



TrendWatch 2.0

Payments System Industry Synopsis

Q1 2009

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Editorial Comment

Where to start? We think this issue's cover page sums up the matter of TARP, TALF, and PPIP. Too Big To Fail? Ask Chrysler.

Based on the number of organizations emulating EFTA's efforts last January and offering webinars on re-regulation of our industry, it's a pretty safe bet that Capitol Hill plans to walk the mortar rounds into the middle of the banking and payments camps. Just this week the Senate Banking Committee and the House Financial Institutions and Consumer Credit Subcommittee passed (albeit narrowly in the upper chamber) versions of legislation designed to radically restructure card-based payments in spite of the Federal Reserve Board's earlier action to do the same thing in July 2010. We call piling on! (To keep all the players straight, we've inserted a legislative scorecard on page 7.)

Some solace can be taken in Senator's Dodd's seemingly lost battle to get re-elected, we suppose.

For its part, the payments industry has yet to succumb to the current financial malaise. MasterCard and Blaze Mobile have joined the "go-tag" movement in an effort to nudge the industry closer to NFC technology. Meanwhile, First Data has announced that Inside Contactless will be providing prelam stickers that will likely be usable on the payWave and PayPass platforms by mid-year.

Fiserv's ACCEL/Exchange network and Discover's PULSE EFT Association are moving ahead with pilot programs involving AccuLynk's PIN-over-the-Internet payment system while, in Canada, the HomeATM terminal receives PCI compliance certification.

New payments applications continue to roll out almost weekly. We'll be watching SizzleMoney to see if this new mobile payments system with its novel marketing approach will gain traction. And, there are three new Twitter applications – TwitPay, Twippr, and Twollars – that represent yet another industry effort to create a legitimate micro-payments environment for mobile phone and PCs.

The quarter concluded with two blockbuster M&A announcements – Fifth Third Bank spinning off its payments unit and Fidelity National Information Services hooking up with Metavante Technologies. Both deals have private equity money moving off the sidelines and back to work; perhaps a harbinger of better times ahead; let's hope so.

Welcome back, Stan!

Stan Paur, the network executive who led the team responsible for the overwhelming success of PULSE EFT Association, is leaving semi-retirement to become President and CEO of Merchants' Choice Card Services. We wish him well in his new role!



2009 Predictions

- The data breach at Heartland Payments and RBS WorldPay (and others to follow) will lead to efforts by Congress to further dictate data security standards and consumer recompense.
 - March 31: TARP, TALF, and PPIP got in the way.
- At least one of the commercially owned EFT networks will be sold back into FI ownership extending the life and upping the value of the “association” model.
 - March 31: This going to take some time.
 - April 1: The FIS/MV deal might move things along.
- Alternative point-of-sale form factors (e.g., GO-Tag and Micro Tag) will dilute growth in contactless card roll-outs.
 - March 31: Take a gander at our discussion on Twitter and note that MasterCard is now in the go-tag game.
- Mid-tier banks will seek out private equity investments to soften the sting of TARP accommodations.
 - March 31: “Public-Private Investment Plan” about says it all.
- US ATM shipments will be lower than 2008 but industry earnings will rise.
 - March 31: NCR and Diebold plant closures are the first step toward matching supply with demand while lowering production expenses.
- At least one ATM outsource processor will concede the market to others and withdraw.
 - March 31: This going to take some time.
 - April 1: Does the FIS/MV deal count?
- Discussions regarding ATM surcharging will all but disappear from the trade and popular press; a debate over POS surcharging will replace the subject altogether.
 - March 31: “Non-surcharge ATM” stories out-number those about rising fees 3-to-1.



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TrendWatch Scorecard/Summary – Q1 2009

	Activity Level	Industry Impact	Entrenched Payer Impact	
				● Positive
				● Mixed
				● Negative
Low	●	●	1. New Payment Forms	
Mixed	●	●	2. ATM Restructuring	
Med	●	●	3. POS Volume Trend	
High	●	●	4. Legal/Regulatory Issues	
Mixed	●	●	5. Prepaid Card Growth	
Med	●	●	6. Earnings Announcements	
Low	●	●	7. Industry Investments	

Industry Players To Watch

Alternative Payments Players: Particularly those using prepaid and ACH to minimize merchant expense and consumer fees.

