

FAS *Floral Accounting Systems, Inc.*

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Dear FAS Customer,

I hope you had a busy and profitable Valentine's holiday. Conversations I have had with florists and other information available throughout the industry seem to indicate that shops had mixed results during Valentine's week. Some shops reported having a very busy and successful Valentine's, while others were not so fortunate. The snow and ice storms in the northeast section of the United States were certainly not helpful to florists who couldn't make deliveries or to consumers who couldn't make it to the local florist to purchase their Valentine's gifts. To make matters worse, FTD experienced its own "storm" with the Mercury network during Valentine's week. Floral industry message boards such as flowerchat.com and floristboard.com, numerous blogs and web sites, and news agencies reported story after story that suggested this Valentine's was a disaster for large numbers of florists and floral consumers. You really should visit a few of these sites and read as many of these stories as possible in order to begin to understand how big an incident this was for the floral industry. Fortunately, a relatively small number of FAS customers were affected by the problems FTD experienced with Mercury. Many orders sent by florists were not received by the filling shops in time to be filled, and the sending shops did not receive any messages to indicate that the orders were not filled and delivered. Shops that were relying on incoming orders as a significant part of their business didn't receive the orders they had planned to fill. And of course, for every unfilled order which disappointed a florist, there was a floral consumer and recipient who were even more disappointed. There were also many stories of consumers who ordered direct-ship flowers and who were terribly unhappy when they found their Valentine received a flimsy—and sometimes frozen--bunch of flowers lying in a box, with no resemblance whatsoever to the beautiful arrangement pictured on the national order gatherer's web site. Needless to say, the floral industry is suffering from a terrible black eye because of Valentine's Day.

None of us can do anything about the unfortunate incident the industry experienced during Valentine's week, but we can take steps to minimize the danger in the future. The largest wire season of the year, Mother's Day, is just about two months away. Consumers, already wary of relying on the floral industry to get their gifts delivered, could be reluctant to risk yet another special occasion to a distribution system that failed miserably at Valentine's. No one can blame them. The industry will have to once again earn the consumer's confidence.

If anything, this Valentine's proved how risky it can be to have no redundancy for critical systems and processes. It's difficult, if not impossible, for every business to have fully-redundant systems for every aspect of their operation. FAS has backup generators to generate electricity for the building in the event we lose electrical power. We have redundant hard disk drives in our accounting system and in the FASnet host to protect against downtime or data loss that would occur with the failure of a single disk drive. We have dial-up phone lines which can serve as a backup if we were to lose communications with the outside world over our digital lines. However, even these steps don't guarantee that FAS's operations will never be

interrupted. But large, national service providers that charge millions of dollars for their services have a higher level of responsibility to their customers to assure that critical services are available when needed, and they must be sure that backup plans are in place. Fortunately, unlike many florists, FAS users are not limited to only a single floral wire network because of their choice of shop management system. As you know, FAS users can simultaneously access FASnet, FTD's Mercury, and Teleflora's Dove networks. With FASnet you can continue to send your FTD and Teleflora orders electronically, even if Mercury or Dove were to fail.

Coincidentally, commercial airline JetBlue also experienced its own Valentine's storm. Bad weather and a meltdown of internal systems left thousands of JetBlue passengers stranded as flights were delayed, re-routed, or cancelled. As mentioned above, no company is 100% immune from major failures. What is important though is how a company responds to a crisis. JetBlue's response provides a blueprint for how professional, responsible, ethical companies should react in these difficult situations. JetBlue didn't look its stranded customers in the face and tell them there were no problems, nor did it blame its failures on the other airlines. Instead, JetBlue CEO David Neeleman quickly went on national TV, admitted his company's failures, sincerely apologized to customers affected by JetBlue's problems, and issued a Customer Bill of Rights that outlined steps JetBlue was taking to handle the previous week's problems and to prevent similar problems from occurring in the future. JetBlue will compensate at various rates those passengers whose flights are delayed or cancelled, depending on the circumstances of the delay or cancellation, and customers who are denied boarding privileges due to JetBlue's overbooking of reservations will be paid \$1,000. JetBlue's commitment to its customers will ultimately make all other airlines run better companies and will surely cause even those passengers who had the worst JetBlue experiences to give JetBlue a second chance. We can only hope that disappointed floral consumers will be half as forgiving to our own industry.

