dorado
industries inc.
consulting · executive management · concierge

TrendWatch 2.0

Payments System Industry Synopsis
Q4 2009

Editorial Comment

Random Thoughts

Well, the new year (and the new decade) has barely begun and early indications are that we're in for another interesting ride.

CNN reports that Facebook has posted a job position labeled "Payment Operations Strategist" and foresees that social network entering the payments space shortly. The CNN article reminds us that Ivan Kirgin, late of the shuttered micropayments start-up, TipJoy, is already on board.[1]

"Because that's where the money is": If Facebook does become a new payments market entrant, it will be doing so just as the social gaming and networking industry is starting to take a serious look at fraud. "Chip farming" has become rampant in the social gaming world and entails the use of bot nets to create numerous poker accounts on Facebook. Each account is awarded free chips designed for use on games managed by Zynga, the King Kong of social gaming on Facebook, and on its own sites. Our fraudster merely plays poker with essentially "himself," accumulates the chips in a single account by losing, and then sells the chips to another party who cashes them out and splits. Pretty clever and very illegal.

Two new services we didn't know we needed: 1) Blippy. This Twitter-like service automatically publishes users' credit/debit card transaction details online. Excuse me? Do I really care if you're lactose intolerant and use soy milk in your Starbucks latte? Worse yet, Blippy just snatched $1.6 million in VC money from Charles River and other lemmings. 2) The Chicago Fed is about to publish a paper titled "Digital Checks As Electronic Payments." The proposed electronic payment order (EPO – not to be confused with APU, owner of the Simpson's Kwik-E-Mart) would enable a mobile phone user to fill out and sign a check on the device's screen which would be sent as an image to the payee and subsequently cleared. Talk about scraping the bottom of the "oh look, another app we can peddle" barrel!

Just a thought: Anyone else notice that the trade press has adopted a new shorthand for alternative payments – don't "Alt-Pay" and "Alt-A" sound too much alike to be comforting? Just asking.

Hats off to the voters in Massachusetts for giving political and payments writers more grist for the "re/de-regulation" mill.

Thanks for all the follows on Twitter. We're still there at (www.twitter.com/doradopayments). More tweets on the way when content warrants.

[1] Offers to buy Facebook common stock have surged to $32 per share on SecondMarket, a marketplace for the buying and selling of private company stock. That offer values Facebook at roughly $14 billion.

Table of Contents

2009 in Review

- March 31 marked the bottom of market slide that began in December 2007. 2009 market cap growth for our basket of payments players totaled $51billion.
- Wal-Mart initiated an across-the-board stampede of price slashing on nationally branded prepaid cards.
- The long awaited sale of Fifth Third Bank's processing arm is announced with Advent International taking a 51 percent interest.
- FIS and Metavante agreed on a $29.4 billion value swap and merger.
- First Data and Bank of America's BAMS unit structure a merchant services joint venture that rocks the industry a bit.
- Visa and MasterCard capitulated to New Zealand banking authorities and agreed to interchange and fee pricing concessions.
- First Data became the first payments network to enroll in PayPal's Debit Access program.
- Intuit paid $170 million for Mint.com, the Canada-based personal financial management scheme.
- Twitter attracted another $100 million in private equity funds despite not having a plan to generate revenue.
- American Express entered the Alt-Pay realm by paying a staggering $300 million for Revolution Money/Card.
- Capitol Hill and our regulators concluded that the financial services industry cannot take care of its own affairs and offered some "guidance."

Dorado Industries
655 Deep Valley Drive, Suite 125-P
Rolling Hills Estates, CA 90274

(310) 544-1316
jmacallister@doradoindustries.com
www.doradoindustries.com

2010 Predictions

- ACI Worldwide will roll back its sunset schedule for Base24 Classic in response to the currently raging firestorm of user protest.
- Facebook will enter the payments space with its own PayPal-like offering.
- More EFT networks will restructure exclusive pricing for merchants and issuers to garner higher returns on both sides and to insure transaction flows.
- 2D and 3D bar codes similar to those used by the Starbucks mobile app and some airlines will leak into the industry.
- Consumers will wake up to the fact that opting out of overdraft fees related to ATM and POS transactions will cost them just as much in NSF fees and reverse course.
- Rebuffed by Citibank, Obopay will find a serious partner for institutionalizing low cost P2P and trans-border payments.
- An EFT network will become a true association (held over from 2009 by popular request.)
- There's one more big bank merger out there. This will be the year.

