

FAS *Floral Accounting Systems, Inc.*

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Dear FAS Customer,

These are certainly interesting and challenging times in our industry. It seems that the floral industry continues to evolve at an ever-accelerating rate. Many floral retailers and wholesalers you have known over the years are no longer in business today, while there are many new faces in the industry. As further indication of change, FTD announced on October 6th, that it had reached an agreement to be acquired by a private investment group, Green Equity of Los Angeles, for \$420 million, or \$24.85 per share. FTD was started as a member-owned co-op in 1910, when the "T" in FTD stood for "Telegraph", and it remained member-owned until FTD florists voted to sell FTD to Perry Capital Corp. in 1994. Then, just last year, Perry sold a portion of the company to public shareholders when the company was taken public, although Perry retained majority ownership interest in the company. With Green Equity's purchase of FTD, it appears the company will once again become a private company, marking another major turning point in the company's history.

So how should you position your business during these uncertain times? I have frequently written about the importance of promoting your business within your local market area. FAS has provided many features in its software to help you retain existing customers and build new customers. IFA has, for several years, provided attractive, inexpensive marketing materials to help florists' businesses grow. You may view IFA's new Christmas brochures and postcards at www.myifa.org. The deadline for ordering the Christmas pieces is fast approaching, so if you are interested in taking advantage of these resources, do so today!

Email Confirmation Software

FAS has developed new software that will allow you to send email order confirmations and delivery confirmations to your customers. A sample of the delivery confirmation is enclosed with this letter. This feature is a fully automated function of FAS's order entry software. The software prompts you to ask if the customer wants an email confirmation for the order. If the customer requests the confirmation, the system displays and allows you to verify and edit the customer's email address. In FAS's System Setup utility program, you can specify, on a system-wide basis, whether you want to send order confirmations and/or delivery confirmations to your customers. You can also specify, by customer, whether you would like to send email confirmations, and override the system default for an individual customer if desired. The customer email address field has been lengthened from 28 characters to 50 characters, as requested by many FAS customers. Email addresses gathered through this process can also be downloaded for other marketing purposes.

FAS's order confirmation is essentially a summary of the invoice. The email includes the recipient's name and address, the card message, a product description, the occasion, the price, the name of the person who placed the order, and the date and time the order was placed. These email order confirmations eliminate the need to mail or fax invoices to customers.

The delivery confirmation is available in two formats, depending upon whether you mark orders delivered when your driver leaves with the order or when the driver returns from his trip. In addition to the order information included on the order confirmation, the delivery confirmation includes a note that says either "This message was sent to confirm that your order was dispatched from our shop at

...” or “This message was sent to confirm that your order was delivered at ...”, depending on when you mark orders delivered.

FAS’s email confirmations also serve as marketing tools. Each shop can specify a photograph of an arrangement they would like to include at the top of the confirmation, along with up to 5 lines of promotional text. The enclosed sample confirmation illustrates these features. When viewing the emails on their computers, your customers will see color photographs of the arrangements. All emails also include information about your shop, including your phone number and email address. Samples of confirmations, including the photos and promotional messages, can be viewed at FAS’s web site at www.fasinc.org.

Your FAS system actually sends these emails by generating a message to the FASnet host with the order information and customer’s email address. The FASnet host then formats the email and transmits the email to your customer using FAS’s high-speed T1 Internet connection. There are significant benefits to FAS’s implementation of email confirmations. First, FAS customers do not have to incur the costs and headaches of securing their own Internet connections for their FAS servers. Anyone can send email confirmations by simply subscribing to FASnet. Second, you can avoid numerous security risks by not having your FAS server exposed to the often-hostile environment that exists on the Internet. Several weeks ago, two major “worms” or computer viruses attacked millions of Windows-based PCs connected to the Internet. One virus loaded a program onto the affected PC and modified the Windows operating system so that the worm was automatically run when Windows was started. In most cases the worm made it impossible to access the Internet, and in many cases, the worm initiated a “denial of service” attack on the Microsoft Windows Update Web server, making it virtually impossible to download the Windows patches that would prevent the worm from attacking the PC. According to *Time* and *Business Week*, many major companies, including Air Canada, Maryland’s commuter rail service, JC Penney, CSX Railways, and many government agencies, experienced severe system failures as a result of these viruses. Earlier this year, an Internet consulting group also reported being able to easily “hack” into the server and order databases of one of the largest on-line floral order gatherers in the United States, acquiring unauthorized access to sensitive customer and order information. Generating your email confirmations through FASnet eliminates the possibility of experiencing these types of problems with your FAS system.

