. You also need to find industry-specific private social networks and engage there. Ning.com and Groupsites.com host many of these."

Q. What else is important to a conversation on social media?

"Regardless of what you use, make sure that once a day you are educating people on what you do for a living," Crawford advised. "One post a day needs to be something that can make you money."

Bean emphasized the importance of return on investment. "My friend Dennis Fassett has the best quote on this ever: 'It ROIs or it dies.' If you're doing social media without a way to make money from it, you are wasting valuable time and resources. If you don't know how social media can make you money, talk to a pro."

Try it out

So, is it worth it to the average merchant level salesperson or ISO to give social media a try? Definitely. **KLINCKPHILLIP** wrote on GS Online's MLS Forum that on Facebook he has over 700 friends, and it so far has led to three deals and a cash advance. That is a very good start.

There are many benefits to a properly administered social media campaign. What's more, you can spread the word about your service at little to no cost. Using LinkedIn's groups and questions and answers, you can give people information to help their businesses without the appearance of selling to them.

Once people in your network trust you, they are most likely to approach you. The easiest sales to close are from people who are looking for your services and recognize you as an expert in your field. Success is yours to define. Get started.

The panel members and I welcome all requests for contacts and connections.

Bill Pirtle is the President of MPCT Publishing Co. and author of Navigating Through the Risks of Credit Card Processing. *He is also a merchant level salesperson for Clearent LLC, Electronic Payments Inc. and Electronic Merchant Systems Inc. Bill's website is* www.creditcardprocessingbook.com, *and his email address is* billpirtle@yahoo.com. *He welcomes all connections on Facebook and LinkedIn.*

Legal ease

ISO legal setup steps

By Adam Atlas
Attorney at Law

So, what is required to properly set up an ISO? The purpose of this article is to provide payment professionals who want to establish their own ISOs with general suggestions regarding what an ISO needs to operate – from a legal perspective.

I will discuss name selection, corporate identity and certain necessary agreements.

Business name

A number of limitations bear upon the kind of name a new ISO may use. For starters, Visa Inc. and MasterCard Worldwide rules prohibit the use of any name that is not registered with them through one of their member banks. In addition, the business name you choose should not already be taken in the jurisdiction where you wish to use it.

It's also important to discuss name selection with the acquirer accepting your merchants' transactions. For example, if your acquiring bank has one or more ISOs already using the name you have in mind, you might not be permitted to use it.

But even if the acquirer allows you to use such a name, consider using a different one so your new business will not be confused with other ISOs.

Once you've decided upon a name, purchase relevant URLs, and consider whether a federal trademark registration for the name you select is worthwhile. You can carry out a rough search of registered trademarks at *www.uspto.gov*. The site also provides a good portal for finding out what names have already been used.

Corporate structure

It is recommended that an ISO operate under a corporate structure registered with a state's bureau of corporations, rather than as a sole-proprietorship or under a simple business name.

The main purpose in creating an incorporated entity is to limit the personal liability of the owner of the ISO from mistakes or unintentional wrongdoing in his business relationships.

For example, when the owner of an incorporated ISO signs an ISO agreement that does not include a personal guarantee, the individual owner of the ISO will not be liable for most of the liabilities that accrue to the ISO under the agreement.

Individuals may not, however, shield themselves from liability for fraud perpetrated by their corporations. Other circumstances, such as unpaid taxes and other matters, will also "pierce the corporate veil" or subject shareholders to liability for a company's illegal or reckless actions.

However, liabilities are far less likely to impinge on corporate shareholders than on business owners who choose, for example, to operate ISOs as sole proprietors.

After deciding to incorporate, an ISO must decide which state jurisdiction to use for incorporation and what type of company to incorporate. The choice of state and type of corporation should be made in consultation with an accountant and local business legal counsel.

Many businesses use Delaware because of its extensive experience in creating and adjudicating over companies. Be aware, however, that the jurisdiction used for incorporation of a new company is not necessarily the same jurisdiction that will govern the operation of the company or its agreements.

For example, a new ISO in Arizona could incorporate a Delaware company through which to operate its business. But the ISO's local operational issues, such as employment and local agent agreements, will be subject to Arizona state law and, if it has an agreement with a Georgia acquirer, for example, its acquiring relationship will likely be governed by Georgia law.

ISO agreement

The ISO agreement delineates the main acquiring relationship of the ISO and can be made with a processor and bank or with a larger ISO that wishes to retain sub-ISOs. You may elect to have one, two or more of these agreements, depending on the particular needs of your new ISO and the markets you plan to target.

The ISO agreement is probably the most important agreement in your business because the revenue that you expect to earn under it will rely on the wording used in your agreement. In previous articles, I have discussed the specific provisions in this type of agreement that warrant particular attention. And I will continue to address such provisions in this column.

