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

April 14, 2003
Issue 03:04:01

Inside This Issue:

News

Industry Update
Symbol Investigated • N.Y. Skimming Bust • PayPal Violation 8
First Data Buying Concord EFS 18
Motion Denied; Trial to Start.....20
Wage Earners and Employees Find Benefits in Payroll Cards 28

Views

Knowledge is Power
And Why Is It That Millions of Merchants Are Suing Visa?
By Bob Carr 20

Education
Payment Processing in 2003: Understanding Risk Management
By Jared Isaacman 30
Use IP Technology to Advance POS Capabilities
By Michelle Graff 34

Company Profiles

Blackstone 45
BNA Smart Payment Systems 51

New Products

Another Way to Get Your Message Out
Qualtex Corp.'s WeatherMaster ..59
No More Retyping Data
ePayware's EZPOS Builder 59

Inspiration

How to Avoid Going Out-of-bounds at the Golf Course 63

Departments

Forum 5
Datebook 64
Resource Guide 66

Retail Outlets Challenge Sales Reps for Share of POS Market

If you're a sales rep, it's important for you to keep up with what others are doing in their markets, to stay current with newcomers as well as the latest trends in products and services. As time-consuming as it might be, giving customers the best service – and competition for accounts – requires it.

Sometimes insights come in a flash when you're not even looking for them. Wandering around an office supply store, an end display grabs your attention. Standing in a membership renewal line, your eyes fall on a rack of brochures. Just like that, you get a fresh perspective on what your competition is all about.

But watch out – there's a competitor out there who doesn't seek to simply outsell you. This competitor's goal is to provide a payment-processing alternative for merchants, especially small businesses, and it could make the Merchant Level Salesperson unnecessary and irrelevant. And you don't need to take a field trip to the nearest shopping center to get this information.

All it really takes is a visit to The Green Sheet's ISO Forum online, from the comfort of your office chair, to

See ALTERNATIVES on Page 38

TO OUR READERS

In our continuing commitment to bring you the latest and most complete report of industry news, we have expanded the feature formerly known as "FYISOs," renamed it "Industry Update" and moved it toward the front of the magazine (it's on Page 8 of this issue). You also can get fresh industry news every business day in "News from the Wire" on www.greensheet.com.

▶▶▶▶ INDUSTRY UPDATE
PROUDLY SPONSORED BY VeriFone

Simply the BEST!

Vital Merchant Services and Ingenico are teaming up to provide the best check reading and imaging products in the industry. Combined with Vital Merchant Services' single source service offerings, Ingenico's check products are simply the best.

INGENICO 2600 CHECK IMAGER/READER

The Ingenico 2600 is a cost-effective, flexible, robust check reader and imager that sets a new standard through superior ease of use and optimum connectivity. The 2600 images checks and documents using gray scale imaging to ensure that the imaged check retains all hand-written information. The 2600 can selectively "read only" or "read and image" checks, reducing the overall cost of check acceptance. The 2600 is the only imager to provide an optional printer and magnetic stripe reader.

e*-CHECK 2500 CHECK READER

Continuing the tradition of providing the highest performance check readers in the industry, Ingenico designed the e*-Check 2500 with an array of superior features. Its ergonomic design enhances its appearance and improves its read rate. Its compact size, installation options and versatility allow it to be placed virtually anywhere. The intuitive check staging area and increased processing speed make it the check reader of choice for improving customer service and reducing fraud.

e*-CHECK 3000

Protecting yourself from bad check losses is as easy as plugging the e*-Check 3000 into your telephone jack and power outlet. The large bright display and keyboard are incredibly easy to use and the keyboard layout is similar to that of a credit card terminal, making it easy to operate. The e*-Check 3000 can be wall-mounted or placed on a counter for optimum operator convenience. Integrated modem provides direct access to electronic check processing service.

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Vital Merchant Services is the single source to get merchants up and running for optimal electronic payments acceptance. The company provides same-day order fulfillment for POS equipment and supplies as well as online equipment ordering and tracking. Vital Merchant Services' customers take advantage of a full suite of deployment services including POS equipment programming, PIN pad injection, terminal application downloading, debit/credit test transactions and application overlays. POS equipment procurement, merchant location(s) deployment, new merchant training, equipment installation and a 24 X 7 Merchant Help Desk as well as comprehensive replacement and repair services make Vital Merchant Services your single source.

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The Green Sheet

April 14, 2003 • Issue 03:04:01

INDEX TO ADVERTISERS:

1st National Processing 12
A-1 Leasing 14
Advanced Payment $ervices 54
AmericaOne Payment Systems 9
Authorize.Net 61
Barclay Square Leasing 6
Bridgeview Payment Solutions 25
BUDGET Terminals & Repair 10
CardPayment Solutions 67
CardWare International 18
Certified Merchant Services 57
CoCard Marketing Group 46
Concord EFS 50
CrossCheck 27
Cynergy Data 17
Discount Credit Card Machine 26
E-Chex 13
Electronic Payment Systems 69
Electronic Transactions Association 41
Electronic Exchange Systems 48
EZCheck 55
FTI 42
First American Payment Systems 15
First Data Merchant Services-MD 29
Frontline Processing 53
GO Software 60
Horizon Group 72
Hypercom 44
Infinite Peripherals 56
Ingenico 2
IRN/PartnerAmerica 23
JR's P.O.S. Depot 52
Lipman USA 19
Merchant Services Inc. 21
Merchants' Choice Card Services 65
MSI (NJ) 36-37
National Processing Co. 11
Nationwide Check Services 35
North American Bancard 7
NOVA Information Systems 49
Payment Option Solutions 62
POS Payment Systems 34
POS Portal 16
Retriever Payment Systems 31
TASQ Technology 71
TASQ Technology II 47
Teertronics 24
U.S. Merchant Systems 58
United Bank Card 43
United Merchant Services 32
VeriFone 33
VeriSign 40
Western Payments Alliance 22

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*Any Sales Professional who sells financial services to the retail merchant marketplace.

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GSQ–
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How Advisory Board Works

Dear Green Sheet,
The $2,000,000 question: How do individuals become part of the Advisory Board?

Brooke
Mesa, Ariz.
(Edited, to omit the question of my recreational preferences.)

Dear Brooke,
When we formed the Advisory Board in September 2001, we did send invitations to participate to a number of industry people. Some of those accepted and some declined. We followed that first step with a number of open invitations to the industry and have had the Advisory Board grow to 59 members, representing a broad cross-section of the industry.

While I had hoped not to have more than one individual from a single organization, I have otherwise not turned down any individual who was willing to answer questions on behalf of our readership.

The members of The Green Sheet Advisory Board have nothing whatsoever to do with the running of the company nor do they control editorial content, but rather they are individuals who have agreed, for whatever period they participate, to provide answers to questions that The GS sends to them.

Having a large cross-section of Advisory Board participants allows us to answer the many public and private questions asked of The GS and to provide a broad perspective concerning the industry.

All of the individuals who have agreed to serve as advisory board members do so as a means of giving something back to the industry that they are a part of, and I am grateful for their efforts.

Paul H. Green
Owner and Editor-in-Chief

P.S. The GS has now secured the membership list on the MLS Forum.

FORUM
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An Open Letter from Mary Dees of CMS

To: The Green Sheet
Re: MLS Forum

I would like to thank you for the public service that you provide to the credit card processing industry. I have always found The Green Sheet, GSQ and your other educational trade publications to be a valuable informative reference for myself, as well as other individuals to whom I have recommended them. I cannot say that I have had the same experience with your Green Sheet online forum.

Clearly, this is a personal letter and not a legal letter. As such, I want to be clear that this is not written nor is it in any way a formal act as an officer of ETA, my capacity as a federal court receiver or my capacity as an officer in an ETA member company. In other words, "it's just me."

As you already know from our many communications, we collectively have spent a number of non-productive hours attempting to resolve a series of issues stemming from specific defamatory posts that have been made over the last month. I believe that as accomplished professionals all of us collectively could have achieved more productive outcomes for our organizations and this industry if we had used all of that time on other endeavors. As such, I have chosen to resign from your MLS Forum and, additionally, I have deleted all of my posts.

There are a great many leaders and special people in this industry, and I would especially like to thank those on the Green Sheet Advisory Board. The thought that you would nominate me as an "Influential Leader" in this industry means far more to me personal-

ly than you would know. If my work over the years has provided assistance and value to your business, my reward was received when you gave me the opportunity to do the work that I love.

There are a great number of individuals on your Forum who exhibit ethics, integrity, significant accomplishments, great business knowledge and refined social skills. Sadly, there are a handful who do not exhibit these qualities. I am sure that I will have the pleasure, honor and benefit of a productive exchange of ideas with the former in my business relationships and in other industry activities. However, the latter have bantered about my name over the last few months in the context of a swear word. The only thing I have to say in reference to them is that I hope that no one ever makes the vile public statements about them that they have made about me.

Respectfully,
Mary F. Dees

Who nominated 'Best Payment Processing Players?'

To The Green Sheet:
I would like to know why our company was not included on the Best Payment Processing Players ballot attached to the last issue of the Green Sheet [issue 03:03:01].

We have spent tens of thousands of dollars in advertising in the last year with The Green Sheet, and we were getting ready to commit to additional full-page ads. Other companies were listed more than once.

Your attention and an explanation to this matter would be appreciated.

Sincerely,
A Disgruntled Advertiser

Dear Disgruntled,
As we explained in our article, "The Best of the Best," the nominations were made by The Green Sheet Advisory Board. They were not controlled by the GS staff and were in no way reflective of advertising dollars spent with GS. It seemed to us that a ballot listing our paid advertisers would have been highly unethical.

For your reference, the full story is in GS issue 03:03:01, which is available online at www.greensheet.com/PriorIssues-/030301-/2.htm

In an effort to be as fair as possible, there is space on the printed ballot and online for a "write-in" entry under each category.

Thank you for your interest in The Green Sheet,
The Green Sheet Staff

Far-flung Focus

Dear sir,
I operate a credit card processing venture in the Northeast. Through other relationships, we have obtained enormous customer contacts in Spain, Puerto Rico and Australia. Any information or leads relative to conducting business in these locales, including operative banking relationships, would be of incredible assistance.

Best regards,
Joseph Cappuccio
Clover Merchant Group

Joseph,
We suggest you register at our Web site, www.greensheet.com. Post your request for information in the MLS Forum.

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The Green Sheet Staff

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INDUSTRY UPDATE

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NEWS

Symbol Investigated by SEC; CAO Resigns

The Securities and Exchange Commission is investigating **Symbol Technologies, Inc**.'s past accounting practices. The company and several of its former employees have received Wells notices from the SEC stating that the company and individuals may be charged with violations of various federal securities laws and regulations. Symbol's stock fell nearly 19% in after-hours trading after the announcements were made.

In addition, Robert W. Korkuc, Vice President and Chief Accounting Officer (CAO) of Symbol Technologies, resigned effective March 11, 2003. Symbol is searching for a replacement, and Mark T. Greenquist, Senior Vice President and CFO, is serving as interim CAO.

Skimming Ring Busted in New York

A **credit card skimming operation** was broken up in Queens, N.Y., when detectives found a laptop computer containing 4,300 stolen credit card numbers and blank credit cards that could have been stolen from American Express and MasterCard, the New York Times reported. The credit card numbers were stolen from consumers who had used their cards at pharmacies, shoe stores and convenience stores in New York, New Jersey and Connecticut. Officials estimated that up to $13 million in goods could have been fraudulently purchased with the stolen information.

Credit card skimmers are small battery-powered wedges containing a memory chip that can hold 50 to 100 account numbers and information. Stolen numbers are downloaded onto a computer that is connected to a card encoder, which records data such as account numbers, account-holder's name, card expiration date and a PIN on a blank card's magnetic stripe.