2009 Predictions Revisited

- 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.
  - June 30: Heartland gets good marks for post-breach actions but faces millions in litigation. The new Consumer Financial Protection Agency may get involved.
  - September 30: Not much progress as yet. In the meantime, fraudsters are becoming proficient in using email phishing schemes to expand their hacking efforts. Hotmail.com and PayChoice are recent victims. The URLZone Trojan continues to play havoc with users of online banking services. Just a matter of time.
  - Even with Senator Dodd coming to his senses and heading back to private life, we're not out of the woods yet. Congress convenes again soon and certain incumbents feel they need a consumer-friendly issue to tout.
- 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.
  - June 30: New NYCE ATM pricing is designed to create more enterprise value – might NYCE be the one to go first?
  - September 30: Still waiting to see what Discover plans for PULSE and how FIS rationalizes its AFFN and NYCE holdings. Postscript: Would the PayPal/Star deal have been done under bank ownership of the network?
  - December 31: Still waiting for the FIS/NYCE/AFFN shoe to drop.
- 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.
  - June 30: Check out what Bling Nation, Oberthur, Sheetz, Dairy Queen and Chase are planning for this year.
  - September 30: When was the last time an FI released a new article touting the number of contactless cards and/or its number of transactions experience?
  - Lots of news on contactless this quarter – all of it either related to the transit industry or written by issuers of contactless cards trying to attract the attention of accepting merchants.

2009 Predictions - Continued

- 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.
  - June 30: Hasn’t happened yet because the FDIC is sticking to its guns regarding Open Assistance but Tier 1 banks raised nearly $100 billion in new capital this quarter and TARP loan repayments are being recycled to fund advances to mid-tier banks.
  - September 30: “Iowa Credit Union League seeks approval to purchase Arizona-based credit card bank.”
  - December 31: BankUnited FSB, IndyMac, FlagStar, Seaside National, and First Federal Bank, FSB (California) make the point.
- 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.
  - June 30: Both Diebold and NCR announced anemic or negative earnings this quarter but these things take time.
  - September 30: Both NCR and Diebold report improved net income on reduced top line revenue in recent quarterly earnings statements. New Aite study of US/Canadian bank CIOs says “nyte” to ATM purchases.
  - December 31: NCR buys a kiosk software vendor (NetKey) and kiosk operator (DVDPlay) while cutting a deal with CO-OP Financial Services for ATM outsourcing; all in an effort to transform itself. Meanwhile, Diebold is promoting a prepaid card dispensing pilot and strengthening its ATM outsourcing business. Sometimes, saving your way to prosperity is harder work than it looks.
  - 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?
  - June 30: Still waiting; deferral of the FIS/Metavante transaction may push this event into 2010.
  - September 30: While we’re waiting for this prediction to become fact, Diebold is aggressively entering and potentially disrupting the business.
  - December 31: Now that Advent International owns it, maybe Fifth Third Processing Solutions will over-weight toward POS?
- 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.
  - June 30: PULSE has strengthened its surcharge free network and POS surcharging is likely to become part of the three bills working their way through Congressional committees now.
  - September 30: The MPC versus EPC struggle continues with “transparency” being at the heart of MPC’s argument. Nothing’s more transparent than POS surcharging they say in Australia, where Visa and MasterCard capitulated in 2007.
  - December 31: It appears inevitable that Congress will start mucking around in the interchange patch once again, leading to POS surcharging as part of the deal

TrendWatch Scorecard/Summary – Q4 2009

Positive / Mixed / Negative

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

Industry Players To Watch

American Express: $300 million for Revolution Money and now four charge cards for the 20-something demographic? AXP must being looking for the fountain of youth.

