



The Green Sheet

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

December 27, 2004
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The Green Sheet Recaps 2004

Mergers, More Mergers, Card Association Strife and Awards

Looking back on a period of change in our lives, we often remember only one or two significant events; however, it's actually many events coming together that effect change. In retrospect, we might overlook most of them, but they are just as important to the big picture.

We can say the same for the payment processing industry, which experienced tremendous change in 2004.

It included grand events such as billion dollar mergers and acquisitions, important court rulings, and not-so-grand events, too, but the events of 2004 will contribute significantly to the direction of the payment processing industry in the coming years.

Momentous Mergers

The following noteworthy (and there were many) billion-dollar bankcard acquirers and payments networks changed hands in 2004. These included some of the largest combinations in the history of the

business and will shake up the rankings of top acquirers:

- At the urging of the U.S. Department of Justice (DOJ), First Data Corp. (FDC) sold its majority stake in NYCE, the nation's third largest debit network, to Metavante Corp., a subsidiary of Marshall & Ilsley Corp. FDC was able to acquire Concord EFS Inc. and its STAR debit network, the largest debit network in the United States.
- Bank of America Corp. (BoFA) acquired National Processing Inc.'s National Processing Co. (NPC) and also acquired FleetBoston Financial Corp.
- JPMorgan Chase Co. completed its acquisition of Bank One, creating JPMorgan Chase & Co.
- The Royal Bank of Scotland Group plc (RBS) acquired Atlanta-based Lynk Systems Inc.
- And Discover purchased PULSE EFT Association, the largest independent ATM/POS debit network

See 2004 Recap on Page 59

NotableQuote

"In 2000, the terms 'multi-app' and 'value-add' were introduced to our industry. By now, they have probably become part of your lexicon. Does a day go by when you don't mention electronic gift cards or check conversion?"



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- ✓ *Multi-app ready terminal allows for loyalty, gift card and other enhancements*
- ✓ *Reliable Bluetooth communications provides extended range and battery life*



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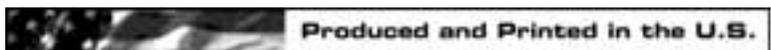
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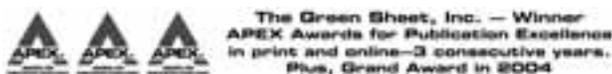
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Forum

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You did a bang-up job on
this gingerbread bank, Jerry!
But where's the ATM?

I was working
late last night
and I ate it ...



in the industry. With your connections, I believe you could create that reference rather easily.

I would like to see each piece of equipment pictured large enough to be able to read the keys. The picture should be labeled with the steps in the programming instructions, and the instructions should include:

- How to enter the programming mode
- What information must be entered, such as the merchant checking account number and bank routing and transit number and whether the terminal is a "swiped" or "keyed" terminal, etc.
- How to enter that data and in what order
- What prompts to expect at each step
- How to exit the programming mode
- What phone number to dial if instructions must be entered from a computer
- How to make the terminal dial a telephone number to retrieve programming instructions
- How the unit and the merchant are identified

Naturally there must be safeguards, since we are talking about gaining access to the nation's banking system, but surely something could be worked out so that registered agents of ISOs could become more competent, independent and productive.

W. Dan Chance
Bank Card USA

Dan:

Thank you for your suggestion. This is a formidable undertaking, to say the least. We have chosen to pass your idea along to the equipment manufacturers. Some of them may already have this information available via the Web. We will keep you posted on our progress with this idea.

Don't Forget the CISP

I find Ed Freedman's comments in The Green Sheet valuable, and I enjoy reading his column. In the second installment of "The Mind of the MLS" ("Checking in on the Mind of the MLS," by Ed Freedman, The Green Sheet, Nov. 22 2004, issue 04:11:02), he gives some advice on how to pick an Internet gateway provider.

I would add to his comments that when considering a gateway provider, the merchant level salesperson (MLS) should look for one that has a Visa Cardholder Information Security Program (CISP) certification. Otherwise, that gateway would be operating outside of the card Association rules, and considerable monetary penalties could be levied on the acquirer.

Tony Abruzzio
Executive Vice President/General Manager
GO Software Inc.

Wanted: POS Equipment Reference Materials

As an MLS, I would like to have a handy reference to the downloading/programming instructions for each piece of equipment used

Editor

IndustryUpdate

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NEWS

CyberSource Reports Worst Cities for e-Commerce

In a survey undertaken by **CyberSource Corp.**, e-commerce merchants named New York the riskiest North American metro area for e-commerce. By "riskiest," merchants mean that orders from these areas are most likely to be fraudulent. Miami, Los Angeles, Chicago, Detroit and the San Francisco Bay Area followed New York.

ANNOUNCEMENTS

OTI Receives AmEx Certification

On Track Innovations Ltd's (OTI) Saturn 5000 contactless reader received certification from **American Express Co.** (AmEx) to support its ExpressPay contactless payment program. This follows OTI's recent announcement as the only company to obtain type approvals on both its MasterCard PayPass compatible card and reader solutions. ExpressPay is an alternative to cash. Users hold the ExpressPay key fob next to a companion reader at checkout to make purchases. Payment is authorized in seconds and no signature is required. ExpressPay links directly to an existing credit, charge or debit card.

Payments University Offers Industry Information

The Payments University now offers payment opera-

tions and industry education programs for all payment professionals. The Payments University is an expansion of the education services provided by **The Clearing House Payments Co.** for Electronic Payments Network (EPN), Clearing House Interbank Payments System (CHIPS) and Small Value Payments Company (SVPCo) payments businesses.

The new curriculum covers an array of payments systems, including check, automated clearing house (ACH), and wire. Classes are conducted in classrooms around the country and via "Webinar," a combination of Web-based visuals and teleconference audio. For descriptions of courses and online registration visit www.paymentsuniversity.com.

Creditel Secures New Funding

Mobile transaction technology company **Creditel** secured \$2.5 million in funding. Available on select Java-enabled handsets, Creditel authorizes credit cards and check cards and prints receipts, with real time online reporting. The funding allows Creditel to move forward with development of new products, new operating systems and enhanced integration with new phone models and receipt printing processes.

Major Saudi Arabian Banks Order ICE5500

Hypercom Corp. distributor Alhamrani Universal (AU) ordered 5,000 ICE 5500Plus and 5,000 S9 card payment devices for Saudi Arabia's major banks. This marks the largest one-time order ever for Hypercom Middle East. The support from STS, Hypercom's master distributor in the Middle East, as well as Hypercom's MEA office in Dubai Internet City has assisted AU's expansion in the Saudi POS market.



- **CyberSource Corp.** said in its sixth annual online fraud report that fraudsters will take more than \$2.6 billion from eCommerce in 2004; that's 37% more than last year.
- **Blockbuster Inc.** partnered with 16 new retailers to distribute its gift cards, adding 16,000 new locations before year's end.
- **Walgreens**, the country's ninth-largest retailer, said it will no longer accept American Express cards, effective Jan. 14, 2005 throughout its stores nationwide.
- **Wal-Mart Stores Inc.** announced plans to build its first New York City store as early as 2008. The store will be located in Rego Park, where Queens Boulevard intersects with the Long Island Expressway, "Newsday" reported.

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IndustryUpdate**PaymentOne Recognized as Fast Growing Company**

PaymentOne Corp. was ranked number 11 on **Deloitte & Touche's** "2004 Technology Fast 50" for Silicon Valley, a ranking of the 50 fastest growing technology companies in the San Francisco Bay Area. This is the second consecutive year Deloitte & Touche Fast 50 recognized PaymentOne. Deloitte & Touche ranked the company based on its five-year percentage revenue growth of 9,338%. Additionally, PaymentOne is ranked number 33 out of 500 on the 2004 Deloitte Fast 500, which encompass the top 500 publicly and privately held fastest growing companies in North America.

SVPCo Online Adjustments Accommodate New Adjustment Types

SVPCo-Check Services, the national check processing business of The Clearing House Payments Co., announced that its online adjustments platform can now accommodate expedited recredits and breach of warranty/indemnity, two new adjustments mandated by the Check Clearing for the 21st Century (Check 21) Act. Expedited recredits help consumers resolve payments errors caused by a check conversion, while breach of warranty/indemnity helps banks resolve

errors caused by the electronic conversion from paper to substitute check. SVPCo's "online adjustments" is a Web-based adjustments system for banks, thrifts and credit unions.

Visa Provides Enhanced Chargeback Rights

Visa U.S.A.'s Interlink PIN-debit network now provides members with enhanced chargeback rights for cardholder disputes based on the quality of goods and services. Issuers may now permit cardholders who are dissatisfied with the delivery or quality of their purchases made with their Interlink cards to dispute the charges with their issuers. Visa is making this new issuer chargeback capability available only for Interlink card transactions processed by Visa.

After attempting to resolve a quality-related dispute directly with the merchant, cardholders of issuers providing this service may dispute the transaction on the grounds that the merchant was unwilling or unable to provide services; the cardholder did not receive the merchandise; the merchant did not provide the goods that it described; or the cardholder received unsuitable merchandise.

WAY Systems Secures Investment

WAY Systems Inc., provider of wireless and mobile phone-based POS solutions, secured an undisclosed amount of investment funding from **George Wallner**, founder and former President and Chief Executive Officer of Hypercom. Wallner's investment follows investments from Visa International, Transaction Network Services and Bill Melton, founder of VeriFone Inc. Wallner also joined WAY's Board of Directors.

WRG Earns Inc. 500 Ranking

"Inc." magazine's 2004 **Inc. 500** ranking of the nation's fastest growing private companies named **Western Reserve Group (WRG)** number 400. WRG ranked 411 in 2003 and 467 in 2002.

The Inc. 500 ranks the nation's leading entrepreneurial firms according to sales growth over the previous five years. In 1999, WRG reported sales of \$2.8 million. In 2003, WRG reported sales of \$15.8 million, a 565% growth.

PARTNERSHIPS**Alliance Data Systems Signs Seven-Year Renewal With J. Crew**

Alliance Data Systems Corp. signed a seven-year renewal agreement to provide private label credit card services for **J. Crew's** 157 retail and 42 factory stores nationwide; its Web site; and its catalog operations.

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"I had nine merchant accounts approved in one month and was paid \$46,468.55 by AmericaOne. During my eight years of merchant services experience, I have worked with several other service providers and built many merchant portfolios, only to see them disappear without any personal benefits from their sale. I will never know that feeling again! Thank you AmericaOne!"

Michael K. Severna Park, MD

"I had six very satisfied customers approved and received \$6,827.30 from AmericaOne. After my 14 years of experience in the industry, I found someone who has finally come up with a program that eliminates waiting years to get paid. AmericaOne's Upfront Cash Program is definitely one of a kind. AmericaOne is a true partner and is always there to help make every sale."

Lewis C. Worcester, MA

"I had twelve merchant accounts approved in a one month period and I earned \$5,959.21. The AmericaOne Merchant Acquisition Program is the most rep-friendly program I have ever experienced. It is the best planned program, from the application, to the cash in my hand."

Ray E. Redding, CA

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IndustryUpdate

Alliance Data will provide J. Crew with services including account acquisition and activation, card authorization, statement generation, and marketing and loyalty services. J. Crew will continue its use of Alliance Data's Quick Credit product, which ensures that qualified customers can receive a credit approval in less than 30 seconds, whether they apply in-store, via catalog or on the Web.

AmEx and Rite Aid First to Offer AmEx Gift Card

American Express (AmEx) and Rite Aid drugstores are offering customers the AmEx gift card. The card is available at Rite Aid's 3,400 stores nationwide. The AmEx-branded gift card is a universal gift card accepted at locations that welcome the AmEx card. It is also replaceable if lost or stolen.

In other news, AmEx and the Industrial and Commercial Bank of China (ICBC) launched the first AmEx-branded card in China. The ICBC AmEx cards are dual-currency cards. The card targets the aspiring affluent and successful individuals in China. Card benefits include special golf course access, companion air tickets, and emergency assistance within and outside of China, including an interpreter referral service. ICBC

will issue and market the cards, extend credit, manage accounts and provide customer service support.

Mercantec Integrates to Authorize.Net

Lightbridge Inc., the parent company of Authorize.Net, formed a partnership with Mercantec Inc., a global provider of e-commerce solutions for small and mid-sized businesses, to integrate Mercantec's PowerCommerce 2005 to the Authorize.Net payment gateway. As part of the agreement, Authorize.Net certified Mercantec through its shopping cart certification program.

CEO America and HBNet Team

Hypercom's subsidiary, HBNet Inc., and loyalty program provider, CEO America Inc., teamed up to provide card issuers and retailers with Creditz digital currency transactions and HBNet's transaction delivery network. Creditz is the only international sub micro-payment system that exchanges cash from consumer to merchant, merchant to consumer, manufacturer to consumer, and consumer to consumer in stores, online, and through cell phones, including payments of less than \$0.01. Creditz's digital currency card converts loyalty points/miles and rebates into digital currency to purchase products.

Franchise Association and First Data Launch Program

The International Franchise Association (IFA) partnered with First Data Corp. to launch "Customers First." Designed for IFA members, Customers First helps reduce merchant costs for payment card processing and provides access to multiple payment types.

The program offers payment programs to fit the needs of franchise systems small and large and allows members to take advantage of a variety of services including gift cards, loyalty solutions, credit and debit cards and electronic check services.

Visa and Axalto Expand Visa Smart Breakthrough Program

Axalto joined Visa International's Smart Breakthrough (VSB) card program, which Visa expanded to provide a broader choice of chip technology products for its member banks. Through the VSB program, Axalto will promote the Palmera VSB Classic and Palmera VSB Protect Java cards to Visa members globally and the e-Galleon VSB Classic static/native card to Visa members in Latin America.

Lynk Announces Two New Partners

Lynk Systems Inc. formed an alliance with POS reseller East Bay Cash Register Systems Inc. (EBCRS). EBCRS

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IF YOU ARE READING THIS LETTER, IT IS A SAFE BET THAT YOU HAVE ACHIEVED SOME LEVEL OF BUSINESS SUCCESS. AS A RESULT YOU ARE MOST LIKELY NOT HUNGRY, HAVE A PLACE TO LIVE, AND HAVE TRANSPORTATION TO GO ABOUT DAILY LIFE.

I WOULD LIKE TO ASK EACH OF YOU, AS WE HAVE DONE, TO LOOK INTO YOUR HEART AND TO FIND A WAY TO HELP SOMEONE IN NEED THIS HOLIDAY SEASON. I BELIEVE THAT WE HAVE A RESPONSIBILITY TO SHARE OUR BLESSINGS WITH THOSE LESS FORTUNATE THAN US. I KNOW WITH YOUR HELP, TOGETHER WE CAN MAKE A DIFFERENCE IN OUR LOCAL COMMUNITIES.



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Industry Update

is the newest member of the OneLynk Alliance, a value-added reseller program of Lynk.

Lynk also has a new wireless option for ATM transaction processing. Lynk's Code Division Multiple Access (CDMA) technology will provide a faster, more secure option for routing wireless ATM transactions. Lynk joined with Triton in its implementation of CDMA wireless technology.

Metavante Renews TNS Contract

Metavante Corp. renewed its agreement with Transaction Network Services Inc. (TNS) to serve as Metavante's primary transaction network provider for dial ATM traffic in the United States. In addition, TNS will provide "always-on" connectivity through TNS' persistent-dial private network for telecommunications solutions.

Moneris and SurePayroll Offer Online Payroll Processing

Moneris Solutions formed an alliance with SurePayroll Inc., the nation's largest online payroll provider, to offer SurePayroll's payroll processing solution to its small business customers. The Web-based service includes

payroll processing, a tax filing service, direct deposit, basic payroll reports, quarterly reporting, electronic delivery of pay stubs and optional check printing.

Payment Data Systems and Yodlee Sign Agreement

Yodlee Inc. selected integrated electronic payments solutions provider Payment Data Systems to deliver an account-to-account funds transfer capability to Yodlee's customer base of more than 150 financial institutions and portals.