Feds Accuse PayPal of Patriot Act Violation

Federal prosecutors claim eBay's subsidiary, online payment service **PayPal**, violated the U.S. Patriot Act between October 2001 and July 2002 by processing funds related to illegal Internet gambling.

The U.S Patriot act, which Congress hurriedly passed a month after the Sept. 11, 2001 terrorist attacks, prohibits the transmission of funds associated with any criminal

BOTTOM LINES
HEADLINES FROM THE RETAIL WORLD

- **Gateway, Inc**. announced it is cutting 17% of its workforce (1,900 jobs) and closing 76 of 268 retail stores. This is the company's third restructuring in three years, and its stock value has decreased 97% since 1999.
- **The U.S. Consumer Confidence Index** fell again in March 2003 to its lowest level in a decade – 62.5, down from 64.8 in February.
- **Red Robin Gourmet Burgers, Inc.** added Dallas-based Mandes Restaurant Group, LLC as a new franchise partner. Mandes will build eight Red Robin restaurants in the Dallas Metroplex by 2008.
- **Spiegel Group, Inc.**, a 138-year-old company that owns apparel chain Eddie Bauer, filed for Chapter 11 bankruptcy protection. The company also closed its bankcard business, affecting 740,000 accounts. MasterCard and Visa credit cards issued through Spiegel's First Consumers National Bank no longer can be used.
- **McDonald's Corp.** reported that its February 2003 U.S. same-store sales fell 4.4%. Worldwide same-store sales fell for the 12th consecutive month, to 4.7%.
- **Albertson's, Inc.**'s 2002 fiscal fourth quarter net income dropped 29%. The company points to slow sales and increased competition.
- **The Consumer Price Index,** a statistic often used to measure inflation, increased 0.6% in February 2003, up from January's increase of 0.3%; it is also the largest rise in two years. Consumer prices rose largely in energy products and food.
- **The Commerce Department** reported that February 2003 retail sales dropped 1.6% from the previous month, the largest amount since November 2001.

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activity. When eBay acquired PayPal in October 2002, it stopped PayPal from facilitating payments to online casinos; however, about 6% of PayPal's 2002 revenue was obtained from online gambling.

The U.S. attorney for the Eastern District of Missouri told eBay that not only might PayPal have to pay money it received from online payments to casinos plus interest, but it also faces potential civil and criminal penalties. The U.S. attorney's office offered eBay a settlement, and at the time of publication eBay had not issued a response.

Microsoft Says Beware of Windows Flaw

Microsoft Corp. issued a "critical" warning about a weakness in nearly every version of its Windows software, from Windows 98 to the latest version of XP, that could allow hackers to infiltrate the computer when users are surfing the Web or checking e-mail. A hacker or group of hackers employed this flaw to attack at least two U.S. Army Web servers on March 11, 2003, according to TruSecure Corp., a security services company that discovered the attack.

Microsoft urged Windows users to download a free software patch from its Web site, www.microsoft.com/ security. The company also said customers using the newest versions of e-mail applications Outlook Express 6 and Outlook 2002 were not at risk when using e-mail.

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First Data Ranked 43rd by Business Week

The 2003 The Business Week 50-The Best Performers features "the survivors of a brutal business climate – resilient companies that boast durable profits created by innovation." **First Data Corp.** was ranked 43rd out of 50 companies. Three banks also made the list: Wells Fargo & Co. at 23rd, U.S. Bancorp at 26th and Wachovia Corp. at 35th.

ANNOUNCEMENTS

UNICAPT EMV 4.0 Approved

Ingenico obtained generic EMV 4.0 (EMV 2000) approval for its entire UNICAPT 32-bit architecture-based product line of point-of-sale devices for handling EMV standard smart card transactions.

Landmark Merchant Seeks Exec

Landmark Merchant Solutions is looking to fill the following position: Executive needed to manage multi-office ISO phone sales operation. Previous hiring, training and phone sales floor management skills required. Top salary, monthly bonuses and stock options are available. Best opportunity available anywhere in phone sales management. Senior management team has 100 years of industry experience. Currently there are 50 phone sales employees – looking to grow to 100. Locations are in Schaumburg and Oak Brook, Ill. You can e-mail your resume to salesexecutive@landmark-merchant.com or fax it to 847-221-0401. Web site: www.LandmarkMerchant.com. No phone calls, please.

Ezic Certified with Global Payments

Global Payments, Inc. certified **Ezic, Inc.**'s Digital Payment Solution. In addition to Global Payments, Ezic is also certified to process with Vital Processing Services, First Data Merchant Services, NOVA Information Systems and CardSystems.

Contactless Payments White Paper Available

The **Smart Card Alliance**, a not-for-profit association working to accelerate the acceptance of smart card technology, has a new white paper available: "Contactless Payment and the Retail Point-of-Sale: Applications, Technologies and Transaction Models." The white paper provides an overview of adopted and emerging contactless payment technologies and how smart cards are used with them.

The report is available to both members of the Smart Card Alliance and non-members at no charge at www.smartcardalliance.org.

STRENGTH

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Fiserv, Inc. is combining **Fiserv EFT** and **Consumer Network Services (CNS)** into a single organization that will be called Fiserv EFT/CNS (Fiserv bought CNS from EDS in December 2002). Fiserv EFT/CNS will continue to operate as two main offices – in Portland, Ore., and Morris Plains, N.J. Grant Christenson, formerly President of Fiserv EFT, is CEO of the new business unit, and Tony Catalfano, formerly Director of CNS, is President and Chief Operating Officer.

EWI Receives Patent for PinXpress

EWI Prepaid was awarded a patent for its PinXpress transaction platform, the NACS Daily reported. The patent covers the real-time delivery of PINs to retailers' point-of-sale systems, kiosks or ATM networks.

PARTNERSHIPS

Wimsett, GTCR Partner in New Venture

GTCR Golder Rauner, LLC, Thomas A. Wimsett and other executives have joined forces to form **Iron Triangle Payment Systems, LLC**, which will be headquartered in Louisville, Ky. Wimsett is the former President and Chief Executive Officer of National Processing, Inc., where he worked for 19 years. Iron Triangle is already looking for growth and acquisition opportunities in transaction processing and payment services. GTCR plans to invest up to $200 million in the company. It also has invested in Genpass, Risk Management Alternatives, Skylight Financial, Transaction Network Services, TransFirst, TSI Telecommunications Services and VeriFone, Inc.

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VeriFone and Prepaid in Latin America

VeriFone, Inc. is integrating **EWI Prepaid**'s patented PinXpress technology into its point-of-sale terminals. The solution will allow retailers to manage their prepaid program from their POS system and will allow consumers to purchase prepaid services, such as wireless, long distance, Internet, coupons, ticketing, gasoline and utilities at retail locations without using any plastic cards. EWI and VeriFone have plans to jointly market and distribute their integrated solution to retailers in Latin America, Argentina, Brazil, Chile and Mexico and the Caribbean.

Latin America is a hot market for prepaid services. VeriFone says up to 95% of wireless phone customers use prepaid services in Mexico, and it estimates that it has 75% market share in the retail placement of POS terminals in Latin America.

Hypercom Lands 2 Terminal Contracts

Hypercom Corp. will supply **PayRight Merchant Services, LLC** with 10,000 of its card payment terminals outfitted with HyperSafe operating system security over the next 12 months. Hypercom estimates that the partnership is a multimillion-dollar deal. In addition, **MSI, the New Jersey Headquarters** awarded Hypercom a 12-month, multimillion-dollar contract for 10,000 terminals.

Lynk Wins Retail and Grocery Customers

Westlake ACE Hardware selected **Lynk Systems, Inc.** to provide electronic payment services. Lynk will interface with SDI, Westlake's POS software provider, to provide credit, debit and electronic gift card processing. Westlake is the largest ACE Dealer in the U.S. with more than 75 stores throughout eight Midwestern states.

In addition, four regional grocery store chains – K.V. Mart Company (Top Valu Markets and Valu Plus Food Warehouse), Superior Super Warehouse, Rouses Supermarket and Nugget Markets – elected to use Lynk Systems' Integra POS system to process credit, debit and EBT transactions. Integra integrates into existing POS systems and creates a gateway between stores' point-of-sale systems and Lynk's host.

e/chex™

Still the leader!

Dear Sales Professional,

I'm George Reich, President/CEO and Founder of E-Chex. Recently I've heard some talk in sales circles about Electronic Check Conversion. I'd like to clear up a misconception that can seriously hamper your sales.

MYTH

"My check processor tells me that "new" NACHA Electronic Check rules require merchants to store an image of each processed check. Does this mean I must also sell a more expensive check imager with each deal?"

REALITY

Not true! NACHA does not require check images to be stored unless the check is mailed in to the merchant and won't be returned to the checkwriter. Retail storefront businesses are not required to store check images, because each check is returned to the checkwriter at the point-of-sale.

As your check processor, E-Chex wants to provide your merchants with excellent service and competitive rates. Access to stored check images helps our collectors recover bad checks, so we can continue to guarantee funds to your merchants. Simply put, stored check imaging is really a service for processors - it's not a merchant requirement.

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DataWave Gives 7-Eleven POSA

7-Eleven Canada, Inc. has selected **DataWave Systems, Inc.** to provide point-of-sale activation (POSA) technology for all 497 of its stores. DataWave's technology will be used to sell prepaid cellular time from Canada's national telecommunications companies and to activate long distance calling cards at the point-of-sale.

DataWave has been supplying long distance phone cards to 7-Eleven's customers since 1995, and the company says its technology has been implemented in more than 1,000 terminals.

New CrossCheck Partners

CrossCheck, Inc. will provide check guarantee services to 24 franchised **Round Table Pizza** locations in California using its technology for Disputed Stop Payment and Premium Approval.

The company also announced that **Credit Card Consultants** is marketing CrossCheck's check guarantee services as part of its private-label merchant offering. Credit Card Consultants' check guarantee service will offer merchants reimbursement on checks that are returned from the bank unpaid.

DAS Looks to First Star

Diversified Acquiring Solutions (DAS) and Bethlehem, Pa.-based **First Star Savings Bank** and its seven branches have formed a merchant bankcard partnership. First Star Savings Bank will identify opportunities for merchant processing, assist merchants with their applications and set pricing. In return, DAS will manage credit underwriting and processing relationships.

BPS and NPC Renew Contract

ISO Business Payment Systems (BPS) extended its processing agreement with **National Processing Co., LLC** (the partnership began in June 2000). BPS, which has more than 110 sales offices located across the U.S., will continue to market NPC merchant processing services to its customers.

Certegy Checks Checks at Dick's

Certegy, Inc. is providing **Dick's Sporting Goods, Inc.** with check warranty services at Dick's entire chain of 141 stores in 25 states. Certegy's solution offers check approval, risk management, customer support and flexible reporting.

Global eTelecom Wins Two

Global eTelecom will provide electronic check conversion services to customers of **Bridgeview Payment Solutions** and **Merchant Services, Inc. of New York** using its processing technology, which turns paper checks into electronic transactions.

PULSE Moves Switch Ops In House

PULSE EFT Association has partnered with **eFunds Corp.** to bring its switch processing in house. PULSE chose to use eFunds' CONNEX processing and settlement software and professional services for its EFT network switch operation. PULSE will move its Houston switch platform and disaster recovery site from J.P. Morgan Chase & Co. to two PULSE processing sites. PULSE expects the change to be completed by November 2003.

APPOINTMENTS

Concord EFS Board Adds Director

Concord EFS, Inc.'s Board of Directors elected **George F. Raymond** to the board. Concord's board now has 12 directors, including eight outside directors. Raymond is president of Buckland Corp., an IT consulting company. His background includes serving as CEO of Automatic Business Centers, Inc., a payroll-processing company he founded in 1972 and sold to Automatic Data Processing Corp. in 1989.

