

Pricing Overview



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Agenda



Pricing Plans

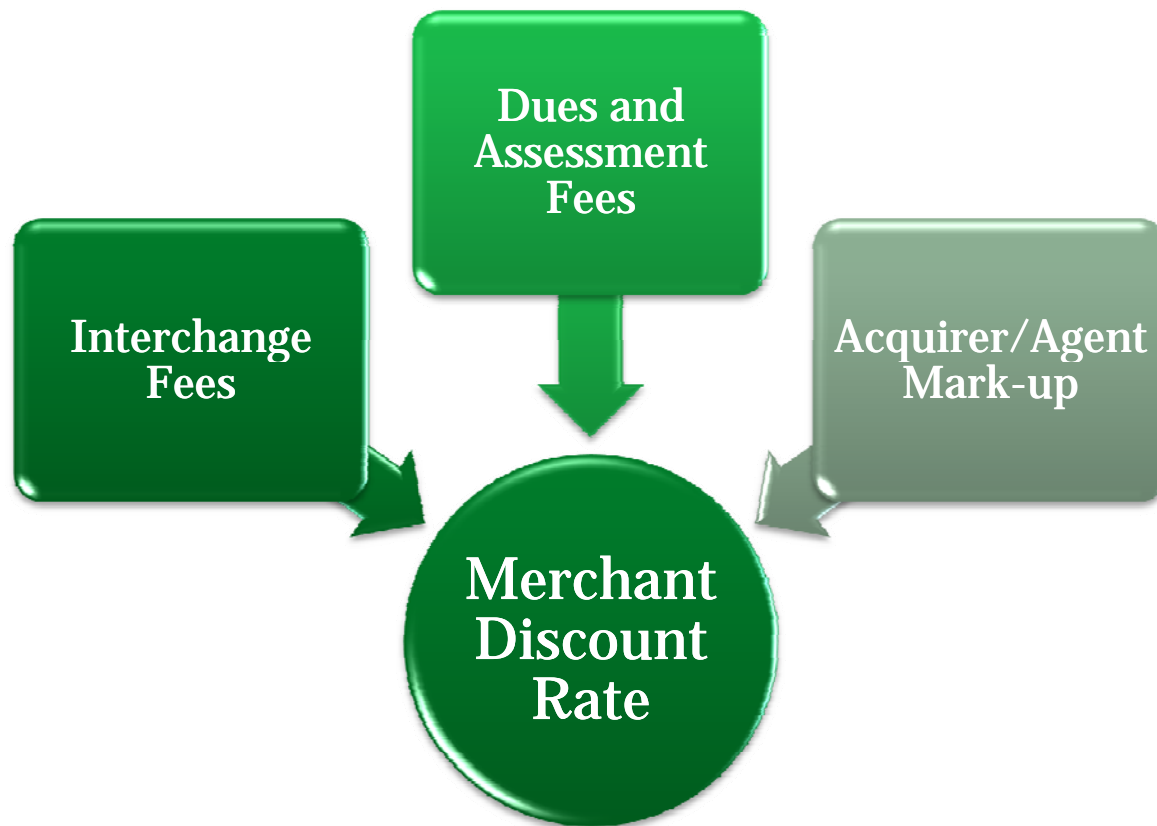
- Tiered Pricing
- Interchange Plus

Billing Options

- Month End Billing
- Daily Billing

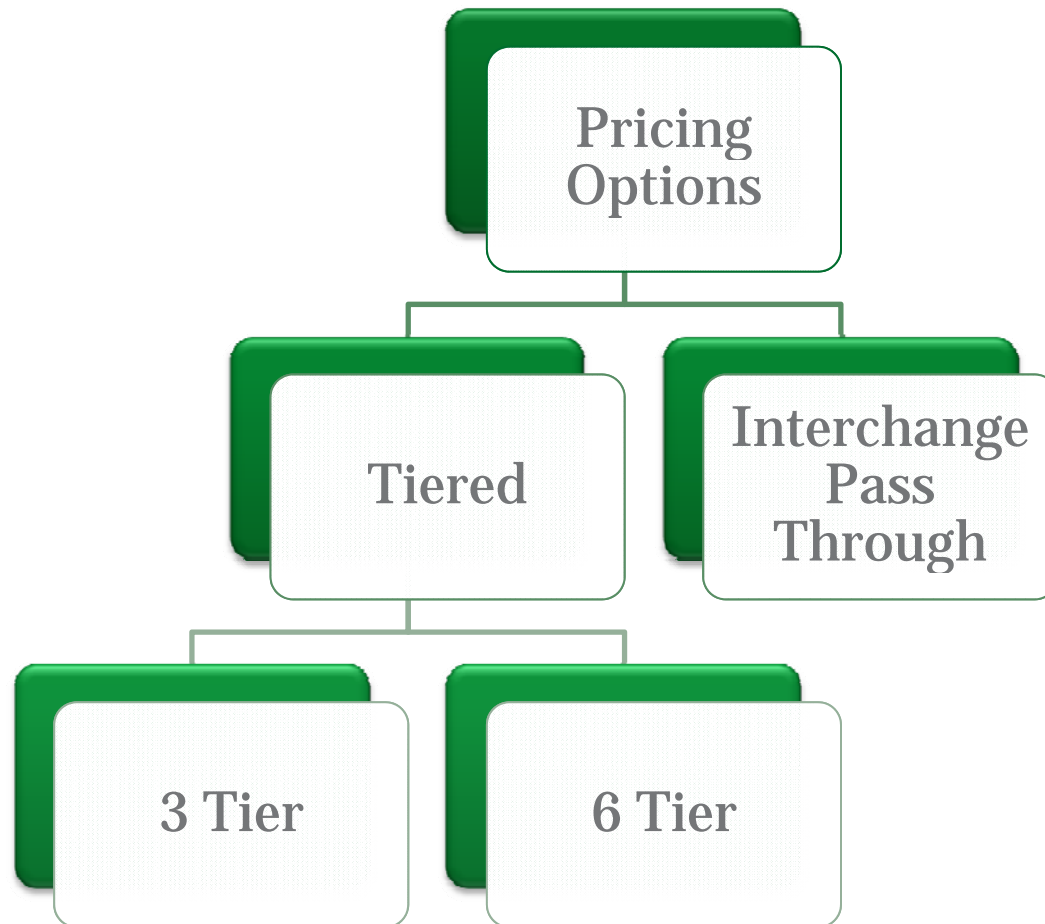
Bundled and Effective Rates

Merchant Discount Rate



Interchange goes to Issuer. Dues and Assessments are paid to the Card Associations.

Pricing Methodologies



Three Tier Pricing



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What is Three Tier Pricing?

Definition: The three tier pricing model functions by grouping hundreds of interchange categories down to just three rates also known as 'buckets'.