Nacha and Secure Vault: Probably not enough staying power to keep promoting this new payment system in this economy.

Congress: Keep your eye on bills championed by Senator Dodd and Representative Maloney. Both bring sweeping change to the card industry (including prepaid) and appear to have wide-ranging support on Capitol Hill – despite the 12-11 vote for passage in the Senate Banking Committee (March 31).

Visa and MasterCard: Will the new acquirer fees work as a lightning rod for merchant litigation? And, how will their head-to-head battle for control of the “go-tag” mobile payments sticker market shake out?

Fidelity National Information Services: Squeezing \$260 million out of the Metavante transaction should be relatively easy but there’s likely to be some spillage (HR, technology, and product) along the way.

Jack Henry and Total Systems: Recent movement in their respective common shares might indicate that somebody’s sniffing around.

Market & Industry Situation

- 1 – Not much happening again this quarter – other worries, perhaps.
- 2 – Manufacturers are working infrastructure angles to lower costs.
- 3 – Volume is still simmering but not bubbling.
- 4 – We’re in deep, deep trouble folks and it’s getting worse.
- 5 – Employee benefits plan conversions to prepaid is helping.
- 6 – More bad numbers announced but FI mark-to-market news over shadows them all.
- 7 – With \$400 billion reportedly on the sidelines, you’d think that some of it would head in the direction of payments.



Q1 2009 Payments Industry Yields

We've reintroduced the quarterly yield analysis for Q1 and will add the earnings component in Q2. There are some bright spots in the industry; particularly when you consider that the Dow gave up 13.3 percent in the quarter and the S&P fell 11.7 percent. Then again, with prices being this low, not much movement is needed to generate a positive yield.

Industry Player	1/2/2009	3/31/2009	Price Δ	Value Δ	YTD 2009 Yield
Alliance Data Systems	\$ 47.60	\$ 48.60	\$ 1.00	\$ 59.5	2.1%
Cardtronics	\$ 1.33	\$ 1.77	\$ 0.44	\$ 17.9	33.1%
Discover Financial Services	\$ 9.51	\$ 6.31	\$ (3.20)	\$ (1,538.9)	-33.6%
Euronet Worldwide	\$ 12.07	\$ 13.06	\$ 0.99	\$ 49.9	8.2%
Fidelity National Information Services	\$ 17.05	\$ 18.20	\$ 1.15	\$ 219.4	6.7%
Fiserv Inc.	\$ 38.19	\$ 36.46	\$ (1.73)	\$ (269.7)	-4.5%
Global Cash Access Holdings	\$ 2.27	\$ 3.82	\$ 1.55	\$ 119.5	68.3%
Heartland Payment Systems	\$ 18.00	\$ 6.61	\$ (11.39)	\$ (426.0)	-63.3%
Jack Henry & Associates	\$ 19.55	\$ 16.32	\$ (3.23)	\$ (271.0)	-16.5%
MasterCard Worldwide	\$ 149.78	\$ 167.48	\$ 17.70	\$ 2,290.4	11.8%
Metavante	\$ 16.43	\$ 19.96	\$ 3.53	\$ 421.5	21.5%
Online Resources	\$ 4.69	\$ 4.21	\$ (0.48)	\$ (14.3)	-10.2%
TNS	\$ 9.36	\$ 8.18	\$ (1.18)	\$ (29.6)	-12.6%
Total System Services	\$ 14.86	\$ 13.81	\$ (1.05)	\$ (207.3)	-7.1%
Visa	\$ 53.44	\$ 55.60	\$ 2.16	\$ 1,827.1	4.0%

Sources: Company releases, Morningstar.com, Bloomberg.com
 2008 YTD yield excludes dividends; based on 1/2/09 – 3/31/09 closing prices



The New Regulatory/Legislative Horizon

Here's a brief look-see at what's coming down the pike. UDAP is scheduled for implementation on July 1, 2010.