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Hypercom Expanding ISO Sales Team

Hypercom Corp. announced plans to expand its staff that supports ISOs, agents and other merchant level salespersons. Hypercom is creating "an elite team of highly experienced sales executives and payment technology, service and support" to help this channel build business and generate new revenue.

So far the team consists of 10 people. Hypercom has hired **Roger Dietz** as Vice President of ISO Sales, Eastern Region to serve on the ISO support team. Dietz previously served as a sales executive at VeriFone, Inc., where he managed a region of 19 states.

MasterCard Elects Board Chairman

MasterCard International announced that **Baldomero Falcones Jaquotot** was elected Chairman of its Board of Directors, succeeding Lance L. Weaver. Falcones is Chairman of Santander Central Hispano Seguros y Reaseguros, S.A.

He has served as Vice Chairman of MasterCard's board since March 2001 and has been a board member since 1997. Weaver, Executive Vice Chairman of MBNA's board, served as MasterCard's Chairman since March 2001. He will continue to be a member of MasterCard's board.

Provident Bancorp Appoints CFO

Provident Bancorp, Inc., parent company of Provident Bank, hired **Paul Maisch** as Senior Vice President and CFO. Maisch has 18 years of experience as a CFO, most recently at Premier National Bancorp in the Hudson Valley. Maisch began his career at Ernst & Whinney (predecessor of Ernst & Young) in 1974.

Global eTelecom Promotes Brundage

Global eTelecom promoted **Christopher W. Brundage** to Senior Vice President. The company hired Brundage in 2001 as Director of Sales, and he most recently served as Vice President of Sales and Marketing.

Genpass Builds Card Services Team

John M. Gallagher has joined **Genpass, Inc.** as Senior Vice President of Card Services. Genpass is owned and operated by GTCR Golder Rauner, LLC. Gallagher, who has 30 years of experience in the EFT industry, previously served as Director of Product Marketing at VeriFone, Inc.

Gallagher also has worked with Genpass CEO Bipin C. Shah at two other companies, Gensar and CoreSates Financial Corp.

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*Inc Magazine, October 15, 2002, ranking of top 500 privately-held companies.

Inc 500

First Data Buying Concord EFS

It's official. First Data Corp., the largest processor of credit card transactions in the U.S., is buying smaller competitor Concord EFS, Inc. for roughly $7 billion in stock. When news of the deal broke on Tuesday, April 1, 2003, shares of Concord stock jumped nearly 28%, and First Data shares fell about 8%.

First Data Corp. and Concord EFS announced the news officially on Wednesday, April 2. Based on Tuesday's closing price of Concord stock, the transaction is valued at $13.87 for each common share of Concord, nearly a 17% premium over Concord's Tuesday closing price. First Data will exchange $0.40 of its common shares for every Concord EFS common share.

First Data said it will issue approximately 200 million common shares to Concord shareholders; when the transaction is complete, Concord shareholders will own approximately 21% of First Data. First Data estimates the combined company will have approximately $10 billion in annual revenues with more than 31,000 employees worldwide.

"Our transaction with Concord and its STAR network will enable First Data to provide its customers with more choices in products and services," First Data Chairman and Chief Executive Officer Charlie Fote said in a statement. "Access to our combined depth and scale will give banks and merchants an unprecedented voice in the introduction of innovative payment offerings to consumers."

Earlier in March, when a Bloomberg news story reported that Concord EFS was looking for a buyer, Concord's stock price fell more than 19% ("Concord EFS Stock Drops Amid Sale Rumors, Changes" The Green Sheet, March 24, 2003, issue 03:03:02). Investors showed concern that Concord might be having difficulty renewing major bank contracts for its STAR debit network (which expire at the end of 2003) and had put itself up for sale.

The New York Times reported on Tuesday that First Data became the leader in the acquisition talks when it outbid Automatic Data Processing, Inc., provider of paychecks and payroll services.

The acquisition is subject to shareholder and regulatory approval – if First Data acquires Concord, it will process close to two-thirds of retailers' ATM debit transactions in the U.S. The deal is expected to close in the third quarter 2003.

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Motion Denied; Trial to Start

U.S. District Judge John Gleeson declined Visa USA and MasterCard International's request to throw out the antitrust class-action lawsuit filed by Wal-Mart Stores, Inc. and four million other retailers. The judge also denied MasterCard's March 7 request for a separate trial. The judge ruled the trial will go on in Brooklyn as scheduled, with jury selection to begin April 21, 2003.

The judge's decision to move forward with the trial rejects Visa and MasterCard's arguments that the retailers failed to provide sufficient evidence showing the associations were involved in a conspiracy to monopolize the debit-card market.

In a 16-page decision that partially grants a summary judgment that the retailers (plaintiffs) sought in January ("Merchants Request Summary Judgment," The Green Sheet, January 27, 2003, issue 03:01:02), Gleeson said he believed there is evidence, both "direct and circumstantial," from which a jury could find a conspiracy, The Associated Press reported.

Gleeson agreed with the retailers' argument that they were forced to abide by the "honor all cards" policy but decreed that it is up to a jury to decide if this policy is in violation of antitrust laws.

And Why Is It That Millions of Merchants Are Suing Visa?

This is my final article in this round of "Knowledge is Power" articles, and I want to take this opportunity to weigh in on the much-discussed subject of the Wal-Mart, et al. v. Visa litigation about honoring the Visa Check card (MasterCard is also a defendant).

Candidly, I think this litigation is a good example of many things that are wrong with our civil justice system as well as the current version of capitalism in 21st century America. Setting aside all of the legal contortions and "arguments," this lawsuit is about as reasonable as the lawsuits against McDonald's for "too hot" coffee and "too fat" food.

From a bird's-eye view, trying to understand simple right and wrong, this lawsuit appears to be another case of someone trying to use the legal system to get something for nothing, and that someone is Wal-Mart.

When you step back and look at the tort system in America, many of us who earn our livelihoods as capitalists are outraged at its abuse by lawyers motivated by large fees and plaintiffs who want something for nothing. Did you know that the tiniest of new public companies pay almost one million dollars per year for their directors' and officers' insurance? Why? Because of the increased possibility of getting sued by plaintiffs' attorneys in class-action lawsuits at the drop of a hat. This kind of stuff costs our entire economy a fortune and seriously impairs the growth of America's productivity.

What manufacturers have been forced to endure with unreasonable product-liability claims and what our doctors and hospitals are forced to fight with outrageous malpractice settlements has now been visited upon the bankcard acquiring industry. Lucky us. We can thank Wal-Mart for dragging our entire industry into the muck in what is already a huge waste of time and money. Nothing of long-term value to our industry is going to come out of this litigation. No matter what happens, I am confident that the banks are going to continue to cover their costs and earn a profit from their card products and that Wal-Mart is going to continue to be unhappy.

The most aggravating and unfair aspect of this, in my view, is that virtually every single merchant in America has joined as a plaintiff with Wal-Mart in this case. For millions of these merchants, PIN-based debit transactions are impossible or excessively expensive. The business of millions of merchants has been improved because Visa created this ingenious card that can be used as both a signature-based vehicle or as a PIN-based vehicle to access funds deposited in DDA accounts of millions of cardholders, some with and others without Visa credit cards.

The Visa Check card has played a significant role in the prosperity of a vast percentage of America's merchants because millions of Americans could use a Visa product for the first time, and the card was always

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available after payday in spite of cardholders' balances on their credit cards. The growth in electronic payments has been from Visa Check cards and all of the merchants, acquirers and ISOs have benefited from this growth, not to mention the cardholders, who obviously love it.

The Visa Check card is an ingenious product because it has most of the advantages of a credit card as well as all of the advantages of a PIN-based card. The cardholder can purchase products over the Internet or over the telephone just as with a credit card but also has the advantage of using it at an ATM or at the grocery store to pay the bill and get cash back, all in a single transaction.

For the merchant, the Visa Check card has been enormously valuable because each individual merchant is able to decide whether to pay for the cost of accepting PIN transactions and to determine if PIN transactions are practical at all. This flexibility has increased the value of electronic payments with merchants and ended all debate about the future direction of check and cash payments in this country.

And the best part for all parties is that this product has worked well for both the merchants and the cardholders because no infrastructure changes were imposed on anyone! How many products have caught so much traction and benefited so many in such a short time? We should be celebrating the success of this product but instead are forced to wade through the muck of another counterproductive round of massive litigation.

Although PIN transactions are ideal for certain types of merchants, online debit transactions are impractical and/or impossible to process for almost half of the merchants who are plaintiffs in this litigation.

For example, when was the last time you purchased services or products over the telephone or on the Internet with your PIN-based debit card? And when was the last time you paid a hotel bill or rented a car or paid for an airplane ticket with a PIN-based debit card? Probably never. And how about the last time you went to a fine dining restaurant or went to the barbershop or beauty salon and paid your tip-adjusted check with a PIN-based transaction? In much of America, it is considered a faux pas to inform the server of his/her tip before paying the bill.

There has been a lot of discussion and multiple efforts for more than a decade to deploy a table-based wire-

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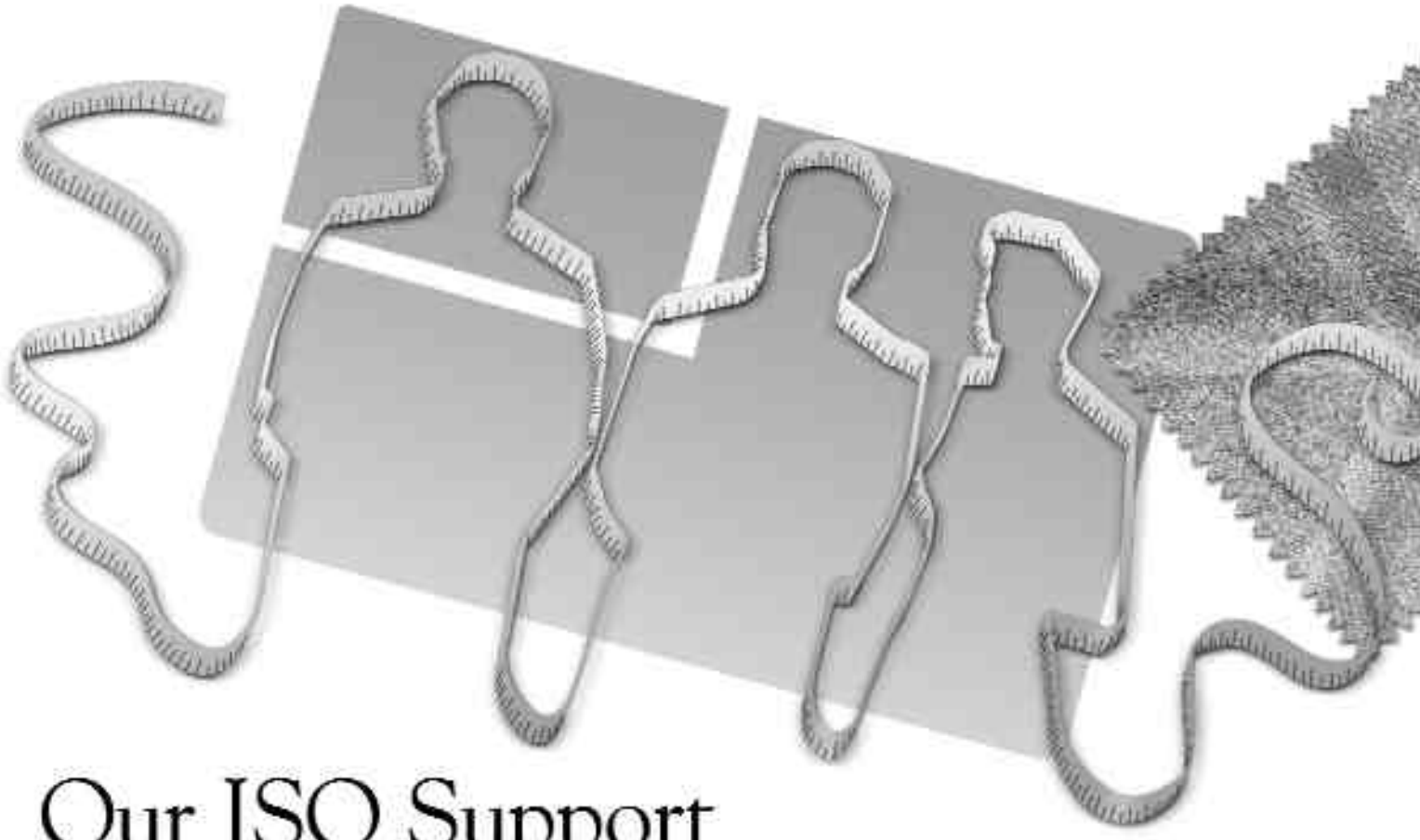

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less terminal in America's fine dining restaurants. This has become common practice in parts of Europe. But this is America, and we no longer care how the French do much of anything!

