

**Heartland Q&A**  
**November 9, 2009**

**Continuing Our War on “Junk Fees” and Urging Business Owners  
Not to Fall Prey to VeriFone’s False Claims**

**Q: What is VeriFone attempting to do?**

A: VeriFone is attempting to lure our customers with false information because we refuse to charge merchants an unnecessary recurring – or “junk” – fee.

**Q: What is a “junk fee?”**

A: A junk fee is an unnecessary fee that provides no added value or service.

Many processors charge needless junk fees to line their own pockets. The list is endless and includes charges that bring no added value or service – fees like “PCI compliance fees,” “PCI non-compliance fees,” “warranty fees,” “peak season fees,” “batch fees,” “membership fees” and more.

**Q: What kind of recurring junk fee is VeriFone trying to impose?**

A: The junk fee revolves around Heartland’s impending launch of a new, state-of-the-art end-to-end encryption solution – “E3™” – and our E3 terminal. E3 is designed to encrypt card data at the card swipe, to and through the processing network ... and to the card brands.

In line with our goal of furthering the security of payment transactions, we are working to partner with other terminal and point-of-sale vendors to implement E3. We offered VeriFone the opportunity; however, VeriFone wanted to impose an unprecedented per-transaction fee/tax never before levied on processors, merchants or consumers – a junk fee that comes with no added value or acceptance of any responsibility.

This arbitrary fee would tax merchants – and ultimately consumers – for the enhanced security Heartland is offering with no junk fees. VeriFone’s fee would not deliver any additional or value-added services to our merchants or consumers. Rather, it would likely help VeriFone CEO Doug Bergeron move the company into the recurring revenue business model he has promised his investors. Apparently, Bergeron has not yet figured out how to do that in a way that will add value to merchants or consumers.

**Q: Is Heartland charging its customers junk fees related to E3?**

A: No. Heartland is offering E3 technology to its customers without junk fees. Accordingly, and in line with The Merchant Bill of Rights, Heartland is not willing to pay VeriFone a new recurring junk fee for E3 and pass it onto our customers or consumers.

**Q: What was VeriFone’s reaction to our refusal to its junk fee?**

A: Our refusal to pass new VeriFone-imposed junk fees onto our customers has angered VeriFone’s CEO and led the terminal manufacturer to make false claims about our service. These claims have included out-of-context quotations from our litigation against

VeriFone and irresponsible allegations about using VeriFone’s technology to bring a more secure payments infrastructure to the United States. Heartland is committed to respecting the intellectual property rights of others and expects to have its intellectual property rights respected as well.

**Q: What other demands did VeriFone make?**

A: In addition, VeriFone did not want us to work with other manufacturers to produce E3 terminals and demanded we use them as our sole E3 terminal provider. This is counter to our objective of making E3 quickly and widely available to merchants. Our refusal to have an exclusive arrangement with VeriFone further infuriated the company.

**Q: What was the effect of Heartland’s refusal to have an exclusive arrangement with VeriFone?**

A: VeriFone threatened to attack us if we refused to do business its way and decided to try to punish us by using its dominant market position. As such, VeriFone has stopped selling us terminals and supporting existing ones despite its contractual obligations to do so.

**In addition, the company is deliberately attempting to confuse our customers by making false claims that we cannot service VeriFone equipment. VeriFone also wrongly asserts that we expect our merchants to contact VeriFone for direct support.** VeriFone planted these falsehoods in a deceptive news release issued just 30 minutes prior to our earnings call last Tuesday, November 3. False inferences were based on VeriFone’s “discovery” of a paragraph taken out of context from our September 16 complaint against the company for violating its contractual obligations to us. That was just the start of a fabricated story fraught with outright lies – VeriFone’s attempt to disrupt our company and confuse our merchants.

**Q: What kinds of lies is VeriFone making?**

A: One such lie is the claim that Heartland is no longer able to support VeriFone terminals.

**Q: Is it true Heartland can no longer support VeriFone terminals?**

A: This is not true. Rather it is VeriFone’s reaction to the impending launch of our E3 terminal. VeriFone cannot compete with our offering on quality or price. And, since VeriFone is not a processor, it cannot protect data beyond Zone 1 of the five zones of encryption. Additionally, Heartland’s cryptographic solutions, our key management structure, our operating systems and applications software – as well as our business model – are superior to VeriFone’s.

**Q: Why is VeriFone making this false claim that Heartland can no longer support VeriFone terminals?**

A: VeriFone is apparently frightened that E3 is going to reduce its market dominance in this country. That's why VeriFone is asking our merchants for confidential information about their businesses and falsely stating that Heartland wants VeriFone to do this.

**Q: Why is VeriFone asking Heartland customers for confidential business information?**

A: The information VeriFone is collecting has nothing to do with VeriFone's provision of "free" service. Rather, it's VeriFone's ploy to gather information about our customers so it can provide them to our competitors as new business leads in an effort to take business from us. Fortunately, most of our customers are able to sort out the truth and will not fall for these egregious tactics.

**Q: What are the facts?**

A: The facts are:

- **Heartland is fully capable – and will remain fully capable – of servicing our customers.**

In fact, VeriFone is not able to support our customers because our customers operate on Heartland's proprietary payments processing platforms. To repair a terminal, VeriFone would have to bring in another processor, requiring our merchant to break its contract with us as a terminal without full connectivity to the network is useless.

- **Heartland is the only entity that can provide full service – including ongoing service of VeriFone terminals – to our customers.**

This means servicing of VeriFone-related issues is not – and will not be – impacted by VeriFone's false claims. We have already made arrangements to purchase VeriFone terminals and parts from third-party distributors, thereby ensuring our ability to make any necessary repairs or replacements.

- **Heartland customers should NOT register for "uninterrupted continuation of support" as promoted by VeriFone.**

This is a scheme to lure business owners into providing confidential information that could be put at risk. There is no reason a hardware manufacturer needs that kind of data other than for the purpose of passing it to our competitors and VeriFone's partners as new business leads.

**Q: What should Heartland customers who are concerned about support of their VeriFone terminals do?**

A: Any customers using VeriFone terminals who are concerned about VeriFone support should contact the Heartland Service Center at 866.976.1343.

They may qualify for a terminal upgrade.

**Q: What is Heartland's business philosophy?**

A: Since Heartland's founding in 1997, we have been committed to ethical business practices and offering fair and transparent pricing to merchants. We take the responsibility of protecting our customers and merchants seriously, and merchants across America have responded by helping us grow from the 62nd largest merchant processor to the 5<sup>th</sup>. Thanks to our straightforward and fair-dealing business model, we expect to qualify as a Fortune 1000 company based on our 2009 revenues.

Heartland will not deviate from our ethical business practices. We will continue to protect our merchants and urge them not to fall prey to false tactics and claims that will increase their expenses and unnecessarily divert them from their business operations.