

FAS *Floral Accounting Systems, Inc.*

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Dear FAS User,

As I wrote earlier this year, FAS has been celebrating its 25th anniversary in 2009, and this has been an exciting year. In April, FAS announced the general release of FASwin, FAS's Windows-based software. More recently FAS has converted its Dove interface to a high-speed Internet-based application, allowing FAS customers to automatically and seamlessly process both Teleflora Dove and FTD Mercury orders over a high-speed Internet connection without having to manually re-enter incoming or outgoing orders. And **on September 17th, FAS's new Version 2010 software was recognized as being one of only two systems in the floral industry that is compliant with the Payment Card Industry Security Standards Council (Council) Payment Application Data Security Standard (Standard)**. The Standard is a set of security policies, procedures, and protocols developed by the Council in order to protect sensitive credit/debit cardholder data from fraudulent access and abuse. The Standard contains a rigorous set of requirements dictating how software must process and store credit card information, how your physical computer network must protect against intrusion from unauthorized agents, how system users must implement the Standard within their respective businesses, and much more. The credit card companies are requiring that merchants comply with the Council's Data Security Standard. All payment applications, including POS systems, credit card processing systems, etc., in all industries must be validated as being Standard-compliant in order to continue to process credit cards. Simply stated, if a system allows the user to input and process a credit card, then that system must be certified as being compliant with the Standard, regardless of whether the system uses third-party software for credit card processing or not. Teleflora's Dove POS is the only other floral system that has been recognized as being compliant with the Standard. The Council's actual List of Validated Applications can be viewed online at https://www.pcisecuritystandards.org/security_standards/vpa/. There you will find an alphabetical listing of validated systems. *Systems that are not listed on the Council's List of Validated Applications are **not** certified*, in spite of any non-listed vendor's claims that it is Standard-compliant or that it meets or exceeds the relevant security regulations and standards. Retailers who find that their customers' credit card data has been compromised can be subjected to huge fines and penalties. Banks and credit card processors can terminate a non-compliant merchant's ability to accept and process credit cards, virtually putting even the largest of retailers out of business until compliance is achieved. For more information about these issues visit <https://www.pcisecuritystandards.org/>.

So many times, when you get a letter from a vendor telling you what a great deal he provides, you can usually skip ahead to the last paragraph of the letter to find an announcement of some fee increase. This is NOT that kind of letter. FAS is not raising its fees. However, I thought I would take an opportunity during these challenging economic times to point out the value that FAS continues to provide its users. For example, a new FAS system today provides hundreds of times more functionality than the FAS system we originally designed 25 years ago, yet a new

FAS system today costs less than half of what a similarly configured system would have cost back then. Not many companies can say that. In stark contrast, some of FAS's competitors have raised their fees more than ten-fold during the last 10-12 years.

FAS developed the FASnet order transmission network over 20 years ago. The monthly access fee for FASnet at the time of FASnet's introduction was \$25, and the transaction fees were \$0.25 for orders sent to electronic receivers and \$0.95 for orders relayed by FASnet operators through the FASnet call center. FAS has *never* raised those fees during the history of FASnet's existence, and those are still the rates florists pay today! Again, the costs of competing floral network services have skyrocketed during that same period.

Only once, many years ago, has FAS adjusted its maintenance fees. When we adjusted the fees many years ago, fees for smaller shops went down, fees for larger shops increased slightly, and fees for most shops remained about the same. We also combined certain services into the maintenance program, so the difference in a florist's *net* payment was not significant. For example, shops that were on FAS's comprehensive maintenance program no longer paid the \$25 monthly access fee for FASnet.

At the same time that FAS has kept its prices low and provided ever-greater value with its products, FAS has continued to invest significantly in the infrastructure that has allowed it to provide a higher level of quality service to its customers. For example, FAS recently made a major investment in its communications infrastructure, significantly increasing the number of lines that florists can use to reach us and quadrupling the speed of the Internet service used to provide access to FAS's web servers. Last year FAS invested in a larger backup electrical generator to help ensure that we can be here and operating when you need us, regardless of what the conditions are in Ruston. When there is a loss of electrical power, the generator, fueled by natural gas, automatically switches on to provide power to FAS's office, allowing FAS to service its customers virtually without interruption.