<i>Pending Rule/Law</i>	<i>Applicable Act</i>	<i>Regulator(s)</i>
Unfair or Deceptive Acts or Practices (UDAP)	Federal Trade Commission Act	Federal Reserve Bank, OTS, NCUA
Credit Card Fair Fee Act (H.R. 5546)	Clayton Act, Federal Trade Commission Act	Antitrust Division of the U.S. Department of Justice
<i>Credit Cardholder's Bill of Rights Act (H.R. 627)</i>	Truth in Lending Act	Federal Reserve Bank, OTS, NCUA, FDIC
<i>Credit Card Accountability and Disclosure Act (S. 414)</i>	Truth in Lending Act	Federal Reserve Bank, OTS, NCUA, FDIC

Source: Library of Congress, Goldman Sachs Global Investment Research

Ready for Online Financial Management Tools from Your Bank?

Change is in the wind when it comes to personal financial management (PFM) portals. Traffic at sites in existence more than one year is up nearly 5 times from early 2008. And Geezeo, a relative rookie, has seen year-over-year growth of 12x. Intuit's entry into the PFM marketplace with its Quicken Online service brought another 150,000 unique users in January 2009 alone.

Despite these significant growth numbers, some market leaders are straying from their original business models. For instance, Mint Software, Inc., the "grandfather" of social network style aggregated consumer account information, is now making its *Ways to Save* recommendation service available to all consumers instead of just enrolled users. Mint plans to take its make-over one step further by making the recommendation service available to banks and credit unions so that they can in turn promote their products on their own websites. Mint's proprietary tools for spending tracking would not be part of the new offering to participating banks.

Meanwhile, both Geezeo and Wesabe, numbers two and five in unique monthly traffic numbers respectively, are both offering their technologies to banks and credit unions for use in efforts to provide online financial advice and create "community loyalty forums" for FIs.

In changing their business model, Mint, Geezeo, and Wesabe will be looking more to financial institutions to directly fund their cash flow – in the past the primary emphasis was on advertising revenue and referral fees. These players will likely encounter a fair bit of headwind from PFM software providers already in the space: Yodlee, Intuit, Jwaala and Wells Fargo Bank.

Since all of these transforming actions are in their infancy phase, no one is naming names or putting up forecasts but the approach seems logical in light of tightening product development budgets in most banks and credit unions and the global decline in advertising spend.

The logo for Geezeo, featuring the word "Geezeo" in a bold, black, sans-serif font with a blue dot above the 'e'.The logo for Budget Tracker, Inc., featuring the words "BUDGET TRACKER, INC" in a bold, blue, sans-serif font with a small blue square icon to the left.The logo for Wesabe, featuring a stylized green 'W' inside a black square followed by the word "wesabe" in a lowercase, black, sans-serif font.The logo for Mint, featuring a green leaf icon followed by the word "mint" in a lowercase, green, sans-serif font.The logo for VirtualWallet by PNC, featuring a stylized orange wallet icon followed by the words "VirtualWallet" in a bold, blue, sans-serif font, and "by PNC LEADING THE WAY" in a smaller, blue, sans-serif font below it.

What's Twitter All About (or About to Become)?

Twitter celebrated its third birthday in March 2009. The micro-blogging system utilizes SMS and web technologies to sling 140 byte messages between humans and companies. There are now banks and retailers using Twitter to field customer service questions – Bank of America gets most of the publicity but there are others including Wells Fargo and ING Direct. For the first half of its young life, primary senders and recipients of the system's "Tweets" were techies with a need to chat – numbering less than 500,000. Those days are gone. Today, with roughly 6 million users generating 50 million tweets per month, Twitter is rapidly becoming a personal financial management (PFM) and micro-payments system.