Prepaid Card Segment: Pending legislation is likely to have profound impacts on both closed and open loop systems. Change is in the wind we fear.

Cardtronics: New management takes the reins on February 1.

Obopay: Now that Citi has decided to tighten its focus on mobile payments without Obopay in the mix, the company will likely strike out in another direction.

POS ISOs: Declining credit card volume is starting to pinch a bit. Mergers and/or merchant portfolio purchases will likely thin the herd.

FIS/Metavante: Will the last person to leave please turn out the lights?

Congress: 41 Republican Senators are going to raise hell with the reregulation railroad.

Market & Industry Situation

1 – Interesting new developments in P2P by Facebook.

2 – Major vendors bringing back on old model – outsourcing – to change their fortunes.

3 – Holiday season went well for retailers due in large part to debit.

4 – Good news: Dodd won't be back. Bad news: his legacy will live on.

5 – Re-pricing helped but potential legislation may claw back gains.

6 – 2009 was a good year when you consider how far we had to come.

7 – VC and PE funds slowed in the U.S. this quarter (it was down 68 percent for the full year); hopefully this drought won't last for another.

2009 Payments Industry Yields

Despite the clobbering taken by the equities market on the last day of the year, our basket of payments system players generated $51 billion in shareholder value for 2009! For the most part, the sector out-performed the Dow and S&P which posted 17.2 and 21.6 percent returns, respectively. Digital Transactions published an article ("Corporate America Discovers Payments") in its December 2009 issue that provides a glimpse of what fortunes may lie ahead for these and other electronic payments enablers. Read at this URL: http://tinyurl.com/yag3jtc

Industry Player	1/2/2009	12/31/2009	Price △	Cap Value △	Full Year 2009 Yield
Alliance Data Systems	$ 47.60	$ 64.59	$ 16.99	$ 1,010.9	35.7%
Cardtronics	$ 1.33	$ 11.06	$ 9.73	$ 396.0	731.6%
Discover Financial Services	$ 9.51	$ 14.71	$ 5.20	$ 2,500.7	54.7%
Euronet Worldwide	$ 12.07	$ 21.95	$ 9.88	$ 498.0	81.9%
Fidelity National Information Services	$ 17.05	$ 23.44	$ 6.39	$ 1,219.2	37.5%
Fiserv Inc.	$ 38.19	$ 48.48	$ 10.29	$ 1,604.2	26.9%
Global Cash Access Holdings	$ 2.27	$ 7.49	$ 5.22	$ 402.5	230.0%
Heartland Payment Systems	$ 18.00	$ 13.13	$ (4.87)	$ (182.1)	-27.1%
Jack Henry & Associates	$ 19.55	$ 23.14	$ 3.59	$ 301.2	18.4%
MasterCard Worldwide	$ 149.78	$ 255.98	$ 106.20	$ 13,742.3	70.9%
~~Metavante~~	~~$ 26.03~~	~~$ 34.48~~	~~$ 8.45~~	~~$ 1,008.9~~	~~109.9%~~
Online Resources	$ 4.69	$ 5.26	$ 0.57	$ 16.9	12.2%
TNS	$ 9.36	$ 25.69	$ 16.33	$ 409.9	174.5%
Total System Services	$ 14.86	$ 17.27	$ 2.41	$ 475.7	16.2%
Visa	$ 53.44	$ 87.46	$ 34.02	$ 28,777.5	63.7%

Sources: Company releases, Morningstar.com, Bloomberg.com
2009 Full Year yield excludes dividends; based on 1/2/09 – 12/31/09 closing prices

Our Take on the UK's Action to Rid the World of Cheques

Here's an Idea: Let's Sunset DDAs Now (or Soon)!

Why not? If the UK Payments Council can end check (sorry, cheque)-clearing in 2018 with the stroke of a pen, certainly the US banking system could do the Brits one better by figuring out how to do without demand deposit accounts altogether.

