

FAS *Floral Accounting Systems, Inc.*

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Dear FAS Customer,

I have mentioned many times over the years the importance of promoting your business within your local market. FAS provides many features that allow you to stay in touch with existing customers and to reach new customers. Information about these features, along with samples of FAS-generated marketing materials, may be viewed at FAS's web site at www.fasinc.org. FAS's competitors often try to mislead florists by saying that FAS doesn't offer marketing software with its systems, but most of the features discussed below have been available in your FAS system for many years.

FAS offers a couple of **Dial-A-Flower** (DAF) card options. FAS's DAF card is a "preferred customer" card that is similar in appearance to a credit card. The front of the card contains the customer's information, while the back of the card allows the customer to record special dates, such as birthdays and anniversaries. Your shop name, address, phone number, and web address are pre-printed on the card. The continuous-form version of the DAF card is printed using option C of the Customer Report Menu. This software allows you to send the DAF card to all customers, to customers with a specific mail code, or to customers who made purchases during the last month or year. The laser version of the DAF card is printed on an 8.5"X11" sheet of paper using option F of the Customer Report Menu. This program allows you to send a promotional letter along with the card. FAS provides a wide range of selection criteria for choosing which customers will receive the laser DAF card, including mail codes, year-to-date sales, life-to-date sales, account balance, etc. Both cards are mailed in window envelopes.

FAS provides several **postcard marketing** options. Four postcards are integrated on an 8.5"X11" sheet of cards, separated by perforations. Simply load your laser printer with the cards and select the desired postcard function. Option 1 of the postcard menu allows you to use the range of selection criteria described above to determine which customers will receive a postcard. After choosing your customer database, you enter the text that you want printed on the left side of the postcard, and the cards are printed. It's that simple! This software feature could be used to make any general announcements about your shop, to invite preferred customers to your open house, to remind commercial accounts of Secretary's Day, or many other functions. Option 2 of the postcard menu allows you to send postcards to either the customers or the recipients of orders that were placed during a particular date range. You could use the option to thank customers who made purchases during the last week or last month, or you could use these postcards as coupons for converting recipients into customers. Option 3 of the postcard menu allows you to send **birthday and anniversary reminders** to either the senders or recipients of birthday and anniversary orders placed during a specific date range. For example, this feature would be used to remind customers of birthdays and anniversaries that occur between 09/01 and 09/30, or to send a special birthday or anniversary offer to order recipients. The system will generate standard messages, or you can enter you own message. The default message mailed to senders of birthday gifts is "In the past, you had us deliver a birthday gift to JANE DOE for delivery on 09/26. If you would like us to deliver a similar gift again this year, please give us a call and refer to confirmation #12345. Thank you." The confirmation number is the customer's previous invoice number for the special occasion. When the customer calls to place his order, enter the confirmation number to retrieve the original invoice. Then, select option (O)ther and then (D)uplicate to generate a new invoice for the new order. In seven or fewer keystrokes you will have completed the order.

FAS also offers a wide variety of options for generating **mailing labels** that you can use to mail marketing materials generated by third parties, such as IFA's seasonal brochures. Option 3 of FAS's Customer Mail Label Menu allows you to generate continuous-form, single-wide labels on a dot-matrix printer or laser mailing labels. Each sheet of laser labels includes 30 individual labels. These labels are sorted by zip code, and then alphabetically within each zip. You can generate labels for all customers, customers with a specific mail code, and customers within a specific zip code. FAS will also generate labels for all customers who made purchases within the last month or the last year. The system will allow you to generate labels for customers who have *not* made any purchases since some user-specified date. Or, you can generate labels for all customers who made holiday purchases within some specific date range. For example, you could generate labels to send your Christmas brochure to everyone who made a holiday purchase between 12/01 and 12/25 in prior years. Option 5 of FAS's Report Menu allows you to generate labels or reports of senders or recipients of birthday and anniversary orders that were placed within a specific date range.

FAS's **email confirmation programs** allow you to send order and/or delivery confirmations to your customers via email. Offering this service makes it easier to collect email addresses from your customers, and the confirmations themselves serve as marketing pieces, as they contain a photo of a product you are selling, along with a link to your web site. And best of all, FAS allows you to offer this service to your customers without the risks associated with connecting your FAS server to the Internet.