Xpenser, Tweetwhatyouspend, and Harvest are money management applications that enable Twitter users to post financial transactions to behind-the-scene PFMs. For instance, with Xpenser you would SMS "exp groceries 27.13" to record a trip to the supermarket and the transaction is recorded against your PFM account. Depending on the application, users can track mileage and time as well as money.

Meanwhile, payments functionality has come to Twitter. Three notable examples are TwitPay, Twollars, and Twippr.

TwitPay and Twippr utilize PayPal in the background and require no additional enrollment. Twollars is a bit different from the others in that its positioning is one of enabling donations to charitable organizations. "Twollars" are exchanged by Twitter users and ultimately converted to cash by participating charities.

As a viable consumer-satisfying concept, micro-payments on the Internet has recorded more failures (e.g., CyberCoin, Beenz) than successes. Perhaps by having PayPal handling the back end we'll see these ventures morph into something valuable soon.





Interesting News This Quarter

Subject	Source/Date	Substance
Federal Reserve Bank of Atlanta	Cardline March 2009	<ul style="list-style-type: none"> • Our friendly regulator and transaction processor announces plans for same-day ACH settlement under a new systems approach scheduled for launch in Q2 2010. e-checks, ARC, as well as WEB and TEL transactions will be swapped on a same-day basis if both the originator (seems intuitively obvious) and receiver (hmmm?) opt in to participation. Oddly, credit transactions aren't included.
eBay & MoneyBookers USA	Payments News February 2009	<ul style="list-style-type: none"> • eBay adds MoneyBookers USA to its suite of accepted payment methods. MoneyBookers USA, is a subsidiary of a UK-based parent that enables purchases in foreign currencies making it easier for the French to buy their Beanie Babies without fear of currency arbitrage. This, from the same online auction giant that banned Google's Check Out stating that it was too "anonymous." Unlike PayPal?
Noca, Inc.	Cardline February 2009	<ul style="list-style-type: none"> • Noca, Inc. launches its "Secure Check" product and signs up merchants numbering in the "double digits" within the under \$10 million annual revenue segment. Merchants pay 25 basis points for acceptance of the service. Consumers enter routing and transit and account numbers in a virtual check on their PCs. Doing so generates an electronic debit which settles through the ACH. An added consumer benefit is access to an online portal that provides greater transaction detail than the standard Reg. E description. (www.noca.com)
Wal-Mart	Cardline Paybeforenews February 2009	<ul style="list-style-type: none"> • Wal-Mart Stores, Inc., already had the cheapest pricing for prepaid cards yet it announced an immediate reduction in its upfront, reload, and monthly fees to just \$3.00 each. Wal-Mart shoppers can avoid reload fees entirely through direct deposit or by cashing a paycheck in the store. Monthly fees are waived if at least \$1,000 is loaded per month. Cash withdrawal is also free if the customer takes cash back at the register. At this point, it is uncertain whether other issuers of branded general purpose reloadable cards will follow Wal-Mart's lead. Don't count on it; Wal-Mart has another agenda.



