



TrendWatch 2.0

Q1 2010

Payments System Industry Synopsis

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Editorial Comment

Random Thoughts

Despite epic earthquakes and a volcano eruption, elephantine health care reform, the Fed's Final Rules for prepaid cards, and Hank Johnson's (D-GA) viral senior moment, we survived the first quarter of the new decade.¹

M&A activity climbed over the prior quarter as global telecommunications companies started making their move into on-the-ground payments as well as into cyberspace. Visa made news by plunking down \$2.0 billion for Cybersource, an e-commerce player that annually generates \$32 million in EBIDA. Green Dot completed the trifecta by announcing its plan to acquire a small bank in Utah. Wonder what Wal-Mart thinks?

Payback time may be around the corner: It appears that despite the best efforts of Senator Dodd and a few State legislatures, there won't be any significant attempts to regulate interchange soon. Perhaps this is why virtually all our EFT system operators have felt emboldened to raise interchange rates almost across the board. POS caps are being dropped here and there. Subsidies for QSR and small ticket retailers are going away rapidly. Qualifying transaction and revenue volume thresholds are jutting upward in large bounds. Meanwhile, for its part, MasterCard has decided to shake up the virtually comatose realm of ATM rates by significantly reducing acquirer net interchange rates. Interesting times.

¹Take a peek here: <http://www.youtube.com/watch?v=bs23CjIWMgA>

Do we really need networks anymore? By the looks of things in the 2D and 3D barcode space, there are lots of up-and-comers saying "no." Startups like Cimbale and Scanbuy believe they can handle money movement and settlement via smartphones and in-lane barcode readers while Apple's new process patent applications never mention networks or banks. Starbucks likes what it has learned from its 2D pilot test and plans to roll out the technology to 1,000 of its in-store Target locations. Just a word to the wise; smartphones are convenient as heck but someday we may regret their invention. Disagree? Call my Blackberry.

Are we headed in reverse? Two key players in co-branded credit cards – Target and Starbucks – walked away from their agreements with co-branding partners. And Macy's has announced plans to drop its co-branded Visa card in favor of a new arrangement with American Express. It's still not clear (to us anyway) what the key drivers behind these decisions might be – consumer usage patterns, pricing, charge-off and delinquency rates, or a combination of the three. Three events do not make a trend, but co-branding just made it to our radar screen.

Finally, doesn't it warm the cockles of your heart to see those responsible for our recent spate of data breaches being sentenced to long terms in the hoosegow? Does mine!

Until July.



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2010 Predictions versus Results

- ACI Worldwide will roll back its sunset schedule for Base24 Classic in response to the currently raging firestorm of user protest.
 - March: ACI is still hanging tough; time will tell.
- Facebook will enter the payments space with its own PayPal-like offering.
 - March: Facebook announces a partnership with PayPal for payment of advertiser fees and “foreign” exchange for Facebook Credits.
- More EFT networks will restructure exclusive pricing for merchants and issuers to garner higher returns on both sides and to insure transaction flows.
 - March: So far, the number of exclusive pricing systems is up to three – NYCE, PULSE, and Star.
- 2D and 3D bar codes similar to those used by the Starbucks mobile app and some airlines will leak into the industry.
 - March: Starbucks expands 2D barcode acceptance to 1,000 in-store facilities at Target. mFoundry, one of the three key players in mobile banking and payments, built the latte vendors app which Target tweaked internally.
 - March: Check out www.cimbal.com.
- 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.
 - March: The opt-in deadline date of August 15 falls on a Sunday which is chaotic enough but we'll have to wait until Q4 before this prediction can be judged.
- Rebuffed by Citibank, Obopay will find a serious partner for institutionalizing low cost P2P and trans-border payments.
 - March: No movement yet.
- An EFT network will become a true association (held over from 2009 by popular request.)
 - March: Waiting to see if new exclusive pricing schemes change network economics.
- There's one more big bank merger out there. This will be the year.
 - March: There are a couple of super-regionals talking with a drawl.



