



**Licensed Agent of TransFirst**

**Proposal Prepared for**

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**June 27, 2003**

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**TransFirst**

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## Section A - Introduction

### Company Profile

*TransFirst* is a leading payment processor based in Newport Beach, California. Founded in 1998 to provide valuable payment processing services to high volume merchants, the company was built with the idea to efficiently control risk and costs. Since the beginning, the company has demonstrated its ability to securely handle transactions for *all* merchant types.

The experienced gained from 20 years in the industry enabled the principals to establish TransFirst as a premiere processing entity. The financial success of several ventures culminating with TransFirst provided the means to expand their processing capabilities through the purchase of NECHA, an ACH specialty company. Currently, their considerable portfolio of services enables merchants to receive all forms of payments more efficiently, more timely and more securely.

Services available from TransFirst include:

- Acceptance of all credit and debit cards
- Automatic electronic billing
- Direct collection via EFT (electronic funds transfer)
- Full service Internet development, hosting and e-commerce capability

Virtually any payment beyond cash can be handled more effectively with less complication through the services of TransFirst.

Merchants accepted for their programs include standard retail establishments of all sizes, direct marketing (mail order and telephone order), Internet merchants, high risk and international accounts.

### Benefits to \_\_\_\_\_

- Broad range of service options including credit card, debit card and ACH transaction processing for POS and Wireless applications
- Advanced payment processing equipment

## PRODUCTS AND SERVICES

TransFirst provides all the tools required to manage and control automated payment procedures from a single source. We design and manage our programs in house to provide a consistent and seamless operation with superior customer service. Our vast list of services includes:

**The Complete Merchant Account** - Accept any form of payment your customers carry.

- All major credit cards (Visa/MasterCard/ Discover/Amex/Diner's/JCB)
- Full ACH/EFT services
- Electronic check collection
- Automated recurring billing
- Debit card (ATM) acceptance

**PRiView™** – Online statements will show where your money is.

- Reference transaction data from previous days without time consuming calls to customer service
- Be alerted to chargeback's more quickly
- View the activity for your multiple locations

**WebConnect™** – Web-based credit card and ACH terminal.

- Credit card transactions qualify for lowest processing rates
- Electronic Check Acceptance
- Low cost, truly portable package
- Plus, you get all Palm™ timesaver features such as email, date book, web browsing and more

**Transaction Central™** – Web-based credit card and ACH terminal.

- Real-time, on-line, secure credit card transactions with address verification that is easy to enter.
- Secure checking or savings account processing with routing number validation.
- Clear and concise reports track every transaction.
- Connect to your shopping cart or Internet interface to obtain secure authorizations and settle transactions automatically.

**CounterCheck\*** – Check acceptance made simple at retail locations.

- Electronic Check Deposit eliminates time consuming steps, lowers costs and avoids returned item fees from your bank
- Recurring Billing gives you the capability to collect a single amount or recurring payments for billing plans and monthly subscriptions
- Check Re-presentment reduces loss due to non-sufficient funds

- Daily Online Reports post returned items and provide client data (name and address), date, and ACH routing information

**Billing Central™** – Online automated billing system Single pay collection is as easy as a credit card transaction.

- Payment plans are quickly created with only a one time entry
- Recurring billing for monthly dues or subscriptions are set up in seconds
- All entries are performed online: No terminal or software purchase required

**ECShop™** – on line shopping technology made simple.

- Detailed product description pages, “about us” and “contact us” pages
- Customer side order tracking
- Complete merchant processing account for credit cards and checks
- Secure shopping cart listing from 50 to 5,000 products with images including colors and size options

**Gift Cards/Loyalty Cards\*** – Convenience and rewards for your clients.

- Program changes are easily made on your card terminal
- Points are tracked in your location with no per transaction cost
- Durable cards are reusable to lower production costs
- Cards have zero value until you activate them for a customer which prevents loss from pilferage
- Electronic cards are reliable and tamper proof

**ACH Transactions** - Efficient payment collection.

- You know the money will be in your account within 3 days
- You know more quickly whether a payment will return as non-sufficient funds
- Transfer funds to or from 1000's of accounts as easily as from one when tailored for batch processing
- Ability to transfer Giftcard funds between any locations where they are purchased and redeemed

\* (Available with Schlumberger MagIC 6000Terminals)

## General Information

### Historical

TransFirst is the natural evolution of a company that started 20 years ago. In 1982, Andrew M. Phillips, a founder of PRI, purchased the rights to a small franchise in Albuquerque, New Mexico named Check-Rite. This acquisition grew from a single location to 20 Check-Rite stores across the United States.