Interesting News This Quarter – Continued

Subject	Source/Date	Substance
Visa MasterCard Interac	Several March 2009	<ul style="list-style-type: none"> Retailers are lining up to repel Visa and MasterCard’s announced entry into the Canadian debit market. The Retail Council of Canada has asked regulators to prevent Visa Canada and MasterCard Canada from issuing PIN-debit cards for fear that merchant costs (and, by extension, consumer prices) would rise. Interac is the sole provider of PIN-debit transactions in Canada and has operated as a cost recovery-based utility for nearly two decades. Plans are afoot for Interac to change into a for-profit player in light of earlier announcements by the two card companies to enter the market. If side bar stories of Visa and MasterCard offering low-ball interchange rates to gain merchant acceptance are true, this approach could adversely effect their U.S. and EU arguments about the need for pricing consistency. Should be interesting theater.
ACCEL/Exchange PULSE EFT Association	Various March 2009	<ul style="list-style-type: none"> In separate announcements, ACCEL/Exchange, part of the Fiserv organization, sets a launch date for its test of PIN-debit over the Internet in conjunction with Acculynk. Baker Boyer Bank (say that fast three times) of Walla Walla, Washington (try that one, too) is one of the participating issuers. The Acculynk PaySecure software will be integrated with a number of merchants’ online checkout systems. Shopperschoice.com announced in a press release that it will begin taking PIN-debit transactions through its website in mid-March or whenever its processor, Elavon, is through with testing. PULSE EFT Association, owned by Discover Financial Services, has also announced its intention to test the PaySecure system later in the year.
Prepaid Card Innovation	Paybeforenews February 2009	<ul style="list-style-type: none"> The February 9th issue of Paybeforenews includes three new prepaid card innovations: M-Cube Media Ltd, out of London, launches a mobile banking application that allows UK and Ireland cardholders to use their mobile phones to activate new cards, check balances, top-up a card account, and transfer money between M-Cube accounts. ItzCash Card Ltd, in Mumbai, India, partners with marriage portal BharatMatrimony.com to enable site registration and membership payments. BharatMatrimony.com provides matchmaking services for Indian couples. Golden Gateway Financial, a California-based loan arranger and provider of financial tools and advice for seniors, launches a reloadable network branded prepaid card onto which its customers with reverse mortgages can load their monthly loan draws.



Interesting News This Quarter – Continued

Subject	Source/Date	Substance
Paymo	American Banker March 2009	<ul style="list-style-type: none"> This start-up alternative payments player that promotes payments via mobile phone, branches out in two directions. First, it announces network deals with AT&T, T-Mobile, and Virgin Mobile (i.e., Sprint Nextel) which enables Paymo charges to be carried on these telecomm providers' statements. Paymo also announces that members of the hi5 social network can use Paymo's service to purchase hi5 Coins, a virtual currency used by the network to redeem gifts and content. hi5 claims to have 80 million registered members. (www.hi5.com) (www.paymo.com)
MoneyPass Intercept Switch	Cardline February 2009	<ul style="list-style-type: none"> U.S. Bank and Fidelity National Information Services structure a reciprocal agreement creating mutual access between the MoneyPass and Intercept ATM networks. The new relationship brings the number of surcharge-free ATMs available to each firm's constituencies to 16,000 and expands each party's geographical footprint. Another example of 1980s EFT network practices being recycled.
Those zany characters at the Reserve Bank of Australia	ATMMarketplace.com March 2009	<ul style="list-style-type: none"> For some unknown reason, academics and regulators like to use Australia as a Petri dish for EFT pricing studies and deeper analyses. Perhaps they won't any longer. A local Australian newspaper reports that the RBA will permit owners of ATMs located in the Outback and other rural regions to charge more for cash withdrawals than owners of urban ATMs. Makes sense, right? Low volume ATMs require a higher convenience fee to justify placement; seems pretty simple. In the meantime, the RBA abolished ATM interchange which AU bankers have usually marked up and passed along to the consumer as foreign transaction fees ("disloyalty fees" in the local parlance). Problem is, RBA forgot to ban foreign transaction fees so now consumers still pay a fee when being "disloyal" and the bank pockets the entire amount. Maybe we should try this approach as an adjunct to TARP?
Denarii Payments Central National Bank	Paybeforenews March 2009	<ul style="list-style-type: none"> Denarii Payments and Central National Bank launch SizzleMoney. The SizzleMoney application enables mobile phone users to execute purchases with participating merchants (via a dedicated mobile number) and make P2P transfers. Real world access is provided through an associated debit card. Marketing will be conducted through "iSizzle" representatives who purchase enrollment kits and sell the service literally door-to-door. MLM, anyone?



