

FAS *Floral Accounting Systems, Inc.*

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Dear FAS Customer,

You may recall some of my earlier letters discussing FAS's newest technology. In addition to releasing FAS's Versions 2007 in October, 2006, and Version 2007.1 in January, 2007, FAS has also developed numerous hardware upgrades that will help you be more productive and more profitable. We discussed many of these new features at the FAS users' seminar last Fall, but I thought I would take this opportunity to present this information again for those who were unable to attend the meeting last September.

FAS's typical system configuration has traditionally involved a central server to which all other system peripherals (terminals, PCs, printers, modems, etc.) were attached. See the enclosed diagram titled "Typical FAS configuration (Serial)". Workstations which can be attached to FAS servers—even the older servers in our customers' shops—include ASCII terminals, Windows-based PCs, and LCD flat-screen terminals. Printers which can be connected to FAS servers include dot-matrix invoice/report printers, laser printers, and either dot-matrix or thermal receipt printers. You'll also note that all communications between the FAS server and FASnet, Mercury, Dove, and the credit card processor are handled by modems and dial-up phone lines.

With the release of FAS's Version 2007 software, FAS provided a new high-speed credit card processing system. This new credit card program uses a high-speed Internet connection, such as DSL or cable, and a secure, encrypted communications protocol to process credit cards at lightning-quick speeds. With dial-up credit card systems, authorizations can typically take 20-30 seconds each, and deposits can take several minutes. With FAS's high-speed FAScash system, authorizations take about one second, and deposits can be completed in a matter of seconds.

After converting to the high-speed FAScash program, Russ Schmitt of Schmitt's Florist in Louisville, KY, wrote, "The new FAS credit card program was a huge success this Valentine's Day. After over 35 years of using dial up and a wire service to clear our cards we switched to the FAS program in November. Christmas was a success but Valentine's Day really showed us what a great move it was. ... What a difference that made with the large volume of walk in customers on Valentine's Day." Pete Racanello of Peter's Flowers & Gift Baskets in New York, NY, reported having a similar experience. After Valentine's Day Pete called to tell me that converting to the high-speed FAScash system allowed him to authorize and deposit Valentine's credit card transactions faster and more smoothly than ever before.

In order to take advantage of the high-speed FAScash system, your server must be capable of accessing the Internet. See the enclosed diagram titled "FAS Configuration (Internet)". FAS's new servers not only allow you to utilize the high-speed Internet connection for processing credit cards and Mercury transactions (as discussed below), but they also allow you to take advantage of Ethernet connectivity as illustrated in the diagram. While continuing to support serial connectivity for your older workstations and printers, the new servers allow you to take

advantage of high-speed network connections for PCs, LCD flat-screen workstations, and printers. Note that dial-up phone lines are no longer needed for processing credit cards or Mercury transactions.

FAS's high-speed credit card program is available only through FAScash. FAScash subscribers can actually choose between the new high-speed system or the original dial-up system. FAS is providing the high-speed FAScash software at no charge to its users who are currently processing credit cards through their FAS systems. FAS's FTD and Teleflora credit card programs will continue to be available only over dial-up lines.

FAS users with multiple shop locations can now take advantage of Internet connectivity to integrate their branch shops with the FAS servers at their main locations. In the past, a florist would have had to use two dial-up phone lines, two modems, and a multiplexer for *each* branch location that needed access to the FAS server at the main shop location. System performance is usually noticeably slower at the remote shops, because of speed limitations of the dial-up lines. With FAS's new servers, all that is required for a remote shop to communicate with the FAS server is high-speed Internet access and a router. See the diagram titled "Multi-Shop Configuration (Internet)". FAS's routers allow you to create your own secure Virtual Private Network (VPN) over the Internet. Remote shops accessing the FAS server through the VPN are able to achieve system response times comparable to response times provided at the main shop location.

Finally, another benefit of FAS's new servers involves the data backup system. Earlier FAS servers included tape drives which were used to make backups and to load software and wire service directory updates. The new servers include CD/DVD drives instead of tape drives. Backups which may have taken as much as a couple of hours to complete using a tape can be completed in as little as 3-5 minutes with the new systems.