We could even use the same rationale the UK group put forth – that check use is in a "long-term, terminal decline." We see the same trend here – pretty soon there will be no physical exchange of checks at all and the electronic check clearing and archival providers like Viewpointe and NetDeposit are scrambling to reinvent themselves because of declining volume. Moreover, isn't it likely that actions soon to be taken by US banks in response to new Fed overdraft fee opt-in regulations and the two bills being promoted by Senator Chris Dodd and Representative Carolyn Maloney will ultimately lead to a similar fate for DDA? That is, the "punitive" fees being regulated or legislated out of existence are likely to be replaced by others of the same ilk. Clearly, introducing new services and product features that excite consumers to proactively pay for added benefit would be the better course. Unfortunately, doing so takes time and money so we're not likely to see things change much. So, rather than wait for the inevitable demise of demand accounts, let's kill them off now and replace them with prepaid cards.

One might ask, "what would be the result of this Draconian step in US payments industry progress?" Not much in a bad sense is my thought and maybe some pretty good outcomes. If the smart folks at Deloitte, Novantas, and Aite Group are right, the banking industry is on the brink of a $17 billion shortfall in DDA-related fees as a consequence of current and pending regulatory action.

If the industry remains true to its instincts, these fees will be replaced by other more transparent and up-front varieties like tariffs for maintenance, product tie-ins, and access to "premium customer service" (an oxymoron, I know). Same old, same old, as today's youth say. Consumers being the savvy shoppers that they are, many will observe that the branded prepaid card industry has recently undertaken a round of fee reductions that make stored value offerings more attractive by engendering loyalty and in some cases actually reward consumers for using them. Many consumers will trip onto the fact that the checking account is merely a vessel for holding funds that will be withdrawn via debit card anyway. So, in a manner similar to today's check-writing death spiral, we are likely to see long-time users of demand accounts seeking out and latching onto alternative place to store and access their funds.

DDA Rant (Continued)

But what about all the bells and whistles financial institutions have linked to their "checking" accounts like direct deposit, bill payment, home banking, and such – those features designed to make the relationship more "sticky?" Well, users of open-loop prepaid card can get all these features now plus credit lines, personal financial management help, automatic savings sweeps, real-time alerts, and rewards from dozens of stored value programs today. And a good number of these new forms of "stickiness" come with either no or very little incremental cost. Hardly a day goes by that doesn't include a new stored value product announcement about new value-adds. The recent Boston Fed survey on consumer payment choice suggests that prepaid cards have lots of room to grow so we're likely see functional innovation in prepaid for years to come.

Doing away with demand accounts shouldn't harm the banking industry since the deposits won't be leaving the system. Bankers would have to adopt new data processing systems designed to track the funds linked to each prepaid card "account" but surely the IT vendor community will step up with low-cost applications. Competition among system providers will likely keep the innovation fires stoked as well.

Numerous industry observers have opined on how the banking industry might re-coup dwindling deposit account profitability. Most suggestions involve repackaging of features and fees and are bound to set the American consumer in search of another way of doing their banking. By allowing demand deposit accounts to sunset now in favor of prepaid cards, the American banking system could leapfrog the rest of the payments world and forego the expense of a lengthy checking account funeral.

Editor's note: Previously published as a Viewpoint on the Paybefore.com web portal and in the January issue of Paybefore Update.