The fact is that tipping in France, where table-based payments have gained popularity, is not a practice with about 50% of the consumers. U.S. patrons are more generous to their restaurant servers than Europeans are because we know that tips are a major portion of the servers' income (which is not the case in France, where servers' salaries are slightly higher and the tip usually is included in the bill).

And then there are those million or so merchants who don't do enough business to justify the cost of buying the equipment required to take PIN-based debit. Millions of merchants process fewer than five electronic transactions per day. Who wants to pay for the cost of a PIN pad and upgrading it every time the encryption requirements change when they would take only a few PIN-based debit transactions each month? And we haven't even discussed the counterspace and inconvenience of the PIN-entry process.

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What about those small-ticket merchants for whom PIN-based debit transactions are more expensive than offline debit? Almost all of the examples I have seen comparing the "high cost" of offline debit to PIN-based debit use an average ticket of $100. It's well-known that debit transactions – both offline and PIN – replace cash and checks and have a significantly lower average ticket than credit transactions.

It is just not honest to use a $100 average ticket to compare the costs of these transactions. PIN transaction fees often run as high as 25 or 30 cents. That is 2.5 or 3% on a $10 average ticket. Is it more or less expensive for a convenience store or movie theater or gas station or movie rental store to accept PIN or offline debit? The answer is that offline is cheaper for the hundreds of thousands of small-ticket merchants.

And then there are the large-ticket merchants such as furniture stores and new car showrooms and art galleries and antique stores and hard-goods dealers and transmission shops that take lots of credit cards but very few debit cards of either kind.

Consumers like to use their debit cards to pay for the normal day-to-day items, such as gasoline and groceries, but they like to use their credit cards to earn points and take some time to pay for larger, non-routine purchases. Large-ticket merchants are not impacted in the same way by debit cards as businesses such as Wal-Mart are. Do they all have the same needs or interests of Wal-Mart? I think not. Yet they are joined at the hip in this litigation.

There are lots of merchants who can't possibly take debit and still more who cannot justify the cost of the equipment, not to mention those who pay more to accept PIN-based transactions. Yet virtually every single one of these Visa and MasterCard merchants can take an offline debit card with no aggravation whatsoever.

These merchants have no argument whatsoever against the versatile, offline debit card, yet these millions of merchants have all joined in suing Visa and MasterCard hoping for their share of billions of dollars of "damages" that they have never suffered. Many of these merchants pay 2.75% or more to American Express for accepting its card, but American Express is not being sued for making "excessive profits."

I suspect that the great majority of these businesspeople are pretty sick of the tort system in America, where a plantiff's lawyer can be found on every street corner advertising for "victims" of product liability, malpractice, hot coffee, asbestos, stockbroker irregularities, and directors' and officers' malfeasance. Many of those who form the business backbone of this country are not being intel-

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It is preposterous and an intellectual fraud that Wal-Mart ... would claim damages against Visa and MasterCard for improper business conduct.

lectually honest if they willfully joined in this litigation. These millions of capitalists have suffered no injury from offline debit and, in fact, have benefited enormously.

Frankly, I don't think the vast majority of these merchants even know they have joined in with Wal-Mart, and many would be furious if they realized that the class-action lawyers for Wal-Mart have automatically made them a plaintiff unless they took the trouble to read their junk mail and opt out of the litigation on very short notice. What kind of a system automatically makes you a plaintiff in a lawsuit unless you opt out? Hello?

If you aren't as riled up about this as I am, let's consider the pot that is calling the kettle black. It is preposterous and an intellectual fraud that Wal-Mart, of all companies in the world, would claim damages against Visa and MasterCard for improper business conduct. Wal-Mart is fast becoming one of the most despised companies in America, and its arrogance has made it a classic abuser of economic might.

Wal-Mart has used almost every trick in the book to force competitors out of business, to coerce its suppliers to give concessions that it has not earned, to treat its employees as if they were 19th-century servants without fundamental worker rights and to behave improperly in avoiding payment of valid claims by consumers injured in its stores and parking lots.

And just who had the evil hand that coerced Wal-Mart into accepting Visa cards in the first place? Wal-Mart burned a lot of calories to get Visa to create a special pricing category for billion-dollar-plus merchants, knowing all of the Visa rules when that negotiation was taking place.

No one forced Wal-Mart to start accepting Visa and to sign the "honor all cards" contract with Visa. It entered into the contract to accept Visa cards after intensive work and with complete knowledge of what it was doing. What brand of victim capitalism is Wal-Mart trying to invent with this litigation?

And who is rising up to protest this travesty? It sure isn't the millions of merchants who have joined in the litigation to get a slice of the pie. It sure isn't any of the industry trade press or trade associations. Is every single player in the industry afraid to speak up, or doesn't anybody care? Wal-Mart suing Visa and bringing along millions of merchants in a class-action lawsuit is reprehensible.

Wal-Mart and its large brethren are seeking to gain a "settlement" from the bank members of the associations, and they may succeed in the short term in getting a lump of cash or a reduction in check card interchange. But it's the banks who issue the cards, have the checking account relationships, facilitate and/or finance the purchases at Wal-Mart and take the risks of card issuance.

The banks may lose this battle, but in the long run they will win this war and Wal-Mart will have a short-lived and phyrric victory. Wal-Mart seeks redress in the courts for an issue over which it has total control. There's a lot more, but I'm outta space.

Bob Carr is the Founder, CEO and Chairman of Heartland Payment Systems. To learn more about Heartland Payment Systems, visit www.hpsteammates.com or www.heartlandpaymentsystems.com, or e-mail Bob at Bob.Carr@e-hps.com.

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Wage Earners and Employees Find Benefits in Payroll Cards

As consumers rely more on using debit cards to pay for purchases, plastic cards of a different sort are increasingly replacing paper checks on payday. The Visa- and MasterCard-branded cards are finding favor with payroll departments and employees alike, offering benefits, some less obvious, for both.

Over the past several years, U.S. corporations and financial institutions have pushed the concept of direct deposit. Estimates indicate there are 150 million wage earners in America; while more than 55% of those are paid by direct deposit, there is a large number of "unbanked" people who have to rely on expensive, often inconvenient check-cashing outlets to cash their paychecks for them.

Payroll cards are reloadable stored-value cards issued through a company's human resources or accounting department. The employees' wages are loaded onto the card, which look and work just like a debit or credit card; funds are immediately accessible through ATMs or at any POS terminal, increasing options and buying power for them. The cards also provide a more secure alternative to carrying cash because they're replaceable if lost or stolen.

Heartland Payment Systems provides both merchant acquiring and traditional payroll services and is one company now offering a payroll card product; the Heartland PayDay Visa card carries the Visa logo and is marketed to small- to medium-size businesses. Mark Strippy, President of Heartland Payroll Co., a division of Heartland Payment Systems, said the cards do indeed offer cost savings, flexibility and convenience for both employers and employees.

"One really unique target area that we're focusing on is the 'overbanked' market," he said. "Payroll cards are accepted well by this segment – these are people whose credit cards are maxed out and, in essence, we're giving them another card without a revolving line of credit."

For employers, the cards present several ways to cut costs. While the actual paper checks are eliminated, employees still receive the federally mandated stubs detailing hourly pay and withholdings for their records. No check to cut, though, means considerable savings for employers, who no longer have to print checks on expensive paper laden with security features.

"The cards provide an opportunity to electronically deliver data and reduce employers' costs today," Strippy said. "Checks are negotiable instruments and have to be printed on very expensive stock. The stubs are not negotiable and can be printed on inexpensive paper."

Beyond saving money on paper, printing and mailing expenses, Strippy said payroll cards have several additional advantages over checks: "We have existing payroll clients using them in a variety of ways – as budgeting tools or as Christmas Club accounts."

"One really unique target area that we're focusing on is the 'overbanked' market. Payroll cards are accepted well by this segment – these are people whose credit cards are maxed out and, in essence, we're giving them another card without a revolving line of credit."

– Mark Strippy
President, Heartland Payroll Co.

The cards also can reduce employee attrition as workers begin to perceive them as a benefit associated with a particular employer; while the cards are reloadable, they are not transferable from employer to employer, he said.

For financial institutions, the cards may be the key to tapping into a market of millions of workers who have avoided banks up to now. For the banks and other providers offering payroll card programs, the cards themselves generate new revenue through fees.

But some consumer advocates say some of these fees for transactions or monthly charges are often hidden and borne by the employee; proponents say the cards are still less expensive than using check-cashing facilities. Income-reporting issues, such as for court-ordered child support payments, also are among concerns expressed by payroll card opponents.

Strippy said Heartland's program has no fee for the employer; employees are charged a monthly fee of $6.95 as well as transaction fees for ATM withdrawals or PIN-based debit purchases. But, he said, "Our goal is to ensure this is more affordable than going to a check-cashing store." When employees sign up for Heartland's payroll card, they are required to provide Social Security numbers, Strippy said, adding, "Our product won't allow income-hiding."

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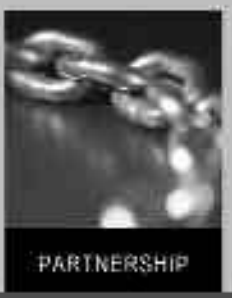

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EDUCATION

Payment Processing in 2003: Understanding Risk Management

By Jared Isaacman
United Bank Card, Inc.

As a core department, risk management serves as an equilibrium between profitability and exposure to potential loss. Risk limits the acquiring and issuing side of banking; however, Merchant Level Salespersons (MLS) often are not educated on the purpose and importance of risk management. This is unfortunate and has several negative ramifications.

Knowledge of risk management ultimately will enable sales professionals to better understand underwriting, profitability, pricing, attrition and the resale value of a merchant portfolio. Other topics this articule will cover in detail include definitions and explanations of the TMF (Terminated Merchant File)/MATCH (Member Alert to Control High-risk), and what to do if actively involved in a risk investigation with a processor.

Underwriting

Accurate completion of the merchant application is critical because it ultimately serves as a legal contract upon approval of the merchant to accept credit cards. Average ticket, monthly volume, merchandise and/or service sold are extremely important, requiring precise attention. Underwriting approves a merchant based on the parameters indicated; if those parameters shift significantly, a merchant may be placed under review.

The higher the average ticket, the greater the potential risk exposure. A chargeback of $2,000 is more likely not to clear a merchant's checking account than a $100 chargeback. Often, a merchant with a high average ticket is asked to submit recent copies of recent checking account statements in addition to the application. The merchant should always have sufficient funds available for a chargeback or processing fees to clear.