FAS currently has the largest support staff it's ever had—not because of any new problems being experienced by our users, but because of our ever-growing customer base and because of our desire to provide a higher-level of quality customer support. Some of FAS's competitors have cut back their customer service staffs.

FAS has also made other significant investments on behalf of its customers. For example, FAS has had to undertake tremendous efforts to retain access to other floral networks for its customers, and there were substantial costs associated with those efforts. But FAS did not pass along to its customers even one cent of the cost of securing your network access.

Similarly, FAS has borne the significant costs of ensuring that its customers can comply with the incredibly burdensome rules and regulations that the credit card industry has mandated for processing credit cards. Ultimately, the liability for failing to comply with these rules and regulations falls upon the retailer who accepts credit card payments. Individually, it could cost each FAS user thousands or tens of thousands of dollars to verify compliance, but FAS has taken steps to ensure compliance on behalf of its customers. The cost of achieving and maintaining system compliance has essentially become never-ending for FAS and other system providers, as FAS and other technology vendors will be required to continue their compliance and registration efforts. However, FAS has no intention of passing along to its customers any of the substantial costs that FAS has incurred for the purpose of protecting its users' businesses.

Remember the Y2K panic? Some technology vendors took advantage of that situation to force their users to scrap their older systems and purchase entire new systems in order to be Y2K-compliant. But FAS developed a “work-around” for the Y2K bug that allowed its users to continue to use their existing systems which were not hardware Y2K-compliant. Similarly, some vendors are requiring their users to purchase new systems yet again in order to comply with the Payment Card Industry Data Security Standard. FAS customers however, will be able to achieve compliance by simply using FAS’s Version 2010 software. FAS users have saved thousands or tens of thousands of dollars compared to some of their colleagues who have had to repeatedly purchase new systems. As tough as the economy currently is, how much tougher would things be if you repeatedly had to re-invest in new technology?

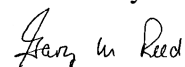
FAS has also provided new technology that has allowed its customers to increase productivity and reduce costs, and much of that technology has been provided at no charge to FAS customers. For example, the Internet-based FAScash credit card program allows a shop to pay lower discount rates, lower transaction fees, lower debit card fees, and get much faster response times, and that software has been provided to FAS users free of charge. Converting to FAS’s Internet-based Mercury interface allows a shop to reduce its Mercury fees by \$100-\$200 a month, and that software was also provided to users of FAS’s dial-up Mercury interface free of charge. As mentioned above, FAS has converted its Dove interface to an Internet-based interface, and that new software will be provided to FAS maintenance subscribers at no cost. These new features also allowed shops to eliminate 1-4 phone lines. Cumulatively, these additional savings could easily amount to thousands of dollars *each and every year*.

FAS’s FASwin software has also been provided to FAS users at no charge. As described in a couple of other situations above, users of other systems have had to scrap their previous investments and once again buy entire new systems to have this type of increased functionality.

FAS is very much aware of the difficult challenges being faced by florists and by other small businesses in today’s uncertain economic environment. Unlike the owners of some of the other companies that provide floral technology to our industry, I *personally* talk to our customers and potential customers every day. I know that things are tough out there. Instead of continually inventing new fees or continually raising old fees or continually forcing its customers to purchase new systems, FAS has done and will continue to do everything possible to provide the maximum value to its customers while keeping costs as low as possible. So, before you consider converting to a “free” system (for which a vendor charges you hundreds of dollars a month on your statement) or to a system that will “get you more orders” (the same orders being offered to every other shop in your town), please take a good, long, hard look at the benefits and value shops have received through FAS for over 25 years.

For more information about FAS and its products, please visit our web site at www.fasinc.org or call (800) 830-6160. Thanks.

Yours truly



Gary M. Reed
President