The funds transfer solution will enable a consumer to open new accounts within a financial institution or to add funds incrementally to existing accounts from either external or internal accounts. The companies said that the three-year agreement has the potential of providing new revenues of more than \$3.8 million a year.

ACQUISITIONS

Pay By Touch to Acquire ATM Direct

Pay By Touch signed an agreement to acquire ATM Direct, provider of an all-software solution that brings PIN debit to the Internet. The acquisition will round out the Pay By Touch offering, which includes payment processing services from iPAY and biometric payment authentication services from Pay By Touch. ATM Direct will allow Pay By Touch to facilitate PIN debit purchases made online.

APPOINTMENTS

Princeton eCom Appoints Averett to Board of Directors

Princeton eCom, a provider of integrated payment solutions, appointed Ron Averett, eCom's President and Chief Operating Officer, to the Board of Directors. Averett is responsible for the day-to-day operations of the firm. His career includes more than 20 years of senior management experience in banking and financial services. Prior to joining Princeton eCom, Averett served as Senior Vice President in charge of Chevy Chase Bank's \$5.2 billion credit card division. Previously, he was a Senior Vice President at Advanta Corp. He began his career in financial services at Citibank.

Davis Appointed Dynamic Payment Solutions VP

Dynamic Payment Solutions (DPS) named Richard Davis Vice President of Business Development. Before joining DPS Davis served as Senior Channel Sales

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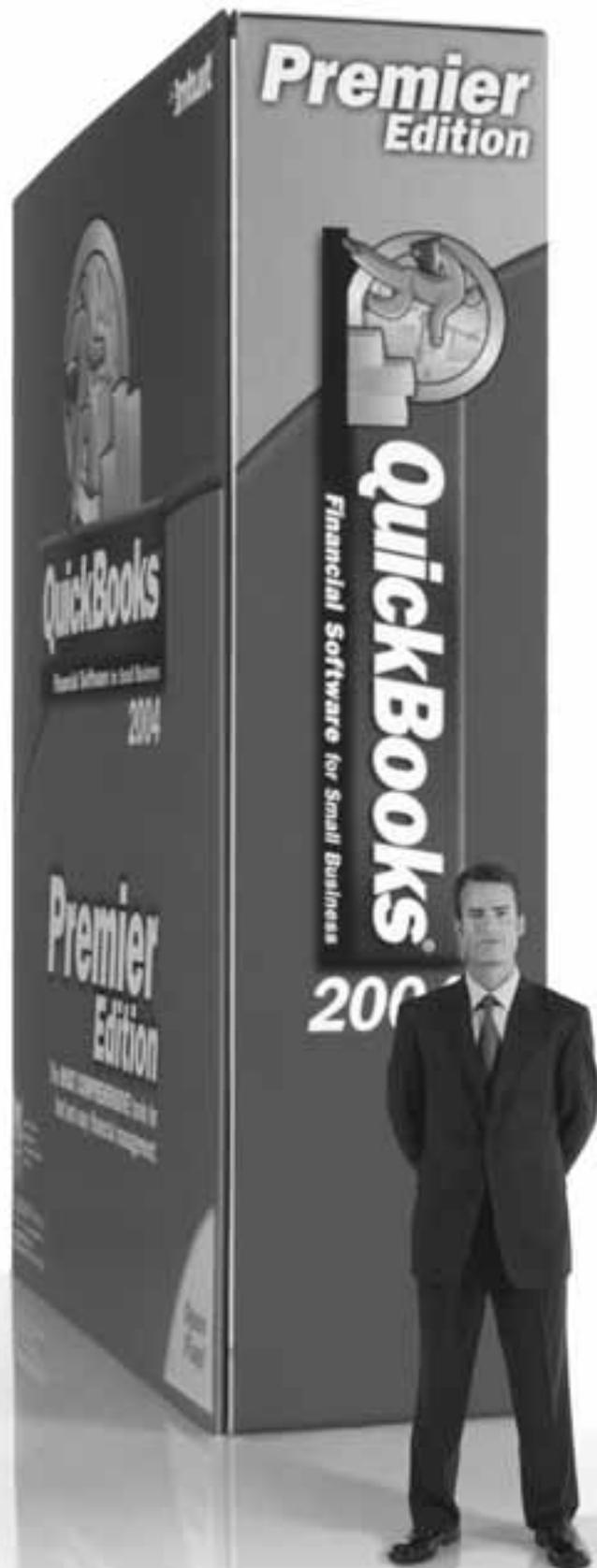
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- **MULTIPLE REVENUE STREAMS:** Offer QuickBooks software at substantial discounts as well as other Intuit products and services.
- **LEADS:** Qualify for IMS' proprietary lead program.
- **APPROVALS:** Receive same-day approvals for virtually all types of businesses.
- **SUPPORT:** Expand your business with the backing of Intuit, a publicly traded Fortune 500 company.

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Industry Update

Manager for Authorize.Net. He will oversee the development of the agent and referral partner programs for the Utah-based ISO. DPS is a registered MSP/ISO of HSBC Bank that began in the bankcard industry in 1996. DPS specializes in providing e-commerce merchants with Web stores and payment gateways, and offers a full suite of products and services for all merchant types.

Irvin Joins WRG

Jack Irvin joined Western Reserve Group (WRG) as Service Manager, bringing more than 25 years of manufacturing and technical experience to the company. Founded in 1989, WRG manufactures ATM devices, software application products, and provides transaction processing and financing services for the ATM industry.

Keough Named Q Comm's CEO, President

Q Comm International Inc. named Michael D. Keough CEO and President. Prior to joining Q Comm, Keough served as CEO, President and Chief Strategy Officer of ClearOne Communications.

He also served as Senior Vice President of World Wide Sales for Tempo, a division of Textron, and Learnframe. Keough's experience also includes serving as Senior

Vice President of Sales for Megahertz; Vice President of Sales for the Mobile Communications Division of USRobotics; Data Sales Manager for AT&T Information Systems; and Sales Training Instructor/Marketing Representative for IBM.

Solveras Names Patterson SVP, COO

Solveras Payment Systems tapped Pat Patterson to serve as Senior Vice President and COO. Patterson joined Solveras in 2003 as Vice President of Business Development.

Patterson will oversee all aspects of Solveras' daily operations as well as vendor and supplier relations. Prior to joining Solveras, Patterson was Senior Vice President and General Manager of the Patterson Press division of Fiserv Inc.

Sinovoi Joins United Bank Card

United Bank Card (UBC) hired Maxwell Sinovoi as National Sales Manager, Western Division. UBC designed this position to enhance its presence in the western region and increase its ISO portfolio. Sinovoi's primary duty will involve recruiting new ISOs and agents to sell merchant accounts on behalf of the company. Sinovoi has over a decade of sales experience. He spent five years on Wall Street and began his career in the payment processing industry with Marketsource. He also worked at VeriFone and with Ingenico, where he spent the last two years working with ISOs across the country.

Ruesch International Acquired, Staudt Named President and CEO

New York-based private equity firm, **Welsch, Carson, Anderson & Stowe** acquired foreign exchange and international payment service provider **Ruesch International Inc.** Following the acquisition, the company appointed **Thomas P. Staudt** President and CEO.

Staudt joins Ruesch following a successful career in the financial services and healthcare industries. He has held CEO and other top-level positions in national companies including Wells Fargo Bank, Card Establishment Services, MedE America and Source Medical.

White Named EXS' CIO

Electronic Exchange Systems (EXS) appointed **Jim White** Chief Information Officer. White will lead the efforts to streamline the overall information systems for EXS and its clients. He will also be responsible for the finance and systems integration business units. White has more than 15 years of financial and operating experience in the payments industry. He joined EXS in 2001 as Director of Compensation and Residuals; in 2003 the company appointed him to Executive Vice President. ■

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Insider's Report on Payments Payments Shaken and Stirred in 2004

By Patti Murphy
The Takoma Group

Wow, has this been a heady year for payments businesses. Looking back from the perspective of a decade or so, someone might even deem it a pivotal year.

Consider some of the more salient events:

- In October the U.S. Supreme Court refused to overrule long-simmering judicial decisions that Visa and MasterCard rules, which precluded member banks from issuing American Express- (AmEx) and Discover-branded cards, violated federal anti-trust law.

Immediately following the decision, Discover filed a lawsuit against Visa and MasterCard. AmEx also filed its own suit in mid-November, making good on its threat to sue the card Associations.

AmEx also named eight of the largest issuing banks that are members of the Associations, including Bank of America, JPMorgan Chase & Co., U.S. Bancorp and Wells Fargo & Co., in its complaint.

AmEx did not name MBNA (which lays claim to being the largest issuer of bank cards) or mega-bank Citigroup in its suit and has inked deals with each of them to distribute its cards.

Not to be outdone, Discover announced that it purchased PULSE EFT Association, the largest independent ATM/POS debit network in the country.

- Banking giant JPMorgan Chase acquired Bank One Corp. Both organizations are considered powerhouses in payments businesses. Chase is among the largest of card acquirers and a leader in the automated clearing house (ACH) business.

Bank One also ranks as a major acquirer and has operated Paymentech LP in partnership with First Data Corp. (For a detailed discussion of acquirer standings, see "The Payments Grand Prix," GSQ, December 2004, Vol. 7, No. 4.)

- Bank of America Corp. purchased National Processing Co. (NPC), the transaction-processing arm of National City Bank. The combined company is expected to rank as the fourth largest acquiring organization in the United States.

- The New York Clearing House, the nation's oldest check clearing facility, changed its name and acquired the nation's two largest remaining check clearing houses, one in Chicago the other based in California.

Now known as "The Clearing House," the combined organization operates a payments system infrastructure for clearing and settling all manner of U.S. dollar payments in direct competition with the Federal Reserve.

- For the first time in modern history, studies found that Americans are more disposed to using electronic payments than writing checks.

I've been writing about payments for 20 years now, and never did I think I'd see the day that cards and other forms of electronic payments would outstrip checks. Of course, neither did I expect to see major card-issuing banks flipping Visa- and MasterCard-branded accounts over to AmEx cards. Both events signal turning points for payments businesses. That's the kind of year it's been.

The Numbers Are In

The latest payments data, released by the Fed earlier this month, show Americans clearly have embraced electronic payments.

The Fed said that 36.7 billion checks cleared through the banking system in 2003, down from 41.9 billion in 2000, which represents a 4.3% rate of decline. Electronic payments, on the other hand, totaled 44.5 billion, up from 30.6 billion, and reflect a 13.2% annual increase in that same three-year period.

While the rates of change are significant, the numbers don't tell the entire story. The Fed counts as electronic payments all credit and debit card payments, as well as other card transactions (e.g. prepaid and EBT payments), plus ACH and wire transfer transactions.

ACH transactions are growing at double digit rates these days, and check conversion transactions are driving that growth, according to NACHA – The Electronic Payments Association, which oversees the ACH.

During Q3 2004, for example, accounts receivable check conversions (ARC, or checks written as payment for bills converted to ACH transaction formats and cleared as electronic payments), exceeded 266 million.

BY THE NUMBERS ...

2003

- **36.7 billion** check payments worth **\$39.3 trillion**
- **44.5 billion** electronic payments worth **\$27.4 trillion**

2004 (est.)

- **11.8 billion** offline debit card payments
- **6.8 billion** online debit payments
- **16.2 billion** credit card payments

Source: Federal Reserve

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View

This registered a 500% increase over the same period last year. POS check conversions totaled nearly 40 million in Q3, according to NACHA's numbers.

Translation: The banking system converted more than 300 million consumer-written checks to electronic payments during Q3 2004.

On an annualized basis, that means roughly 3% of payments that started out as checks during Q3 ended up counted as electronic (ACH) payments.

It might seem like a small percentage, but in raw numbers that's a lot of checks, and about one in seven of those checks enters the banking system through the POS. So don't "deep-six" POS check services yet.

Redefining the Card Market

Bankcard exclusivity is another matter. Combine the effects of this year's mega-mergers with the end of bankcard exclusivity, and the picture that emerges is of a card payments business that defies all past market delineations, and one that threatens to further undermine the banking industry's payments franchise.

For years banks have bemoaned the loss of payments

businesses to non-banks. (Think Discover, the general-purpose credit card introduced by Sears, Roebuck & Co. and now a unit of investment firm Morgan Stanley.)

But that hasn't stopped some of the largest issuers of bankcards from diversifying into card brands such as Discover and AmEx now that the Supreme Court ruled the Associations' exclusionary practices illegal.

Apparently, MBNA was so anxious to flip its Visa card accounts to AmEx that it angered enough cardholders to merit in-depth coverage by "The New York Times."

Some folks interviewed earlier this month by the newspaper likened the bank's actions to "slamming," a practice telephone companies used in the 1990s to steal away competitors' customers. MBNA promptly stopped switching customers' Visa accounts to AmEx cards without their advanced permission.

Discover said that it's in talks with banks interested in issuing its card brand. In the meantime, Discover hired Lloyd Constantine (who led the legal charge against the Associations' honor-all-cards rules) to sue Visa, MasterCard and banks for lost revenue opportunities.

And Discover has bought its way into the debit card business, picking up PULSE, the last of the bank-owned EFT systems, for a cool \$311 million.

AmEx is also suing the Associations and member banks. And it already has partnered with two large bank outlets for sale of its card products.

Discover's acquisition of PULSE, meanwhile, provides Discover with access to 90 million cardholder accounts, and all of those cards are tied to demand deposit ("checking") accounts at federally insured financial institutions.

PULSE membership includes 4,100 financial institutions, and any number of which can help Discover compete with MasterCard and Visa for branded debit volume.

After all, debit cards are the fastest growing payment instrument in America today, according to data from the Fed, research firm Edgar, Dunn & Co., and others.

"Discover's announcement that it is getting into the [EFT] business by purchasing the Pulse network does more than signal the entry of a formidable competitor into the debit market: It also challenges both established players and would-be newcomers to forge their own [strategies] in a payments scene that is changing day by day," said Ted Iacobuzio, Vice President of Research at TowerGroup.

Who's in Charge

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View

checking the pulse of the legal and regulatory sectors.

The defining moment came in October, when the Supreme Court denied Visa and MasterCard requests to overturn lower court rulings that its exclusivity rules were anti-competitive. The U.S. Department of Justice brought the charges against MasterCard and Visa.

In between, scores of consumer and merchant lawsuits were filed against Visa, MasterCard and banks that issue those cards challenging various fees, from foreign exchange fees to interchange and merchant discount fees.

And legislators introduced several new bills in Congress that take direct aim at payments businesses, including industry practices concerning foreign exchange fees and check funds availability.

The latter bill, introduced in November by Congresswoman Carolyn B. Maloney (D-NY), addresses what some consider imbalances in check funds availability rules created by the Check Clearing for the 21st Century (Check 21) Act, the new federal law that encourages check truncation.

While no action is planned on the legislation any time

soon, it illustrates a sharpened federal focus on consumer payments issues.

Some members of Congress have also raised concerns about fees for online (PIN-based) debit card payments.

But a Fed study, requested by Congress and released in November, found that only 14% of banks offering debit cards charge at least some customers for online debit purchases. The average fee is about \$0.75.

The Fed also reported that interchange rates for offline (signature-based) debit cards remain substantially higher than online debit card payments.

Consumer groups oppose the levying of fees on people who use online debit for purchases, but with a Republican-dominated Congress, chances are slim they will gain much legislative traction.

Still, the events of 2004 suggest clearly that Washington has its eyes on payments businesses. ■

Patti Murphy is Contributing Editor of The Green Sheet and President of The Takoma Group. E-mail her at patti@greensheet.com.