TMF/MATCH List

Although TMF is a word from the past and "MATCH" is the more diplomatic terminology, all the terminated merchant accounts remain documented. Visa and MasterCard members both contribute to the combined MATCH list; however, MasterCard hosts and regulates the use and access of the system.

Regulations state that only the member bank may administer and add/remove merchants from this system, but in some circumstances MSPs are permitted to use it. MATCH has become the first line of defense for acquirers and processors.

The system works by manually entering or batching data through MasterCard's online system for inquiry. When the systems identifies a merchant, there are two possible replies: Exact Match or Partial Match.

- Exact Match: business name, tax ID#, phone number, owner name, SS#
- Partial Match: business address, owner address

It has become widely accepted that merchants will not be approved if an Exact Match is the result, and merchants will be investigated for a Partial Match. Although member banks are not prohibited from approving merchants on the MATCH system, it is highly discouraged and regarded as an unnecessary risk.

The acquirer who places a merchant on the file has the sole ability to remove the merchant. This is uncommon yet happens more than one would expect. Placing a merchant on MATCH may seem excessive in some circumstances, but it is mandated that a merchant terminated for one of the reason codes listed below is placed on the MATCH file. If the acquirer fails to do so, and the merchant causes another member bank monetary losses, the original member can be liable for those damages.

Merchants can be added to MATCH for any one of the following reason codes:

01 – Excessive Counterfeit
02 – Unauthorized Cardholder Charges
03 – Laundering/Factoring
04 – Excessive Chargebacks
05 – Excessive Fraud (8% violation rate)

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06 – Violation of Merchant Agreement
07 – Fraud Conviction

Most reason codes are very specific; some leave room for interpretation. There always is a possibility that a good merchant could be placed on MATCH and doesn't deserve that designation. The ratio still makes MATCH a necessary defense for the acquiring industry.

Risk Investigation Do's and Don'ts

Being involved in a risk investigation can be a good thing. The bank or processor is requesting assistance to eliminate a potential loss and maintain the merchant account. In most instances an invoice, signed sales slip or imprint could resolve the issue.

Risk managers do not intend to lose a merchant account; the concept is to eliminate the risk and maintain the relationship. Cooperating with risk management to accomplish that goal ensures a lower attrition rate.

Merchants always should be willing to work with risk management. Although a merchant may become frustrated, the primary reason signed sales slips and imprint cards are required is in the event the bank or processor should request them. Typically, once the requested paperwork is received, a validation from the issuing bank can resolve the situation entirely. Other variables can delay the process, including issuers who are extremely uncooperative with acquirers.

Never try to convert a merchant while in the middle of a risk investigation. This will jeopardize the merchant's ability to process bankcards, with the recourse being a delay on the settlement of funds being held.

The risk manager is responsible for decreasing the risk exposure and retaining the merchant account. Interference may place the merchant on the MATCH file. Always make sure a merchant has satisfied obligations to the processor or bank before attempting to convert an account.

Jared Isaacman is Director of Operations for United Bank Card, Inc. He may be reached directly at Jared@unitedbankcard.com or 908-638-5326, ext. 120.

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Use IP Technology to Advance POS Capabilities

By Michelle Graff
VeriFone

One of the technology areas that offer the most promise for reshaping the payment industry is communications. In retail stores everywhere, clerks and customers have had to bide their time while payment terminals dial the bankcard center, wait for a connection and then communicate at slow baud rates, typically 2400 bps.

Bringing the speed, reliability, affordability and versatility of Internet protocol-based technologies to the point-of-sale is arguably one of the most important technological advancements to touch the payment industry in recent years. Retailers, processors and ISOs who are quick to embrace IP-enabled POS terminals will gain the greatest market advantage.

Recently, there has been an explosion of advanced communications options for payment. Service providers and retailers today can choose from an "alphabet soup" of flexible, high-speed alternatives such as DSL, VSAT, T1/T3, GSM/GPRS, CDMA2000 and 802.11a or b.

Unfortunately, this broad spectrum of choices also makes it uncertain which communications methods will gain broad support within the industry.

So, how to choose? One way is to select a payment device that supports Internet protocol.

What is IP Technology?

IP is the underlying technology used to move data across today's modern networks. It relies on standard-based networking protocols such as TCP/IP on which the Internet was built. TCP/IP was designed to make it easy to communicate across different networks (i.e., PSTN, LAN or WAN) using platforms such as computers, cell phones, cable topboxes, etc.

IP is the key to the many advantages to be gained from "always on" high-speed wired and wireless networks. Retailers or service providers enjoy the flexibility of choosing whatever network suits their needs and budget. High-speed, IP-based networks offer the advantages of faster and more efficient transaction processing, lower overall communications costs, reduced support and terminal-management costs, simplified design and deployment thanks to industry-standard technologies, improved messaging between service providers and retailers, and easy and secure access to applications over network connections.

IP-based networks also can be configured in many different ways:

• **Wired IP:** Wired IP comes in two forms – (1) the traditional method of a dial environment using a high-speed modem, and (2) Ethernet connectivity, which enables POS devices to link to a company's existing Ethernet LAN. The latter is ideal for large malls, quick service restaurants (QSRs) or chain stores.

• **Wireless IP:** Wireless IP-enabled POS terminals can link to wireless IP-based networks, enabling retailers to perform transactions using data packet technology. These terminals are ideal for mobile merchants, including taxi drivers, distribution companies and resorts.

It is now possible to connect IP-enabled payment terminals, such as VeriFone's Omni 3750 or Omni 3600 wireless terminal, to existing IP networks, including the Internet, corporate networks, retail LANs, wireless packet networks and satellite networks.

Because IP-enabled payment countertop terminals can connect to existing retail LANs, IP connectivity can be used in place of dial-up lines to link merchants with

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processors. Processors can connect to their gateway from an IP-enabled POS terminal via cellular, ISDN, Ethernet and even high-speed dial.

Benefits of IP Technology

For service providers delivering payment and value-added applications and for smaller-format retailers that rely on stand-alone terminals, IP-based POS devices offer breakthrough capabilities that will transform the payment process. Using a wired IP or wireless IP-enabled POS terminal to route POS data offers important benefits, including:

• **Speed:** The bandwidth available to an IP terminal using a LAN connection is typically 10 times greater than the bandwidth of a standard PSTN dial-up. VeriFone's wireless Omni 3600 CDMA and GSM/GPRS terminals use an "always on" IPdata packet network to achieve average transaction times of 3-5 seconds compared to 30 seconds or more for traditional dial-up. Faster IP-based networks are ideal for data-intensive applications such as electronic signature capture.

• **"Always-on" capability:** IP not only supports fast end-to-end transaction speeds over wireline or wireless networks, it also supports "always-on" connections, which eliminate the time-consuming dial-up process. Particularly in market segments such as quick service restaurant, where getting customers in and out in the minimum time possible is essential for business success, these high-speed services can be a huge advantage for store owners.

• **Security:** It's necessary to secure transactions that use IP technology and travel over public networks. VeriFone offers connections with end-to-end SSL security to enhance the encryption already used by both wired and wireless networks.

• **Versatility:** IP-enabled multi-application terminals that use the thin-client browser with SSL for data communication have the speed and bandwidth to support a variety of different applications at the POS, such as prepaid telco cards, gift cards, loyalty programs and utility payments.

• **Lower costs of support:** Processors enjoy significantly reduced support costs using IP-enabled terminals. Software updates and configuration changes can be done quickly and seamlessly over high-speed networks, minimizing the amount of help desk phone time that is often required to work through system upgrades with retailers.

• **"Thin" and "fat" client terminals:** Another exciting benefit of IP-enabled connections over high-speed services is that for the first time, service providers can support a mix of fat and thin client environments on the same terminal. The payment application can reside in the terminal, with value-added applications running on a central server, eliminating the time and expense of downloading applications to hundreds or thousands of terminals in far-flung retail locations. Needed changes and updates could be made right on this centralized server, with all terminals having immediate access to the latest version of the solutions.

• **Messaging capability:** POS terminals with IP capability also support true messaging using standard e-mail client software. Retailers can order needed supplies, and payment service providers could provide information on future promotions – quickly and easily using popular, PC-based e-mail applications.

Clearly, IP-enabled POS terminals provide retailers and service providers substantial operational and competitive advantages in a challenging marketplace.

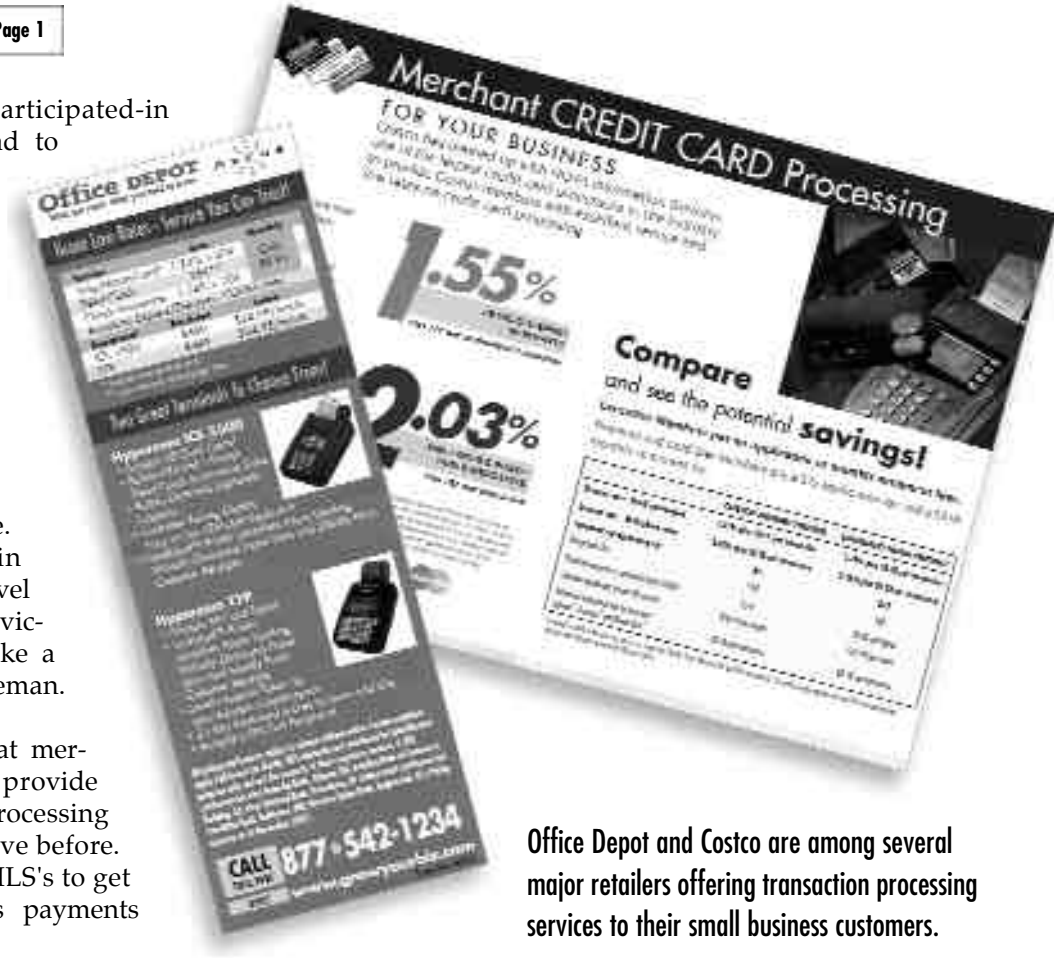
Michelle Graff is Director of Global Marketing for VeriFone.

ALTERNATIVES from Page 1

find out that one of the most participated-in discussion threads recently had to do with merchant processing services available through retail outlets such as Office Depot and Costco.