Because of the confusion created by system failures during Valentine's week, it is more important than ever that you closely examine and reconcile your wire service statements over the next couple of months. Make certain that you are paid properly for orders you filled and that you are charged correctly for orders you sent. FAS customers who have converted to the new Internet-based Mercury interface will also want to verify that you are being charged only the standard \$79 Mercury access fee and no additional support fees or legacy fees. Also, it has been brought to my attention that FTD has charged some FAS users for a "Norton Anti-virus fee". FAS users are not using the Norton Anti-virus program on their FAS servers or in conjunction with any of the FAS Mercury interfaces. If this charge is appearing on your FTD statement, you should request that the fee be refunded and cancelled.

Look Before You Leap—Still!

In a customer letter back in May, 2002, I included a section titled "Look Before You Leap". In that letter I described the experiences of several FAS customers who had converted to other systems. The sales reps for the other systems told these florists that the systems they were selling were superior to FAS. Well, the shops I wrote about in my letter five years ago ultimately converted *back* to FAS after finding out that the competitor's systems didn't provide the functionality and/or the reliability offered by FAS products. More recently, one of FAS's primary competitors has been making very attractive offers to a number of FAS customers, such as low- or no-interest financing, deferred payments, rebate incentives, etc. In fact, a very, very small number of shop owners found the offers too good to pass up. However, a number of these florists have since "come back home" to FAS after having tried the competing systems. Like the florists I wrote about in 2002, the florists who recently came back to FAS reported that the competitor's system didn't have many of the functions they had in their FAS systems, nor was it as reliable as FAS. Recently, a shop owner said, "Converting to the other system was the worst

business mistake I've ever made during the entire time I've been in business. Why didn't you stop me from making this mistake?" We converted this shop back to FAS just before Valentine's Day, preventing the shop from experiencing a disaster that would have had a tremendous negative impact on its business. The owner of another shop which switched from FAS to a competing system and then back to FAS stated that she believed divine intervention led her to make the decision to return to FAS. Still another large, multi-location FAS user who converted to a competing system with the understanding he could return the system if he wasn't satisfied found out that the offer to return the system was not available when he became extremely dissatisfied and chose to convert back to FAS, but he converted back to FAS anyway.

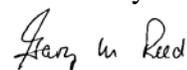
Another FAS user that recently cancelled his purchase of a system being sold by a wire service told me that the sales rep for the competing system had told him, "All of FAS's users are converting to our system." My letter in 2002 addressed this very claim being made by some of FAS's competitors. This claim is as false today as it was five years ago. The sales rep also suggested that FAS's future was uncertain because FAS is a smaller company and that the size of their company was assurance they would be around for much longer. Events of the last 10 years however, suggest otherwise. Four of the "Big 6" wire services that had been around for so many years are no longer with us today. Three of the four were either in bankruptcy or other financial difficulty. One of the remaining wire services has been through several changes of ownership in the last few years as the company was taken private, then public, then private, and then public again. News reports in November stated that the company was once again for sale. In contrast, FAS has thrived under the same ownership and management for well over 20 years, turning down numerous offers to be acquired by our larger competitors. Don't believe everything a pushy sales rep tells you. Do your own homework to make certain that you don't make a costly mistake for you and your business.

Teleflora Dove User Agreement

On November 27, 2006, I sent all FAS users a copy of Teleflora's Intellectual Property User Agreement. Teleflora is requiring all FAS customers who use FAS's Dove interface to sign this agreement to protect confidential information related to the Dove system. This agreement is similar to the agreement Teleflora requires of its own technology customers and does not put any restrictions on your ability to continue to use, modify, or upgrade your FAS system in any way. However, Teleflora will not allow you to continue to use the Dove system unless you sign the agreement. If you have not yet returned the signature page of the agreement to FAS, you can download the agreement from FAS's web site at www.fasinc.org. Select "Customer Information", and then print the document titled "Teleflora Dove License". It is absolutely necessary for users of the FAS Dove interface who have not already signed and returned the agreement to sign the last page of the agreement and fax **only** the signature page to FAS at (318) 251-9938. Thanks for your cooperation.

If you have any questions about the issues discussed above, please call FAS at (800) 830-6160. Thanks.

Yours truly



Gary M. Reed
President