Employment agreement

If you intend to have a salaried staff, you should retain

those individuals under written agreements that protect both parties. Note that someone who is paid under a 1099 is not, because of that fact alone, an independent agent. In the eyes of your local department of labor, a whole suite of factors will determine whether someone will be deemed an employee or an independent agent.

The most important of these factors (but not the only one) is the degree of control you have over the individual. If someone comes to your premises and you tell him what to do all day, more or less, chances are he or she will be considered an employee.

Here is a list of criteria to consider when trying to figure out whether someone is an employee or an independent contractor (although this is not an exhaustive list): *www.irs.gov/businesses/small/article/0,,id=99921,00.html.*

Agent agreement

Visa and MasterCard rules require you to use written agreements when retaining agents to assist in soliciting for your acquirer. There are specific legal requirements that should be part of the agreements, as well as elements dictated by common sense, such as nonsolicitation obligations preventing your agents from taking away the business that they bring to you.

Referral agreement

ISOs receive business from sources other than agents. Local associations, banks and other business contacts are often willing to refer leads to a new ISO but will not want to take on the responsibilities associated with serving as an agent.

These less-involved sources are sometimes referred to as referral sources. The differences between an agent and a referral source might seem subtle, but you should use a different type of agreement with each.

The documents mentioned herein are not the only ones you will need, but they are essential. When creating your ISO, devote time to finding the right forms for these documents. A number of ISOs suffered disappointing outcomes because they failed to put in place the right legal structure and documentation. Don't let it happen to you.

In publishing The Green Sheet, *neither the author nor the publisher is engaged in rendering legal, accounting or other professional services. If you require legal advice or other expert assistance, seek the services of a competent professional. For further information on this article, email Adam Atlas, Attorney at Law, at* atlas@adamatlas.com *or call him at 514-842-0886.*

Surprising growth in global e-commerce

By Caroline Hometh
RocketPay LLC

In spite of the economic downturn experienced worldwide, online spending is proving quite resilient in many global markets. In 2010 we saw expansion in several markets, as tentative confidence in the world economy returned.

Following is a list of some of the most interesting growth indicators in global e-commerce transactions:

Worldwide online shopping trends

- Slovakia online shopping has grown nearly 25 percent year over year, 2009 to 2010. But consumers still prefer to arrange payment upon delivery. Source: Slovak Association of Electronic Commerce
- U.K. shoppers increased their online purchases 17 percent in 2010 over 2009. Source: Interactive Media in Retail Group
- In a study commissioned by Google Inc., Boston Consulting Group found that in 2009, the Internet was worth $139 billion (£100 billion) to the United Kingdom; online buying by U.K. consumers accounted for $69 billion (£50 billion) in 2009.
- Korean online shopping continues with 20 percent year-over-year growth, 2009 to 2010. Source: Statistics Korea
- According to research by the e-commerce lab of the Athens Economics University, Greeks are heavy Internet users, with 37 percent claiming they surf the web more than 30 hours a week. Their purchasing increased 75 percent year over year, 2009 to 2010.
- The China e-Business Research Center has not released its full-year 2010 analysis, but it did report the nation's e-commerce rose 60 percent in the first half of 2010 to $339 billion, which is 2.25 trillion Chinese yuan.
- In the Oceana/Australia region, 61.3 percent of the population are now Internet users and shop online. Source: World Internet Usage Statistics
- The Middle East region experienced a whopping 1,825 percent Internet-purchasing growth over the last 10 years, with 29.8 percent of its population online. Source: World Internet Usage Statistics
- MasterCard Worldwide's *SpendingPulse Report 2010* revealed that online sales rose 15.4 percent to $36.4 billion during the holiday season 2010; the biggest increase was in apparel sales.

Ways to cash in online

The good news is there is significant revenue to be made from helping the merchants in your portfolio reach these online consumers. Here are two tips:

- The easiest way to start is to enable your merchants to offer consumers the ability to shop and purchase in the currency of their own choosing. This can be accomplished through merchant accounts denominated in multiple currencies.
- Then remind your merchants they should research the cultural differences of their markets and design their websites accordingly.

Caroline (Carrie) Hometh is the Executive Vice President Sales for RocketPay LLC. She can be reached via email at chometh@rocket-pay.com, *via office phone at 978.255.3109, via wireless at 978.807.5047 and via direct at 978.462.3459, via the web at* www.rocket-pay.com, *via Facebook at* www.facebook.com/pages/RocketPay/142009625847128, *via LinkedIn at* www.linkedin.com/company/rocketpay-llc. *She regularly tweets at:* http://twitter.com/rocketpay.

NewProduct

Payments on the fly

Product: wCharge

Company: Transaction Wireless

When Transaction Wireless designed its mobile POS application wCharge, the company had in mind on-the-go businesses that want to be able to accept payments anywhere, anytime. The company believes wCharge fits the bill and has broad appeal among many types of businesses with personnel operating in the field.