Interesting News This Quarter

Subject	Source/Date	Substance
Revolution Money	Cardline October 2009	• Coincidence? We think not. On October 20, 2009 Cardline reports that Fifth Third in issuing **Revolution Money's** RevolutionCard on a co-branded basis. Fifth Third Processing Solutions (now majority owned by Advent International) had already been accepting the card at its 150,000 merchant locations. In its announcement parroted by Cardline, Revolution Money also announced that Jim Robinson III, former Chairman and CEO of American Express, had joined the company's board. Twenty-eight days later, American Express pays $300 million for Revolution Money. Go figure.
First Data/Star	Cardline October 2009	• **First Data** and **Star** announce creation of a "Star Reload" function on the ATM network for prepaid cards issued by the processor. On the POS side of the network, consumers can also activate, perform initial loads, and conduct split-tender purchases. Good approach toward "re-curving" Star.
Malaysian Government	Cardline October 2009	• Why didn't we think of that? The **Malaysian government** takes steps to impose a $15.00 annual fee on each household's "principal" credit and charge cards as well as another $7.50 tax on each "secondary" card. Details are still sketchy but it appears that the government wants to prevent its citizens who cannot afford the cards from having them. The Federation of Malaysian Consumers Association set the card tax in motion stating that "we also want that an income of 3,000 ringgits ($900) should be a minimum eligibility requirement to own a card." Glad the CARD Act guys missed this one.
GoPayforit	Payments News November 2009	• UK start-up **GoPayforit** launches a mobile phone based micropayments system enabling bloggers and online content providers to accept payments through a one line modification to existing website code. Purchasers enter their mobile number online to receive a secure PIN that arrives as an SMS. The PIN is entered online and the transaction is completed. GoPayforit is targeting purchases ranging from 25p to £10.
Fiserv	Paybefore News December 2009	• In a company press release, **Fiserv** announces a new design concept for payment cards. Apparently the magnetic stripe will be oriented vertically rather than the old fashioned horizontal method. How cool. Company spokesperson suggests that "vertical cards have visual uniqueness to attract cardholders and encourage increased usage." Hmmm. One industry pundit suggested a companion product - a left handed swipe reader.

Interesting News This Quarter – Continued

Subject	Source/Date	Substance
Obopay	NetBanker December 2009	• Apparently the three-year working relationship between **Obopay** and Citibank has run its course. The partnership published a terse announcement on December 22, 2009 stating that operations had ceased and directing potential users directly to the Obopay site. Citi had invested twice in Obopay but is no longer listed on the processor's investor page. Traffic peaked at 7,000 users per month in February 2009 and has been trailing off since. Meanwhile, Obopay isn't giving up on P2P transfers as it launched an iPhone application that is essentially free aside from the $0.25 cost to send funds.
Moneta	Payments Source December 2009	• Alt-Pay provider **Moneta** introduces a new system that enables its bank customers to settle credit charges through the ACH. Moneta plans to use the Equifax decisioning system in real time to create credit lines provided by an underwriting bank. In essence, Moneta is providing its banking customers with an alternative to Bill Me Later, the PayPal instant credit granting unit.
Square	Mobile Banker December 2009	• Jack Dorsey, Twitter's co-founder, launches **Square**, a device that attaches to the iPhone headset jack to enable credit and debit card swipes. While technically cool, industry observers are kvetching over whether or not the device and companion iPhone app will be PCI compliant. Then again, since half of the nation's retailers aren't, why sweat it?
CashEdge	NetBanker December 2009	• **CashEdge** has come roaring out to the blocks with its POPmoney P2P product that it showcased at Finovate in September of last year. First Hawaiian Bank and PNC are the first to go live with three more FIs teed up for the first quarter. At First Hawaiian, user cost is nominal - $1 per transfer. Funds can be pushed to an email address, mobile phone number, or a recipient's bank account, if known. A daily transfer limit of $1,000 has been imposed with a $5,000 monthly cap.
First Data	Prepaid News January 2010	• **First Data's** SpendTrend analysis for December 2009 reflected an 8.0 percent increase over same-store figures one year ago. In the meantime, Chase Paymentech Cyber Holiday Pulse Index showed ecommerce transactions were up 30 percent during November and December. Total sales volume online increased 17.3 percent while average ticket size fell by 9.8 percent.
Jwaala	American Banker January 2010	• **Jwaala**, the Austin based PFM software provider, announces added customer alert functionality. In addition to receiving alerts and notifications about account behavior on their mobile phones, customers of Jwaala's FI customers can opt to receive Twitter Tweets, Skype notes, or iGoogle IMs. Facebook personal messages will be turned on next quarter as well.