What? Merchants signing up for transaction processing without the aid of the Merchant Level Salesperson? Outrageous! Entries in the discussion chain seemed defensive. Eliminating the middleman – in this case, Merchant Level Salespersons in the financial services industry – doesn't sound like a good idea if you are that middleman.

The fact remains, however, that merchants have options now that provide them with viable payment-processing alternatives that they didn't have before. They don't have to deal with MLS's to get merchant accounts to process payments anymore.



Office Depot and Costco are among several major retailers offering transaction processing services to their small business customers.

Merchants are better educated, too, and demand better answers and information from their payment services reps. After too many negative experiences with shifty salespeople, is it any wonder that the phrase "payment processing" often leaves a bad taste in their mouths?

The talk of the industry is ethical business practices, or the lack of them, and how the industry should address that problem. The poor customer service provided by some reps reflects negatively on all the rest. If the new National Association of Payment Professionals (The Green Sheet, issues 03:02:01 and 03:03:01) becomes a reality, it almost certainly will have to address these issues as well as standards and certification.

Just a few years ago, there was a great hue and cry over merchants being able to buy POS equipment directly at retail outlets (GSQ, vol. 2, no. 2, May 1999). The actual processing services are available the same way – and the wailing now is equally loud.

Through several large office supply chains and discount/warehouse stores, business owners can sidestep the traditional MLS relationship and sign on with processors over the phone or online. Brand awareness is with the retailer, so the customer may not be fully aware that a separate entity is providing this service. That may not even be the point: This is creating a sense of additional value for these retailers to pass on to their customers.

A few examples of possible MLS competitors:

Office Max/Office Depot/Axeus

A Different Approach to Tapping an Underserved Market

Shoppers at OfficeMax and Office Depot can buy cartons of paper, pens by the box, computers, push pins and paper clips – and apply to accept credit and debit cards at their businesses.

The chain's partnership with Axeus, Inc., a business solutions provider based in Carlsbad, Calif., gives merchants a simple solution to what can be a confusing process. Merchants can buy or lease POS terminals and get competitive rates on transactions for credit (Visa, MasterCard, American Express, Discover, Diners Club, JCB), debit and check guarantee from Axeus.

Rather than serving as competition for ISOs and Merchant Level Salespersons, Axeus sees its niche in the financial services industry as providing a way for smaller merchants to accept credit and debit cards. "We're giving small businesses a different way, rather than going

through a bank or through the ISO route paying higher rates," said Andrew Newby, Vice President of Marketing for Axeus. "We're exploiting a different channel, not competing. We use a different model for this passive channel."

The businesses that can benefit most from Axeus' comprehensive program are those that traditional processors might shy away from, Newby explained. Axeus solutions are available through over 2,000 retail locations across the country, he said. Because merchants with lower sales volumes are typically the ones who use Office Depot or OfficeMax as their primary office goods supplier, it makes sense for the stores to offer this added service as well.

As Newby put it, "People buying cash registers want to take that next logical step and process credit cards. We don't go after high volume accounts. We go after a completely different customer who has traditionally been underserved. They may not have been established long enough, for example. Our customers run the gamut – small retail, mom-and-pop, Internet, mobile merchants and MOTO.

"Some businesses don't know where to turn. They're unsure of how to get going. We put forward the best possible customer service, and we honestly don't see ourselves as competing with ISOs. We've just taken agents on the street out of this equation."

Newby said Axeus was founded in 1998 by Sean Mallean, who has an extensive background in banking, bankcards and e-commerce. The company was created to look at alternative small business solutions that would eliminate some of the lack of cohesion between products and services in the marketplace.

Axeus offers complete turn-key solutions, including equipment or just the processing services, depending on what the merchant already has. Rates for transaction processing and equipment purchases or leases are published on the brochure and on the Web site in easy-to-understand formats. Newby said the program will work with any manufacturer's equipment, including wireless terminals; Axeus promotes Hypercom's ICE 5500 and T7P terminals on the Office Depot in-store brochure.

Merchants call a toll-free number or apply online. Axeus offers the "standard types of accounts based on consumer needs and the standard 24-hour approvals," he said. "All customer service is facilitated over the phone or electronically. It's been absolutely effective. All the customer service representatives at the help desk are well-versed to offer technical advice."

Merchant attrition has been low, too, according to Newby. "In four years, we've never had a merchant go back to a store with a formal complaint," he said.

While the Axeus logo is right there next to the Office Depot logo across the top of the brochure, under the fine print that says "Payment Processing Provided By," are merchants really aware that this is a service offered through the chain? The Web site, www.growyourbiz.com, makes it pretty clear that the program is a cooperative effort; when callers dial the toll-free number, it's plainly stated they've reached Axeus. But the real awareness is of the retail outlet, Newby acknowledged.

"The stores add validity – this is a very sensitive channel," he said. "The ultimate relationship is with the end user. Brand is a concept that's missing in the payments processing industry – who is providing the processing? We package programs and partner with companies with brands that are recognizable, especially for the people who shop through these channels."

Costco/NOVA

Five Pounds of Tortilla Chips, a Patio Set and a Merchant Credit Card Account

The excellent deals that Costco customers shop for are famous for their wide variety. It's impulse-buying heaven! Where else can you go in for a bag of dog food and come out with a kayak? The sheer volume of products available at the warehouse stores is what makes the membership chain unique; it also reflects the fact that the atmosphere and focus are different than at Office Depot.

Beyond once-in-a-lifetime purchases, Pat Callans, Costco's Vice President of Member Services, said that because membership is a requirement for shopping at the warehouse outlets, when Costco offers services to its members, it really is offering benefits.

"One way we're different from other retailers is that we are a membership club," he said. "We have great loyalty to our individual and business members. If we're offering a service through a third-party provider, we're duty-bound to give our members a better deal."

After all, Callans said, one of Costco's goals is to make things simpler and less expensive for small business. "We cut out as many of the costs and make it as easy as possible for them."

The services available for Costco's members make up a list of business solutions almost as diverse as the merchandise lining its stores' aisles. Payroll services, small business loans, prepaid overnight delivery, retirement plans, financial advice and insurance programs for health, home, life and auto are offered through partnerships Costco has with several third-party providers.

Merchant credit card processing is also one of those services. A partnership with NOVA Information Systems, Callans said, gives Costco's small-business customers

access to the same discounted rates and options that larger merchants often have. While the terminals and other POS equipment are no longer sold at the warehouse locations, he said they are available at the "handful" of centers the chain has opened at separate sites on the West Coast that cater specifically to small business.

Callans said Costco is picky about its choices of partners: "Our business services are all offered through different providers. They're not integrated and there's not much overlap. But with all of the services, we survey our members to develop programs with interest and broad appeal to them. We determine whether they're the types of programs we can show true value through and analyze them at least annually."

Based on customer survey results, the potential program goes out for bidding with several providers. "The player selected will have a unique benefit or service to offer our customers. NOVA is a sizable player in the marketplace. We were able to negotiate some excellent rates with them," Callans explained.

Costco has been offering card-processing services since 1997; in fact, it was one of the first business solutions it made available as a membership benefit. Costco members pay less for the same transaction-processing services for credit and debit, as well as for fees and leased or purchased equipment, than other NOVA customers.

Costco's three-tiered membership system includes different benefits for each level. Executive members, for instance, pay a higher annual fee to belong but receive discounts on services; they pay no application or monthly statement fees for merchant accounts opened through NOVA. Costco's brochure for the merchant card processing service spells out fees and rates clearly, eliminating a lot of initial guesswork for its customers.

Despite the third-party relationships, the brand awareness is definitely focused on Costco. "The idea of membership as a component is very important," Callans said. When something isn't going well, "business members have the right to contact Costco."

That feeling has to be reflected in the customer service that members receive when they call NOVA about merchant accounts. "Part of the staff at NOVA is dedicated as the Costco team to handle sales and other issues," he said.

According to Callans, NOVA sees Costco as another, although unique, distributor of its product. "This is a partnership and we're a distribution arm for them and in a way, it does include some of the elements of the MLS-merchant relationship.

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"I think these types of relationships will be healthy for the industry in general, stimulating competition and efficiency overall," he said. "We are an efficient distributor of merchandise and services, which I'd like to think lends good, healthy competition to the market."

Microsoft/Citibank

Two Big Names, One Easy Solution for Small Merchants

Even Microsoft is getting in on the action. At the National Retail Federation's 92nd annual Conference and Expo in early January 2003, the company announced an extension of its contract with Citibank Merchant Services.

A new payment-processing module will be added to the latest version of Microsoft's Retail Management System (RMS) that the two companies say will eliminate the need for card payment terminals and other stand-alone POS equipment.

RMS is a software application that operates in Windows 98, 2000 or XP environments. It interfaces with Citibank Merchant Services' system for payment processing and meets POS compliance standards for peripherals. It's a different sort of solution than those being offered by Axeus and NOVA, but it's one that could have a big impact on the way smaller businesses accept payments.

"The trend is toward totally integrated systems for small retailers," said Jim Greene, Senior Product Planner for Microsoft Business Solutions' RMS product line. "Think about it – we're bringing a level of empowerment to retailers that they might not even be aware is available. Integrated devices are definitely the next step."

The PC-based system allows simple integration of POS peripherals supplied by other manufacturers such as Cherry Electronics, Epson and ScanSource – for example, printers or specialty keyboards that include the card swipe – through USB connections. "It's just not as complicated as it used to be," Greene said.

The system can be easily modified to meet the varying needs of a wide range of specialty merchants and businesses. "The beauty of it is that a [Microsoft-certified] reseller can sell the same application to many types of businesses," he said.

The RMS application includes features for tracking inventory and sales volume and prepares data for reconciliation and reporting. The software makes it easier to follow the success of sales and promotions, to set profit margins and multiple tax tables and track commission schedules.

Greene said RMS version 1.1 includes card processing through Citibank. When installed, the program accesses Citibank's system; the account-application and credit-approval processes are handled separately by Citibank. Rates for processing swiped retail and Internet/MOTO transactions are higher than in the two programs mentioned above, but Greene said there is no monthly fee associated with the Citibank service.

The current version of RMS will run one to three lanes, and workstations are added at additional costs dependent on the number of units. Greene said Microsoft has put together a tool to calculate value, which shows big savings for merchants.

Because the system includes so many different aspects of conducting retail business, it will soon pay for itself. "The initial $3,200 investment, including the hardware, software and installation, will be paid for in two to three months," he said.

The transaction-processing options from Axeus, NOVA and Microsoft/Citibank Merchant Services, as well as others available in the marketplace and in the works, are designed to provide smaller merchants options for accepting payments and running their retail businesses more efficiently and comprehensively. For the MLS, these programs could be a hint, if not a real wakeup call, to change the way the business is operated.

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- Especially geared toward Hispanic market.
- Hot new item: prepaid debit card that functions like an ATM card.
- Helps merchants by controlling shrinkage and waste at the point-of-sale.

If you're looking for more than just the usual offerings of a merchant service provider and need products with Hispanic flavor, check out Blackstone's menu. It certainly tickles the prepaid card palate of O.B. Rawls, President of Hypercom North America.

"We have been working with Blackstone for three years, and we are very happy with the partnership," Rawls says. "They have brought a unique solution to the prepaid card market."

Blackstone General Manager Mike Acton, who joined the company during its transition from normal hard card distribution to electronic distribution, says its roots can be traced to Miami in the mid-'90s, when the prepaid card industry was just beginning to emerge. Blackstone founder Lewis Arias owned multiple gas stations and convenience stores and was sending cards out to his stores through distributors. He decided to expand to direct relationships with carriers.

"What moved us to go into electronic distribution was the advantage of prepaid wireless products," Acton says. "We saw there was going to be a need to offer different inventory rather than the physical prepaid cards hanging on shelves. We knew merchants needed to carry all types of cards, and that involved a lot of float. Giving them virtual inventory was the answer."

