

Contractor Presentation

Welcome everyone, my name is Matthew Dore, thanks for taking the time to investigate what I think is a valuable topic for you guys...thanks for arranging today's program.

Let me give a little background,...I've been in the electronic payment business for almost 11 years now....with a co-operative sales group called Co-Card Systems....

We've got offices in 70 of the largest cities in the U.S. and we act as agents for 2 of the top 3 processors in the world, NPC and First Data Merchant Services.

We leverage our size to get the lowest processing rates and each office owner averages 15 years of experience in the payment space...we've got answers to every question and are constantly creating cost advantages for our merchants.....

The reason I'm here is because the U.S. Government wants you to accept GSA SmartPay credit cards...and the reason they do is because it makes life easier for them. Each credit card transaction includes data that helps them keep their books straight. Item #, Qty, unit of measure, etc all this data is passed with credit card transactions.

They don't require that you accept SmartPay credit cards yet, but they will eventually....

And it's good for you too!!you get your \$ faster, in 2-3 days vs. 45-60, you save invoicing costs, you simplify bookkeeping,...and I'm going to show you how to get your card acceptance costs down to 2.0-2.2%.....basically the same discount as the old 2/10/net30 discounts.

-----Break-----

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Let's take a look at the basics of credit card processing and acceptance.....1st thing you have to do is establish a "merchant account"....with a credit card processor. All top 20 processors are owned or partnered with banks, so it's really a banking relationship...anyway it takes about 10 minutes to fill out the paperwork and 2-3 business days to set it up.

Next, you decide how you want to do the transactions.....credit card transactions are, in-a-nutshell, getting connected to the credit card networks, checking the credit card, approving the transaction, and then transferring the \$ between banks.....You decide how you want to get into the networks...

3 ways to connect to the network and process transactions 1) use a terminal (looks like a black box).....hardware that sits on your desk and connects to the networks over the phone line....2) buy some software that resides in your PC and connects to the networks thru your dial-up or cable modem.....or 3) don't buy a terminal, don't buy software, use the Internet to connect to the network and enter transaction data through a "virtual terminal". (It looks exactly like the software screen)

All three methods provide you with access to the credit card networks created by Visa/MC/Amex/Disc.....

Once you decide which of the above solutions you're going to use...you're ready to take your first card.....It's really kind of easy.... Normally, you'll get card information from your customer and write it down....card #, expiration date, zip code, amount etc. and then input it into your solution....it's easy and takes two minutes.

Now,.... transactions have 2 stages....the first stage is called the "authorization stage".....the vendor or contractor (you guys) enter the transaction data into the terminal or the PC screenand it connects to the network to see if the card is good.....the account is open , they have enough credit available.....

If it's good, the issuing bank sends an approval # back to you and you can book the sale. It also freezes the customer's funds for 5-7 days.

The 2nd stage is the "settlement stage". All the transactions and their data are stored until the end of the day or whenever you want to settle....put into a batch and sent into the banking pipeline....where it bounces around for 24

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hours and then gets deposited into your bank account automatically the next day. (If you do a transaction on Monday, anytime, the funds are posted to your account Wednesday AM)

Level II and Level III Data

OK, this is the educational part: during the authorization and settlement, the transactions you do are evaluated by Visa/MC and put into different rate categories depending on certain criteria.....Who the transaction is between.....How it takes place.....What information is provided with the transaction etc.....In our situation the transactions of your firm will probably be B2B or B2Gov.....

And that's where your new found knowledge will come in!!! Up until 18 months ago, all B2B and B2 Gov transactions were penalized....you paid the original processing rate on your contract and thenin addition, a penalty. Usually in the form of a higher processing rate. In our case the rate would go from 2.2% to 3.5-4.0%. It's huge!!!...it can mean thousands of dollars a year. I'm here to show you how to eliminate those penalties...

People.... it's all about the data....the information you supply with your transactions. In the last five years B2B and B2Gov credit card sale volume has exploded...Always penalized...the merchants, contractors, vendors complained, "hey, it's not that much more risky to do a Business card, or, "how risky is a Gov. card?, these penalties are unfair". Finally Visa/MC agreed. They will lower rates on B2B and B2Gov. if you jump thru a couple of extra hoops. The extra hoops are to provide Level II and sometimes Level III data. The information you supply determines the interchange category and the rate you pay. This is important; for large ticket transactions Visa>\$5,000, MC>\$3,000 B2B and B2Gov you must supply Level III data to avoid those costly penalties...

How do you do that? ...1st. Find a processor who is familiar with these types of transactions and ask questions...if they are not experts, go with someone else, it's too frustrating to set-up without the knowledge that needs to be present at the initial stages.

2nd. Learn what Level II and Level III data is.....Level II is simple: 1) sales tax amount, and 2) customer code,.....Level III is more complicated but still easy....It's the above plus, 1) line item description, 2) Quantity, 3) unit of measure, 4) Item #, 5) cost of item

3rd. Junk your terminals and get yourself some software that handles Level III data..... Terminals just can't handle level III data; I don't know any out there that can prompt for it....and you'll pay for the new solution with the savings in the first two months.

You'll find that using the software is a breeze after the 1st couple of transactions and you'll pay for the software in a couple of months with your savings. After that it goes straight to the bottom-line.

Conclusion

I have to think you guys are probably the president, CFO, or sales managers for your companies.....or all those jobs rolled into one....you've taken the time to educate yourself and I know your time is valuable....with this knowledge you can definitely eliminate those penalties....and increase your company's bottom-line. And for those that don't already accept credit cards, you'll improve cash flow and streamline bookkeeping.

Thanks again for your time; I've got a few minutes to take questions....