

# **FAS** *Floral Accounting Systems, Inc.*

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April 10, 2008

Dear FAS Customer,

**Please be aware that the deadline for converting to FAS's Internet-based Mercury interface (MNAPI) is April 30<sup>th</sup>.** Although most FAS users have already converted to the MNAPI, I am writing to provide one final notice of the deadline for any shops that have not yet converted. Since September, 2006, I have sent you a number of letters discussing this issue. In 2006, FTD began requiring its customers to convert from the older dial-up Mercury technology to the MNAPI. Shops that convert to the MNAPI by April 30<sup>th</sup> will maintain their "grandfathered" status with FTD and can maintain their access to Mercury and other wire service networks without being subjected to any discriminatory access or licensing fees from FTD. In fact, users of FAS's older Mercury interfaces will actually experience a significant reduction in Mercury fees by converting to the MNAPI. FAS users who have converted to the MNAPI have been able to reduce their Mercury access fee to \$84 per month—the same fee FTD charges users of its own technology. Furthermore, their savings have been even greater because they've been able to eliminate the phone line(s) they were using for Mercury, credit cards, support, and for integrating multiple shop locations. If you have not yet converted to the MNAPI, please call FAS immediately in order to make arrangements for doing so prior to the April 30<sup>th</sup> deadline.

## **Streamlined Sales Tax Project**

The Streamlined Sales Tax Project (SSTP) was begun about eight years ago as an effort to standardize the definitions and rules concerning the collection and payment of sales taxes. Briefly stated, the SSTP basically requires that retailers charge and pay sales tax based upon the destination of the product. Many states, including Louisiana, do not require their local retailers to charge sales tax on sales that are made outside of the retailer's resident state. Consequently, large Internet-based retailers and catalog companies that sell and ship their products nationwide are frequently not required to charge sales tax on a substantial portion of their customers' purchases. Under proposals of the SSTP, these retailers would be required to charge sales tax on all sales based upon the customer's location and to pay that sales tax to the taxing authorities where the customer resides. These changes would generate billions of dollars in new taxes for various taxing authorities. As a general retail business owner, you can understand how challenging it would be to implement this policy, even for the largest of companies with virtually unlimited resources.

As a florist, you should be particularly concerned about the SSTP. Because of the wire orders you transmit all across the United States, the SSTP could affect you in ways that it would not affect the restaurant or hardware store located across the street from your shop. Currently, florists operate under their own sales tax regulations, which are very similar in virtually every state that has sales tax. The laws simply state that when a florist takes an order that is sent to another shop for delivery, the sending shop charges the local sales tax and the filling shop charges no sales tax. Clearly, if florists are required to adopt the rules of the SSTP, your business will change drastically. You could be responsible for collecting and paying sales taxes to thousands or perhaps tens of thousands of different cities, school boards, counties/parishes,

and states. This task would also challenge FAS from the technology perspective, as FAS would be required to develop software to implement these policies.

Fortunately, according to information printed in the August, 2007, issue of *Floral Management*, the SSTP has granted an extension of existing floral sales tax rules until December 31, 2009. Hopefully, florists will either be allowed to permanently continue to operate under the current rules for florists, or the SSTP will exempt smaller retailers whose sales volumes fall under some established level, e.g. \$1-\$5 million in annual sales, effectively exempting the vast majority of florists from these demanding requirements. FAS will continue to monitor this situation and take whatever steps are necessary to allow you to comply with any changes mandated by the SSTP.

### **Increase Profits & Improve Customer Service**

I've had a number of shops recently send me their wire service statements and ask that I review their credit card activity detailed on the statements. A review of the statements indicated that the programs weren't as beneficial as one may have expected. One very large shop was paying a base discount rate of 2.57% and transaction fees of \$0.24 per MasterCard, Visa, and Discover transaction, and \$0.51 per American Express transaction. Another shop had a base discount rate of 3.01% and was paying transaction fees of \$0.34 per MasterCard, Visa, and Discover transaction, and \$0.61 per American Express transaction. Including the transaction fees and the "Credit Card Zero % Discount" rebate, the latter shop was paying an effective discount rate of 3.09%.

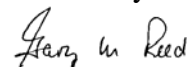
FAS's FAScash credit card program charges a discount rate of 1.85% for swiped transactions and 2.25% for non-swiped transactions. The transaction fees are \$0.20 for MasterCard, Visa, and Discover transactions and \$0.15 for American Express—well below the rates discussed above.

Furthermore, FAScash allows a shop to reduce these costs even more by providing true debit card processing. The shops mentioned above are paying the same high discount rates on debit card transactions that they are paying on credit card transactions. For example, these shops are paying about \$1.50 to accept a debit card for a \$50 order. By having the customer enter a valid PIN through FAScash however, you could process that same transaction for about \$0.50-\$0.60 (depending upon the issuing network), saving almost \$1 per transaction! This feature requires the use of a PIN pad at the cash register. FAS sells the PIN pad for \$150, but as you can see, this cost would be quickly recovered through the reduction of debit card processing fees.

In addition to increasing profits by reducing costs, FAScash's high-speed credit card program allows you to drastically improve customer service and productivity. Dial-up credit card systems can take 15-30 seconds to authorize a card—an eternity when you've got customers lined up at the front counter. Users of FAScash's high-speed program authorize a card in about 1 second, and deposits are made in a matter of seconds over a high-speed Internet connection

You can learn more about FAS's products by visiting our web site ([www.fasinc.org](http://www.fasinc.org)) or by calling (800) 830-6160. Thanks.

Yours truly



Gary M. Reed  
President