That vision led to the formation of a company that today boasts an impressive array of products and services. Blackstone provides 75 different prepaid calling cards found in more than 300,000 retail establishments plus processing services for all major credit card, ATM/debit processing, EBT, check services, gift cards, even an all-in-one POS terminal. There's also Blackstone's Global TRACS, a transactional accounting system for internationally based organizations.

"Our core is to be able to take relationships we have with all carriers and bring out a good margin product to our merchants," says Acton. "Typically, we go out to where traditional prepaid products are purchased, such as gas stations, convenience stores, pharmacies and check-cashing outlets. What sets us apart, first and foremost, is that we own and operate our own network. We write our own software. Nothing is outsourced, so it allows us to internally develop and enhance products and services."

Another Blackstone differentiator is its claim that it is the only prepaid provider that offers both a Visa and MasterCard acquiring source. "With our competitors, merchants need two terminals," says Acton. "Our terminal does both prepaid and processing. It offers multiple forms of distribution of product, including a smart printer, smart card capability, debit, credit card capability, signature capture and check conversion."

Blackstone's terminal came out in 2000 as a strategic alliance with Hypercom. Supported by Hypercom's ICE 5500 platform, the Blackstone POS terminal offers merchants an opportunity to convert their POS system to a profit center through prepaid and long distance cellular card revenues. According to Acton, Blackstone's costs are very competitive, whether lease or purchase, with next-day deployment through Horizon.

While Blackstone's biggest selling products remain prepaid wireless offerings, its hot new item is a prepaid debit card that functions like an ATM card.

"A customer purchases a debit card with a PIN attached to it," says Acton. "Depending on the program, the consumer can fill out a small form giving all necessary ID info and get a prepaid MasterCard issued to them up to $750. They then swipe it at a merchant terminal. It's great for folks who don't have checking accounts, and the merchant gets a percentage on each transaction used with this card."

What does all this mean to ISOs? Blackstone is hoping it translates to expansion of its outside sales channel.

"Our first move is to get certification along processing platforms," Acton says. "We are already certified with Universal Savings Bank, our sponsor bank. By getting additional certification, it will allow us to go out to ISOs and say, 'Here is a viable solution, and whoever you sell processing through, you can continue to do so.' "

Acton sees numerous benefits for ISOs who team up with Blackstone. "Number one, they are able to take their attrition level down to next to nothing," Acton says. "We looked at the industry and saw these levels were very high. We want to make it difficult for ISO merchants to leave their ISOs. Number two, we are a new revenue source whether they're selling or leasing terminals. Now they can offer services on the prepaid side. That's a different concept."

Then there's the Hispanic flavor. With its roots in Miami, Blackstone is strongly entrenched in the Hispanic merchant community. "This is a great market to be involved in," says Acton. "They are loyal in regards to product. If a product is proposed or sold by Hispanic to Hispanic, they will gravitate toward it. For Blackstone, it has been a real good market. We have thrived."

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Blackstone is Alhambra, Calif.-based Merchant Direct Processing.

"We may be considered a processor, but we are really a master ISO," says Al Urcuyo, President and CEO of MDP. "We take responsibility for all our accounts. We provide merchants services to Blackstone, and they provide our merchants with prepaid terminal solutions. We have worked with Blackstone for a couple of years now, and it is going very well. Our merchants enjoy sharing in multiple revenue sources.

"The great thing about America is that it's filled with competition. You must be creative to help merchants become more than just a commodity-driven merchant. The prepaid industry has become very competitive. It was outside our business, but it is Blackstone's business. Our merchants knew about it but never got into it. For us, we are going into a totally untapped market. Blackstone is helping us tap it."

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– Al Urcuyo
President and CEO,
Merchant Direct Processing

Urcuyo continues, "I don't worry about my ISOs and reps servicing this market. Blackstone does it all. They are an innovative company and are very technologically savvy. They are a couple of years ahead of the competition. That's who you want to work with."

Acton makes it clear that Blackstone wants to work with ISOs who think that way. "We look at folks who have enough forward-thinking ability to see

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this is not going out and selling a box and making some money," he says.

While its ISO partnerships are slowly but surely forging, Blackstone's corporate alliances are solid. In addition to Hypercom, Verizon, T-Mobile/VoiceStream and Universal Savings Bank, Blackstone has established relationships with AT&T Wireless, BellSouth, Cingular, Cisco Systems, Fifth Third Bancorp, IDT and Americatel.

The Hypercom alliance has been so positive, Blackstone is working with Hypercom on product distribution outside of North America with particular emphasis on Asia, Australia and the U.K.

"From the merchant's standpoint, this system helps control shrinkage and waste at the point-of-sale," Rawls says. "With prepaid phone cards sitting on the shelf, stolen or shrunk, that's cash out the window. Blackstone's solution allows for card activation at the time of printing. It's a terrific solution for the marketplace. It works."

What also has worked is the Blackstone information/technology team.

"Our biggest accomplishment to date is the team we put together for our IT network," says Acton. "We have a wonderful group of young, bright, creative folks who would choke if they heard me say this. The hardest thing is to get young folks to make the grade. With our team, you can sit down and brainstorm with them for new products and services, and they make it work. It gives us in management the opportunity to take advantage of new trends or ideas and really move the market." Blackstone is focused on getting past a bigger obstacle – the merchants.

"Our biggest challenge is educating the merchants on using our terminals," says Acton. "They are used to pulling a prepaid card off the shelf. As time goes on and we do our job of making it easy and user friendly, wireless prepaid cards will pick up speed."

Acton bases his optimistic view on where he sees the market heading.

"The prepaid industry is on a major upward curve because of wireless products. I think what will eventually happen will be more products being sold for the terminal with a PIN from a catalog or a POS poster. Customers will see what they want, select it on the terminal and pay for it – all at the point-of-sale. That ability can and will be exploited. The merchant will have the opportunity for more inventory to sell, and we are going to utilize our network to supply a lot of those products and services."

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As point-of-sale terminals and the applications that run on them grow more sophisticated and bounteous, many ISOs find themselves working harder to keep up with the pace of the market. They spend more time with their merchants, more time learning about the products and even more time trying to differentiate features and benefits offered by various manufacturers and application developers. BNA Smart Payment Systems wants to keep it simple for ISOs, so it offers an all-in-one solution. BNA calls it a "total solution."

"The ISOs have done an incredible job of deploying a huge number of terminals in the U.S. marketplace," said BNA President Matt Moore. "As the terminals become more and more sophisticated, [ISOs] have to do a lot more handholding, which is keeping them out of sales, which is preventing them from making the money."

Moore and Mike Sorbara, Executive Vice President of BNA, are payment industry veterans who came together in early January 2002 with one goal: putting together a total solution that would enable the ISO to focus on what he or she does best: sell to the merchant. Through partnerships and its own staff, BNA would handle the rest – the applications, downloads, key injections, merchant support, training, help desk support, etc.

"The ISO is freed up to keep doing what he is doing: calling on the merchants, getting more terminals deployed and earning his living," said Moore.

An independent company, BNA consists of 14 professionals who develop and market a suite of certified payment applications. The company is also the North American distributor of the C-ZAM/SMASH point-of-sale terminal, manufactured by Banksys, a Belgium-based company.

Perhaps it is easier to explain the features and functions of the C-ZAM/SMASH terminal than the origin of its mysterious European name. "The name 'SMASH' obviously refers to the hit that it's going to be in North America," Sorbara joked.

The C-ZAM/SMASH is a sophisticated multi-application terminal with a large memory capacity of 20 megabytes and two 32-bit processors – an application and a security processor – and a magnetic stripe and chip card reader. The terminal supports credit, debit and stored-value cards. It runs on a Java operating system (Java Virtual Machine) designed by Sun Microsystems, Inc. and has an open architecture that easily integrates with other payment systems and various peripherals and printers.

"We've been extremely happy with [the C-ZAM/SMASH]," said Moore. "From a quality perspective, we real-

"The times of taking a year to develop even a simple feature don't exist in our environment anymore. We're able to develop applications, and it's down to months, sometimes even weeks now. The time savings is incredible."

– Matt Moore
President, BNA Smart Payment Systems

ly put it through its paces during an initial development effort. We've thrown an awful lot at it, and it's come through first rate."

Since the C-ZAM/SMASH contains interchangeable communication cards, the terminal can support a dial-up, lease-line or wireless environment, which includes wide area networks (GSM and GPRS) and local area networks – specifically, wireless Ethernet capability with TCP/IP connectivity.

Moore said one of the things currently generating the biggest interest for BNA is the Ethernet/TCP/IP configuration of the C-ZAM/SMASH terminal. "Ethernet and TCP/IP are standards that have been around since the late '70s," said Moore. "It's new to the POS environment, however. It's a lot quicker transaction. We're seeing anything from a three- to five-second response."

After BNA secured North American distribution rights for the Banksys C-ZAM/SMASH terminal in October 2001, Moore said the company's first order of business was to develop applications that would run on the device so it could start marketing and selling the product. "If you've got a multi-application terminal, it's not a lot of good unless you have multiple applications to go on it," he said.

Because of the terminal's design and open architecture, it can support an unlimited number of custom applications from loyalty programs to smart vouchers, access control and lunch vouchers.

BNA chose to develop the terminal's applications in the programming language Java in order to be able to quickly develop and customize programs to meet the ever-increasing demands of the marketplace.

"As the ISO market and the merchants come up with unique requirements, we can respond to those extremely fast because of Java," said Moore. "The times of taking a year to develop even a simple feature don't exist in our environment anymore. We're able to develop applications, and it's down to months, sometimes even weeks now. The time savings is incredible."

Within BNA's first year of business, it was certified with six U.S. processors (the company holds 14 total certifications). "It's all about time to market," said Moore. "We're pretty proud of the fact that within 12 months we managed to get six applications out, certified, that basically can be deployed today."

BNA is credit- and debit-certified with processors Paymentech, Vital Processing Services, NOVA Information Systems, FDR Omaha, FDMS Nashville (credit only), Global East and Tranvia, with industry segments of general retail, restaurant, hotel/lodging, and auto rental. Paymentech and Vital also have certified BNA for EBT.

"We write to the specifications of the processor – that's standard, obviously – and we've also included a lot of value and features that we think the ISOs/merchants are looking for and have been asking for the last couple of

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years," said Sorbara.

Some of these value-added features include multi-language support; multi-merchant support (Sorbara described a doctor's office, for example, where several doctors share one terminal); the ability to split payment among multiple patrons, such as at a restaurant; deferring payments until a certain time in the future, as agreed upon between the merchant and the customer; and recurring payments, which allow payments to be made in increments over time as opposed to paying all at once.

"If there are solutions out there, if there are experts that are available and they do their job very well, then those are the ones we want to partner with. We think that with this type of arrangement, our offering is going to be that much stronger to the ISO."

– Mike Sorbara
Executive Vice President, BNA Smart Payment Systems

BNA also offers various reporting features, such as running reports by clerk or by shift/ tab management – a merchant can run a tab or a receivable against a customer for any length of time, and the terminal manages that. "These are all features that are included in our application regardless of what processor we're certified with," said Sorbara.

In addition to Banksys, BNA has sought out several other companies as partners to offer a total solution to ISOs. "Our philosophy has been, 'Why reinvent the wheel?' If there are solutions out there, if there are experts that are available and they do their job very well, then those are the ones we want to partner with," said Sorbara. "We think that with this type of arrangement, our offering is going to be that much stronger to the ISO."

BNA has partnered with Toronto-based KESM Transaction Solutions, Inc., an application service provider for the payment industry. KESM manages BNA's developers, professional services group and merchant support help desk, and also provides BNA with access to the software for the Catuity Loyalty program, which BNA has selected to offer as its loyalty card program of choice.