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Visa 2005 Interchange Fees

Visa U.S.A. announced the following changes (shown in bold) to its consumer debit card fees: Rates effective April 1, 2005

Fee Program Name	Current Rate	April 2005 Rate
CPS/Retail Debit - Tier I	0.70% + \$0.15	0.62% + \$0.13
CPS/Retail Debit - Tier II	0.83% + \$0.15	0.81% + \$0.13
CPS/Retail Debit - Tier III	0.95% + \$0.15	0.92% + \$0.15
CPS/Retail Debit - Tier IV	1.05% + \$0.15	1.03% + \$0.15
CPS/Supermarket Debit - Tier I	0.70% + \$0.15 (\$0.35 cap)	0.62% + \$0.13 (\$0.35 cap)
CPS/Supermarket Debit - Tier II	0.83% + \$0.15 (\$0.35 cap)	0.81% + \$0.13 (\$0.35 cap)
CPS/Supermarket Debit - Tier III	0.95% + \$0.15 (\$0.35 cap)	0.92% + \$0.15 (\$0.35 cap)
CPS/Supermarket Debit - Tier IV	1.05% + \$0.15 (\$0.35 cap)	1.03% + \$0.15 (\$0.35 cap)
CPS/Retail 2 Debit	0.80% + \$0.25	0.80% + \$0.25
CPS/Retail Key Entry Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/Card Not Present Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/Automated Fuel Dispenser Debit	0.70% + \$0.17	0.70% + \$0.17
CPS/Account Funding Debit	1.75% + \$0.20	1.75% + \$0.20
CPS/e-Commerce - Basic, Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/e-Commerce - Preferred, Debit	1.55% + \$0.15	1.55% + \$0.15
CPS/Hotel and Car Rental Card Not Present, Debit	1.36% + \$0.15	1.36% + \$0.15
CPS/Hotel and Car Rental Card Present, Debit	1.36% + \$0.15	1.36% + \$0.15
CPS/e-Commerce Preferred - Hotel and Car Rental, Debit	1.36% + \$0.15	1.36% + \$0.15
CPS/Passenger Transport, Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/e-Commerce Preferred - Passenger Transport, Debit	1.60% + \$0.15	1.60% + \$0.15
CPS/Small-Ticket, Debit	1.60% + \$0.04	1.60% + \$0.04
CPS/Restaurant, Debit	1.19% + \$0.10	1.19% + \$0.10
CPS/Retail Service Station, Debit	0.70% + \$0.17	0.70% + \$0.17
Express Payment Service, Debit	1.95% + \$0.02	1.95% + \$0.02
EIRF, Debit	1.75% + \$0.20	1.75% + \$0.20
Standard, Debit	1.90% + \$0.25	1.90% + \$0.25

Visa U.S.A. also announced the following changes (shown in bold) to its consumer credit

interchange reimbursement fees: Rates effective April 1, 2005

Interchange Reimbursement Fee	Traditional Fee Amt.	Traditional Rewards Fee Amt.	Signature Fee Amt.
Standard Interchange Reimbursement Fee	2.70% + \$0.10	2.70% + \$0.10	2.70% + \$0.10
Electronic Interchange Reimbursement Fee	2.30% + \$0.10	2.30% + \$0.10	2.30% + \$0.10
CPS/Program Rates			
CPS/Supermarket - Performance Threshold I	1.15% + \$0.05	1.15% + \$0.05	1.65% + \$0.10
CPS/Supermarket - Performance Threshold II	1.20% + \$0.05	1.20% + \$0.05	1.65% + \$0.10
CPS/Supermarket - Performance Threshold III	1.22% + \$0.05	1.22% + \$0.05	1.65% + \$0.10
CPS/Supermarket - All Other	1.24% + \$0.05	1.65% + \$0.10	1.65% + \$0.10
CPS/Retail - Performance Threshold I	1.43% + \$0.10	1.43% + \$0.10	1.65% + \$0.10
CPS/Retail - Performance Threshold II	1.47% + \$0.10	1.47% + \$0.10	1.65% + \$0.10
CPS/Retail - Performance Threshold III	1.51% + \$0.10	1.51% + \$0.10	1.65% + \$0.10
CPS/Retail - All Other	1.54% + \$0.10	1.65% + \$0.10	1.65% + \$0.10
CPS/Automated Fuel Dispenser	1.50% + \$0.05	1.65% + \$0.10	1.65% + \$0.10
CPS/Service Station	1.43% + \$0.10	1.65% + \$0.10	2.30% + \$0.10
CPS/Card Not Present	1.85% + \$0.10	1.90% + \$0.10	1.90% + \$0.10
CPS/Retail Key Entry	1.85% + \$0.10	1.90% + \$0.10	1.90% + \$0.10
CPS/e-Commerce Basic	1.85% + \$0.10	1.90% + \$0.10	1.90% + \$0.10
CPS/e-Commerce Preferred Hotel and Car Rental	1.58% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/e-Commerce Preferred Passenger Transport	1.75% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Hotel & Car Rental Card Present	1.58% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Hotel & Car Rental Card Not Present	1.58% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Passenger Transport	1.75% + \$0.10	1.90% + \$0.10	2.30% + \$0.10
CPS/Restaurant	1.54% + \$0.10	1.90% + \$0.10	2.30% + \$0.10

The Special Incentive program fees remain unchanged as:

CPS/Small Ticket	1.65% + \$0.04
CPS/Retail 2	1.43% + \$0.05
CPS/e-Commerce Preferred Retail	1.80% + \$0.10
Express Payment Service	2.00% + \$0.02
CPS/Account Funding	2.14% + \$0.10



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Vendors Worry It May Be Tough to Comply With PED Proposal

By Ann All, Senior Editor

ATMmarketplace.com

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With the aim of improving transaction security, Visa and MasterCard have proposed changes to their PED (PIN entry device) testing requirements that they say will remove a fraud threat made possible by the way displays are controlled on ATMs.

"We want to ensure that the customer is never prompted to enter his PIN when the device is not in secure mode," said Brian Buckley, Senior Vice President of Visa's International Risk group.

Visa wants to move ATM vendors from a so-called "C" security classification to a "B" classification for their machines, Buckley said. The primary difference between

the two classifications is a requirement for an ATM's EPP (encrypting PIN pad) to possess the ability to control screens that prompt consumers to enter PINs or other information.

A new "B" requirement will likely become part of an aligned set of PED testing standards that Visa is currently developing with MasterCard, Buckley said. The companies hope to introduce the aligned standards in 2005 and begin requiring "B" classifications for ATMs in early 2006.

Vendors will have at least six months of lead time to comply with the "B" requirement after it is introduced, he added.

'Fundamental Change'

Some ATM vendors worry that it may be difficult, if not impossible, to comply with the proposed new requirements in the near future.

"What they are talking about is going to require a fundamental change in the way that traditional ATMs work," said Bill Jackson, Triton's Chief Technology Officer. "If moving from DES to Triple DES was a Level 1 in terms of difficulty, I'd put this at about a Level 10."

Bill Poletti, a Senior Technical Consultant for MasterCard, said during a late September presentation at ATMIA West that the proposed new requirement would not be as complex as the switch to Triple DES because it would not directly involve the host or intermediate switches.

Paul Watson, a Systems Manager at the Nebraska-based Networks EFT network, said that a classification change will create problems in a traditional "states and screens" ATM environment, where hosts control transaction screens.

With 3DESPlus, the only ATM-related product thus far to have received a "B" rather than a "C" certification from a Visa-approved testing facility, a service technician must visit a machine to manually run through all of the screens to verify whether ATM screens correspond to downloads from the host, Watson said.

Watson said the technician must enter information for each screen that lets the 3DESPlus' EPP know whether information must be encrypted or can travel to the host in the clear. If the EPP detects any change made by the host and not authorized by a technician, even something as innocuous as a different surcharge amount or a new language option, the EPP stops functioning.

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- Sapphires Match 4 Numbers = 48" Plasma TV, One \$10,000 Bearer's Bond, or \$10,000 CASH
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- Pearls Match 2 Numbers = One Night Out for 2 to the Movies, Up to 3 Flowers or \$30 CASH

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"Any time we change a load, the bank is going to have to send a technician out there," he said. "That's going to affect ATM availability."

ATM Exchange, the Cincinnati-based company that manufactures the 3DESPlus and touts its "B" security rating in press releases and other promotional materials, declined to comment on the issue.

"The bankers only have Visa's word to go on," Watson said. "Visa is telling them this will make their ATMs more secure, but is not telling them what the ramifications and cost will be."

Moving Target

Sabrina Turner, Vice President of Pi Systems, manufacturer of the 3DES Fix ATM upgrade device, said Visa's proposed changes would effectively move fraud prevention from the transaction processor level to the service technician level, a seemingly counterintuitive move.

"They're trying to close one door on fraud, but they're going to open an even bigger door," she said.

Rob Evans, Director of Industry Marketing for NCR's Financial Services division, said the proposed requirements also would likely make it more difficult to remotely load encryption keys into EPPs, an ability that enables deployers to cost effectively comply with Visa's unique key per-ATM requirement.

"What they are talking about doing would take users from the ability to load keys to the need to inject keys," Evans said, entailing visits to machines by service technicians. Key management, he predicted, will be "the next trail of tears" for deployers.

ATMs were historically exempt from PIN security standards, Visa's Buckley said, because of "the perception that they were environmentally controlled." As more ATMs were deployed outside of bank branches, however, PIN security concerns grew.

Visa has already implemented a number of measures designed to address security concerns, including the introduction of a set of procedural policies called enhanced ISO risk standards in 2001. The standards require financial institutions sponsoring independent ATM deployers into Visa's Plus network to step up their due diligence of the ISOs.

Bringing Vendors on Board

Buckley said Visa is aware that the "application downloading and computer-driven nature of ATMs" may complicate the move to a "B" classification. Because of that, he said, "it is imperative that vendors be on board and

engaged" in helping create a workable schedule for doing so.

"I don't think there has been a well developed enough conversation about the trade-off between cost and potential benefits of what they are proposing," agreed NCR's Evans, who also opined that Visa's proposed time-frame for introducing such a requirement "doesn't seem realistic."

While it would be possible for vendors to come up with a cost-effective solution that, for instance, would instruct ATM users to enter their PINs only when they see a green light on a PIN pad, said Triton's Jackson, that would require a consumer education campaign.

Despite the challenges, Visa intends to move forward with the "B" classification, Buckley said. Because of the potential of "tricking" machines into prompting consumers to enter PINs when an ATM's EPP is not in encrypting mode, the current "C"-rated devices are little better than "a brilliant, brilliant lock on an open door," he said. ■

Link to original: www.atmmarketplace.com/research.htm?article_id=21334&pavilion=4&step=story

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Payments 2004: What a Year of Change

By Michelle Graff

NOVA Information Systems Inc.

This year brought rapid change to the payments industry. As a merchant level salesperson (MLS), you had to learn a new vocabulary, a new sales model and a new business formula for long-term profitability.

Take a brief look back at new opportunities uncovered in 2004. And as you read this article, assess how much and how well you've embraced change, because change will only accelerate as we move into 2005.

Debit Is the Buzz

In 2004, the U.S. court system became better acquainted with the electronic payments industry. It seems not a week went by without a card Association or issuer announcing a lawsuit against the other.

However, the settlements did produce a valuable outcome for professionals selling credit and debit card processing services. Offline (signature-based) debit cards became unbundled in the pricing structure, and you now have the ability to charge your merchants a lower price for check card transactions.

Consumers like debit cards. In fact, according to a study by the American Bankers Association and Dove Consulting, debit cards were the only payment method that showed an increase in usage last year.

The study found that in 2003, consumers initiated 31% of in-store purchases with a debit card, compared with only 21% in 1999.

People used cash for 32% of transactions last year, down from 39% in 1999, and checks accounted for 15% of purchases against 18% in 1999. Consumers initiated another 21% of transactions with credit cards, down from 22%. (The figures are based on data from more than 2,000 consumers who responded to paper and Web-based surveys.)

Both online (PIN-based) and offline debit card activity continues to accelerate. In 2003, purchase volume on offline debit products rose 21% to \$386 billion from \$317.7 billion in 2002. And online debit networks processed or "switched" 522.8 million PIN-based purchases in March, up 25% the same period last year.

As an MLS, you're in a unique position to sell merchants on both flavors of debit. Talk to them about processing

online and offline debit cards and the benefits of providing their consumers with a choice. Unbundle check card pricing from credit card pricing, and sell a PIN pad for online debit use.

The Value of a Gift

In 2000, the terms "multi-app" and "value-add" were introduced to our industry. By now, they have probably become part of your lexicon. Does a day go by when you don't mention electronic gift cards or check conversion?

Take a look at retail holiday advertising in 2004. Gift cards were ubiquitous. Every merchant from the corner jeweler to the town butcher now has a gift card program. Retailers practically gave them away to attract consumers to their stores, and to make sure that they would make a return visit.

According to the 19th annual consumer survey of holiday retail spending trends, commissioned by Deloitte & Touche USA LLP, gift cards have replaced apparel as the holiday purchase of choice.

Estimates on holiday gift card purchases are reported as high as 20% of all retail sales, with 64% of consumers indicating they intended to buy gift cards. The value proposi-

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tion is strong, and turnkey card programs allow even the smallest of merchants to get in the game by offering personalized gift cards.

Check 21 Drives Change

Even with check payments on decline, consumers still wrote more than 15 billion checks at the point of sale (POS) in 2003. Add to that the billions of dollars lost each year from check fraud and uncollected funds, and you'll find that, on average, merchants pay about \$1.22 for each check accepted.

A closer look at returned checks finds that more than \$169 million worth of checks bounce daily in the United States; banks reject them due to non-sufficient funds (NSF), closed accounts or stop payment orders.

The number of bad checks has surpassed 250 million annually, with a value of nearly \$19 billion. Businesses never turn over nearly a quarter of all bounced checks for collection because the dollar value of the check is too low to justify the collection expense.

The National Retail Federation estimates that retailers lose \$5.9 billion to bad checks annually; 70% are attributed to NSF and 30% are attributed to fraud.

In 2004 the Check Clearing for the 21st Century (Check 21) Act took effect. The law recognizes a digitally imaged check as a legal document. Advances in imaging technology and check conversion services bring the benefits of check conversion to a merchant's POS.

Reduced NSF occurrences and faster funding translate to improved cash flow, and businesses of all types and sizes comprehend that value proposition.

If you understand how to profile check prospects based on risk or convenience, and to demonstrate a true return on investment, you can profit from electronic check conversion.

The Upside of Retention Revenue

Businesses are under intense pressure to increase top-line revenue and implement best practices that improve the bottom line. The competitive nature of the payments industry marketplace today makes customer churn a devastating problem for many firms.

Some companies experience merchant attrition rates in excess of 15% – 25% annually. Attrition drives market prices lower and leads to lost profits and higher customer acquisition costs.

Analysts estimate that acquiring a new customer is five times more expensive than keeping an existing one. With

this in mind, it's clear that merchant retention is crucial. As competition for new customers grows more intense, you must focus more on cross selling and up selling to existing customers.

Spend time analyzing merchants' data to really know and understand who their valued customers are. Your goal is to connect to those customers in order to improve retention.

Segment merchant portfolios by market, volume, length of service, application and solution needs, and profitability. Find a common denominator for each segment, and seize opportunities to go back and cross sell or up sell, and you will improve retention.

As the end of the year approaches, re-examine your business and your acquirer/processor. Is your processor a partner in change? Are you armed with the data, applications and tools you need to add value to your sales pitch and dollars to your bottom line? If not, use 2005 to modify your business model and challenge the status quo. Change happens faster than you think. ■

Michelle Graff is Vice President of Marketing for NOVA Information Systems. E-mail her at michelle.graff@novainfo.com.

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VeriFone Buys GO Software From ROI Corp.

VeriFone Inc. announced on Dec. 6, 2004 that it will purchase GO Software Inc. from Return On Investment (ROI) Corp. When the transaction is complete, VeriFone will pay \$13 million in cash and up to \$2 million in contingencies, which are linked to future business performance through June 2006.

VeriFone will incorporate GO Software's solutions to broaden and enhance its line of transaction automation products, company spokesman Pete Bartolik said.

"It's a very strong fit," he said. "Today we provide transaction automation at the point of sale (POS) as well as at the point of presence (POP). GO Software's products enhance the solutions that VeriFone can now provide at those POS and POP locations.