One sector drawn to wCharge is "really a lot of the small mobile merchants," said Steve King, Marketing Director for Transaction Wireless. "That can include a church holiday fundraiser, someone who's fixing a leaky pipe, somebody doing traveling fairs, all the way to companies who have individual sales reps out there with their mobile phones doing a service or selling a product via mobile as part of an enterprise."

King said he is seeing strong interest from midsize and enterprise-class businesses managing multiple mobile phones under a single-user account. He said the application allows larger merchants to set up subaccounts where field agents can log in to run transactions, which are automatically sent to the merchant's master account through a secure gateway.

Scalable and easy to manage

"It scales pretty easily for a lot of these companies that have field agents out there, where they can all run their transactions, and they can put in the description field who the agent was, so they have a clear record of who ran the transaction, when it was run and the amount, without having to release sensitive information to their agents," King said.

Depending on where the application is downloaded, wCharge gives most merchants the option to suspend payments. "For example, if they have tradeshows, they have the option to turn on the application, and they can use the application for that month or two months for their busy times," said Sam Nazi, wCharge Product Manager. "If it's their slow time, they can elect to suspend their payments."

While the company charges a monthly fee for its on-demand application, no setup, processing or termination fees are required. Once a merchant becomes a registered user, the application can generally be activated or terminated at any time without penalty, the company said.

Features of wCharge include:

- Processes credit cards via an integrated payment gateway
- Allows for consolidated merchant accounts
- Optimizes equipment costs, no additional equipment required
- Requires no setup or termination fees
- Offers white-label and integrated reseller programs

Quick deployment, secure features

To begin processing credit cards, merchants follow three easy steps. The first is to sign up on the company's website. Once signup is complete, merchants can either register with their selected gateway or choose PayPal Inc., Authorize.net, or E-Online Data. The final step involves downloading the application to the merchant's existing mobile device.

Transaction Wireless reported that processing payments is equally simple. "It requires merchants to key in the customer's credit card information on the mobile device," Nazi said. "Once the information is keyed in, they submit it to their chosen gateway for processing. The gateway validates the credit card information, and if it's valid, will place the funds into the merchant's gateway account and return back an approved message, along with the authorization number as well."

The application also permits users to send electronic receipts to the purchaser's mobile phone or email address. It can store up to 200 transaction codes for tracking and refund purposes. According to King, all credit card activity is encrypted on a secure sockets layer, and it instantly removes sensitive data from the mobile device to help merchants with both Payment Card Industry and Payment Application Data Security Standard compliance.

For ISOs, wCharge offers two sales programs. "We have an authorized reseller program, which ISOs can basically white label as their own," King said. "We also have an integrated version, where the application can be embedded into larger enterprise-class solutions."

Transaction Wireless

888-458-3988
www.wcharge.com

Inspiration

WaterCoolerWisdom: **Good manners are made up of petty sacrifices.**
– Ralph Waldo Emerson

Navigating with grace through the electronic world

The advent of email and social networks has changed many of our communication habits – and not always for the better. Long gone are the days of writing eloquent personal letters that are considered charming even when imparting unpleasant news. Today, we can get so caught up in the instant nature of our culture that we even forget basic manners.

Follow these tips to ensure that you do not inadvertently hinder yourself or others while doing business in the electronic world.

Tips to the wise

- **Email:** Email can be an impersonal form of communication. Recipients may read emotions and implications into email messages that the senders never intended to convey. If you are questioning the meaning of a particular message, instead of jumping to conclusions, politely ask the person who sent it to you what his or her intent was. We all know how dangerous assumptions can be.

  If you are upset, never write an email in the heat of the moment. You may say things you wouldn't dream of saying in person. Once you hit Send, you can't take back words written in anger. Wait for your emotions to cool down. Also, if you are unsure whether the tone of a message is appropriate, ask someone else to read it before you send it. Sometimes a new set of eyes spots things you missed.

- **Social networks:** These can be tricky. Many of us mix our personal friends and work colleagues on these sites. Always make sure your posts won't offend either of these groups. Failure to do this can have severe consequences. Your family really doesn't need to know what you think of a particular client, and merchants are almost never impressed by public disagreements.

  Also, keep your language appropriate, and avoid using too many acronyms. For example, IMHO, acronyms FTL (NVM LOL, JK). Seems a bit ridiculous, doesn't it?

- **Online forums:** Forums can put a world of likeminded people at your fingertips within seconds. However, those of you who frequent the GS Online forums know that treading into these waters can be problematic if you don't use common sense. Stay on topic, and avoid those who attempt to engage you in arguments that veer into unproductive territory.

  While it is always fine to state your point of view, it is never necessary to call other users names or belittle them. This just frustrates people and may generate ill will from the forum's administrators.