Interesting News This Quarter – Continued

Subject	Source/Date	Substance
Secure Remote Payments Council	Press Release	• A group of very experienced payments professionals and consultants form **Secure Remote Payment Council** as a trade association focused on safely bringing Internet PIN debit or mobile transactions to the forefront. Dennis Lynch, ex-NYCE CEO, is the group's first chairman. You'll recall that NYCE was the first proponent of cyber usage of PIN debit with its SafeDebit product. HomeATM and Acculynk may become the first beneficiaries of the new standards SRPC intends to write.
MasterCard	Press Release	• While characterized as "minor" by some analysts, **MasterCard's** capture of SunTrust's 5 million debit card portfolio has to be considered an important indicator that the card brand does not intend to allow Visa to gain market share without a fight. Indeed, MasterCard spent $363 million on incentives and rebates in Q3 2009 and over $1 billion in the first nine months. Your move, Visa.
Total Systems	American Banker January 2009	• **Total Systems** takes a page from the Bling Nation playbook and announces a new mobile phone payments scheme that allows users to convert noncash loyalty points into payments at the point of sale. TSYS intends to target smaller communities (a direct lift from Bling) to enroll up to 80 percent of local merchants enabling them to swap "unconventional sources of funding" in a semi-closed market.

Dorado Industries
655 Deep Valley Drive, Suite 125-P
Rolling Hills Estates, CA 90274

(310) 544-1316
jmacallister@doradoindustries.com
www.doradoindustries.com

M&A/Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Balderton Capital	Bling Nation	Mobile payments (SIM chip)	Bling Nation raises another $20 million in Series B funding bringing its PE capitalization to $33 million since 2007. Bling is operating in La Junta and Woodland, Colorado outside of Colorado Springs and weds consumers and local retailers via a custom cell phone chip that enables mobile payments. Bling claims to undercut other payment type costs by 50 percent.
Groupe Aeroplan	Carlson Marketing	Loyalty and prepaid card provider	Canada based international loyalty scheme operator Aeroplan pays $175 million for privately held Carlson in an effort to extend is global footprint to regions beyond Canada, the UK, the Emirates, Qatar and Bahrain.
Digby	Movaya Wireless	Storefront applications for digital goods vendors	Without disclosing terms, Digby, a provider of mobile commerce payments solutions for online retailers, acquires Movaya, a builder of storefront applications for the iPhone, Android (Google), and mobile web applications. By coincidence, Blackberry Partners Funds owns a piece of Digby.
Rockbridge Growth, Others	Ready Financial	Prepaid debit cards and online bill payment services provider	Provider of the READYdebit card raises $7.0 million in Series B PE funding to extend its efforts to reach “formerly banked and poorly served” U.S. customers. Rockbridge is a PE firm started by the founder of Quicken Loans.

M&A/Alliance Activity - Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
American Express	Revolution Money	Alternative credit card issuer	AXP pays $300 million for Revolution Money in an effort to capture new market segments not being reach by its charge and card products. In its press release, AXP emphasized the value of the underlying technology being acquired, thereby reducing its time to market with alternative payment forms. Guess they've finally given up on "Blue." Then again, the company just announced the "Zync" card for the twenty-something charge card market. Should be fun to watch.
Palladium Equity	Global Payments	Money transfer business	Global Payments exits the money transfer arena by selling DolEx and Europhil to a private equity firm for "up to" $110 million. Global paid $200 million for DolEx in 2003 and bought Europhil for an undisclosed amount in 2004. Back to basics.
ACI Worldwide	Euronet Worldwide	Euronet Essentis Ltd. Issuer and acquirer software systems	Euronet sells its card-issuing and merchant-acquiring solutions subsidiary to ACI for an undisclosed amount. ACI candidly states that its own application "failed to meet the needs of the core market."
The Corporate Executive Board Co.	TowerGroup	Research and consulting firm	MasterCard sells off TowerGroup, the banking and payments research house, for an undisclosed amount. After owning TG for five years, MasterCard opted to forego the subscription-based research realm for a focus on information and analytics. And profits?