TrendWatch Scorecard/Summary – Q1 2010

Activity Level	Industry Impact	Entrenched Payer Impact	
			Positive
			Mixed
			Negative
Med			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
Med			7. Industry Investments

Industry Players To Watch

Discover: After having wrapped up most of Asia for acceptance via reciprocal agreements, what's next?

Twitter: This micro message giant has been acquiring SMS technology houses on the q.t.

NACHA: Payments 2010 conference in Seattle ought to produce some headlines.

Square: The merchant services processor announces a device for use with Apple's iPad.

ATM ISOs: As if flat volumes weren't bad enough, MasterCard announces new pricing that erodes margins and maybe profit.

Green Dot: \$150 million IPO in the works and buying a bank; lots could go wrong.

Congress: Financial industry reforms are likely to leak into our sector.

Market & Industry Situation

- 1 – Venmo, Cimbal, and Apple's patent applications are kicking up some dust.
- 2 – Self service kiosk functionality (e.g., lottery tickets) on the move.
- 3 – It's all about debit; credit, not so much.
- 4 – Overdraft opt-in deadline is rapidly approaching.
- 5 – New prepaid laws may stifle growth; Green Dot IPO looks encouraging.
- 6 – Starting to see operating efficiencies created by labor cuts.
- 7 – VCs and PEs gradually coming back in a somewhat squirrely way.



2010 Payments Industry YTD Yields

After the double digit growth postings recorded by our two benchmarks, the S&P and DJIA in 2009, the market cooled slightly and these yardsticks posted modest returns for the quarter - 4.8 and 4.1 percent, respectively. Our basket of payments companies experienced a few stumbles in Q1 but we consider these to be episodic and nothing that a solid quarter of earnings can't correct.

Industry Player	12/31/2009	3/31/2010	Price Δ	Cap Value Δ	YTD 2010 Yield
Alliance Data Systems	\$ 64.59	\$ 63.99	\$ (0.60)	\$ (35.7)	-0.9%
Cardtronics	\$ 11.06	\$ 12.57	\$ 1.51	\$ 61.5	13.7%
Discover Financial Services	\$ 14.71	\$ 14.90	\$ 0.19	\$ 91.4	1.3%
Euronet Worldwide	\$ 21.95	\$ 18.43	\$ (3.52)	\$ (177.4)	-16.0%
Fidelity National Information Services	\$ 23.44	\$ 23.44	\$ -	\$ -	0.0%
First Data (Future Use)					
Fiserv Inc.	\$ 48.48	\$ 50.76	\$ 2.28	\$ 355.5	4.7%
Global Cash Access Holdings	\$ 7.49	\$ 8.17	\$ 0.68	\$ 52.4	9.1%
Green Dot (Future Use)					
Heartland Payment Systems	\$ 13.13	\$ 18.60	\$ 5.47	\$ 204.6	41.7%
Jack Henry & Associates	\$ 23.14	\$ 24.06	\$ 0.92	\$ 77.2	4.0%
MasterCard Worldwide	\$ 255.98	\$ 254.00	\$ (1.98)	\$ (256.2)	-0.8%
Online Resources	\$ 5.26	\$ 4.03	\$ (1.23)	\$ (36.5)	-23.4%
TNS	\$ 25.69	\$ 22.30	\$ (3.39)	\$ (85.1)	-13.2%
Total System Services	\$ 17.27	\$ 15.66	\$ (1.61)	\$ (317.8)	-9.3%
Visa	\$ 87.46	\$ 91.03	\$ 3.57	\$ 3,019.9	4.1%

Sources: Company releases, Morningstar.com, Bloomberg.com
2010 YTD yield excludes dividends; based on 12/31/09 and 3/31/10 closing prices



Shouldn't We Be Giving ACH Interchange Some Serious Thought?