Interesting News This Quarter – Continued

Subject	Source/Date	Substance
MasterCard Visa	Transaction News March 2009	<ul style="list-style-type: none"> • New merchant acquiring fees announced by Visa and MasterCard could generate as much as \$600 million in additional revenue for the card networks. MasterCard is replacing its existing half-cent fee for network access with one amounting to 1.85 cents for the same purpose. Visa's doing the same; replacing a half-cent fee with one equaling 1.95 cents. In addition, non-settled authorizations may be imposed an additional 4.5 cent fee on the Visa network.
MasterCard Blaze Mobile	Press Release March 2009	<ul style="list-style-type: none"> • MasterCard enters the market for tap-and-go mobile phone payments by joining with Blaze Mobile. The companies will brand a mobile payment sticker that attaches to cell phones and communicates with MasterCard's PayPass system. Metabank™ will be the issuing bank for the prepaid account and consumers will be given access to the Blaze Mobile Wallet for recording and reporting transactions. Separately, Visa and First Data announced plans to role out their Go-Tag payments sticker on a national basis. In subsequent print articles, a MasterCard spokesman characterized the mobile payment sticker as “. . . the interim solution until NFC becomes real.” Hmmm.
BillMyParents.com	Netbanker Blog March 2009	<ul style="list-style-type: none"> • BillMyParents launches in proof of concept form. The new alternative payments scheme is aimed at teenagers without payment cards. Youngsters shop online and utilize the service at check-out. The check-out process is redirected to enrolled parents via email alerts to a PC or mobile phone. The parent logs into the BMP website to either approve or decline the transaction. For approved purchases, payment card information is keyed into the site and the transaction is executed. During proof of concept testing (novel idea, that), BillMyParents is selling Amazon gift cards.
Bank of America	ATM Marketplace March 2009	<ul style="list-style-type: none"> • On a lighter note, one of Bank of America's ATMs in Atlanta went missing last week but was recovered intact and with its cash. The bank had installed a GPS tracking device in the unit enabling bank officials to track their asset to an abandoned warehouse a half mile away from its former location where police found it but not the criminals. The thieves used a stolen forklift to yank the ATM from its footings and stuff it into the back of a stolen truck. Now, how could the same technology be used to track the funds TARP, TALF and PPIP are siphoning away from U.S. taxpayers?



M&A/Alliance Activity

Buyer	Target	Payments Emphasis	Possible Strategy
TriSource Solutions, LLC	DCC Merchant Services USA	Internet payments processing	Iowa based TriSource, an ISO and processor, enters the multi-currency environment through acquisition of DCC for an undisclosed price. Consumers using non-US payments cards see their transaction amounts in local currencies while the merchant receives settlement in US dollars.
M2 Global Ltd.	iKobo	P2P international remittances	Antigua-based M2 Global buys the assets of shuttered iKobo, an Atlanta-based P2P scheme operator that uses prepaid cards at its remittance vehicle. M2 also acquired FirstPay, another prepaid card player in 2008.
Western Union	Fexco	International money transfer	WU gains direct control over 10,000 consumer-facing retail sites located in seven European countries. The company paid \$159.5 million for the 75 percent that it didn't already own. Fexco's non-money transfer services were not involved in the transaction.



M&A/Alliance Activity - Continued

Buyer	Target	Payments Emphasis	Possible Strategy
MasterCard Worldwide	Strategic Payments Services Pty Ltd.	Payments and network processing	MasterCard increases its ownership share in SPS – a JV among the card company, Bendigo Bank and Customers Ltd – to 52.5 percent. Customers Ltd was the diluted party.
Existing Investors	ViVOtech	Contactless and NCF terminals/infrastructure	The company closes another \$8.6 million in Series C financing bringing total funding for the round to \$40 million.
Wolfe.com, LLC	Swapagift.com	Open and closed loop gift cards	Wolfe, which operates GiftCards.com acquires Swapagift.com, an operator of a web portal for discounted merchant gift cards. GiftCards.com sells Visa branded and closed loop gift cards online. Terms were not disclosed.
CSS Industries, Inc.	Seastone, Inc.	Gift industry materials and packing solutions	CSS purchases Seastone to expand its line of gift and gift card related packing, marketing, and fulfillment services.
Altair Technologies Limited	Altair Financial Services Limited and International Plc	Prepaid card program manager	Altair Technologies is formed to acquire the assets of Altair Financial Services, a prepaid card program operator based in the UK and presently in receivership.