"Many of our direct and indirect distribution channels today have needs for all of these products and now we can deliver them in a cohesive and efficient manner."

The acquisition furthers VeriFone's strategy to expand its footprint in payment systems into other integrated POS environments, said Douglas G. Bergeron, VeriFone's Chairman and Chief Executive Officer.

"The increasing technology, especially security complexity at the POS offers a great opportunity for VeriFone to contribute to these product lines," Bergeron said.

The acquisition is expected to close in January 2005 and is subject to ROI stockholder approval and other customary closing considerations.

ROI had been looking for a buyer since it announced it was divesting itself of the GO subsidiary in late September.

The company said it intends to focus on Tectonic Network, the ROI subsidiary that provides software, online/print marketing and sales tools for the construction industry.

When the sale was announced, GO Software spokesperson Mandy Ownley said the divestiture would benefit GO because ROI felt its interests and resources were more strategically suited to focusing on its growing construction segment.

Financial Technology Partners LLC advised VeriFone on this transaction and SVB Alliant advised ROI.

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United Bank Card, Inc. (UBC) is a payment and transaction processor serving businesses nationwide. UBC currently handles the merchant accounts for over 18,000 locations and processes in excess of 2 billion dollars annually. United Bank Card assists over 650 contracted ISOs around the country in building profitable merchant portfolios. UBC operates out of two main offices located in New Jersey and Arizona offering an entirely in-house processing solution from underwriting and risk management to customer service and technical support. United Bank Card earned 3 honors in the Green Sheet's "Best of the Best" Reader Surveys including "Best Customer Service" by an ISO and "Top 5" nominations for "Best Processor" and "Best ISO Organization". UBC was also ranked as the 48th largest processor by volume in 2004 by the Nilson Report. United Bank Card is continually making advances in the payment processing industry and providing free credit card equipment is just another example of our commitment to innovation.

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Feature

How to Navigate the Friendly Skies

Going from Point A to Point B via a commercial airline these days can be challenging, to say the least. Many a seasoned traveler now arrives home from business or pleasure trips exhausted, with horror stories of long security lines, humiliating searches and pat downs, rifled-through (or lost) luggage, overbooked planes or cancelled flights.

Does that mean we'll all stay home? Not with all the trade shows and industry conferences scheduled across the country coming up in 2005 (see Calendar of Events, page 54). If you fly, there are ways to make air travel bearable, and if you can anticipate and prepare for possible delays and complications, your trip will be less stressful. The key is to be flexible and to expect the unexpected. Build extra time into your schedule; if you don't need it for traversing through security checks, put it to some good use by catching up on phone calls or relaxing.

Booking the Flight

Airlines use different methods for pricing tickets, so it pays to shop around. Savvy travelers have favorite Web sites for comparing and booking flights; use the airlines' sites, too, and check the sites frequently. The Web site www.seatguru.com offers maps and recommendations for seat selections on different planes; airlines also have different business class specifications. Choose your seat and consider size requirements for legroom, height and hips.

If you can, avoid routes that take you to hubs that are affected by seasonal conditions including blizzards and thunderstorms. Think about renting a car to get from a major airport to an outlying destination in order to avoid possible delays on small regional flights. Traveling on mid-day flights will eliminate waiting in long lines at security checks resulting from the simultaneous arrivals of hundreds of people for early morning flights, or from other delays in the evening hours.

Belonging to a frequent-flier program will help you earn rewards points as well as perks including seating upgrades, boarding priority and access to express lanes at security checks.

Before You Go to the Airport

The Federal Aviation Administration (FAA) oversees the U.S. airline industry. Its Web site, www.faa.gov, provides travel tips, details regulations and publishes information on flight delays at airport departure and arrival gates, as well as by destination.

The Transportation Security Administration (TSA) is the federal agency in charge of airport security screening including pre-boarding checks and luggage examinations. One very useful tip: The agency publishes wait times in security check point lines at every airport in the United States on its Web site, www.tsa.gov/public. (Different airports use different systems, which take varying lengths of time to get through).

Plan strategically for check points and dress accordingly, because you will have to take off shoes, belts, watches, etc. Wear slip-on shoes and socks (to avoid the dirty floors). Develop a system so your boarding pass and ID are accessible and easy to put away. Put electronic equipment, large pieces of jewelry and zip-lock bags holding change and keys in a briefcase or purse before you're in line. Knowing the airport layout helps, too; you might find that a sec-

ond check point located in a different area will save you time. Also know what you're entitled to if you get to the boarding gate only to find out the flight is cancelled. Each airline publishes its "Contract of Carriage" rules on its Web site; Rule 240 deals with rebooking, overnight accommodations and meals.

If the flight is cancelled, call the airline immediately about alternative flights, or call hotels. On the other hand, it might be cheaper to buy a ticket on another airline than it would be to pay for overnight lodging and meals; if the original flight cancellation was the airline's fault, they'll refund the ticket or issue a credit.

On the Plane

Humidity inside aircraft is low, so it's important to drink enough fluids; a good rule is one glass of water for each hour of flight. Caffeine and alcohol cause dehydration, as well as increased problems from time changes (jet lag, fatigue, sleeplessness), so limit your intake before and during the flight.

In a carry-on bag, pack bottled water, snacks and a book or CD player. Don't forget to pack any medications in the carry-on in case your checked bags are lost; some people also pack basic essentials like toiletries and underwear, or sweat suits to change into on long flights.

Stand and stretch your legs for circulation during the flight, but don't stand up too quickly. Use the bathroom (after all that water you've consumed) before the plane lands so you don't have to rush through the terminal once the plane lands and stand in yet another line.

Some travelers swear by diet supplements such as Airborne, to boost their immune systems for protection in crowded, germ-infested airplanes. Anti-bacterial wipes and hand-sanitizer help keep bugs at bay, too. 

Check 21 and Another Patent Infringement Lawsuit

The brouhaha over The Check Clearing for the 21st Century Act, or Check 21, is not limited to banking and payment processing. Two months into the law's existence, the implementation of Check 21 is providing a timely backdrop for the trouble brewing and spilling over into courtrooms as companies come to blows over ownership of the technology that makes Check 21 possible.

The law recognizes digitally imaged checks as legal documents, so the quality of the images and the information they contain is imperative. As more banks and financial institutions adopt the technology, the potential for profits from companies supplying it is tremendous. One case in particular, ongoing for near-

ly three years, was filed well before the law went into effect in October 2004.

In early 2002, a small company that developed imaging and archiving technology sued some of the largest corporations in payments, including JPMorgan Chase & Co., First Data Corp., and Ingenico, for patent infringement.

The company, DataTreasury Corp., is located in Melville, N.Y. and was founded in 1998 by Claudio Ballard. Ballard built the company around patents covering its "Global Repository Platform," an information management system.

DataTreasury filed its suit in the Texarkana Division of U.S. District Court for the Eastern Division of

Texas; that venue was selected because DataTreasury was involved in a pilot program with a JPMorgan subsidiary there.

"DataTreasury Corp. and its 400-plus shareholders seek all relief, including treble damages, afforded them under United States patent law for the infringement of its patents," said the company's patent counsel Rod Cooper, of Nix, Patterson & Roach LLP, headquartered in Daingerfield, Texas.

The plaintiffs anticipate a successful outcome; damages could total in the billions of dollars.

DataTreasury filed for U.S. Patent No. 5,910,988 in 1997 and for U.S. Patent No. 6,032,137 1998; following the standard review and examina-

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tion process, the Patent Office issued the patents in 1999 and 2000.

"DataTreasury raised approximately \$24 million and developed a 26,000 square-foot facility upon the issuance of its first patent, but numerous large corporations will fully infringe the patents nonetheless, benefiting from the patented technology without compensating DataTreasury," Cooper said.

As with other patent infringement suits, at issue is the protection of what DataTreasury says is its property: technology that it developed and hopes to license. This is especially critical now that Check 21 makes it possible for banks to truncate checks, turning them from paper into electronic images.

In February 2004, a Markman hearing, a proceeding during the pre-trial phase of a patent infringement suit, defined language and determined the scope of the claims. The Court ruled in favor of DataTreasury in all 15 of the disputed claims. DataTreasury's attorneys said the Markman ruling constituted a major victory for their client by recognizing the broad scope of the claim coverage the company sought in prosecuting the two patents. Markman hearings and their subsequent rulings usually determine the direction and final outcome of infringe-

ment suits. A ruling in a second Markman hearing in mid-December has yet to be determined as of press time.

JPMorgan has denied Ballard's allegations all along. In mid-December, it responded to the suit by filing charges of its own against DataTreasury, claiming that Ballard altered his patent applications after he talked with the bank about its plans for check imaging.

DataTreasury also filed suit against RDM Corp., a company that offers software products for payment capture and processing in banking applications, and Affiliated Computer Services (ACS), a company with 40,000 employees that provides business process outsourcing and IT services to corporations and governments around the world.

As of June 2003, RDM has a nonexclusive worldwide license to use DataTreasury's technology for check imaging terminals on a per-click royalty for storage of electronic documents and check information. ACS is now permanently barred from using it.

JPMorgan processed 1.5 billion checks in 2003, according to "The Wall Street Journal." A spokesman for JPMorgan Chase, the only remaining defendant in the lawsuit, declined to comment for this article. ■

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- Seamless conversions
- In-depth product training and sales support

Dial in to Ernest Communications

When thinking about local and long distance companies or telecommunications providers, a few letters come to mind: AT&T, SBC ... and ECI. The third one might not be as familiar as the others, but ECI, or Ernest Communications Inc., is the nation's largest local and long distance telecommunications company exclusively serving multi-location accounts.

ECI specializes in providing local and long distance services to public telephones, ATMs, point-of-sale (POS) devices and multi-location businesses by consolidating local telephone lines, bills and service calls.

ECI entered the communications industry in 1984, and it has demonstrated tremendous growth in the past 20 years. In fact, ECI has experienced a 50% average annual growth rate since inception.

The company began providing local telephone service in Texas and Georgia in 1997. Today, it originates and terminates over 1 billion minutes of local and long distance traffic annually and either provides or manages services for more than 50,000 customer locations in all 50 U.S. states.

ECI does not market to small business or residential customers; rather, it focuses on large, multi-location accounts.

"We want to manage the accounts that are too difficult, time consuming and resource draining for companies to manage themselves," said Jay J. Morris, ECI's Senior Vice President of Sales and Marketing.

"ECI growth and profitability is based on delivering first-in-class service and value for medium to large multi-location business customers wishing to reduce their telephony expenses and manage their telecommunications assets more effectively."

Say Hello to a Different Kind of Phone Service

One benefit of using ECI is that its services are often more affordable than those of its competitors. How does the company do it?

"It's not a secret," Morris said. "In the same way AT&T, MCI and others tap into the incumbent local telephone companies' networks, ECI buys at a certain price and we are able to mark up less than the incumbent phone companies and our competitors due to our market focus and customer base."

Unlike traditional telephone companies, ECI's average customer has hundreds of lines, rather than only one or two.

This enables ECI to better manage overhead while delivering a more detailed approach to providing knowledge-based customer service. While saving money is important to



Company Profile

ECI wants to allow ISOs/MLSs to do what they do best: sell. ECI will do what it does best: manage phone service.

"If I were an ISO, I would not want to spend my time managing 50 different phone lines."

- Jay J. Morris,
Senior Vice President
of Sales and
Marketing, ECI

any business owner, the company offers something that is even more valuable: ECI customers receive one invoice, no matter how many locations they have throughout the country.

ECI can do this because its focus on mid- to large-sized customers has enabled it to develop a customized billing platform that provides customers with consolidated, simple and manageable invoices, no matter how many locations they have.

"What we offer is peace of mind," Morris said. Another aspect that makes the company unique is that customers always contact their specific dedicated ECI representative, no matter what or where their needs are.

In other words, ECI customers only need to remember one name and one number, while most telecommu-

nications customers have to endure separate contacts for billing, repairs, new orders, change requests, etc.

ECI's vision of customer service puts the personal touch back in the service model. "Whether it's a live operator, maximum thresholds on service hold queues or a dedicated account manager, ECI believes in accountability and service to our customers," Morris said.

The company matches clients with a single point of contact for all their needs. If a customer wants to have a line changed, added or removed, or has a repair, he or she contacts the same person for all of those issues.

ECI also does not require customers to commit to service contracts. "Our service is our contract to the customer," Morris said. "You outsource your dial tone to us, and let us worry about service related issues."



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The company also customizes each customer's statement to be compatible with the accounting software of his or her choice.

Finally, when customers convert to ECI's service, the company transfers lines in a seamless transition, without any interruption in service and without any conversion fees.

Once a customer decides to convert to ECI, the conversion is simple. The customer chooses a day to switch, and ECI seamlessly converts the service.

A Clear Connection for ISOs/MLSs

ECI sells its products and services through a channel agent sales program. The company said that ISOs and merchant level salespeople (MLSs) have been instrumental in helping it develop relationships with large merchant companies.

ECI wants to allow ISOs/MLSs to do what they do best: sell. ECI will do what it does best: manage phone service. "If I were an ISO, I would not want to spend my time managing 50 different phone lines," Morris said.

Working with ECI is a low maintenance way for ISOs/MLSs to increase their earnings, while letting ECI handle the account conversion, billing and client maintenance.

ECI offers different levels of agent sales and lead programs, and commissions reflect their involvement in the sale. ISOs/MLSs can simply provide leads and receive a commission, or they can make a bigger commitment and receive a larger commission.

The company bases commissions on a percentage of the local and long distance services the customer purchases. It also bases the commission percentages on whether the ISOs/MLSs provided a sale or a lead, and the amounts are contingent on total billed revenue of all accounts combined.

"The agent gets a piece of the business just for the introduction," Morris said. "If he wants to take it further and be trained and sell the service, that's another level of compensation."

Full blown sales agents stay a little bit more involved in the account, since the customer already feels comfortable working with them."

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CompanyProfile

ISOs/MLSs selling ECI services can enhance their competitiveness by increasing their value-proposition to their merchants.

"ISOs can use ECI's costs, which are cheaper than the incumbents' costs, which creates increased value to the customer," Morris said.

By combining multiple locations under one single telecom management provider, ECI agents provide increased profitability to their customers through reduced infrastructure, management and accounting costs.

ECI agent representatives also have the ability to provide nationwide coverage and a single-source customer service division for local and long distance services.

In fact, ECI is the only communications company that offers ATM operators one bill and one single point of contact for local service for every ATM location nationwide. As the market becomes flooded with copycat products, offering a one-of-a-kind service can be the key to differentiating your business from the competition.

ECI also offers ISOs/MLSs in-depth product training and sales support, including sales seminars, literature and training personnel.

The "411" on the Future

ECI is one of the nation's largest local and long distance telecommunications companies, and it has plans for continued growth.

"ECI will continue to develop products and services exclusively designed for the ATM market to assist ATM operators in more effectively managing their ATM markets," Morris said.

In fact, ECI has a suite of wireless data products for primary and back-up service for ATMs, as well as other machine-to-machine applications, currently under development.

"Soon, ECI's wireless communications products will also be available to bundle with ECI's existing 'wireline' products and billing solutions," Morris said.

He said the company's vision is to grow profitably, continue delivering on its promises and develop innovative products to increase the value proposition to customers, all while offering a safe, fun and prosperous work environment for employees. ■



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Round One Doesn't Go iPayment's Way

Judge Orders iPayment's Attorneys Removed

Round one in the complicated case of a bankruptcy trustee vs. iPayment Inc., its principals and several other defendants has gone to the plaintiff.

On Dec. 5, 2004, the judge now overseeing proceedings ordered iPayment's attorneys to be removed as counsel immediately.

This is the first decision regarding allegations in the suit filed in July 2004 against iPayment, of Nashville, Tenn.; its Chairman Greg Daily; Chief Executive Officer Carl Grimstad; Chief Financial Officer Robert Torino and other individuals and companies, including law and accounting firms.