The payments industry has used interchange for a variety of purposes over its relatively short history. In some cases, retailers were compensated with interchange as an inducement to install new equipment and to accept new payment forms. In others, financial institutions have been paid through interchange for taking on credit risk. In fact, interchange began at the very start of the electronic payments revolution as a method for greasing the wheels merchant acceptance and FI issuance. We believe it is now time to consider the introduction of interchange on ACH transactions despite the fact that this venerable payment type is both mature and stable. Here's why.

California's Special Committee on Paperless Entry (SCOPE) couldn't have known in 1970 what the automated clearing house was destined to become in 2010. Originally conceived as a method to automate payrolls and bill payments, the ubiquitous ACH has evolved into a full blown payments system with fourteen (and growing) discrete applications. Volume reached nearly 19 billion transactions in 2009, a 2.6 percent increase over the prior year.

More telling of the success behind the "new" ACH is the growth in WEB and similar transactions – 9.7 percent in 2009 on top of 19.7 percent growth in 2008. Unlike many of the other ACH transaction types, these Internet-based debits are consumer-initiated and in the main, ad hoc. Put another way, 2009's 2.3 billion WEB transactions might have been charge, credit, or debit card exchanges had ACH rules not been changed several years ago. Using an arbitrary estimate of say, \$0.50 per transaction in lost interchange, U.S. issuers missed out on around \$1.2 billion in interchange last year while incurring RDFI fees to boot.

In all likelihood, we will see continued growth in ACH debits sourced directly between retailers (e.g., Royal Dutch Shell's popular Saver Card) and consumers or indirectly through payments aggregators like PayPal and WePay. Established companies like Mitek Systems and startups including Aptys are bringing smartphones into the mix with their applications that convert MICR to ACH on the fly.

Yet, missed opportunities to earn interchange on transactions routed through the ACH isn't our primary concern. Unfortunately, after thirty-five years of virtually risk-free operating history, the "F-word" started slipping into ACH discussions about five years ago. Sad to say, hackers and other felons have been successful at bringing Fraud to the automated clearing house. Mind you, we're not talking big fraud, but fraud nonetheless. Still, twenty-two of the sessions in NACHA's upcoming Payments 2010 conference address risk and fraud in terms of detection, notification, and remediation.

NACHA has yet to mandate real-time authorization leaving the field wide open for a bevy of processors and software vendors to merchandise this or that style of authentication methods and filtering systems. Fraud plays on both the ODFI and RDFI sides of ACH today. For instance, Laru Corporation has just announced its Laru Vision application designed to thwart man-in-the-browser attacks.

So, here's the point: *fraud prevention systems and absolute fraud losses cost real money!* And if ad hoc or one-time ACH debit transactions continue to grow at near double-digit rates, we can be sure to see a rise in RDFI and ODFI fraud losses. Isn't now the time to build in a mechanism that will incent ACH participants through monetization to make the system as bulletproof as possible? We think so.