As I wrote in an earlier letter, the level of upgrades necessary to take advantage of this newer technology will depend upon the age of your server. In general, servers which are three years old or newer can probably be upgraded relatively easily in order to take advantage of these new features. Older servers may have to be replaced. However, your existing terminals, printers, and modems can still be used with the new servers. FAS users who have an interest in these new features should contact FAS so that we can evaluate your current system and provide information concerning the requirements for upgrading your specific system. Financing programs which will allow users to take advantage of this new technology for a low monthly payment are available for shop owners who choose this option.

New FAScash credit card processor and discount rates

FAS has negotiated lower credit card rates with a new processor on behalf of its FAScash subscribers. The discount rate is 1.85% for swiped cards and 2.25% for phone-in orders. These rates will be available to all FAScash users under the new program, regardless of whether they use dial-up lines or high-speed Internet to process credit cards. FAS will not be charging any software fees for this conversion. FAS will continue to offer full support for the older program until all users have been converted to the new system. Each shop will be notified when it has been scheduled for conversion. The processor will fax you a form requesting information that is necessary for creating your new account. After the processor submits your new account information to FAS, FAS's technical support staff will modify your system to use the new processor and new accounts.

Deadline approaching for Mercury conversions

On September 20, 2006, I sent a letter to FAS users, informing them of an agreement FAS had reached with FTD pertaining to FAS users' continued access to the Mercury network. FTD is requiring FTD florists to convert from the older Mercury technology which uses dial-up phone lines to an Internet-based Mercury interface. The deadline for making this conversion is April 30, 2008—less than a year away. When you consider the busy holidays which occur between now and next April, the amount of time during which these conversions must be implemented is actually *much less* than a year. Although many FAS users have already converted to FAS's Internet-based Mercury interface, there is still a tremendous amount of work that must be done in order for FAS's remaining Mercury users to convert to the new Mercury interface by April, 2008.

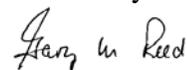
The technical requirements necessary for converting to FAS's new Mercury interface are essentially the same as the requirements necessary for using FAS's high-speed credit card program and the multi-shop integration over the Internet, which were discussed above. Because so many of these new features are based upon the same underlying technology, there has never been a better time to consider upgrading your FAS system.

The Life of a Business

A few years ago a FAS customer who was a young, new shop owner asked me, "What does it take to start a new business and grow it into a successful, long-term operation?" After thinking for a moment, I responded by saying, "A new business is a whole lot like a new baby. Both are totally dependent on you for survival. They both require lots of your time, attention, and resources. Frequently, you'll put everything into caring for them, expecting little or nothing in return." As I continued to think about "raising" a business and a child, I realized that the similarities continue well past infancy. Eventually, the child and the business should be able to stand on their own feet. They should grow, develop a level of independence, and assume more responsibility for taking care of themselves. As the child grows and matures, he receives an education and then progresses professionally, maximizing income in the later working years. As the business grows and matures, its sales and profits should increase, debt is reduced, and there is an accumulation of assets and equity. Later, after the adult retires, he will inevitably enter the twilight period of his life. Similarly, many mature businesses can also slip into a twilight phase. Although some businesses long outlive their founders, there are many that have died prematurely because they did not remain healthy by adapting to changes taking place around them.

Stan Pohmer recently wrote an article, "Extreme Makeover-Floral Edition", which appeared in *The Flower Book 2007*, published by Cenflo Publications. With Stan's permission, FAS has posted a copy of his article on FAS's web site (www.fasinc.org) on the Customer Information page. In the article Stan offers advice on evaluating where your shop is in its business lifecycle. Stan provides tips on how to enhance and prolong the periods of growth and maturity of your shop and on how to postpone the period of decline for as long as possible. I strongly encourage you to take a few minutes to read Stan's article. If you have any questions about the issues discussed above, please call FAS at (800) 830-6160. Thanks.

Yours truly



Gary M. Reed
President