FAS's **telemarketing menu**, option B on FAS's Report Menu, allows you to generate labels for daily recipients (option 1), customers (option 2), or for birthdays and anniversaries (option 3). And if the marketing features discussed above aren't exactly what you are looking for, FAS offer's a couple of other programs that allow you to export data to any Windows-based program so that your options are limited only by your imagination. Option 6 of the Customer Mailing Label Menu, **Create ASCII Dump** File of Selected Customers, creates a text file containing customers' names and addresses that can be imported into other applications. The text file also includes customer email addresses that can be used to broadcast marketing emails to your customers. The customer database is chosen using the selection criteria screen mentioned above. Finally, option D of FAS's Customer Menu allows you to create a **mail merge** by integrating a user-defined customer database with a document created in WordPerfect.

When new customers are added to your system during order entry, they are assigned the default mail code of "NC" for New Customer. At the end of each month, you can generate mailings to new customers by selecting the "NC" mail code. New customers' mail codes should then be changed to more accurately indicate the mail category of the customers, e.g. individuals, businesses, schools, churches, etc. FAS provides a global change feature, option 5 of the mail label menu, that will automatically change one mail code, such as "NC", to some other code.

Teleflora's and FTD's Legal Battle Over Technology

Teleflora and FTD have both issued recent press releases concerning a legal dispute between the companies. Because the press releases seem to contradict each other, numerous FAS customers have contacted me to find out what I knew about this situation. Since this matter could have a huge impact on the floral industry in general and on floral technology in particular, I am providing you with information I have concerning this matter. In December, 2003, Teleflora filed a lawsuit against FTD for "trade secret misappropriation, copyright infringement, fraud and related activity in connection with a computer, unauthorized access to computers, computer systems and computer data, intentional interference with contract, and unfair competition." Teleflora claims that "FTD has implemented a series of unfair and illegal schemes to stem the tide of Teleflora's success. Chief among FTD's tactics is to improperly hack into and modify Teleflora's software to enable FTD to use Teleflora's technology for its own benefit and to steal Teleflora's orders and members." Teleflora's suit states, "If FTD succeeds in wrongfully causing a florist that is a member of both networks to utilize FTD services rather than

those of Teleflora, this costs Teleflora potentially thousands of dollars in revenues for transactions that are diverted. Similarly, if FTD succeeds in wrongfully diverting a florist into its network and away from Teleflora, this also directly costs Teleflora thousands of dollars in lost revenues that typically flow to Teleflora from its members. ... Such diversion undermines the value of the Teleflora network as a whole by reducing the available transactions to all other Teleflora members.... Accordingly, the wrongful, unlawful, and unfair acts of FTD described herein threaten dire losses and injury to Teleflora's entire business if they continue unabated."

Teleflora describes "FTD's Bad Acts" saying, "Because FTD has been unable to match Teleflora's success with fair competition, FTD has reacted to Teleflora's increasing success and expanding network by recently implementing at least three different unfair and illegal schemes designed to harm Teleflora's business." Teleflora states in its "**FTD's Credit Card Hack**" complaint that "FTD has recently made and distributed numerous unauthorized copies of Teleflora-owned and copyrighted software that modifies the RTI software in order to reroute Teleflora members' credit card transaction processing from Teleflora to FTD." Teleflora alleges in its "**FTD's Dove Hack**" complaint that "FTD has also recently implemented a second software hack designed to harm Teleflora's business... This hack involves FTD's creation, marketing, sale and distribution of a computer program that wrongfully and without authorization alters Teleflora-owned and copyrighted software to make that software work with FTD's competing shop management system." Teleflora complains of "**FTD's Contract Interference**", stating that "FTD has also instituted as corporate policy a pattern and practice of targeted, intentional interference with Teleflora's contractual relationships with licensees of Teleflora shop management systems." Teleflora's suit states, "Using aggressive and misleading sales tactics, FTD attempts to convince the Teleflora licensee to breach their licensee (sic) with Teleflora, return the Teleflora shop management system, and either purchase or re-install FTD's Advantage shop management system." The suit states further that of "eight instances of interference, at least three have resulted in cancelled (sic) installations of Teleflora shop management systems ..., and at least two have resulted in the Teleflora member actually removing their previously-installed Teleflora shop management system and sending it back to Teleflora". Teleflora also alleges that "As part of its efforts to coerce Teleflora member shops into canceling their contracts with and otherwise abandoning Teleflora, FTD has, on information and belief, threatened to cut these shops off from filling lucrative FTD.COM orders."