Interesting News This Quarter

Subject	Source/Date	Substance
Facebook	PaymentsNews February	<ul style="list-style-type: none"> Those addicted to Facebook games and related digital downloads will soon be able to use their PayPal accounts to convert any of 24 currencies in 190 markets into Facebook Credits, assuming that the current beta test involving a handful of games and third party applications goes well. Another step closer for Facebook. Late add: Zynga, operator of Farmville and other social games will net 4450 million in 2010.
Card Pricing	Paybeforenews Credit Union Journal April	<ul style="list-style-type: none"> The legislative bodies in Vermont and Colorado are dabbling in price setting practices involving card purchases with mixed success. In Vermont, the State Senate has passed a bill which enables retailers to set minimum and maximum purchase amounts on credit card sales. To ease passage of the bill, its sponsors removed elements that would have allowed merchants to accept only some of a network's cards and to negotiate interchange rates. Meanwhile, sponsors of a bill in the Colorado State Senate pulled their initiative that would have barred merchants from assessing surcharges on debit cards. Credit card surcharging is currently banned in the state. Opponents of the bill were successful in adding an amendment that would have extended the surcharging ban to ATMs, causing the sponsors to re-think their strategy. What's good for the goose isn't always good for the gander.
Target Starbucks	American Banker April	<ul style="list-style-type: none"> Citing credit card charge-off rates in the 15 percent range, Target announced that it would no longer issue its co-branded Visa credit card to new applicants although existing cardholders would be permitted to renew expiring accounts for the foreseeable future. Instead, the Minneapolis-based retailer will issue private label cards to those who qualify. Target is the second co-branding partner to re-think its issuance strategy. Starbucks announced in March 2010 that it was dropping its Duetto co-branded (JPMorgan Chase) credit card. 70 percent of Target customers carry their Visa card and they account for 95 percent of the retailer's receivables. Trouble is, the card was being used almost like a private label product so why bear the Visa hassle?
Discover	PaymentsSource January	<ul style="list-style-type: none"> Discover takes another step toward broad-based international acceptance by inking an agreement with Korean payments network BC Card. That network's 52 million cardholders, customers of 11 issuing banks, may now utilize the Discover, Diners Club, and PULSE networks outside of Korea. Discover has similar reciprocal agreements with China UnionPay and JCB.



Interesting News This Quarter – Continued

Subject	Source/Date	Substance
State Employees' CU Fort Bragg FCU Marine FCU Navy FCU Pentagon FCU	Credit Union Journal February	<ul style="list-style-type: none"> Five credit unions form yet another surcharge-free ATM network to serve the needs of North Carolina National Guard personnel worldwide. Given that the same functionality is available through CO-OP Network, CU24, AFFN, and other credit union driven organizations as well as comparable subnetworks owned by PULSE, NYCE, and Star, one has to wonder why in the world we need another surcharge-free network.
Total Systems	Payments Views Others February	<ul style="list-style-type: none"> Total Systems announces the launch of its Hybrid card, a credit card product that allows issuers to offer customers the option of having some or all of their credit card purchases debited from linked checking accounts via the ACH. Issuers earn interchange at credit card rates on all transactions including those that settle by ACH. We wonder how the testimony before the House Banking Committee would go.
Nautilus Hyosung America	American Banker February	<ul style="list-style-type: none"> Korean ATM manufacturer Nautilus unveils an ATM capable of dispensing Mega Millions and Powerball lottery tickets. Targeted at the ISO segment, the devices will start rolling out in Q2 2010.
Acculynk	Payments Source February	<ul style="list-style-type: none"> Last quarter we mentioned the formation of the Secure Remote Payment Council, a pan-industry trade association focused on the development of a framework for securing PIN debit transactions on the Internet. In February, Acculynk announced the formation of another trade association with a similar charter. This group naturally includes the EFT networks that have agreed to accept transactions from consumers using Acculynk's PaySecure product – Accel/Exchange, Shazam, PULSE, Alaska Option, and Credit Union 24. Unlike the SRPc's agnostic approach to a single solution, Acculynk's advisory group is focused on the PaySecure product.
Maverick Network Solutions	PaymentsSource March	<ul style="list-style-type: none"> Experienced and long-time silent EFT industry pioneer Phil Valvardi becomes CEO of Maverick in time to announce that Wilson Farms has implemented the processor's multi-tier payments and loyalty product that settles transactions through the ACH. The system uses a private label card to avoid national network interchange and fees and offers food, gasoline and cash reward options. Nice to see Phil back in play.