The need for respect

Electronic communications have enriched our lives. We can now have global conversations instantly. Friends we haven't seen in years have suddenly become accessible. We can conduct business from the comfort of our own homes.

But remember, it is essential that we all strive to present our best face to the world at all times. The best way to earn the respect of others is to show them respect.

Good Selling!℠

Paul H. Green, President and CEO

ResourceGuide

To add your company to our expanding listing, call 866-429-8080 today.

ACH - CHECK 21

EZCheck
(800) 797-5302
www.ezchk.com

ACH - CHECK 21 BOC

Netcom Check Services
(800) 875-6680
www.netcompaysystem.com

Convergence Processing Merchant Services
ACH Check21 BOC ARC Age & ID
Recurring ACH Check Verify
All Major Credit and Debit Processing
LifePay Residual No Exit Fees

Check Assist
(888) 436-5101
www.runningdollar.com

- Remote Deposit - BOC
- Point of Sale Check Conversion
- Electronic Check Conversion
- ACH Processing
- Check 21 Solutions

ACH COMPLETE SERVICES

Payliance™
(866) 627-2927
www.payliance.com

Payments. Risk Management. Recovery.
Our solutions empower clients to process payments, limit financial risk & maximize debt recovery.

AGENTS / ISO PARTNERSHIPS

electronic merchant systems®
(866) 845-6026
www.emsagent.com

If you are looking for a partner who will help you grow your business while offering a true residual split that builds your financial well-being, CALL US NOW!

PROCESS AMERICA™
(866) 444-6698
www.process4america.com

Looking For Unlimited Earning Potential? Call on "Team" Process America for True Residuals, Bonus Programs, Retail/High Risk Accounts
Team PA Wants You!

PIVOTAL PAYMENTS
(866) 467-2688
www.ISOAgentProgram.com

Our customized ISO program offers high revenue share options, aggressive buy rates, sub ISO registration sponsorship, detailed reporting, comprehensive support.

ATM BUSINESS DEVELOPMENT

Kahuna ATM Solutions
(888) 357-8472
KahunaATM.com

It's **YOUR** Business.
Let us help you **MAXIMIZE** it!
Call today for a free evaluation
to learn our secrets to ATM profitability
Leverge. Value. Partnership!

ATM ISOs LOOKING FOR AGENTS

ATM ACCESS to MONEY
(888) 701-1004
www.accesstomoney.com

Looking for agents. 100% of surcharge plus 100% of interchange on all monetary and non monetary transactions Call Ralph @ x4241 or Jim @ x4243

payment alliance international
(877) 271-2627
David-ext.3157 / Tonie-ext.3146

Sell ATMs to Existing Customer Base
No Quotas / Vested Residuals
Number One ATM Co. in U.S.A.
david.hooper@gopai.com
toniec@gopai.com

NationalLink
Complete ATM Solutions
(800) 363-9835
www.nationallink.com

United Cash Solutions
(800) 698-0026 x1430

ATTORNEYS

HORNBERGER & BREWER LLP
CIVIL LITIGATION ATTORNEYS
(800) 468-0886
www.hgblaw.com/cclitigation

Premier litigation attorneys specializing in creditcard processing, ISO, Acquiring bank and Merchant representation with offices in Los Angeles and Orange County serving clients nationwide.

Adam Atlas Attorney at Law
(514) 842-0886

AUDITING AND ACCOUNTING

DOEREN MAYHEW
Certified Public Accountants and Consultants
(248) 244-3110
www.doeren.com

BANKS LOOKING FOR AGENTS

Moneris SOLUTIONS
80% Revenue Splits
(877) 635-3570
www.monerisusa.com/partnerProgram/iso

100% Residual Ownership
Direct Bank / BIN Relationship
Proprietary Gateway, Platform and Niche Solutions
Multi-Currency and AutoDebit (ACH) Processing
Dedicated Relationship Managers

Comerica Merchant Services
(800) 790-2670

Group ISO, Inc.
(800) 960-0135
www.groupiso.com

Redwood Merchant Services
Division of Westamerica Bank
(707) 569-1127
www.redwoodmercantservice.com