Through this endeavor, merchants such as United Parcel Services, Skaggs Drug Stores, Alpha Beta, & Furrs Supermarkets were enrolled. Eventually, this association led Mr. Phillips to the market testing of Electronic Benefit Transfers (**EBT**), which catapulted Mr. Phillip's company into a full-blown processing Independent Sales Organization. Processing credit and debit cards, EBT, and check guarantee transactions under the name of Integrated Transaction Services (**ITS**), the company became the first Independent Sales Organization for Bank of America.

**ITS** built the switching, routing and telecommunications facility necessary to become a true transaction acquirer. This included a comprehensive computer center for authorization and capture of credit and debit card transactions. **ITS** also maintained a federally approved encryption room to allow merchants to conduct on-line debit transactions and gain direct access into consumers' checking account information in real-time.

In 1997, ITS was sold to Term Net Merchant Services of Atlanta, Georgia. Mr. Phillips accepted a position as Executive Vice President with Term Net Merchant Services. Shortly thereafter Mr. Phillips became aware of the need for more aggressive marketing and distribution of merchant accounts to the Internet world.

Thus began the evolutionary process of what is today TransFirst. In a very short period of time, PRI has been one of the fastest growing payment processing companies in America today.

### Philosophy

PRI prides itself in the fact that we are an aggressive sales, as well as transaction processing organization. We feel we will continue this incredible growth through our unflappable commitment to our merchants and our distribution channel.

Our existing client base is presently over one billion dollars in annualized volume. PRI chose to outsource telecommunication, switching, and front-end authorizations in order to accommodate the increasing needs of our clients.

In addition, we installed a massive server capacity and constructed an Internet strategy that encompasses cutting edge technology designed around the typical merchant's needs. This higher

level of technology enables the critical ability to track transaction volume, charge backs, merchant settlements, hosting of web sites, shopping cart technologies, etc.

Our strategy for technological enhancements has been through acquisitions and in house development. An example of a recent acquisition is NECHA, an Internet company with firm shopping cart technology and a community mall already in place. Some of the added benefits of this acquisition include ACH, check conversion and a sound transactions infrastructure.

## **Professional Associations**

First Data Corporation  
Vital  
KeyBank  
AmTrade Bank  
Banco Uno  
Electronic Transactions Association  
National Automated Clearing House Association (NACHA)  
Electronic Check Council  
Association of Financial Crimes Investigators

## **Executive Management**

### **Andrew M. Phillips, President/CEO**

President - Integrated Transaction Services  
Vice President - Term Net Merchant Services  
President - Universal Transaction Consultants

### **John S. Blaugrund, Senior Vice President/Systems Analyst**

Manager in Charge - DOS Computer Center, Madrid Spain  
Vice President/Project Manager – TSI/Gtech  
Vice President/Technical Director – Integrated Transaction Services  
Vice President - Universal Transaction Consultants

### **William Beaty, Vice President**

Vice President - National Electronic Clearing House Association  
President – Payflex

### **Dominic Magliarditi, Vice President**

President -Diamond Investments, Inc.  
President – 2TheMart.com, Inc.  
Principle and General Counsel - Gem Development Company  
Senior Vice President and General Counsel - Ameristar Casinos, Inc.

## **Section B - Background and Qualifications of Key Personnel**

### **Andrew M. Phillips, President**

Mr. Phillips career began in 1976 in Denver Colorado with a construction business. When the economy slowed in 1982, he decided to enter a new industry. Mr. Phillips saw an opportunity with the emerging industry of electronic payment processing and purchased a small franchise in Albuquerque, New Mexico, USA.

His company, named ITS, grew steadily to become a full service non-cash payment processor. Mr. Phillips expanded his company's services to include credit card processing in 1987 and later, debit card processing. Mr. Phillips continued to build on ITS's success into the 1990's when he became one of the first processors in the United States to be able to process the new Entitlement Benefit Transfer cards issued by the United States and various state governments.

In 1994, Mr. Phillips embarked on a new endeavor that took him traveling from Moscow, USSR to Beijing, China to Yeravan Armenia with a strategy to emulate the success of ITS in emerging markets. The reception and opportunity was nothing short of incredible. As a result, Mr. Phillips has been involved in Smart Card technology for medical records in China, Funds Transfer Systems in Armenia, Credit Card Processing in Russia and Utility Payment Systems in Argentina.

In April 1998, Mr. Phillips began a new company known as TransFirst . In just over two years TransFirst has grown to be one of the top 25 electronic transaction processors in the country.

### **John S. Blaugrund, Senior Vice President**

Mr. Blaugrund brings a total of 18 years of computer industry experience to TransFirst , with extensive knowledge and experience in database architecture and design. He is fluent in Spanish and devotes a fair amount of time developing relations and maintaining operations with Central American and European Banks.