Interesting News This Quarter – Continued

Subject	Source/Date	Substance
In & Out Cash Management Systems	NetBanker March	<ul style="list-style-type: none"> Although not affiliated with the west coast hamburger chain, In & Out Cash targets the same demographic – 18-35 year olds. This new personal financial management system is powered by Yodlee and focuses on ten financial fitness measures. Users can earn redeemable awards for taking positive financial steps. Like the other PFMs, there's a social interaction aspect to In & Out Cash, making it attractive to the Gen X/Y set.
HomeATM	PaymentsSource March	<ul style="list-style-type: none"> Chicago based HomeATM announces the departure of its CEO and a replacement. Concurrently, the company signals a change in strategy away from its emphasis on enablement of PIN-debit transactions at home to a new focus on mobile payments. HomeATM has coined the term "aCommerce" standing for "anywhere payments" and has embraced a device-agnostic approach to delivering POS transactions through PCs, Macs, iPads, and mobile phones. The company's website has been re-launched to illustrate how its premier (only) product, Safe-T-PIN, will work on these devices.
Adyen	PaymentsNews April	<ul style="list-style-type: none"> Adyen, a Netherlands-based payments processor enters the U.S. market for e-commerce processing. The firm has been created by the founders of Bibit, a highly successful e-commerce processor in Europe. Adyen's timing might be just right since Visa is likely going to have trouble sorting out its new role as an e-commerce processor for e-checks, Discover, MasterCard and AMEX transactions through its new Cybersource subsidiary. There's likely to be some defections and Adyen could be one of the beneficiaries.
Cannabis Medical Solutions, Inc.	American Banker April	<ul style="list-style-type: none"> "Only in Los Angeles." Actually, three states are at fault. Cannabis Medical Solutions is a merchant services processor that specializes in providing services to medical marijuana dispensaries and other "high risk" businesses located in California, Montana, and Colorado. CMSI is a publicly traded penny stock if anyone's interested in making a speculative investment. Don't buy high, though.
PayPal	Paybeforenews Others April	<ul style="list-style-type: none"> PayPal launches Bump, an iPhone app which enables users to make payments to other users by bumping their devices against one another. The company reported a record one million downloads within a three week period and has plans to launch a similar application for Blackberry and Android devices soon.



Interesting News This Quarter – Continued

Subject	Source/Date	Substance
Firethorn	ATMMarketplace.com March	<ul style="list-style-type: none"> Qualcomm subsidiary Firethorn releases its latest mobile banking solution through its portal at www.mobilebanking.com. The new system enables mobile banking at 3,700 U.S. financial institutions. Consumers aligned with FIs providing integrated Firethorn services may also add bill payment and funds transfer options to their telephone banking activities.
Mobile phones and social networks	Information Week March	<ul style="list-style-type: none"> Comscore published its latest research on user activity in January. The report's focus is on usage of mobile phone browsers to access social networks. As expected, the largest year-over-year gains were posted by Twitter (347 percent) and Facebook (112 percent). The research omits 6.0 million phones equipped with network-specific access applications. One in three smartphone owners use their mobile device to access social networks. Within the general population of mobile phones the ratio is one in ten.
Cimbal	Press Release April	<ul style="list-style-type: none"> A new POS and P2P payments scheme launches in private beta form. Cimbal uses smartphone cameras, 2D barcode technology and private networks to allow consumers to make purchases among one another or at self-service check-out lanes in retail establishments. The smartphone generates a 2D symbol containing user data and the payment amount. The "cimbal" is then scanned by another smartphone or in-store barcode reader and payment is made. www.cimbal.com includes a YouTube video covering how the process works. Cool.



M&A/Alliance Activity

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Elevation Partners	Yelp	Social network	Elevation Partners commits to investing up to \$100 million in Yelp, the community-led local search site and social network known for allowing users to praise or excoriate local restaurants, retailers, events, and products. In related news, Yelp has recently been sued by a handful of organizations claiming that the network has been extorting retailers and service providers over requested changes in consumer ratings.
Motorola Ventures Masthead Venture Partners Hudson Ventures	Scanbuy	Mobile barcode solutions	Scanbuy provides enabling technology (“Scanlife”) that allows advertisers to deliver digital information to consumers using 2D barcodes and camera-equipped smartphones. These three PE firms invested an undisclosed amount of expansion funding.
Payment Alliance International	WRG Services	ATM ISO and integrated payments	PAI, the integrated payments services provider, pays an undisclosed amount for WRG, an ATM ISO, and expands its footprint to include 12,000 additional machines and 300 distributor relationships. This transaction comes on the heels of PAI’s acquisition of Comdata’s merchant processing business line in January 2010.