One of the first motions filed in the proceedings went in favor of Howard M. Ehrenberg, the appointed Chapter 7 bankruptcy trustee representing the estate of ITSV Inc. and its creditors and shareholders. (see "iPayment Inc. Sued by Bankruptcy Trustee," The Green Sheet, Sept. 13, 2004, issue 04:09:01.)

Judge Vincent Zurzolo, U.S. Bankruptcy Court, Central District, Los Angeles, allowed the Motion to Disqualify filed by Ehrenberg's attorneys and ruled that iPayment's attorneys were disqualified from further representation, saying their conduct violated attorney professional codes of ethics.

Zurzolo agreed with the motion filed by attorneys from the Los Angeles-based firm Pratter & Young, who are serving as special counsel to trustee Ehrenberg.

Zurzolo said that attorneys from the law firm Greenberg & Bass LLP of Encino, Calif. violated the Rules of Professional Responsibility and the California Business and Professions Code by representing iPayment after they had previously served as counsel for adverse party ITSV.

Attorneys from Greenberg & Bass have served as iPayment's long-time counsel and were representing iPayment in the bankruptcy case.

iPayment issued a statement in response to the judge's decision indicating it has retained the firm White & Case as counsel of record; attorneys with this firm, which has offices around the world, have been advising iPayment in this matter up to this point.

Ehrenberg's complaint alleges that iPayment and the other named defendants committed fraud, fraudulent transfer and conspiracy to defraud and violated California's Business and Professions Code.

Ehrenberg is seeking damages totaling more than \$200 million.

Robert J. Young, principal of Pratter & Young, said this initial victory "is but the first step toward the eventual defeat and exposure of iPayment's fraudulent activities.

"We are confident of our case and its eventual successful resolution ... iPayment's entire foundation could very well be at stake if we are successful."

In its statement on the court's ruling, iPayment reiterated that it believes that the "complaint and underlying allegations are without merit and intends to vigorously defend against them."

All other motions in the case were continued until Jan. 14, 2005 to give the new legal team time to prepare. ■

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MERCHANT APPLICATION <small>Your active session will expire after 30 minutes of inactivity (* optional field)</small>			
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National Retail Federation 94th Annual Convention and Expo	Jan. 16 - 19
WesPay Workshop: ACH Rules Implementation	Jan. 18, 19, 20, 25, 26, 27
Global Electronic Payments	Jan. 25 - 26
ETA Expo Network	Jan. 27 - 28
National Association of Payment Professionals Member Meeting	Feb. 1
Northeast Acquirers' Association Winter Seminar and Outing	Feb. 1 - 3
The Food Marketing Institute MARKETECHNICS	Feb. 13 - 15
ATMIA Conference East	Feb. 14 - 16
WesPay Workshop: Basics of Checks and Check 21	Feb. 15, 16, 17
The Kiosk Show	Feb. 22 - 23
Electronic Retailing Association Mid-Winter Conference & Trade Expo	Feb. 27 - March 1
WesPay Workshop: Basics of ACH Receiving	March 8, 9, 10, 15, 16, 17
ETA Annual Meeting and Expo	March 15 - 17
Global Retail Technology Forum	March 16 - 17
AFP Payments Forum	March 20 - 22
Spring Intele-CardExpo	March 22 - 24
WesPay Workshop: ACH Origination	April 5, 6, 19, 20
ETA Expo Network	April 7 - 8
NACHA Payments	April 10 - 13
13th ACA International Internet & Check Services Conference & Expo	April 20 - 22
Midwest Petroleum and Convenience Tradeshow	April 26 - 28
AFP Retail Industry Forum	May 1 - 3
The Food Marketing Institute Show (The FMI Show)	May 1 - 3
WesPay Workshop: Audit and Compliance	May 10, 11, 12, 17, 18
National Association of Convenience Stores NACStech	May 16 - 18
National Restaurant Association Restaurant, Hotel-Motel Show	May 21 - 24
Retail Systems Conference and Expo	May 24 - 26
NACHA Payments Institute West	June 5 - 9
WesPay Workshop: Federal Govt. Payments (Green Book)	June 7, 8, 9, 14, 15, 16
Northeast Acquirers' Association Summer Event	June 7 - 9
ETA Expo Network	June 23 - 24
WesPay Workshop: ACH Risk Management	July 12, 13, 14
ACA International's 66th Annual Convention and Expo	July 20 - 23
NACHA Payments Institute East	July 24 - 28
Field Guide for ISOs	July 27
Midwest Acquirers' Association Conference	July 27 - 29
WesPay Workshop: TBA	Aug. 16, 17, 18, 23, 24
Shop.org Annual Summit	TBA
ATMIA Conference West	TBA
WesPay Workshop: Basics of ACH Receiving	Sept. 13, 14, 20, 21
Electronic Retailing Association 15th Annual Convention & Expo	Sept. 19 - 21
Financial Women International Annual Meeting	Sept. 25 - 27
ETA Strategic Leadership and Networking Forum	Sept. 27 - 29
Electronic Funds Transfer Association	TBA
Field Guide for ISOs	TBA
Southeast Acquirers' Association Conference	TBA
WesPay Workshop: AAP Review Course	Oct. 4, 5, 6
The Food Marketing Institute Retail and Electronic Payment Systems Conf.	TBA
The AFP Annual Conference	Oct. 9 - 12
WesPay: AAP Examination	Oct. 18
NACHA Accredited ACH Professional (AAP) Exam	Oct. 18
WesPay Payments Symposium	Oct. 18 - 20
Smart Card Alliance Fall Annual Conference	Oct. 18 - 21
Mid-America Payments Conference	Oct. 24 - 26
NACS Show	Oct. 29 - Nov. 1
Field Guide for ISOs	TBA
Western States Acquirers' Association Conference	TBA
CSI 32nd Annual Computer Security Conference and Exhibition	Nov. 14 - 16
CARTES	Nov. 15 - 17
BAI's Retail Delivery Conference & Expo	Nov. 15 - 18



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2004 Recap From Page 1

in the United States, buying its way into the online debit card market.

For an in-depth discussion on these mergers and acquisitions, see the "2004 Payments Grand Prix" (GSQ, December 2004, Vol. 4, No. 1).

However, consolidation was not limited to bankcard acquirers. Several of the country's largest check clearing organizations merged and now operate under the name, "The Clearing House."

And many large ATM portfolios were also consolidated.

Cardtronics, one of the largest non-bank owners of ATMs in the United States bought all of the assets of E*Trade Financial Corp.'s ATM business, including 13,100 of its ATMs, for \$106 million in cash.

eFunds Corp. sold its entire portfolio of 17,200 ATM contracts for \$150 million in cash to TRM Corp., which now owns and manages almost 22,000 ATMs in North America and the United Kingdom.

Card Associations Come to Blows

The card Associations certainly gave us something to talk about in 2004, beginning with American Express Co.'s (AmEx) first-time deal with a financial institution, MBNA, to issue AmEx-branded cards.

As of November, MBNA said it had delivered to its customers more than 300,000 cards with the AmEx logo. AmEx also recently signed a deal with Citigroup to begin issuing its cards.

The deals were made possible by a 2001 federal court decision in an anti-trust case brought by the DOJ, in which Visa and MasterCard were ordered to drop their long-standing rules prohibiting member banks from issuing cards from competing brands, such as AmEx and Discover.

The Supreme Court upheld the lower court's ruling in October, which prompted both AmEx and Discover to file lawsuits against the card Associations.

AmEx and Discover seek monetary damages for business they claim was lost as a result of Visa and MasterCard's anti-competitive practices for nearly 20 years (see



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"Payments Shaken and Stirred in 2004" by Patti Murphy, on page 16 of this issue).

Check 21 Has Arrived

Legislation signed into law in the fall of 2003 took effect Oct. 28, 2004. The Check Clearing for the 21st Century Act, or Check 21, allows banks to transmit electronic images of checks instead of flying or trucking paper checks across the country.

The law makes electronic images of checks legal documents, so banks now have a more affordable and faster way to move checks through the payments system.

This legislation will initially be most relevant for banks, but we expect to see check truncation happening at the point of sale and at ATMs further down the road.

The main reason: Truncated checks clear and post more quickly than checks converted to automated clearing house (ACH) transactions, which means better availability and a faster way in identifying potential fraudulent payments, according to Patti Murphy, President of The Takoma Group and Contributing Editor to The Green Sheet.

New Technologies Explode Onto Market

Although wireless-, contactless- and IP-based point-of-sale technologies are relatively new to the industry, discussion around implementing them in payments has been building for years, and now they've hit the ground running in 2004.

Suddenly, every terminal manufacturer and ISO is offering one or more of these products and services; it's no longer just talk. Opportunities abound for sale of these new technologies and if you're a merchant level salesperson (MLS), it's time to get on board.

Driving the adoption of new payment devices and methods is the fact that more types of merchant locations such as QSRs and vending machines are open to accepting electronic payments.

And, ISOs/MLSs are now able to offer traditional retail merchants payments solutions beyond checks and credit, including gift cards and prepaid/stored value cards.

Another milestone for 2004: This year, electronic payments surpassed checks for the first time, according to the latest data from The Federal Reserve.

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CoverStory

A Banner Year for MLSs

For MLSs, 2004 proved to be an especially good year. Not only are there all kinds of new products and services to sell, and to businesses that were previously averse to accepting electronic payments, but good things are happening with industry organizations, too.

Now more than ever, MLSs have access to industry education and networking opportunities like never before.

The National Association of Payment Professionals (NAOPP), the recently formed organization run by MLSs for MLSs, announced that it now offers members access to health insurance, low cost legal consultation and representation, and a 401(k) plan.

Membership to NAOPP is extremely affordable (\$25), making it easy for MLSs to participate in the organization and take advantage of the benefits.

In addition, Electronic Transactions Association (ETA) launched a new Affiliate Service Provider program, offering 1099 MLSs access to discounts on a range of ETA products and services.

For example, ETA provided discounts to MLSs who wanted to attend the 2004 ETA Annual Meeting and Expo in Las Vegas, an event that many feet-on-the-street have complained is too expensive for them to attend.

ETA also launched its affordable Expo Networks, which are educational seminars and networking opportunities for all MLSs held in different locations around the country.

And the regional acquirers' associations saw record attendance at meetings held throughout the year. From the Northeast Acquirers' Association (NEAA), Midwest Acquirers' Association (MWAA), Southeast Acquirers' Association (SEAA) and now the Western States Acquirers' Association (WSAA), if you're an MLS, no matter where you are, there are no excuses for not attending an industry event.

It's time to venture out into the world, or at least your area of the country. Between the ETA events and the regional acquirers' associations, you now have several educational and networking opportunities close to home to look forward to each year. So get out there and meet and greet!

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Paul Green was honored with the Midwest Acquirers' Association Lifetime Achievement Award on July 29, 2004

The Green Sheet Is Recognized

Finally, The Green Sheet also achieved several milestones in 2004 we think are worth mentioning: On July 29, 2004, Paul Green received a Lifetime Achievement award, presented by the MWAA.

The award honors "the outstanding individual who has made significant contributions throughout a career of service to the merchant bankcard and electronic payments industry."

For the third year in a row, Communications Concepts Inc. recognized The Green Sheet's print and online publications in its annual APEX awards program.

We received six awards this year: five Awards of Excellence for Publication and one Grand Award.

Since 1983 The Green Sheet has been committed to providing people in the financial services industry with the right information in the right way, and what better way to know we're doing it "right" than by the numbers: In 2004 GS Online reached more than 2.5 million hits in one month and since then has continued to attract thousands of new readers.

In addition, our print publication grew to 120 pages this year, the largest issue of The Green Sheet yet.

It's been an exciting year for the payments business and for The Green Sheet. Thanks for being with us in 2004, and we look forward to another successful year ahead.



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- Defining service levels during a time of the rapidly evolving EFT industry
- Global ATM Security Alliance update on progress against ATM crimes
- Changes to interchange fees? Open Industry Meeting
- A consumer perspective study on the ATM
- Delivering Value to Financial Institutions and Customers Alike
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Paymentech Procures Partnerships for Potential Profits in Petite Payments

One of the largest payment processors in the country, Paymentech LP, has entered into partnerships with a pair of companies not typically associated with large transactions. Paymentech will offer PayPal's online payment service to its merchant customers beginning early 2005. It also finalized a multi-year contract to process credit and debit transactions for all Pepsi-Cola North America vending machines equipped to accept card payments.

As consumers migrate from cash to various forms of plastic as the preferred way to make purchases, Paymentech sees the newly forged partnerships as strategic forays into new areas. The company hopes that

the partnerships will serve as springboards for future business by leveraging PayPal's 56 million worldwide accounts and Pepsi's commitment to expanding cashless options in its vending sector. Pepsi's annual revenues are \$4 billion.

Paymentech spokesperson Laura Lambeth said that the PayPal partnership will give Paymentech's merchants the ability to offer their own customers more payment prerogatives. Paymentech currently processes more than half of all Internet transactions; integrating PayPal's payment methods increases the options available to consumers, Lambeth said.

Paymentech doesn't see PayPal as a competitor, she said; Paymentech's

customers are businesses, PayPal's customers are consumers. Merchants will still process payments made using credit, debit and stored value cards and electronic checks, but their customers will also be able to choose PayPal as its own branded payment option. Through the exclusive agreement with Pepsi, Paymentech will process payments that customers initiate by swiping their credit or debit cards at cashless-enabled vending machines. Pepsi has several hundred of these machines installed in such high-traffic areas as malls, hotels, convention centers and casinos.

Paymentech forecasts growth in this market in the coming years as consumer use of payment cards, even for purchases of small amounts, increases. Paymentech and its Canadian affiliate processed 7 billion transactions in 14 currencies worth \$162 billion in 2003.



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The Green Sheet, Issue 03/04/01, June 9, 2003

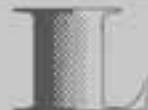
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Using Technology to Improve Customer Service

By **Anthony Alexander**

Cynergy Data.....

These days, everything we do involves technology, and sometimes it seems to complicate rather than simplify our lives. Something as basic as setting up a sales meeting often requires not only a phone to make the call, but also an e-mail to follow-up, Microsoft Outlook to pick a convenient time, and a PowerPoint-equipped laptop to make the presentation.

But have you ever thought about how long it would take to write 30 copies of your next business plan by hand? What about balancing your annual budget using a pencil, notebook and lots of scratch paper? Although it can get complicated, technology is a great way to minimize your workload and reduce human error.

However, something technology can't replace is the power of simple, one-on-one human interaction. Talented customer service people in our industry are in no danger of being replaced by machines. But did you know that technology can dramatically improve person-to-person customer service?

You can use it to develop a "ticketing system," a software program that tracks customer interactions from the first call to the final resolution. A ticketing system allows everyone access to information about a particular problem. It eliminates duplicate efforts by making sure that only one person works on one problem at a time.

Best of all, clients call in only once and are confident that no matter who takes their call, the problem will be resolved quickly. They won't be transferred from extension to extension or have to wait on hold for

20 minutes. The ticketing software assigns each problem to a specific staff member who's qualified and available to handle it; the system also automatically attaches a deadline for resolution.

Ticketing systems keep a history of requests from a particular merchant or sales office on one convenient screen. For example, when an ISO or merchant level salesperson (MLS) calls in, the rep who answers the phone can tell at a glance how many times the person has called; what he's called about; which of his merchants are currently experiencing problems; and what's being done to resolve them.

The best ticketing systems provide and track information that is visible and accessible to all. No matter whom ISOs/MLSs call for a status update, the person on the other end of the phone can give them real-time updates on all of their merchants with a few mouse clicks.

A side benefit is the system's ability to track employee performance, which makes it easy to reward those who perform and to remedy problems (and problem performers) before they get too serious.

The systems also track: frequently occurring problems; who handles the most incoming problems; who knows how to resolve the most issues; and how effectively the staff addresses customer complaints.

With all of this information at your fingertips, it's easy to determine changes to make internally in order to improve customer service.

Many ticketing systems are currently on the market, and I've looked at most of them. Ultimately, my company made a decision to create its own tracking system, called Vimas TrackIt.