BANKS LOOKING FOR ISOs / MSPs

America's BankCard Alliance, LLC.
(800) 757-1538

A.V.P. Solutions
(800) 719-9198
www.avpsolutions.com

Group ISO, Inc.
(800) 960-0135
www.groupiso.com

Integrity Payment Systems
(888) 477-4500
www.integritypaymentsystems.com

CASH ADVANCE LOOKING FOR AGENTS

CHECK GUARANTEE / VERIFICATION

CrossCheck, Inc.
(800) 654-2365

EZCheck
(800) 797-5302
www.ezchk.com

Global Payments Inc.
(800) 801-9552
www.globalpaymentsinc.com

Secur-Chex
(866) 464-3277

EMPLOYMENT

EQUIPMENT

ATT Services
(714) 999-9566
www.attpos.net

BANCNET
(713) 629-0906
www.banc.net

Budget Terminals and Repair
(985) 649-2910

Discount Credit Card Supply
(877) 298-6939
www.discountcreditcardsupply.com

General Credit Forms, Inc.
(800) 325-1158
www.gcfinc.com

Ingenico
(800) 252-1140
www.ingenico.com

JRs POS Depot
(877) 999-7374
www.jrsposdepot.com

The Phoenix Group
(866) 559-7627

VeriFone
(800) VERIFONE

FINANCING FOR ISOS

Super G Funding
(800) 631-2423
www.supergfunding.com

GIFT / LOYALTY CARD PROGRAMS

Electronic Payments
(800) 966-5520 x221
www.epigiftcards.com

FLEXGIFT/UMSI
(800) 260-3388

HIGH RISK

International Merchant Solutions
(800) 313-2265 x104
www.officialims.com

National Transaction Corp.
(888) 996-2273
www.nationaltransaction.com

WWW.MYEPPS.COM
(561) 352-9868

ISO/POS DEALER LOOKING FOR AGENTS

MSI, Merchant Services Inc.
(800) 522-3661
www.1800bankcard.com

ISO RELATIONSHIPS AVAILABLE

COCARD

(800) 882-1352
www.cocard.net

- BEST RESIDUAL STREAM IN THE BIZ
- MULTIPLE PROCESSING PLATFORMS
- PRE-NEGOTIATED BUYING POWER
- NEXT DAY FUNDING AVAILABLE
- UNIQUE EXIT STRATEGY

ABTEK Financial
(800) 544-9145
www.abtekusa.com

Advanced merchant services
(888) 355-VISA (8472)
www.amspartner.com

Elavon
(678) 731-5000
www.elavon.com

Electronic Payments
(800) 966-5520 x223
www.epiprogram.com

EVO Merchant Services
(800) CARDSWIPE x7800
www.goevo.com

First American Payment Sys.
(866) GO4 FAPS
www.first-american.net

Global Payments Inc.
(800) 801-9552
www.globalpaymentsinc.com

Group ISO, Inc.
(800) 960-0135
www.groupiso.com

International Cyber Trans
(877) 804-3300 x150
www.cybertrans.com

MSI, Merchant Services Inc.
(800) 537-8741
www.1800bankcard.com

North American Bancard
(800) BANCARD x1001

United Bank Card (UBC)
(800) 201-0461

ISOs / BANKS PURCHASING MERCHANT PORTFOLIOS

Nationwide Payment Solutions

(877) 290-1975 x5210
www.getnationwide.com

Unique buyout opportunities
with or without production.
Let NPS service your merchant base.
Call us today to discuss the options
NPS has to offer.

VelocityFunding
(888) 818-3552 x202
www.VelocityFunding.com

Elavon
(678) 731-5000
www.elavon.com

Global Payments
(800) 801-9552
www.globalpaymentsinc.com

North American Bancard
(800) BANCARD x1001

ISOs LOOKING FOR AGENTS

Netcom PaySystems
(800) 875-6680
www.netcompaysystem.com

An Agent of RBS WorldPay
LifePay at IC + Call For Buy Rate
Virtual Terminal - Recurring Billing
Online Reporting Quick Approvals
No Liability, Exit Fees or Gimmicks

RELIANT PROCESSING SERVICES

(877) 650-1222 x101
www.reliantprocessingservices.com

We offer a **70/30 split** above
Interchange **or** an aggressive
upfront **Bonus Program** paying
you on every approved
merchant account.

XENEX MERCHANT SERVICES

(888) 918-4409
www.goxenex.com

- Lifetime residual program
- Aggressive income sharing on all items
- Multiple Processing Platforms
- Same day approval for merchant and lease applications

Cardready
(888) 398-6001
www.cardready.com

Electronic Payments
(800) 996-5520 x223
www.epiprogram.com

EVO Merchant Services
(800) CARDSWIPE x7800
www.goevo.com

First American Payment Sys.
(866) GJ4 FAPS
www.first-american.net

Group ISO, Inc
(800) 960-0135
www.groupiso.com

Money Tree Merchant Services
(800) 582-2502 x2
www.moneytreerewards.com

MSI, Merchant Services Inc.
(800) 351-2591
www.1800bankcard.com

North American Bancard
(888) 229-5229

United Bank Card
(800) 201-0461 x136

United Merchant Services, Inc.
(800) 260-3388

ISOs PURCHASING ISOs

LEASING

ABC Leasing
(877) 222-9929

First Data Global Leasing
(800) 897-7850

Ladco Global Leasing Solutions
(805) 267-7247
www.ladco.com

LogicaLease
(888) 206-4935
www.logicalease.com

Merimac Capital
(866) 464-3277

Northern Leasing Systems, Inc.
(800) 683-5433
www.northernleasing.com

SECURE payment systems

RETAIL PAYDAY

"ADVANCE FUNDING" PAYDAY EXPRESS PLUS IS A HIT!