He began his career as a Researcher for the House of Representatives, U. S. Government. Later, he was manager/partner with a computer firm in Madrid Spain for six years. In 1995, Mr. Blaugrund joined Mr. Phillips and ITS as Technical Director in charge of systems maintenance, development and enhancement. Concurrently, he served as Technical Consultant to Bank of America for data management and web enabled online banking systems.

With the founding of TransFirst , Mr. Blaugrund was named Senior Vice President, Information Technology and Management Systems and oversees the development and maintenance of all corporate information and finance tracking systems. His staff is primarily tasked with the architect of new industry payment systems.



**Section D-Proposal**  
**Full Service Program**

**Assumptions:**

- \$40,000 in monthly bankcard sales volume
- \$30.00 average bankcard ticket
- 40% Card present transactions (swiped)

| Component   | Rate/Fee                   |
|---|----------------------------|
| <b>Bankcard Processing Fee (swiped rate)</b>        | 1.69% (Interchange + .20%) |
| <b>Bankcard Processing Fee (mid-qualified rate)</b> | 2.09% (Interchange + .20%) |
| <b>Bankcard Processing Fee (non-qualified rate)</b> | (Interchange + .20%)       |
| <b>Transaction Fee</b>                              | \$.22 Visa/ MC per trans   |
| <b>AMEX Trans Fee</b>                               | \$.15 per trans            |
| <b>DISCOVER Trans Fee</b>                           | \$.15 per trans            |
| <b>Monthly Statement Fee</b>                        | \$10.00                    |

## Section E - References

### Merchant References:

|  |  |
|--|--|
| <b>Wendy's Restaurant</b><br>Neil Weaver                       | New Mexico<br>(505)892-1438                      |
| <b>Weinerschnitzel Restaurant Co.</b><br>Sandy Niles           | Chino, CA<br>(909) 628-9098                      |
| <b>El Pinto, Inc.</b><br>John Thomas                           | Albuquerque, NM<br>(505) 898-1771                |
| <b>Denny's Restaurant</b><br>Vince Eupierre                    | Southern CA<br>(909)381-1467                     |
| <b>Daily Breeze (Copley Press)</b><br>Pam Barton               | Torrance, CA<br>310-540-5511                     |
| <b>Healthview</b><br>Jolie Cesare                              | Newport Beach, CA<br>949-719-4400                |
| <b>Laser Vision Centers</b><br>Jean Moody                      | Colton, CA<br>909-422-8912                       |
| <b>Hooked on Phonics</b><br>Michael Manning                    | San Francisco, CA<br>(415) 957-5036              |
| <b>Togo's Locations</b>  | San Francisco Bay Area<br>Available upon request |
| <b>John Robert Powers</b><br>Carla Otte                        | Norwalk, CT<br>(310) 858-3300                    |
| <b>Allegheny Power and Light (Pay My Bill)</b><br>Kent Stuckey | Greenburg, PA<br>(614) 496-8080                  |

## Section E- References, cont.

**Merchant Anywhere**  
Dennis Ideue

Fullerton, CA  
(714) 449-1240

**Big O Tire Stores**  
Christopher R. Phillips

Tarzana, CA  
(949) 443-4155

**T. Shipley /Reliable Home Office**  
Mike Selman

Orlando, FL  
(407) 578-7003

**Rynck Tire and Auto Centers**  
Karen Stanley

Pleasanton, CA  
(925) 484-6484

**Cook's Collision**  
Suzon Hatley

Walnut Creek, CA  
(925) 935-4041

## Self -Storage References:

**Heritage Homes-Simply Space Storage**  
Tania Masseroni

Merced, CA  
(209) 383-2232

**Market Street Self-Storage**  
Brian Goulstone, Marketing Manager

Seattle, WA  
(206) 789-8080

**Airport Mini Storage**  
Andrea

Riverside, CA  
(949) 689-1800

**Lyons Investment Group**  
Jeannine Mohler, Controller

LA Area  
(949) 752-5000

**Cubix Construction Company**  
Kathy Plambeck

Danville, CA  
(925) 314-0770

**Potter and Company**  
Brock Potter

Virginia Beach, VA  
(757) 438-1313

**Storage World**

Pat Hughes

Hayden Lake, ID

(208) 664-9221

**MJ Properties**

Michael Brickman

Sherman Oaks, CA

(310) 275-6753

**Tiger Self Storage**

John Gertenbach

Placerville, CA

(530)621-9955

**Industry References:**

**First Data Merchant Services**

Richard Learch

Omaha, NE

(402) 222-7943

**Card Systems**

Margi White

Tucson, AZ

(520) 547-5160

**CrossCheck, Inc.**

Brandess Elitch

Rohnert Park, CA

(707) 586-0551

TransFirst is a fully registered and compliant ISO/MSP with Visa, USA and MasterCard and audited by member banks and KeyBank, Ohio.