M&A/Alliance Activity - Continued

Buyer	Target	Payments Emphasis	Possible Strategy
Ballast Point Investors North Hill Investors	FSV Payments Systems	Prepaid card program operator	FSV obtains \$6.0 million in venture funding from two VC firms. The provider of payroll, GPR, rebate, health care and gift cards will use the proceeds for market expansion.
ComVest Group	Pipeline Data	Payments processor	ComVest takes a majority interest in this once rapidly expanding processor in exchange for debt and put rights restructuring. A classic case of, too big, too fast.
Nokia	Obopay	Mobile payments	The mobile phone manufacturing giant takes a minority interest in Obopay at an undisclosed level while also receiving one seat on board of this P2P payments processor. While terms were not disclosed, Obopay filed earlier in the quarter for up to \$70 million in preferred securities.



M&A/Alliance Activity - Continued

Buyer	Target	Payments Emphasis	Possible Strategy
Neovia Financial Plc	IDT Financial Services, Ltd	Prepaid card program manager	Neovia pays \$15.05 million for the prepaid card division of IDT Corporation. Neovia is an online payments processor.
Advent International	Fifth Third Bank's processing unit	Transaction processing	Fifth Third Bank sells a 51 percent interest in its processing unit (formerly known as Midwest Payments) to buy-out firm Advent for \$561 million plus put rights putting the value of the unit at \$2.35 billion according to peHUB.com. The bank will spin off the unit under the name Fifth Third Processing Solutions. These activities come on the heels of a \$3.45 billion government injection for Fifth Third Bank.
Fidelity National Information Services	Metavante Technologies	Core and payments processing	Not to be outdone, FIS announced on April 1 st that it is purchasing Metavante for \$2.94 billion in an all-stock transaction. FIS is paying a 23 percent premium and plans to extract \$260 million in cost take-outs. At last report a subsidiary of Warburg Pincus owned 25 percent of MV and will wind up owning 11 percent of the combined company.
Mogees	BerryStore	Smartphone applications retailer	Mogees, an application development facilitation company, enters the retail applications world by acquiring BerryStore, a retailing portal for applications written for BlackBerry smartphones. No terms were disclosed but both companies are in the start-up phase. Meanwhile, RIM launched its own Blackberry app store this week.



M&A/Alliance Activity – Didn't Happen

Buyer	Target	Payments Emphasis	Possible Strategy
Neovia Financial Plc	IDT Financial Services, Ltd	Prepaid card program manager	The transaction ran afoul of the Gibraltar Financial Services Commission rules regarding shareholder information disclosure.



M&A/Alliance Activity - Summary

Merger and acquisition continues to be a significant factor in payments. We continue to use a three-way model for distilling M&A activity since it seems to capture market activity pretty well.

1. Money Plays
2. Product Plays
3. Infrastructure/Distribution Plays

As noted on the following page, measured in terms of the number of transactions, money and product trumps infrastructure, but the Fifth Third and FIS/MV deals dwarf everything else in value.

M&A/Alliance Activity - Summary

Money (or lack thereof) Plays

- *MasterCard/SPS*
- *ViVOtech*
- *Altair Technologies*
- *PE Firms/FSV*
- *ComVest/Pipeline*
- *Advent/Fifth Third*

Product Plays

- *TriSource/DCC*
- *M2/iKobo*
- *Wolfe/Swapagift*
- *CSS/Seatone*
- *Nokia/Obopay*

Infrastructure / Distribution Plays

- *Western Union/Fexco*
- *Fidelity/Metavante*

The Color of Fish Tacos

Always in search of a new angle, the Dorado Industries staff is dabbling in new ways to fulfill client needs. Pescado y camarón tacos - \$.60.