We are happy to report...
Retail Payday Express Plus is a Hit!

That's right, Secure Payment Systems "90 Days Same as Cash" ADVANCE FUNDING is a smash success!

90 day "Payday Express Plus" with advance funding has become the single most exciting and fastest growing service that we have had the pleasure to roll out and it's all due to YOU!

Never before has a Multi-Check / Hold Check Program offered your merchants the **opportunity to be paid UPFRONT** while allowing their customers to take advantage of the "90 Days Same as Cash" option!

Plus, as always... we provide Full Guarantee!

And... we use the POS terminal and Check Imager to process these electronically.

We are thoroughly convinced that Retail Payday Express Plus will generate more sales for your merchants which, of course, means...

MORE SALES FOR YOU!

And, NOW, we have also expanded our list of accepted merchant types. Check us out online.

Again, here is the popular lineup

RETAIL PAYDAY EXPRESS

This program offers the same "90 day same as cash" convenience as our previously announced Retail Payday, only now your merchant no longer has to make a trip to the bank to deposit the checks, or incur bad check service charges, or mail the physical check to us for reimbursement in the event it bounces. We automatically debit the consumer's bank account at each deferred deposit date via Check21image deposit while settling the funds directly to your merchant's bank account electronically 2 days later.

RETAIL PAYDAY EXPRESS PLUS

This program is by far the most exciting program of all. This is identical to the new "EXPRESS" program, but with this option your merchant is funded 100% of their monies IN ADVANCE, and not waiting until after we electonically deposit the images! Your merchant's customers will have their accounts debited over the 90 day period while your merchant gets ALL OF THEIR MONEY within 3 days after the batch is closed!

For more information, please contact:

Steve Eazell at 866-300-3376
seazell@securepaymentsystems.com
Michael Pruitt at 888-313-7841
mpruitt@securepaymentsystems.com

www.securepaymentsystems.com

MARKETING AND ADVERTISING

MULTI - CURRENCY PROCESSING

PAYMENT GATEWAY

APRIVA
(877) 277-0728
www.apriva.com

Global Payments
(800) 801-9552
www.globalpaymentsinc.com

ProCharge
(800) 966-5520 x221

USA ePay
(866) 490-0042
www.usaepay.com

PAYMENT GATEWAY / SERVERS / ISPs

Network Merchants, Inc. (NMI)
(800) 617-4850
www.nmi.com

PCI DSS COMPLIANCE

POS CHECK CONVERSION

CrossCheck, Inc.
(800) 654-2365

Secur-Chex
(866) 464-3277

POS CREDIT CARD EQUIPMENT REPAIR

ATT Services
(714) 999-9566
www.attpos.net

New Image P.O.S.
(877) 581-6201
Info@NewImagePOS.com

POS SUPPLIES

General Credit Forms, Inc.
(800) 325-1158
www.gcfinc.com

PROCESSORS LOOKING FOR ISOs

Clearent
(866) 205-4721
www.clearent.com

Elavon
(678) 731-5000
www.elavon.com

Moneris Solutions, Inc.
(877) 635-3570
www.monerisusa.com
/partnerProgram/iso

REMOTE DEPOSIT CAPTURE

Gulf Management Systems
(800) 947-3156
www.gulfmanagementsystems.com

SITE SURVEY

Spectrum Field Services
(800) 700-1701 x286
www.spectrumfsi.com

WEBSITE DESIGNS / SEO

WIRELESS RETAIL / KEYED PROCESSING

USAePay
(866) 490-0042
www.usaepay.com


We're going to make you an offer you can't refuse

AdvertiserIndex

Inserts

Alpha Card Services
Charge Card Systems
North American Bancard
Total Merchant Services
United Bank Card

Cover Wrap

Electornic Payments

Business Reply Card

North American Bancard

The next wave
in the payments industry is here!

INTRODUCING

UNITED BANK CARD'S

FREE*

POS PROGRAM

The next wave in the payments industry is here!

UNITED BANK CARD'S FREE* POS PROGRAM

United Bank Card changes the game yet again with our newest initiative: our sales partners are now able to offer merchants a free* Harbortouch point of sale (POS) system with integrated payments! Harbortouch accounts offer higher than average residuals, up-front commissions and virtually non-existent attrition while providing a valuable tool to your merchant customers.

Why would a merchant opt for a standard credit card terminal when they can receive a full-featured, touch-screen POS system for free?