A great tracking system integrates with your current databases, so you don't have to enter data more than once. For instance, our system, which is tied into Vimas, our virtual back-office software, automatically pulls information from the Vimas database into TrackIt and eliminates the need for our employees to re-enter merchant or ISO/MLS information at point-of-call. Following is an example of how the system works:

Let's say a merchant calls our tech support department with a big problem: A terminal has malfunctioned, and it's an unusual model that takes a specialist to repair.

The tech support rep opens up a ticket, records some information about the merchant's situation, gives the merchant a resolution time (later that afternoon), and lets him get back to his business.

When ISOs/MLSs want a status update on their merchants, they only need to make one call. Anyone on the system can see right away the status of their merchants and tell them, for instance, that one in particular is having a terminal download problem, but it will be fixed in the next four hours.

At this point, the system automatically assigns the ticket to a person who can handle the problem. This is one of the most important steps in developing your own ticketing system.

If there's no system in place, merchants calling in will expect the person who answers the phone to solve their problems right away; they don't want to keep repeating themselves as they get transferred around to a bunch of extensions.

The system automatically checks who in the company has the skills



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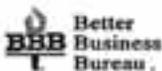
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and time available to fix each merchant's problem and then assigns the ticket to that person.

That's how our ticketing system works, and it might seem a little complicated, but consider it from the merchants' point of view: One three-minute phone call, and the problem is fixed.

There's no calling around to find someone trained to fix problems with a particular terminal; no being transferred from extension to extension; no need to provide explanations over and over; no doubt that the person to whom they're talking is one who can get their problem solved; and no worries over when it will be resolved.

Thank you, technology!

A system such as Vimas TrackIt can be invaluable for your business because it lets your clients know that you're paying serious attention to their problems, and it keeps them updated every step of the way until the problems are resolved.

No one wants to feel like their requests are unimportant to a company. A ticketing system assures your clients that each request they make is unique and important. Clients know that their problems are being addressed and that they haven't been dropped on a three-inch stack of paper in someone's outbox.

The bottom line: There's no substitute for great, personal customer service. Any technology that's supposed to improve the way customer requests are handled is only as good as the people using the system.

Once you have a top-notch team in place, use technology to take your company to the next level of excellence.

Anthony Alexander manages software development for Cynergy Data, a merchant acquirer that provides a wide array of electronic payment processing services while continually striving to develop new solutions that meet the needs of its agents and merchants. In addition to offering credit, debit, EBT and gift card processing, along with check conversion and guarantee programs, the company offers its ISOs the ability to borrow money against its residuals, to have Web sites designed and developed, to provide merchants with free terminals and to benefit from state-of-the-art marketing, technology and business support. Founded in 1995 by Marcelo Paladini and John Martillo, Cynergy Data strives to be a new kind of acquirer with a unique mission: to constantly explore, understand and develop the products that ISOs and merchants need to be successful and to back it up with honest, reliable and supportive service.

For more information on Cynergy Data contact Nancy Drexler, Marketing Director, at nancyd@cynergydata.com.

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I Feel the Need for Speed!

How would you like to offer your merchants an alternative to costly dial-up connections? Or give them the ability to handle more transactions during peak sales times? What about supplying them with a solution that provides enhanced speed, flexibility and security?

If you answered "yes" to these questions, then here's your opportunity to add one of the hottest value-added products to your point-of-sale (POS) tool bag: IP-based terminals. "IP" stands for Internet protocol, a communications protocol on which the Internet is based; it's also used in cell phones, satellite TVs, laptops, PCs and PDAs.

The same technology that allows you to send an instant message can help your merchant customers send faster, more secure transactions over an "always-on" network. If you don't include IP-based terminals in your sales presentation, you're missing out on a very lucrative market.

If you've ever sat in front of a computer and waited 5 – 10 minutes for a Microsoft PowerPoint file to download over a dial-up connection, you know how frustrating and time consuming standard connectivity can be.

Consider that a standard, dial-up connected transaction can take up to 20 seconds to complete. This may sound fast, but if your merchant has customers waiting in line, then those seconds can quickly turn into minutes, very frustrating minutes.

Using a broadband network, IP connectivity dramatically

changes transaction speed. Merchants can replace 20-second transactions with transactions as fast as two seconds. How is this done? IP-based terminals use a browser with secure sockets layer (SSL) technology that electronically speeds up connection, communication and authorization.

The other outstanding benefit is that IP supports multiple applications at the POS. From credit and debit to gift and loyalty cards, merchants can consolidate all types of communication, both voice and data, into one, high-speed connection.

And since access to IP is everywhere, there's no reason your merchants can't enjoy the hottest technology in payment processing.

IP-based payment technology is widely credited with spurring the rapid adoption of credit and debit card acceptance by the quick serve restaurant (QSR) industry.

But the speed and versatility of an IP-based POS has also created tremendous opportunities in various vertical markets such as liquor and convenience stores, bars and nightclubs, small retailers, independent grocers, dry cleaners, movie theaters, kiosk merchants ... the list goes on.

I know your next question: How do I successfully sell IP? For a definitive answer, I went to a definitive source. One of the industry's leading IP terminal manufacturers is VeriFone Inc.

This company has consistently offered innovative products for you to sell to increase your merchant portfolio. I recently spoke to Rob Campbell, West Coast Regional Sales guru for VeriFone. He offered solid advice on putting IP to work.

"Regardless of what the merchant's specific value-added requirements are, at the minimum, merchant level salespeople (MLSs) can present the many benefits of owning a VeriFone solution (reliability, innovation, being connected) in a consistent way," Campbell said.

"From there, MLSs can choose to specialize in certain

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types of value-added services that are pertinent to specific markets such as QSRs, restaurants, liquor stores, etc. This way, selling IP, wireless or multi-application brings true value to the merchant and changes the conversation from 'discount rate' to exciting new technologies and income opportunities for both the MLS and the merchant."

As an MLS, you certainly need an edge when presenting new products to prospects as well as existing merchant clients.

"We strongly recommend that MLSs bring along the flagship Omni 3750 and the new 3730LE," Campbell said. "This shows the range of the Omni 3700 family so they can demonstrate everything from a full-featured solution to an entry-level solution.

"In addition, the modular design of the Omni 3750 allows MLSs to explore the various enhanced communication options available to merchants, including CDMA, GPRS, WiFi and Ethernet."

Exactly how can you benefit from selling IP products? Campbell sees you taking advantage of an opportunity to deepen your relationships with your merchant customers.

"By increasing the merchants' reliance on MLSs, these products reduce the likelihood of churn and allow MLSs to become an integral service provider to the merchant," Campbell said.

"Not only do these products foster a long-lasting revenue opportunity, but they also allow MLSs to sell additional value-added applications that will increase the revenue per merchant and make them much more profitable and successful."

The feet on the street were also quick to comment on IP. I recently posted the following on GS Online's MLS Forum:

"One of the hottest technologies at the POS is IP. Do your merchants ask for it? Do you sell and/or service high-speed IP transactions? If so, does it give you a competitive edge?"

MLS responses saddled both sides of the fence. Here are a few:

"IP processing is the most efficient way for a merchant to process electronic payments. It is also significantly cheaper than a dial-up connection, especially for merchants with more than one register. A single cable modem or DSL can easily support 20+ registers at a retail or grocery store.

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"For instance, if a merchant has a phone line for each dial terminal and each phone line costs \$35 a month, he is paying \$700 a month just for terminal phone lines. A nice business DSL or cable modem only costs around \$45 a month. Line speed is a key selling point as well. Especially for QSR, cafeterias, call centers and grocery stores. IP transactions only take between one to five seconds. A dial up connection can take around 12 seconds. Faster lines = more customers for your merchant = more money for your merchants = happy merchant." – MCG2

"Are merchants asking for it? Yes, but most of the merchants asking for it are merchants who are already open. Many of them have invested in a POS system or credit card terminal and realize they 'need the speed.' New merchants, on a percentage basis, do not know how much they would love the speed. Am I selling and/or servicing high-speed IP transactions? A lot ... but mainly through POS software and systems like Aloha, PC Charge, 911, Digital Dining, Shift4, etc. Is IP giving me a competitive edge? Does a dial up take 20 seconds?" – Desdinova

"I think this is a fantastic new opportunity. As many businesses connect to a form of high-speed Internet, the savings from releasing a phone line or the inconvenience of a shared line will often out-weigh the cost of the equipment. The other tremendous benefit I see is they are always connected. How many of us have had a problem with a merchant's machine connecting through the modem on a high volume day during the holidays?

"The specific question to be answered in my opinion is: How can we make this 'turn key' for the merchant and easy to understand for the agent? Unless the router is very close to the terminal, you will either need to run long cat 5 cables or the merchant will need to install a 'drop' near the terminal to plug the machine in.

"What I see is the need for an agent manual of sorts on how it works, what's needed in the way of equipment, cables, installation, including who does what, etc. Just a simple 'how-to-make-it-live' guide. We try to provide very specific training on these issues because many agents do not understand the technical side of making IP work." – SalesAMS

"Many merchants with a POS system want high speed credit card processing. They have invested thousands of dollars in a system, and they want the most out of it. POS Systems work with DATA CAP's net e pay, 911 software, PC charge and some others. The merchant in a storefront with one terminal is not ready for IP or high speed until the telephone company lowers the price of having DSL service in a location.

"The only other drawbacks I see are the following: 1) Cost of DSL service is reasonable; 2) Does the terminal have

dial up back up? 3) The value-added providers are not processing IP yet, check services, gift cards, etc. This is very important, as selling value-added services is becoming very important. If all of the answers were 'yes,' IP would start growing quickly. And some processors are charging a set up fee for IP processing, which is not practical. Here's a suggestion: If a company can come up with a device that would turn all the old terminals in the field to be able to do IP transactions, that would be a big hit as long as it was affordable." – ccguy

When presented with the issues raised in these MLS responses, Campbell was quick to come to the defense of IP.

"Time is money," Campbell said. "Calculate how much business walks out the door when a merchant is busy. A merchant's productivity can be suffering from lost sales due to lengthy waits in lines, caused by slow authorizations or downloads over older, dial only terminals. With the VeriFone Internet-based terminals, POS transactions can be processed in only two to four seconds. Ed, that's as fast if not faster than cash transactions!"

Campbell points out that many businesses already have a digital subscriber line (DSL), cable, local area network (LAN) or wireless access and can easily convert to IP-enabled payment transactions, thus eliminating the cost of stand alone dial lines, which, on average, cost more than \$50 in the United States.

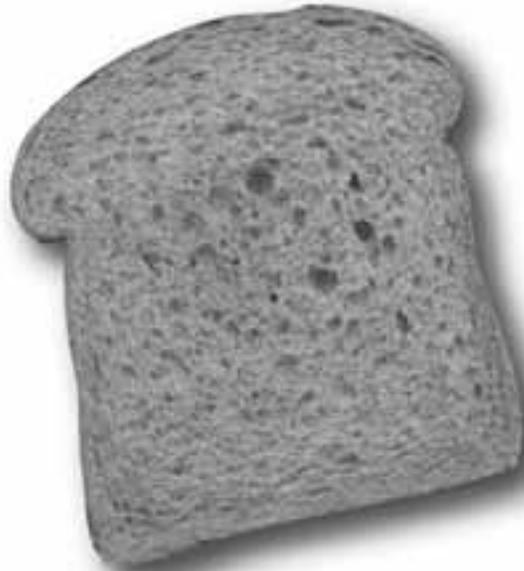
Additionally, merchants using multiple terminals can easily connect them to a single broadband drop using LAN or WiFi, further reducing monthly telco expenses. Terminals using the Ethernet option can be connected to DSL, cable modem, frame relay or very small aperture terminal (VSAT) satellite connections.

DSL, which operates on standard telephone lines, is an increasingly popular broadband option, especially among small businesses. Another high-speed option is cable modem connectivity, which is highly suited to sports bars and other entertainment venues that are already using cable television service.

Campbell stresses that you should consider the following before selling an IP solution to your merchants:

- Who is your processor? Most processors today have an Internet gateway.
- Does the merchant have a current broadband Internet connection?
- Does the merchant have a router, or is his PC connected directly to a broadband modem?
- The merchant might ask, "What routers does my carrier support?" Most consumer-grade equipment will work with the various carriers, but it's always best to check with the broadband provider.

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- What about security? IP technology provides added security that's not available with most dial connections.
- Is there additional paperwork? In most cases no, but certainly contact your processor to determine the additional information they will need to complete the application.

If you've ever felt unlucky that you weren't in this great business 20 years ago when electronic terminals replaced the previous paper-based method of processing credit cards, here's your chance to be part of the next major changeover in terminal equipment.

Within the next few years, retailers will switch from dial-up to IP connectivity. The merchants processing the most volume, the ones that you weren't able to switch over before, are suddenly in the market for new terminal equipment because of the amazing benefits of IP connectivity.

Benefits include faster transactions, flexibility on terminal placement and the elimination of telephone line expenses. So why isn't everyone selling it now? Overcome your fears of learning how to sell this option. Team up with a local broadband provider and learn how routers and WiFi work. If you're willing to put in the time to learn about IP, you'll end up outperforming everyone else tenfold!

For my next column, I'll tell you what I think will be the most compelling issues of 2005. Watch for my next post on the MLS Forum and send your comments to streetsmarts@totalmerchantservices.com. I appreciate your feedback. Keep it coming!

My future starts when I wake up every morning Every day I find something creative to do with my life."

- Miles Davis

See you where the rubber meets the road. 

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

To learn more about Total Merchant Services, visit the Web site at www.totalmerchantservices.com . To learn more about partnering with Total Merchant Services, visit www.upfrontandresiduals.com or e-mail Freedman at ed@totalmerchantservices.com .





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Education (continued)

Legal Ease

Facing Your Worst Fear: Wrongful Residual Termination

By Adam Atlas

Attorney at Law

In this column I will discuss the worst-case scenario for you, an ISO or merchant level salesperson (MLS): The wrongful termination of your residuals by a processor or bank. I wish this kind of thing never happened, but it does, and it's no Christmas present.

Wrongful termination of residuals occurs when a processor or bank that has been paying residuals on certain terms terminates those residual payments without any apparent wrongdoing on your part.

There are instances when you might deserve to lose your residuals, such as intentionally moving the processor's merchants to another bank, wrongfully modifying processor merchant agreements, perpetrating fraud or falsifying merchant information.

And sometimes it's hard to tell whether or not you deserve to lose your residuals; however, I won't address these cases here. Instead, I'm concerned with occasions when the processor deliberately and inappropriately decides to cut you off.

What makes wrongful termination of residuals so difficult is that it deprives you of means (i.e. money) to fight for a resumption of the payment of residuals. Below are 10 things to consider if your processor or bank wrongfully terminates your residuals:

1. Discussion

Payment processing is a complicated business. Things

go wrong; people make mistakes. Before hiring lawyers to chase after your processor on an unpaid residual, give your processor a call to make sure it really did intend to stop paying you, and that it wasn't some clerical error.

2. ISO/MLS Agreement

The first place to go looking for your residuals if they are not delivered on time is your ISO/MLS agreement. It's important to know exactly what your rights are under your agreement in the event that the processor fails in its obligation to pay residuals.

When negotiating these agreements, processors are reluctant to even address this topic because, like all of us, they don't often prepare for their own wrongdoing.



Consequently, most agreements fail to address in detail your express rights upon a wrongful termination of your residuals.

Some agreements for larger ISOs do include, after negotiation, the right to: (1) stop sending new deals, when it's an exclusive deal; and (2) move existing merchants to another processor when a processor wrongly terminates residual payments to the ISO.

The agreement also informs you as the legal party with whom you have contracted and the legal notice provisions.

This information will be important because if you are without residuals, you should deliver written notice of the processor default within 24 hours of its occurrence, and you should send such default notice according to the notice provision of the ISO agreement.

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3. Injunction

An interlocutory injunction is when a court orders a temporary solution to a problem pending the verdict in a trial. Residual commissions are usually too important to your cash flow to discount for the period of a trial that could take months or even years.