M&A/Alliance Activity - Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Marlin Equity Partners	Unisys	Image capture and payment processing hardware and services	Unisys sells its payments systems operating unit to Marlin Equity Partners. Marlin resurrects the entity's former name and brands the unit Burroughs Payments Systems. So much for "The Power of 2." (Gen X/Y readers probably won't get that one; Google it.)
Cash America International	Meta Financial Group	Federally insured bank	Payday lender Cash America acquires 265,000 shares of the bank giving it a 9.1 percent share. Based on current pricing, CAI has already seen a 30 percent gain on its passive investment. Cash America and Meta have been trading partners in the past via Meta's sponsorship of prepaid cards issued by Cash America and targeted at the underserved market.
MoneyGram	Blue Dolphin	Financial remittance agent	Blue Dolphin operates 18 remittance agent offices in Belgium that specialize in money transfer services to Turkey and several African countries. MoneyGram has been steadily expanding its European influence with acquisitions and de novo branching in France and Germany. This strategy for taking advantage of Europe's Payments Services Directive (PSD) is consistent with that of its arch rival, Western Union.
RRE Ventures Betaworks Lerer Media Ventures	Venmo	P2P mobile payments	Venmo raises \$400,000 and launches a private beta version of its P2P payment solution. Venmo's unique twist is that it opens segregated accounts for users rather than rely on national payment systems to move money between "trusted" partners. Not likely to last is our take.



M&A/Alliance Activity - Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
China Mobile	Pudong Bank (Shanghai)	Financial institution	The mobile phone company pays \$5.9 billion for 20 percent of Pudong Development Bank. China Mobile is the world's largest phone company measured by users. This is the fourth instance in two years of a mobile network operator investing idle cash in a financial institution with the intent being that of securing mobile banking relationships. Put in "i-speak" terms, they're buying content and clicks.
TSYS	First National Bank of Omaha	Merchant services provider	TSYS pays \$150.5 million for a 51 percent interest in a joint venture to be named First National Merchant Solutions, LLC. The move puts TSYS, traditionally an issuer-centric player, into the acquirer space. TSYS expects the transaction to be accretive to earnings after three months of operation. So, FNBO sold out cheap?
Green Dot	Bonneville Bank	Federally insured bank	In contemplation of its \$150 million IPO, Green Dot has announced plans to acquire the bank's holding company for \$15.6 million. Founded in 1978, Bonneville has \$34 million in assets and \$28 million in deposits. By owning a bank, Green Dot could reduce transaction processing costs considerably. Now, if Wal-Mart were to buy Green Dot, all this silliness about retailers and bank charters might go away.



M&A/Alliance Activity - Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
True Ventures Maples Investments Fenwick & West	Kwedit	Payment platform for virtual goods and social games	Kwedit, the “I promise to pay” payments company lampooned by Stephen Colbert may have gotten the last laugh as it promises to try to generate returns on \$3.3 million in VC funding put up by three firms that obviously have not been to www.colbertnation.com .
Opus Capital	Payfone, Inc.	Mobile payments processing	Payfone enables online purchases of goods using mobile payment settled through wireless operators. The company receives a \$10 million funding commitment on top of the \$1.6 million previously raised with RRE Ventures. Sidebar: one of Payfone’s directors is Charlie Fote, former CEO of First Data.
InComm	Zeevex	Virtual currency startup	InComm takes a step into the virtual currency world while Atlanta-based Zeevex gains deep pockets and merchant relationships (read: Wal-Mart et al) to use as a platform for distributing the company’s virtual currency tokens. Once cash is converted in the Zeevex currency the latter spends like cash at the company’s partner sites and locations. Plans to expand into Canada, South America, Mexico and Europe by year-end are in the works.
Redpoint Ventures Shasta Ventures First Round Capital Bay Partners	Plastic Jungle	Gift card exchange	Plastic Jungles raises another \$7.4 million in Series B financing through four firms bringing its capitalization to \$13.4 million. PJ operates an online exchange for unwanted/unused gift cards. The company saw a 450 percent increase in exchange volume in 2009. Maybe a sweater or tie would work out better.