	TERMINAL	HARBORTOUCH POS
Process credit cards	•	•
Print receipts	•	•
Comprehensive reporting		•
Inventory tracking		•
Employee scheduling		•
Built-in time clock		•

- ✓ Merchants benefit from streamlined operations, detailed reporting, inventory tracking, labor management and many other time and money saving features
- ✓ State of the art software combined with top of the line hardware
- ✓ Simplified setup process and intuitive user interface offer an easy transition for merchants
- ✓ Comparative systems sell for tens of thousands of dollars, while you can offer them for free

PLUS:

- ✓ $300 up-front commission per POS terminal. An average merchant utilizes three terminals, providing a typical commission of $900 per deal!
- ✓ Free "Harbortouch Sales Center" software allows you to demo the system and sign up a merchant from start to finish on your laptop

HARBORTOUCH UNIVERSITY

To participate in this program, our sales partners must complete Harbortouch University, a comprehensive online training course intended to provide a fundamental understanding of POS systems. This training course has been developed to ensure that you have the knowledge about Harbortouch to succeed.

FREE HARBORTOUCH LEADS!

To help bolster your new pipeline of deals, we are also providing complimentary leads to all active participants in the free POS program! Each month you will receive pre-set appointments with merchants in your area that are specifically interested in a Harbortouch POS system.

With free POS systems, free leads, residuals and up-front commissions, this program offers the complete package: a truly unparalleled sales tool the likes of which has never been seen in the ISO community!

* To receive a Harbortouch POS system as part of this program, merchant must sign a credit card processing agreement and equipment service contract. Other charges may apply.

For more information, contact:
Brian Jones, EVP Sales and Marketing: 800-201-0461 x 136
Jonathan Brandon, National Sales Manager East: 800-201-0461 x 145
Max Sinovoi, National Sales Manager West: 800-201-0461 x 219
Brian Fitzgerald, National Sales Manager Central: 800-201-0461 x 257
or log on to www.isoprogam.com

United Bank Card

CHANGE
FOR THE BETTER.

We've changed our cost structure to give you **8x Upfront Bonuses** and **3.5¢ (dial-up)** and **2.5¢ (IP)** pricing.

SMARTPHONE + FREE PHONE SWIPE READER =
MORE PROFIT FOR YOU

Your merchants demand up-to-the-minute credit card processing solutions, and that's exactly what North American Bancard is delivering. NAB's Phone Swipe will help you significantly:

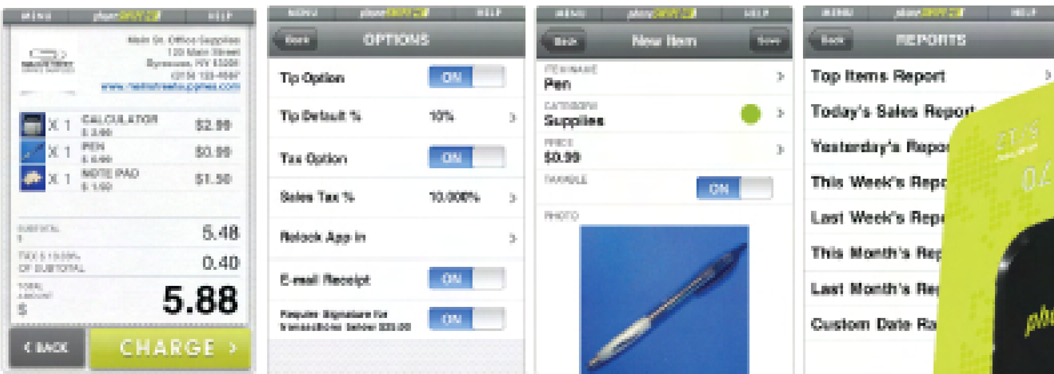
Expand your customer base • Increase your sales • Grow your revenue

phoneSWIPE
Powered by North American Bancard

TURN YOUR MERCHANTS' SMARTPHONES INTO TERMINALS AND START TURNING A HIGHER PROFIT TODAY!

Phone Swipe, exclusively from North American Bancard, lets your merchants accept credit card payments anywhere.

Charge *Options* *Customizable Inventory* *Reports*



Close the deal by offering your merchants a mobile credit card processing solution with the features they really want:

- **Affordability** - Merchants won't be able to refuse a FREE Software App and Card Reader
- **Usability** - Merchants can accept payments with a user-friendly app and easily manage their business with enhanced features like real-time reporting
- **Flexibility** - With Customizable Inventory, E-mail Receipts with Google Maps™, Tips setting, Geo Tax and more, merchants can customize the app to fit their business needs
- **Reliability and Security** - Merchants can swipe transactions anywhere, anytime and from anyone with confidence, knowing Phone Swipe is backed by North American Bancard

TO PROFIT WITH NAB TODAY, CALL

877.765.4118

phoneswipeagents.com/gs

CCS Funds Its Agents

WORKING CAPITAL

To Build Their Business

With Charge Card Systems' Line of Credit Program, you can build your business without draining your bank account.*