M&A/Alliance Activity - Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
BMO Financial Group	Diners Club North America	Charge card provider	Citigroup sells its north American Diners Club franchise to BMO enabling BMO to nearly double its corporate card business by gaining $1 billion in net receivables. Terms were not disclosed but it's not likely a large premium as paid. Both buyer and seller claimed victory.
Sherington Holdings, Others	FNDS3000	Prepaid card provider	FNDS3000 (f.k.a. Fundstech), prepaid cards provider and processor, raises $1.8 million in new equity through two private placement transactions. Funds have been earmarked for market expansion and the company recently entered the South African market.
MOL Global	Friendster	Social network	MOL Global is an affiliate of the Malaysian payments company MOL AccessPortal. Friendster had raised about $48 million in VC funding and is based in Sydney, Australia. The network is the first to support Asian languages and claims 115 million members.
First Data	ICICI Bank	Point of sale terminal business	First Data expands its transaction acquiring empire by paying $80 million for an 81 percent stake in ICICI Bank's POS-terminal business. ICICI has been trying to find a buyer since March 2009.

M&A/Alliance Activity - Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
August Capital	WePay	Alternative payments system	WePay raises $1.65 million in VC funds from August and a group of angel investors including Max Levchin, a co-founder of PayPal. WePay's hook is the ability to segregate payments among disparate groups of payers and payees. ACH rails are used for settlement and a Visa debit card issued by Bancorp Bank facilitates funds disbursements.
Navigation Capital Partners	Prepaid Solutions USA	Prepaid card provider	Private equity firm Navigation pays an undisclosed amount for Prepaid Solutions USA, a subsidiary of West Suburban Bancorp. PPS offers a line of prepaid products ranging from branded gift to payroll to prescription benefit programs. West Suburban is a pink sheet stock limiting access to public information on the transaction.
First American Payments Systems	International Automated Transaction Service	Processor for nonprofit organization donations	First American acquires Vancouver based IATS, a division of Ticketmaster Canada to gain entry into the global nonprofit payment processing sector.
Dublin Ventures Kinsail Corp.	RegaloCard	Mobile based money transfers	PE firm Dublin and payment processor Kinsail invest $7.0 million VC money in RegaloCard, a firm specializing in mobile phone based money transfers between the U.S. and Latin America. In a related press release, RegaloCard announces a new distribution agreement with the united Burger King franchises in El Salvador.

M&A/Alliance Activity - Continued

The following table includes interesting payment-related companies identified by TechCrunch as potential IPOs for 2010.

Firm	Business Line	Total Funds Raised	Valuation Estimate	Approximate Annual Revenue
Facebook	Social network	$716 million	$11 billion	$550 million
Zyanga	Social gaming	$219 million	Unknown	$250 million
LinkedIn	Social network	$103 million	$1 billion	Unknown
Yelp	Social network/local reviews	$31 million[2]	~$500 million based on Google deal that recently fell through	Unknown

[2] Late news: Yelp is reportedly on the verge of raising another $50 million with Elevation Partners.

Dorado Industries
655 Deep Valley Drive, Suite 125-P
Rolling Hills Estates, CA 90274

(310) 544-1316
jmacallister@doradoindustries.com
www.doradoindustries.com

Useful Links for More Information

We threw a lot of new names out this quarter. Here's a list of links for you to learn more.

Company	Role	Link
Bling Nation	Alternative payments	www.blingnation.com
Blippy	Twitter for payments	www.blippy.com
Zynga	Social gaming provider	www.zynga.com
Digital Transactions	Monthly payments magazine (free)	www.digitaltransactions.net
GoPayforit	Mobile payments	www.gopayforit.com
Secure Remote Payment Council	Internet payments trade association	http://secureremotepaymentcouncil.org/
Moneta	Alt-Pay provider	www.monetacorp.com
Jwaala	PFM software/portal	www.jwaala.com
Friendster	Social network	www.friendster.com
WePay	PayPal look-alike	www.wepay.com
RegaloCard	International money transfer	www.regalocard.com