M&A/Alliance Activity – Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
TA Associates	Cardtronics	ATM deployer	In a “take the money and run” action, TA sells 7 million of its 12 million shares in CATM at \$12, reducing its holdings to just 12.5 percent. Some may recall that TA’s venture funds put up the \$75 million in 2005 needed to close the 7-Eleven VCOM kiosk transaction. CATM posted \$5.8 million in net earnings in 2009.
Deutsche Telekom	ClickandBuy	Digital payments platform and e-payments system	Another communications company makes an aggressive move into payments as DT acquirers the 80 percent interest in ClickandBuy that it didn’t already own. The processor claims to have dealings with over 13 million users and processed nearly one billion Euros in payments in 2008. The service includes 120 currencies and offers 50 national and international payment options. ClickandBuy has developed a FaceBook application (Buxter) for the social network’s Credits program as well as for P2P transactions among BFFs. Buxter works inside iTunes for music downloads too.
Visa	Cybersource	Ecommerce processor	Visa pays \$26 per share for Cybersource which claims to handle 25 percent of all ecommerce transactions today. Total cash consideration works out to \$2.0 billion. The price represents a 31 percent premium of the previous day’s closing. On August 31, 2001, Cybersource closed at \$1.18. Nice pay-off for the buy-and-hold crowd, both of them.



M&A/Alliance Activity – Continued

Buyer/Investor	Target	Payments Emphasis	Possible Strategy
Kodiak Capital	cMoney (C\$)	Mobile payments startup	C\$ has yet to launch but raised \$15 million in VC funding. The new mobile payments system is claimed to enable all types of purchases and money transfers. The first thing Jennifer Pharris, C\$'s 27-year old founder and CEO did with the money is acquire Bonfire Productions, an OTC-traded shell corporation. Stealth company and product, too much money, and now public? Count your fingers after shaking hands here, people.
Javelin Venture Partners	Rixty	Alternative payment platform	Rixty is another virtual currency used most frequently in the gaming sector. Its tokens/prepaid cards are sold in 20,000 locations and through Coinstar devices. Javelin put up \$1.24 million in expansion funding.
Unnamed Investors	EMN8, Inc.	Manufacturer and deployer of payment kiosks	EMN8 makes and deploys terminals in quick service restaurants and casual dining sites. The company raised \$14.5 million in working capital. The terminals allow patrons to both order and pay for meals through a one-step process. Disney World, Jack In The Box, Burger King and Carl's Jr. are early adopters.
Institutional and private investors	Green Dot	Prepaid card issuer and network	Green Dot registers for a \$150 million IPO and listing on the NYSE. The company reports 2.4 million active cards while earning \$37.2 million in its last fiscal year which closed July 31, 2009. Sequoia Capital owns 33 percent of Green Dot.



Useful Links for More Information

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

Company	Role	Link
cMoney (proceed at your own peril)	Mobile payments	www.cmoney.com
EMN8	Kiosk manufacturer/deployer	www.emn8.com
Rixty	Virtual currency	www.rixty.com
Zeevex	Virtual currency	www.zeevex.com
Payfone	Mobile payments	www.payfone.com
Kwedit	Payments platform	www.kwedit.com
Scanbuy	2D barcode systems	www.scanbuy.com
Yelp	Social media player	www.yelp.com
Cybersource	Ecommerce processor	www.cybersource.com
In & Out Cash	Personal financial management	www.inoutcash.com
Venmo	Mobile phone based P2P system	www.venmo.com