There is no charge for the software required to send email confirmations to your customers. There is a transaction fee of \$0.25 per transmission. Shops that mail invoices to customers will reduce their expenses by eliminating the costs associated with labor, envelopes, and postage. Others will find the small fee easily justified by customers’ responses to a much higher level of customer service and the resulting customer loyalty. This is another feature that will make you stand out from the other shops in your area. And finally, the marketing features included on the confirmations should easily generate returns that more than offset the transmission costs of the confirmations. This software is available immediately, and can be electronically uploaded to your system.

Earlier this year, FAS also announced the release of its new mapping system. For more information about these new features, please give us a call.

Your software license

When you purchased your FAS system, you purchased various hardware components, along with a license to *use* FAS’s proprietary software. The content of the data you collect in your system is your property, but the software itself remains FAS’s property. FAS’s Sales & License Agreement states, “Software items licensed hereunder contain FAS, INC.’S and/or its suppliers’ proprietary design and implementation characteristics. FAS, INC. retains full ownership rights to the software and BUYER shall have no rights to the software or any changes therein by FAS, INC. except as specifically provided herein. FAS, INC. grants BUYER a nontransferable, nonexclusive license for restricted use

of licensed software on equipment items purchased hereunder. Unless BUYER shall have obtained FAS, INC.'S written consent, BUYER shall not sell, lease, transfer or assign the software to others and shall not reproduce for use nor license others to use FAS, INC.'S software. BUYER shall not submit backups of programs or data, in any form, to third parties, and BUYER agrees to report immediately to FAS any event during which third parties acquire access to systems containing FAS, INC.'S software.” Furthermore, all FAS programs contain a copyright notice stating that the computer programs are the confidential, proprietary property of FAS. FAS’s software also contains proprietary information of various other companies, and FAS is contractually obligated to protect the interests of those other parties.

The terms of the license are self-explanatory, and the reason for the terms of the license should be obvious. FAS has invested 20 years of labor in developing the software on your system, and the software represents one of FAS’s most valuable assets. As you might expect, FAS does not want the fruits of its labor to fall into anyone else’s hands--particularly the hands of a competitor--any more than you would want the assets of your business delivered into the hands of one of your competitors. I am confident that all FAS customers understand and appreciate our position on this matter. In the event that you would need to convert your customer and billing information to another system, FAS would assist you with that task, but under no circumstance should you provide one of FAS’s competitors with a backup tape from your system, nor should you allow another technology vendor to access your FAS system.

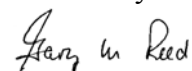
Turning Twenty!

FAS’s programmers began writing the original FAS software in April, 1984. The FAS system has been a work in progress ever since. Although it seems it was only a short time ago that FAS was created, next April, FAS will have its twentieth birthday. When we wrote the original system, we had no idea that we would still be involved in the floral industry 20 years later. Two decades is a long time for any business to be around, but it is particularly challenging in the technology industry because of the incredible speed at which hardware and software change. None of the floral technology companies that were FAS’s early competitors are around today. In fact, many of the major companies and products of the technology industry that existed 20 years ago are not here today.

FAS has had numerous opportunities to sell out over the years, as some of our larger competitors have offered to acquire our company. One of FAS’s competitors recently told a FAS user that I was no longer with FAS. Another of FAS’s competitors recently told a potential customer that FAS was desperately trying to sell out--another false claim. Some of our competitors have even tried to use FAS’s long-term success against us, saying that FAS is “old technology”, simply because we’ve been around so long, as if being around a long time is a bad thing. These desperate tactics are signs of the times, I suppose. Don’t be fooled by these tales. Rest assured that FAS is planning to be around for at least another 20 years! Ironically, some of the features that appeared in FAS’s systems 10, 15, or 20 years ago are being released today by relative newcomers as “new, leading-edge technology”.

FAS’s success over the years has been the direct result of one thing--the loyal and continuing support of its customers. It is our hope that you know FAS is equally committed to the success of its customers and to the floral industry. If you have any questions about the issues discussed above, please give us a call at (800) 830-6160. Thanks.

Yours truly



Gary M. Reed
President