The loyalty program can be smart card-based or magnetic stripe-based. "Alot of the focus seems to be on the smart card," said Sorbara. "I think the reason for that is that it's a differentiator. There's been a lot of talk in the marketplace about smart cards with Visa and Amex. I think

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everyone wants to be involved in that."

BNA designed the loyalty program to be flexible for both ISO and merchant. ISOs can offer their merchants a customizable solution; for instance, merchants can put their own logo on the loyalty card, if desired. And merchants can give the cards to customers or sell them if preferred.

BNA provides the ISO with reports on the merchant's activity so the ISO can monitor the success of the program. If activity is low (few cards being used or activated), the ISO can follow up with the merchant. If activity is high, the ISO can ask if he or she needs more cards and in turn, can make more sales and more revenue.

"The ISO participates in that – he earns additional revenue through the program, the way we've set it up," said Moore. "We think there is a big incentive there for them. It also keeps communication in that relationship between ISO and merchant more consistent because they are in contact while the programs are running."

BNA structured its program in a way that would be acceptable to the merchant: a low flat monthly rate with no transaction fees associated with it.

"These are things our ISOs have told us they needed in this type of solution, so we've met those requirements," said Sorbara. "It's a robust system that we actually have, but the way that it's presented to the merchant and ISO, we've taken all the complexity and hard work and made it as simple as possible for them. They just have to run the program."

BNA's primary objective is to get to the ISO market, so it's just a matter of getting the word out. "This isn't something that is coming. Everything is done, ready, available and can ship today," said Moore. "We have the processors, we have the certifications, we have the additional functionality." BNA also has partnered with CIT Leasing for its leasing program.

"What we've tried to put together is a total package," Moore said. "It's a total turn-key solution for an ISO where he can actually go out, sell the product, call us and we'll take care of everything after that. Or he can do an a la carte menu if he doesn't require all services.

"We'll continue to listen to what the ISOs have to say, and we'll continue to provide them with the solutions that they are looking for."

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or by email at: tannonm@usms.com

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NEW PRODUCTS

All-weather ATM Helps Improve Business Climate

WeatherMaster

Qualtex Corp.

If you're looking to capitalize on a blank commercial wall or window space, have you considered a revenue-generating opportunity with a through-the-wall cash dispenser?

The WeatherMaster is a weather-resistant, through-the-wall stainless steel cash dispenser that looks like a standard bank ATM. It requires no stand, and for safety purposes all management functions are accessible from the rear of the machine, which means employees that access the machine don't have their backs to the street. The ATM is also 3DES compliant.

The WeatherMaster began as the MBC1031, an interior through-the-wall ATM released by Midwest Bancard Corp. in October 2001. Qualtex Corp., a new spin-off of Midwest Bancard, has released a weatherproof version of the MBC1031 under the name WeatherMaster.

Some of WeatherMaster's standard features include a weather-resistant anti-glare LCD; a backlit ATM sign that lists national ATM networks; and a manual, ultraviolet-resistant door covering bill catcher. The rear of the ATM has a stainless steel cabinet with a quarter-inch stainless steel door that opens from right to left and has both an electronic lock and key lock.

The inside of the ATM has a rear screen and keypad for management functions, a De La Rue MiniMech dispenser with a slide-out tray that holds 1,000 notes, a Fujitsu 80 mm thermal graphic printer with coupon capabilities, an electronic journal with 1 mb of memory that holds up to 2,040 transactions, and a 2400 dial-up baud modem.

Optional features include a TCP/IP modem and software for remotely managing the ATM's applications with downloadable graphic options for on-screen advertising.

The WeatherMaster is a fairly compact machine; its dimensions are 19.5 inches in width, 22.5 inches in height and 20.125 inches in depth.

Qualtex also provides its customers with product support. The company has its own team of ATM technicians, offers unlimited phone support at no charge, and ATMs come with a one-year parts warranty.

So far, Concord EFS, Inc., Core Data, EFT Logix and Genpass have certified the WeatherMaster ATM for use in the U.S.; the ATM also has received international certification from TNS Smart Network.

Qualtex Corp.

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www.qualtexcorp.com

No More Retyping Data

EZPOS Builder

ePayware Inc.

The process of downloading point-of-sale applications just got simpler thanks to ePayware, Inc., provider of transaction and information processing solutions. It has developed EZPOS Builder, a download management system.

ePayware

Merchant service providers or terminal deployment providers will enter a new merchant's data into their merchant management systems, but this data also has to be manually re-entered into the download systems of the manufacturers when it's time to download an application for a POS terminal. All of this data entry is prone to errors and takes up valuable time.

EZPOS Builder synchronizes data in merchant management systems and leading manufacturers' download systems, which eliminates the need to enter merchant data more than once, improves the accuracy of data and decreases help desk support costs – there is no need to train and retrain customer service agents on the various download systems.

ePayware's system supports multiple terminal types and has a simple user interface, serving as a single point of entry for viewing common download systems such as VeriFone ZonTalk and VeriCentre, Hypercom TermMaster Suite and Lipman Nurit Terminal Control Center (TCC).

Here's how it works: EZPOS Builder "sits" between the merchant management system and various manufacturers' download servers, creating a connection and communicating between them. EZPOS retrieves data from the merchant management database and then communicates with the manufacturers' networks.

The EZPOS Builder has a Web client, so file building can be done remotely. The Web client also allows MSPs and processors to build files for ISOs that want to outsource that aspect of their business as an additional source of revenue.

EZPOS Builder requires a Pentium III server running Windows 2000 Professional with SP2, 128K RAM and minimal hard disk storage. A relational database such as Microsoft SQL Server 2000 also is required.

ePayware Inc.

1500 E. Hamilton Ave., Suite 201
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WATER COOLER WISDOM

Golf is more fun than walking naked in a strange place, but not much.

– Buddy Hackett

INSPIRATION

How to Avoid Going Out-of-bounds at the Golf Course

You're only an average golfer, but you've received an invitation to play at an exclusive country club with an important potential client who is avid about the game. This could be the social outing that firms up the relationship, but you hesitate because you don't want to embarrass yourself.

Relax! There are some simple steps to follow that go way beyond "drive for show, putt for dough" and "keep your head down." You don't have to play like Tiger Woods to make a good impression, but even if you play like a pro you **can** make a bad impression.

First and foremost (no pun intended), make sure you at least look like a competent player. For men, an understated polo shirt and khaki pants are pretty standard attire on any course; T-shirts, jeans and shorts sometimes are prohibited, particularly at country clubs. For women, a polo shirt with a nice pair of slacks or shorts will fit right in. Tone down the loud colors; the days of burnt-orange shirts and plaid knickers are long gone.

Make sure your golf shoes are up to par. Soft spikes (rather than metal) are now required to protect the greens at virtually every course, but you also want shoes that are comfortable and stylish. FootJoy has been the top shoe manufacturer for years, but most golf shops have several other quality brands, too, for reasonable prices ($50-75).

You probably will want to wear a golf glove – on your left hand if you're right-handed and vice versa if you're left-handed – to look more professional and help you grip the club better. Again, you can't go wrong with FootJoy; any reputable golf shop will have a good selection of FootJoy gloves.

Your clubs say a lot about you. If you need a new set of clubs, do **not** go to a sporting goods store – get properly fitted and advised at a golf specialty shop. You don't need to spend a fortune on clubs, but you want a name brand (Titleist, TaylorMade, Wilson, etc.) and you want clubs that actually will help your game, not impede it.

Your golf bag will be noticed, too, so make sure yours isn't too small or too tattered. If you aren't sure, don't hesitate to ask a professional at a golf shop.

The brand of ball you play could become an issue. You don't want another member of your group walking up to your ball in the rough and announcing, "Who's playing a

DATEBOOK

NACHA Payments 2003

Highlights: Learn how to do business electronically. Gain timely and accurate education on e-payment experiences, trends, solutions and best practices at this industry event. NACHA will bring together payment practitioners from the public and private sectors to develop rules and standards, business practices and models, products and services to benefit ALL electronic payments stakeholders. Business executives from a wide range of companies, from financial institutions and government agencies to telecom and technology, and at all levels, from CEOs, analysts and controllers to marketing and product managers, will benefit from attending the workshops, presentations and expo.
When: April 27-30, 2003
Where: Orlando World Center Marriott Resort & Convention Center, Orlando, Fla.
Registration Fees: Vary by NACHA membership status, whom you work for and events attended.
How to Sign Up: Visit www.nacha.org

The Food Marketing Institute Show

Highlights: The payments industry is an integral part of the supermarket industry, and this show and expo will include workshop sessions covering topics of interest to financial services providers. A better understanding of how the supermarket industry works can only increase the quality of services Merchant Level Salespersons provide to store owners to help them run their businesses better. More than 30,000 people from North America and Europe are expected to attend, providing excellent opportunities for networking and forging partnerships.
When: May 4-6, 2003
Where: McCormick Place, Chicago
Registration Fees: Vary by FMI membership status, activities attended and registration date.
How to Sign Up: Visit www.fmi.org, phone 202-452-8444

National Restaurant Hotel/Motel Show

Highlights: This trade organization is projecting sales of $426 billion for the hospitality industry in 2003, and that means profits for payment professionals providing the products and services to process the transactions. The event will provide the best opportunity and most cost-effective way to meet with thousands of professional attendees under one roof: 75,000 people are expected to attend, along with nearly 2,000 exhibitors, 7,000 distributors and 15,000 suppliers and affiliates from chain and independent restaurants, lodgings, resorts, hospitals, schools, clubs, military bases, airlines, cruise lines, bars and casinos. Former New York Mayor Rudy Giuliani will deliver the keynote speech on Sunday, May 18.
When: May 17-20, 2003
Where: McCormick Place, Chicago
How to Sign Up: Visit www.restaurant.org

Cheapoflite 2 X-out with a cut in it?" For decades, Titleist has been the elite ball on the market – if you don't have a strong preference for another big-name brand, Titleist has the best "feel" and garners the most respect.

Find out how difficult the course is and whether it has a lot of water hazards. Bring at least a dozen new balls and a dozen "just-in-case" balls that haven't been overused. On some courses, you easily can lose your ball simply by missing the fairway (those of you who played in the ETA tournament in Seattle last September can attest to that), and the ultimate embarrassment is to run out of balls. Make sure that doesn't happen to you.

Finally, make sure you know the rules of etiquette. Some of the rules most commonly violated by casual golfers are:

• Hitting from between the tee markers, and staying even with or slightly behind them. The rules state that you cannot tee up your ball ahead of the markers.
• After you tee off, whoever is farthest from the hole hits first.
• Stay slightly behind and to the side, out of the line of sight, of a player who is hitting a shot. This is a safety issue as well as proper etiquette.
• Replace your divots on tees and fairways and repair your ball marks on greens. No country club member wants to watch a guest tear up the real estate and not try to fix it.
• Do not ground your club in a bunker (it's against the rules), and be sure to rake the sand neatly when you've extricated your ball from there.
• As soon as you hit your ball on the green, **always** "mark" it by placing a coin directly behind (not to the side of) your ball and picking the ball up. Then, when it's your turn to putt, put your ball back in front of the coin and pick up the coin. A ball left on the green can distract another player who is putting, and you also want to check to make sure your ball is clean. This is something the pros do without fail on every green.
• The player with the lowest score on the previous hole has the "honor" and hits first off the tee. If you tied on the previous hole, whoever had the "honor" on that hole hits first.

One final thought: One of the worst things you can do on the golf course is lose your temper. There's nothing more disconcerting to someone who loves the game than watching a casual golfer – someone who really has no right to expect much – get upset over a bad shot. Just do your best, have fun, be social ... and close that deal.

Good Selling!

Paul H. Green

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