- Set Up an Office
- Invest in Marketing
- Purchase Sales Leads
- Attend Key Events
- Hire a Team of Sales Agents
- Invest in Technology
- Participate in Tradeshows
- Manage Operating Expenses
- Build a Website
- Join Industry Associations

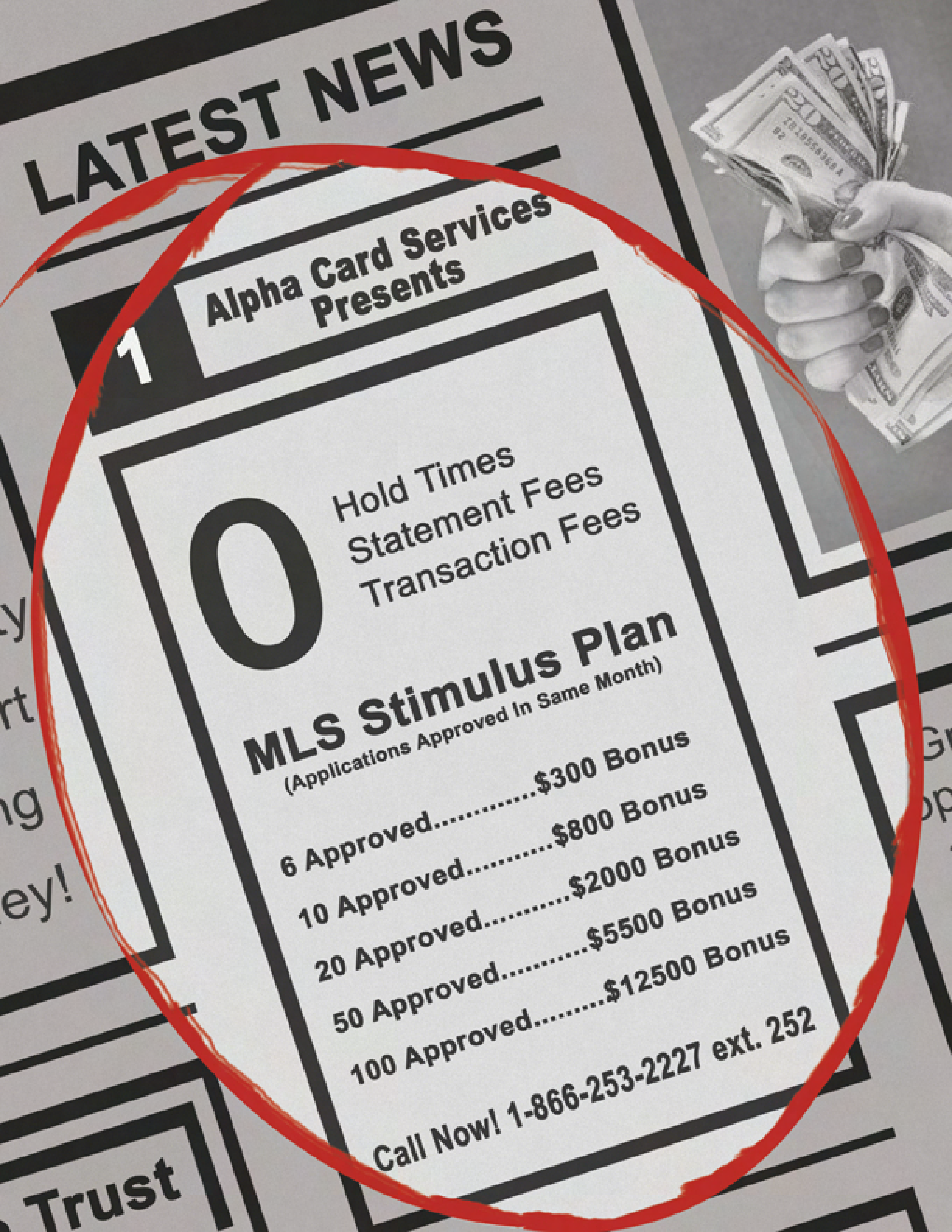
Plus, CCS gives *your merchants* the working capital to bankroll *their* business!

(See Reverse Side For Details)

CHARGE CARD SYSTEMS, INC.

For more information on our Line of Credit Program, contact Adam Moss at 888.505.2273 ext. 207

**Call for details. See reverse side for complete CCS program benefits.*


LATEST NEWS
1
Alpha Card Services
Presents
0
Hold Times
Statement Fees
Transaction Fees
MLS Stimulus Plan
(Applications Approved In Same Month)
6 Approved............$300 Bonus
10 Approved..........$800 Bonus
20 Approved..........$2000 Bonus
50 Approved..........$5500 Bonus
100 Approved.........$12500 Bonus
Call Now! 1-866-253-2227 ext. 252
Trust