So you, along with your legal counsel, might deem it appropriate to seek an interlocutory injunction whereby a court would order the processor, within hours or days, to continue paying residuals until it has had time to hear the full merits of the case.

Claims for injunctions are hard to win. The burden of obtaining an injunction is placed on the party that seeks it. If you're claiming an interlocutory injunction for the resumption of residual payments, you will have to prove at least:

- The existence of the legal obligation to pay the residuals (i.e. the ISO agreement);
- That irreparable harm would be caused to you without a granting of the injunction.

These are exactly the same kinds of arguments you would make if a wrecking ball was swinging next to your house and you wanted a court to order a stop to the demolition.

Most claims for injunctions are lost. I advise you to hire a lawyer for this kind of work.

4. Ordinary Claim

Regardless of whether a claim for an injunction succeeds, if you have wrongfully lost your residuals, you should waste no time in filing a claim for a resumption of the payments, together with damages associated with the interruption in payments.

For example, the ISO that loses agents because it is no longer able to pay them because of cash flow issues caused by processor-default may be in a position to claim and recover damages for loss of agents.

Similarly, depending on the wording of the ISO agreement, the ISO might also be able to claim for lost business that would otherwise have been attributed to the ISO but for the loss of its residuals and agents. I would advise the ISO to hire a lawyer for this kind of work.

5. Small Claims

Most wrongful residual termination cases involve agents and not ISOs. These cases often involve amounts of less than \$5,000 per month. Some ordinary courts will not hear these types of cases because the dollar figure is too low.

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In that instance, don't hesitate to file a claim in your local small claims court. Judges don't like to see hard working people, such as MLSs, lose the income they have accumulated. Don't hesitate to exercise your rights. That's what the courts are there for. Small claims courts usually assist plaintiffs in making and filing their claims. Lawyers are usually not required.

6. Make Your Bed Well

There's a saying that goes, "How you make your bed, so you will sleep." When you think about getting into an ISO relationship, do everything you can to foresee the likelihood of a wrongful termination of residual payments. Talk to other ISOs/MLSs of the processor; take a close look at the agreement; ask the processor directly if it has ever terminated residuals; and get to know the principals at the processor.

Also, post questions on The Green Sheet's MLS Forum to learn more about your new business partners; and test the relationship early, so you know where you'll stand if things don't go well. If people in our industry did all of the above, I would have a lot less work.

7. Exclusivity

I strongly recommend against exclusive sales relationships. One of your processors will most likely be your main supplier; however, don't put all your eggs in one basket. In addition, do not favor one processing supplier over another based on legal constraint.

Your reasons for working with a processor should be that it makes business sense for you to send most of your deals to that processor.

When one processor wrongfully terminates your residuals, it's helpful to not be exclusive to that processor so that you can immediately channel your deal-flow to another provider.

Multiple suppliers mean multiple sources of income that can carry you through a rough period with one of them.

8. Rainy Day Account

While our industry depends on consumers using their credit cards and spending instead of saving, learn to save for a rainy day based on the numerous examples of relationships gone badly in merchant acquiring.

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cash flow issues. However, I advise you to create your own "rainy day" fund in anticipation of an interruption in residuals. The fund should be big enough to support and sustain you as you build a new relationship with a processor.

9. "Pass Through"

Some processors claim that they have to cut back on paying residuals because of increases in interchange or other bank or card Association fees.

These fees should be "passed through" to the merchant and should not unreasonably eat into your residuals. The ISO agreement should include this kind of protection for you.

10. Reputation

Apart from the various legal constraints against wrongfully terminating residuals, processors do take their reputations very seriously. Being known as a processor that doesn't take care of its ISOs/MLs is damaging to its own bottom line.

This, sometimes more than the legal constraints, is what often motivates a processor to honor its obligations.

Be careful not to spread false information or become the defendant in a libel or slander claim, and make sure you mind the confidentiality provisions in your agreement with the processor.

However, if your residuals are wrongfully terminated you might spread the word to protect others in your situation. Once again, do this only with extreme caution because of the possibility of a libel or slander claim by the processor.

The most important thing to take away from this column is to remember that people and businesses sometimes do things that are wrong and contrary to the promises they've made.

Rather than live in fear of this difficult possibility, I advise you to face this uncertainty head-on and plan accordingly. In the meantime, I'd like to wish all readers a very happy holiday season. ■

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BookReview

Simplify and Focus for Success

It's a chaotic world and the number of things vying for our attention can seem limitless and overwhelming. There's always so much going on around us: jobs, careers, families, homes, friends and community, not to mention financial obligations.

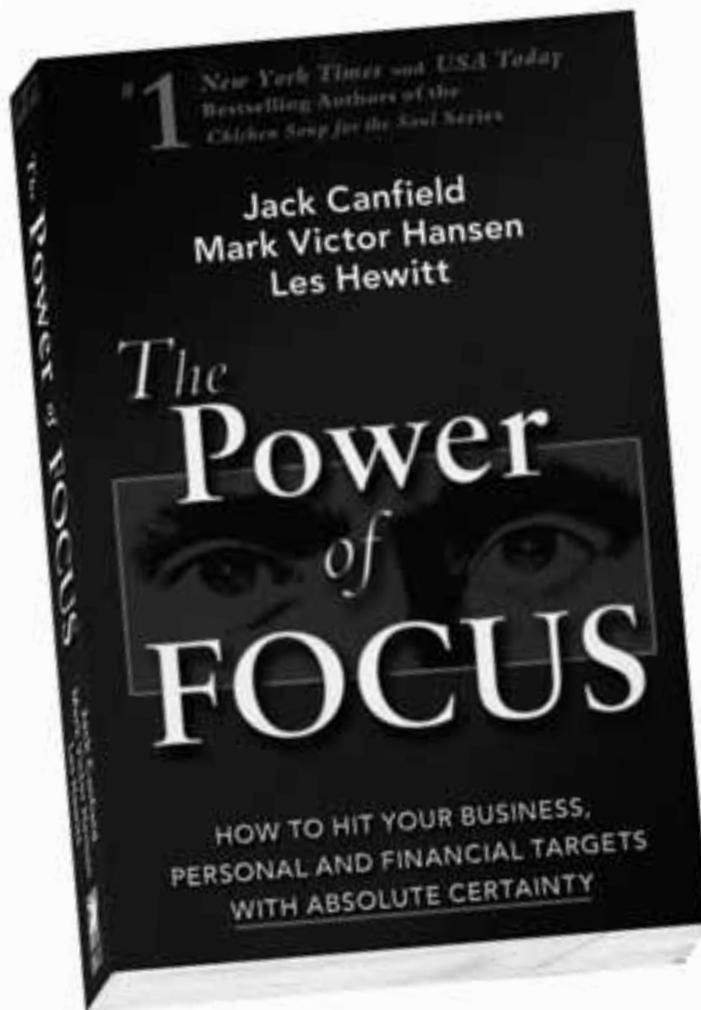
Do these distractions hinder our success? Do they cloud our vision? Do they make it impossible to focus? Are we really doing what we should be to get what we need?

In dreaming of the success we'd all like to achieve, we have the option of eliminating these distractions. But wouldn't it make more sense to learn to incorporate the important elements and leave out the unnecessary ones?

The beginning of a new year is always a good time to find out exactly which ones are unnecessary. Reading "The Power of Focus," written almost five years ago, continues to be an inspirational way to start providing practical, motivational tools to use throughout the coming months, and even years.

The authors, who also write the "Chicken Soup for the Soul" series of books, share their considerable insight into creating positive life transformations by establishing habits and focusing. In their consulting practices, they've seen and talked with too many people who have lost the ability to see what really matters, which means they've lost the ability to enact their goals for personal and financial success.

The key to hitting business, personal and financial targets with clarity and certainty is to focus. Sounds easy enough, but the authors know and understand that the transformation required in making positive changes is not instantaneous. It's a process. People who are serious about making a serious change in their lives in a new direction will need to be patient and realize it won't happen overnight.



The Power of Focus:

How to Hit Your Business, Personal and Financial Targets With Absolute Certainty

By Jack Canfield, Mark Victor Hansen and Les Hewitt
Health Communications Inc.
Deerfield Beach, Fla., 2000
ISBN 1-55874-752-4
Paperback, 310 pages
Available on Amazon.com

The first step is to get in the habit of having healthy habits, which determine our futures and quality of life. While consistency and reliability are commendable traits, implementing a positive new behavior and making a habit of it, or reprogramming a behavior that isn't really working into one that does, can also be a good thing.

The authors have laid out a course to follow; they realize we need a map for setting and achieving goals. They describe the process with examples of both personal and professional issues, which are never easy to separate.

In fact, they say that we shouldn't ignore one for the sake of the other, and provide suggestions for creating a rich and rewarding balance between them.

The book is divided into 10 "Focus Strategies," each with



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ideas and suggestions for making changes and improvements in relationships and careers. These aren't outlandish ideas; they are simple, common sense approaches to improving our quality of life.

For example, in "Focus Strategy #5 Building Excellent Relationships," the authors encourage readers to contact someone they would like to emulate and ask that person to be a mentor. They suggest asking this person for a few minutes on the phone every month, making the idea seem not only do-able, but logical.

Salespeople might find the section on core relationships especially interesting. All the elements of good personal and business relationships are the same; the trick in both cases is to determine who and what's important and then focus on them. Asking for the sale is a concept that translates to other areas of our lives; as in sales, we have to learn to ask for what we want in our personal relationships, too.

The well thought out layout of the book makes it easy to find key information; different ideas are presented in easily distinguishable formats. The authors actually suggest reading the book with a highlighter in hand to mark passages that stand out.

Each Focus Strategy has an "Action Steps" section of workbook-like exercises to help readers narrow down and focus.

Suggestions for questions toward self-discovery or making a picture goals book (for example, cutting out magazine pictures of vacation destinations) help us visualize what we want. There are also charts that diagram systems the authors have developed that cover identifying talents, strengths, and ways to get to that successful place, however each of us defines it.

The authors also generously put together a resource guide that provides additional sources of information and self-improvement programs.

The point is to re-energize us and help get us out of our ruts. So many people are looking for meaning in their lives; the authors say it's not impossible to use some very simple tactics to get a balanced, meaningful life. They understand the psychology behind our inability to change and the fear involved in making difficult decisions that result in change.

This is a book to read thoroughly once and then refer to often. Changing our lives to incorporate more focus and purpose is a process. It won't happen instantaneously. It requires discipline, and "The Power of Focus" will help keep readers on task. ■

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AIRCHARGED With Wireless Check Conversion and Guarantee

Product: AIRCHECKZ

Company: World Products Inc./AIRCHARGE

For many mobile merchants who run their businesses on the go, accepting checks at the point of sale is a payment method that's been more trouble than it's worth.

Customers have burned them with bad checks; they've lost checks; they can never seem to get to the bank before it closes; or the funds aren't posted to their account in a timely manner.

AIRCHARGE, the company that has brought you wireless credit card processing over Nextel's network, now offers you a wireless check conversion and guarantee solution called AIRCHECKZ for your mobile merchants.

AIRCHECKZ is an electronic check conversion application offering payment guarantee. It converts a paper-based check to an electronic transaction at the point-of-sale.

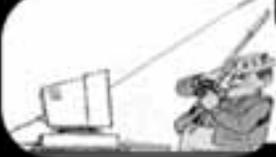
Here's how it works: Merchants launch the AIRCHECKZ software application and then select "process check." They insert a paper check into a check reader that is attached to a Nextel handset. Using the handset, merchants enter (whether through swiping or manual entry) the customer's driver's license number and the amount of the check.

The data are sent over Nextel's network to the check conversion provider for approval. If the check is approved, the customer signs a receipt and receives a copy of the receipt and his or her original check back.



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If the check is declined, merchants can ask for an alternate form of payment. This eliminates the possibility of them accepting a bad check.

Some of the benefits of using this type of mobile solution for check processing are:

Checks are automatically deposited into the merchant's account; there's no need to make a trip to the bank for a deposit every day; it eliminates the risk of a check being lost or stolen before it's deposited; electronic check conversion is faster than a check being processed in paper form, among others.

If your merchant customers are already using AIRCHARGE's solution for wireless credit card processing, selling them this wireless check processing solution may be easier than you think: Merchants can use the same equipment and merchant account for check processing that they use for accepting credit cards.

However, electronic check conversion and guarantee are only available for personal checks; business checks are limited to the check guarantee solution.

eProcessingNetwork LLC serves as the gateway for both AIRCHARGE and AIRCHECKZ.

AIRCHARGE offers mobile printers and check readers compatible with Nextel handsets. For more information, visit the company's Web site.

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Transactions at Lightning Speed

Product: GlobalNet @dvantage

Company: Global Payments Inc.

With Global Payments Inc.'s introduction of GlobalNet @dvantage, the company says merchants can now enjoy faster transaction speeds, a more reliable and secure transaction, and potential cost-savings while transmitting data directly over the Internet.

The GlobalNet @dvantage suite of products enables merchants to process any type of payment including credit, debit, check, gift card and EBT, through multiple POS terminals. Merchants will now experience high-speed, direct

transaction processing to Global Payments.

GlobalNet @dvantage incorporates Global Payment's secure SSL gateway, Global Gateway @dvantage. The gateway is for PC and terminal applications and also many integrated POS and cash register systems.

GlobalNet @dvantage also includes Global Payment's IP-VPN (IP-enabled Virtual Private Network) software solution. IP-VPNs allow two networks to directly connect with each other and both can enjoy the privacy and security of a private network and the speed of a public network.

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Staying Connected But Remote

Product: PadCom 8100 remote access router

Company: PadCom Inc.

For retail merchants with more than one location, including back office operations, it's important to stay connected and communicating information such as current pricing, inventory and customer information all the time.

Padcom Inc., a provider of mobile virtual network solutions, helps businesses overcome gaps in wireless data communication by connecting locations, employees and devices, with its 8100 remote access router.

The PadCom 8100 is a wireless hardware platform that creates secure wireless connections. The company says its solution is more affordable and efficient than traditional "wire line" or satellite connections.

With a retail business, for instance, customers can create seamless two-way connections between the home office and any POS terminal and communicate information at speeds equivalent to a wired connection broadband line, but with about a third of the access fees.

From POS terminals to laptops and PDAs, the 8100 keeps devices in sync. Merchant benefits include reducing customer wait times, increasing throughput to speed up credit card verifications, and tracking customer, sales and inventory information no matter where terminals are located.

The 8100 supports the following networks:

CDPD; GPRS; EDGE; CDMA 1xRTT; EVDO; iDEN; Wireless LAN - 802.11a/b/g; Dataradio DMP; Motorola RD-LAP; M/A-COM EDACS; M/A-COM OpenSky; and satellite.

Some of its standard components include: 8100 PC Motherboard; two type II PC card slots; integrated GPS capability; two external RS-232 serial ports; two USB external ports; three independent 10/100 Mbits/s ethernet ports; Windows-embedded XP operating system; imbedded wireless LAN - 802.11a/b/g.

Padcom holds three mobile data patents and has other U.S. and international patents pending.

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Inspiration

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WaterCoolerWisdom:

"If you don't ask the right questions, you don't get the right answers. A question asked in the right way often points to its own answer."

- Edward Hodnett



What's on the Prospect's Mind?

What do you do when meeting with a prospect and you can't tell what he's thinking? He either hasn't said anything to reveal his thoughts, or what he's said doesn't offer you any indication as to what's on his mind. Or, even worse, his body language doesn't give you any feedback either.

How do you know where you stand? How do you know if he's interested in what you have to say? How do you know when and how to tweak your presentation?

Not receiving any feedback is frustrating, confusing and downright annoying; it also makes getting the sale that much harder. But even if your prospect has a poker face, it doesn't mean you can't find out what's on his mind, and it certainly doesn't mean you can't close the sale. You will just have to work a little harder for it.

First, it's important to find out why your prospect either can't or won't provide any feedback. Consider the following:

What's Really Going On?