Teleflora's suit requests, among other things, "compensatory damages according to proof but in excess of \$5,000,000", along with injunctive relief that prohibits FTD from continuing the alleged violations, punitive damages, and attorneys' fees.

On August 18th, United States District Judge James Ware ruled on Teleflora's requests for preliminary injunctions. The judge's decision stated that "FTD admits to making multiple copies of a backup tape containing Teleflora's copyrighted software modules and distributing these illegal copies to Teleflora RTI licensee florists. ... As Teleflora has made a prima facie showing of both a valid copyright and infringement, Teleflora has demonstrated probable success on the merits of its copyright infringement and contributory copyright infringement claims. ... Therefore, a preliminary injunction is proper to enjoin Defendant FTD from further copying and distributing Teleflora's software modules." The judge also ruled that "A preliminary injunction is proper to enjoin FTD from assisting florists with reinstalling back-up copies of Teleflora's modules". The judge however, did not agree with Teleflora's arguments for preliminary injunctions with regard to FTD's alleged disclosure of Teleflora's trade secrets or with regard to FTD's Dove Hack.

On August 19th, new Teleflora president Phil Kleweno responded to the judge's preliminary ruling saying, "This is a great decision for Teleflora as the court sent a clear message to FTD that illegal acts such as copyright infringement will not be tolerated. ... FTD must realize that it needs to fairly and legally compete rather than resorting to illegal hacking and unfair competition." On August 23rd, FTD issued a press release on its web site and over Mercury titled "FTD wins legal battle for choice against

Teleflora.” New FTD president Mike Soenen is quoted as saying, “The Court’s ruling is a tremendous win for retail florists who desire to do business with multiple wire services.” FTD claimed in the release that it had “filed a counterclaim against Teleflora in Federal Court, asserting that Teleflora’s refusal to allow florists to switch freely back and forth between FTD and Teleflora when they send floral orders is an unfair business practice and anti-competitive.”

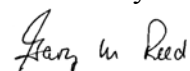
It is understandable that florists were confused by these seemingly contradictory announcements. One could, and many did, assume from the announcements that this case had somehow been decided in favor of both Teleflora and FTD. One FAS user said, “I know there are two sides to a coin, but I didn’t think both sides could be ‘heads’”! The truth is that the actual lawsuit has not been completely resolved in either party’s favor. The judge’s rulings of August 18th involve only Teleflora’s motions for preliminary injunctions. The actual suit will be heard at a later date.

It will be very interesting to see how these latest developments affect florists. This entire situation seems full of contradictions. Wire services fought FTD for years to get access to FTD’s Mercury network. Ironically, Teleflora’s RTI system has a Mercury interface, but Teleflora refuses to grant authorization for FTD to develop a Dove interface for Advantage. On the other hand, FTD claims it is “committed to seeing that florists are offered a choice when deciding how to run their businesses and will combat all companies, including Teleflora, that try to restrict choice.” However, it was only a few short years ago that FTD’s actions effectively forced the smaller wire services off of Mercury. It is also my understanding that FTD has ignored requests from FloralSource International (FSI) for authorization to send FSI orders over Mercury. Neither FTD nor Teleflora allows FSI or Florist Direct orders to be transmitted over their networks, as FAS allows its users to do using FASnet. Neither wire service provides its users with a FASnet interface, while FAS provides interfaces to both Mercury and Dove. So much for “choice”.

What is lost in the competing allegations of the lawsuit between Teleflora and FTD is the impact this matter has on florists. Here at FAS, florists remain our highest priority. FAS is committed to providing its customers with the highest quality services at the lowest possible price and encourages each of you to provide FAS with your suggestions on how to improve FAS systems and services. Additionally, I encourage each of you to contact me *before* you sign on the dotted line if Teleflora or FTD come to you with offers that seem too good to be true. Those offers will hurt your bottom line in the long run. Additionally, in light of what Teleflora and FTD are doing to each other, FAS is currently attempting to determine whether Teleflora or FTD have engaged in similar misconduct with respect to FAS. If you are aware of any attempt by Teleflora or FTD to gain access to FAS’s proprietary technology or other efforts by those companies to create an unlevel playing field, please let me know.

If you have any questions about the FAS marketing options discussed above, please call FAS at (800) 830-6160. We look forward to hearing from you soon. Thanks.

Yours truly



Gary M. Reed
President