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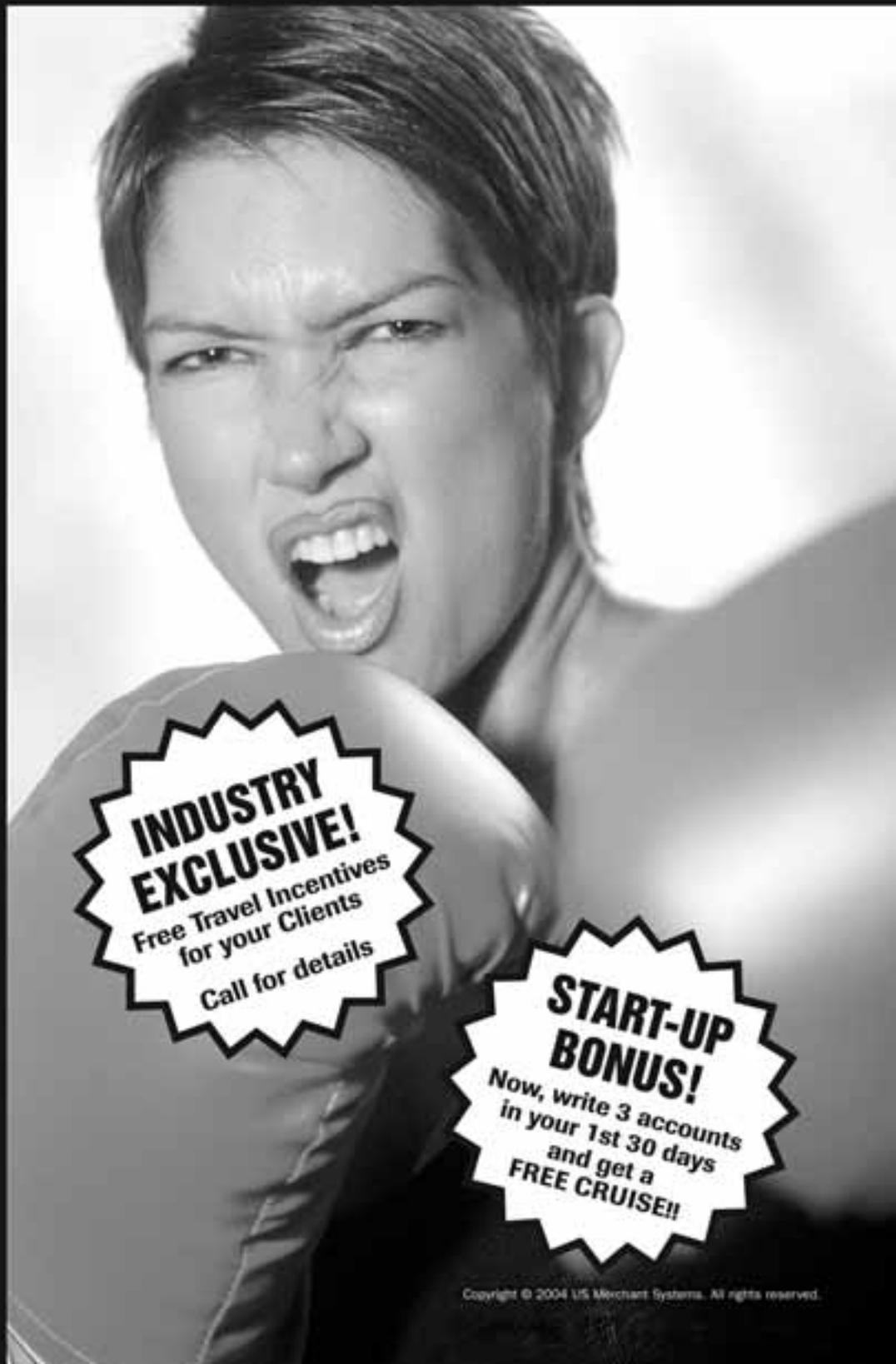
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review the situation, analyze the prospect and determine if he's really disinterested; perhaps something else is at play. For example:

Problem:

He's Short on Time. Maybe your prospect is having a hectic day and simply doesn't have time to talk with you. When he agreed to the meeting, he didn't know that he'd have to be putting out fires all day.

Now that you're here, he doesn't want to be rude and reschedule. His hesitancy to ask questions or comment might be his attempt to keep the meeting as short as possible so he can get back to his responsibilities.

Solution:

If you think the prospect might be harried, ask him if he wants to reschedule the appointment. Tell him that you understand he's very busy and you don't want him to feel rushed or neglect his duties. Stress that you're not inconvenienced and are happy to work around his schedule.

Problem:

He Has No Authority. It's possible that this prospect is not the true decision maker. This doesn't mean your research was flawed or that you're with the wrong person. He's probably the right contact, but he may know that it's ultimately his boss who makes the call. Since your prospect doesn't have authority, he doesn't really care.

Solution:

Once you've found out that you're meeting with a proxy for the real decision maker, appeal to his ego. Stress that this is a chance to showcase his skills for his boss. Explain that if he demonstrates an ability to make decisions that are good for the company, his boss will find him more valuable.

Problem:

The Decision's Been Made. Perhaps between the time when you scheduled the appointment and the actual meeting time, your prospect made the decision to work with someone else. He might feel it's a done deal and is only going through the motions with you to be polite. But, unless he has signed a contract, it's not too late for you.

Solution:

If it seems that your prospect may have other providers in mind, ask if he's talking to competitors and where things stand. Ask what they are offering him and then try to meet or beat it. Ask what he finds attractive about other offers and show him how well your product or service meets or exceeds those needs.

Coping Strategies

Many times you won't be able to determine the underlying

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Inspiration



Northeast Acquirers' Association

2005 Winter Seminar and Outing

Highlights: Plans are underway and the agenda is being finalized, but what's definite is that NEAA's Winter Seminar and Outing will include the educational presentations, vendor expo and networking and socializing opportunities that keep bringing people back every year. The low-key, informal tone and setting of this event have contributed to its increasing popularity; it now covers three days and industry professionals from all over the country brave the Vermont winter to be there.

Prior to the kick-off of the NEAA seminar, National Association of Payment Professionals will hold a membership meeting on Monday morning. Activities include informational presentations and seminars, vendor expo (and plenty of time to meet with the vendors one-on-one), meals, receptions, and all the outdoor fun you can handle, including tubing, snowmobiling, skiing and more.

When: Feb. 1 - 3, 2005

Where: Grand Summit Hotel, Mt. Snow, Vt.

Registration: Visit www.northeastacquirers.com

ATMIA Sixth Annual Conference East

"Next Generation ATMs in the USA"

Highlights: ATMIA is now established in America, Canada, United Kingdom, Europe, Australasia and Africa and is the only industry trade association serving all ATM businesses internationally. This year's conference, "Next Generation ATMs in the USA," is geared toward the North American market, including Canada, Latin America and the largest market for ATMs in the world, the United States. ATMIA brings together industry leaders and businesses and offers a forum to learn about issues and business opportunities.

Covering all aspects of operating ATMs, from risks to opportunities, this conference will include workshops, seminars, presentations and a vendor exhibit. Technology, fraud and security, management issues, influences from other financial forces and new market development are all topics to be broken down for discussions on specifics within each area. Attendees will find plenty of chances for networking and expanding their industry knowledge.

When: Feb. 14 - 16, 2005

Where: Fontainebleau Hilton Resort, Miami, Fla.

Registration: Visit www.atmiaconferences.com; phone 605-528-7270

ing cause of the prospect's indifference. In these cases, there are some general tools and techniques you can use to get a read on any prospect.

Two cardinal rules: First, resist the temptation to keep talking to fill the uncomfortable silence. Second, don't assume that no news is good news. If the prospect hasn't said "no," don't assume that he will say "yes." Following are some other tips:

Talk

Engage your prospect in a dialog about something ... anything. Maybe he's simply shy or uncomfortable meeting new people. If you can engage him in a conversation about something non-work related, it may grease the wheels and make him more comfortable. Once the conversation is flowing a bit you can ease into work conversation.

Let Him Control the Conversation

If your prospect is poker-faced, ask what he wants to talk about. It's easy to be negative about something when you don't have any investment or involvement in it. Asking the prospect what he wants to talk about forces him to have a stake in the conversation; once he has a stake in it, he will less likely be negative or indifferent.

Ask

Ask a question and stop talking. If you're uncomfortable with the silence he may be, too. If he's uncomfortable he might start talking, just to fill the silence. When he does, listen for clues that indicate how he feels about you and your service.

Maintain a conversational atmosphere. You are on a fact-finding mission, but it doesn't have to be an interrogation. If you want the prospect to be at ease and offer you the information you need, he must feel comfortable.

When dealing with a hard to read prospect there's only one way to find out exactly what he's thinking: He has to tell you. You can investigate, deduce and analyze, and you may come up with the right answer or you may not.

The only way to be certain you know where he stands is for him to tell you, and if he doesn't offer the information unsolicited, you will need to prompt him. Ask, and ask again in different ways, until you get an answer.

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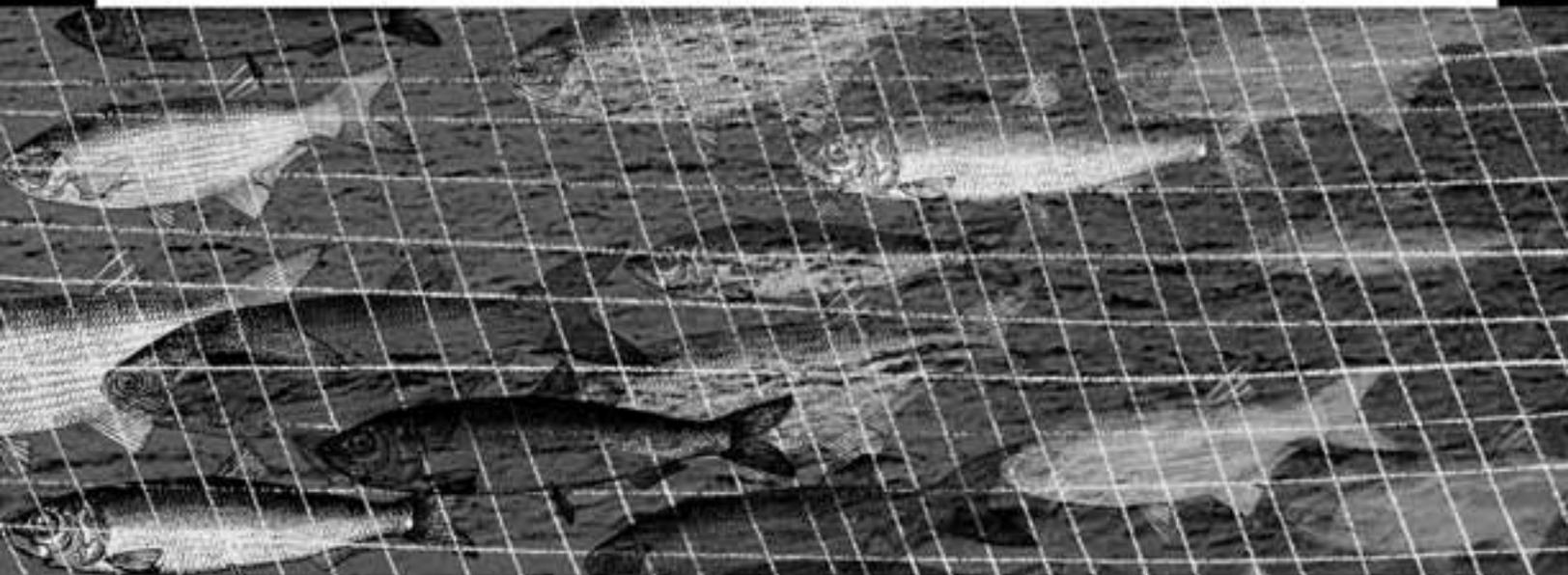
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New agents won't have to sacrifice income. From the beginning, you'll be able to take advantage of the most lucrative compensation programs in the industry. Even the seasoned professional will be able to dramatically expand their portfolios and increase their earnings. The difference is Advanced Merchant Services won't just buy you dinner, we'll teach you how to fish!

Cast your line in the proper direction. Attract the fish that will generate an ongoing stream of quality leads. Get the education and training you need to get your business reeling in deals all day long. **For more details, visit www.amspartner.com or contact Jason Felts at Advanced Merchant Services today.**



(888) 355-VISA
www.amspartner.com

Lynk Systems, Inc.
(866) MSP-LYNK

MSI-Merchant Services, Inc.
(800) 351-2591 x9-23

National Processing Co.
(800) 672-1964 x7655

North American Bancard
(800) BANCARD x1001

NOVA Information Systems
(800) 226-9332

Partner-America.com
(800) 366-1388

Payment Resource Int.
(888) PAY-FLEX x212

Total Merchant Services
(888) 84-TOTAL x 315

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

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**Nationwide Automated
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AmericaOne Payment Sys
(888) 502-6374

CentralBancard
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Chase Merchant
Services, LLC
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Concord EFS, Inc.
(800) 778-4804

EVO Merchant Services
(800) CARDSWIPE x7855

iMax Bancard Network, LLC
(866) 702-8801

National Processing Co.
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North American Bancard
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(888) 84-TOTAL x 315

ISOs LOOKING FOR AGENTS

**Advanced Merchant
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Approval Payment
Solutions, Inc.
(888) 311-7248

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Best Payment Solutions
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Business Payment Systems
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(818) 700-3103

Concord EFS, Inc.
(800) 778-4804

Cynergy Data
(866) ISO-HELP

DISCOUNT PAYMENT
PROCESSING
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Eagle Merchant Services
(800) 255-0898

EVO Merchant Services
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EXS-Electronic Exchange Sys.
(800) 949-2021

First American Payment Sys.
(866) GO4 FAPS

Galt Valley
Merchant Services
(888) 560-9005

Innovative Merchant
Solutions
(800) 397-0707

Landmark Merchant Solutions
(800) 882-4896 x410

Money Tree
(800) 582-2502 x2

MSI-Merchant Services, Inc.
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National Processing Co.
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Netcom Data Southern Corp.
(800) 875-6680

North American Bancard
(888) 229-5229

Payment Resource Int.
(888) PAY-FLEX x212

Reliant Processing Services
(877) 650-1222 x101

Signature Card Services
(888) 334-2284

Total Merchant Services
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United Bank Card
(800) 201-0461 x 136

United Merchant Services
(800) 260-3388

Xenex Merchant Services
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**ISOs/PROCESSORS SEEKING
SALES EMPLOYEES**

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Allied Leasing Group, Inc.
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Leasing Corp.
(800) 349-6516

**BARCLAY SQUARE
LEASING, INC**
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(800) 897-7850

First Leasing Corporation
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GlobalTech Leasing, Inc
(800) 414-7654 x3002

Golden Eagle Leasing, Inc.
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Integrated Leasing Corp.
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LADCO Leasing
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Lease Finance Group
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Leasecomm Corp.
(800) 515-5327

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Northern Leasing Sys., Inc.
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(800) 827-8297

**PAYMENT GATEWAY /
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PayPointUSA
(866) 484-7555

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B-CheX
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E-Chex
(877) 888-CHEX

EZCheck
(800) 797-5302

Global eTelecom, Inc. (GETI)
(877) 454-3835

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(800) 325-1158

TASQ Technology
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Vital Merchant Services
(800) 348-1700

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ISOs**

First Data Merchant Services
(866) FDMS-ISO

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Our robust suite of products and services are designed to attract and retain lucrative merchant accounts, and give you superior resources to help maximize your profitability.

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ResourceGuide

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NOVA Information Systems
(800) 226-9332

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USAePay.com
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TASQ Technology
(800) 827-8297

Vital Merchant Services
(800) 348-1700

SUPPORT STANDS FOR
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Table listing various companies and their page numbers, including ABANCO International, ACCPC, Advanced Merchant Services, etc.



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Rusty Martz - Vice President, Sales
Rusty.Martz@first-american.net



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