Three Tier Overview



Qualified Bucket

- Consumer Credit and Signature Debit Cards
- Swiped Consumer Cards

Mid Qualified Bucket

- Rewards Cards
- Card Not Present, Keyed or eCommerce

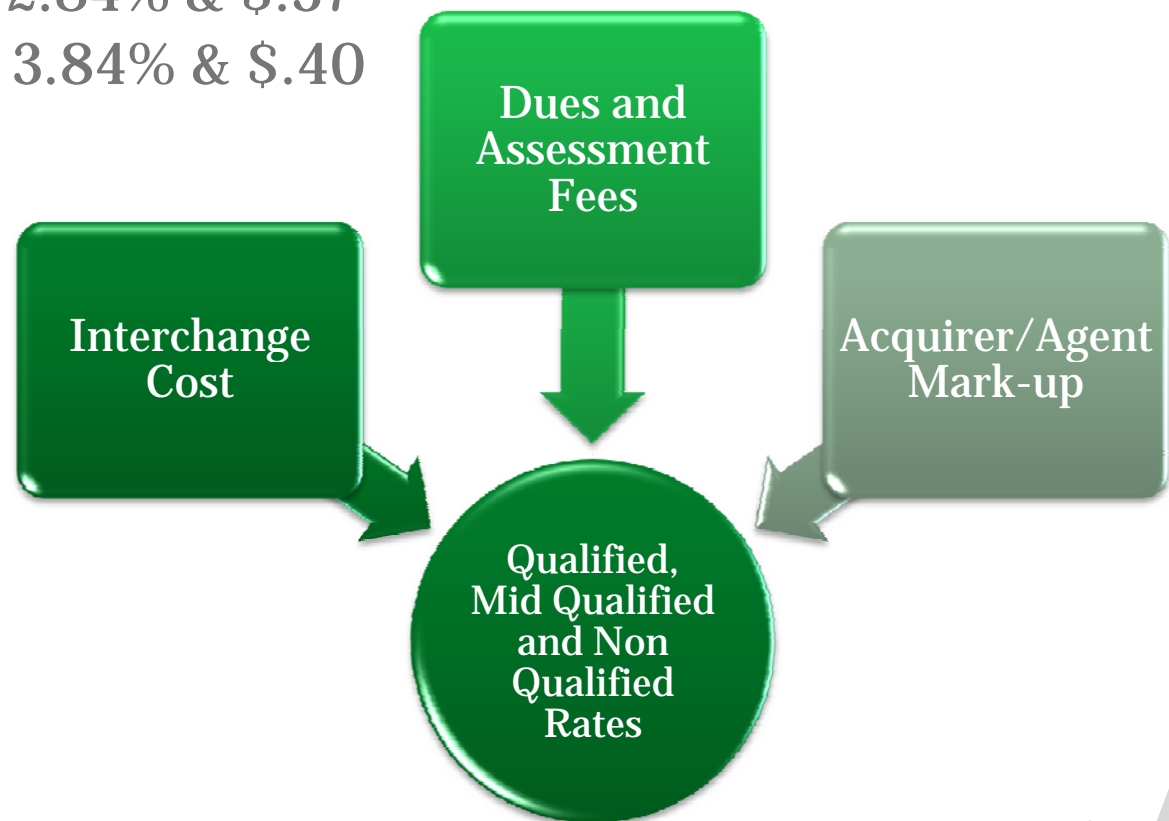
Non Qualified Bucket

- Corporate, Government and Foreign Cards
- Late batches, no AVS provided, etc.

Three Tier

Example

- Qualified Rate 1.85% & \$.25
- Mid Qualified Rate 2.84% & \$.37
- Non Qualified Rate 3.84% & \$.40



Three Tier Example



Merchant Application



Pricing Schedule – Three Tier Example

PRICING SCHEDULE		
Pass Through		
Visa/MasterCard Basis Points	<input type="text"/>	Visa/MasterCard Per Auths
Discover Basis Points	<input type="text"/>	Discover Per Auth
Tiered	Discount	Per Auth
Visa/MasterCard Check Card Qualified	<input type="text"/>	<input type="text"/>
Discover Card Check Card Qualified	<input type="text"/>	<input type="text"/>
Visa/MasterCard Credit Card Qualified	1.85	.25
Discover Credit Card Qualified	1.85	.25
Visa/MasterCard/Discover Reward Card Qualified	<input type="text"/>	<input type="text"/>
Visa/MasterCard/Discover Mid-Qualified (Rate in addition to qualified)	.99	.12
Visa/MasterCard/Discover Non-Qualified (Rate in addition to qualified)	1.99	.15

Six Tier Pricing



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What is Six Tier Pricing?

Definition: The six tier pricing model functions by grouping hundreds of interchange categories down to just six rates also known as ‘buckets’.



Six Tier Overview

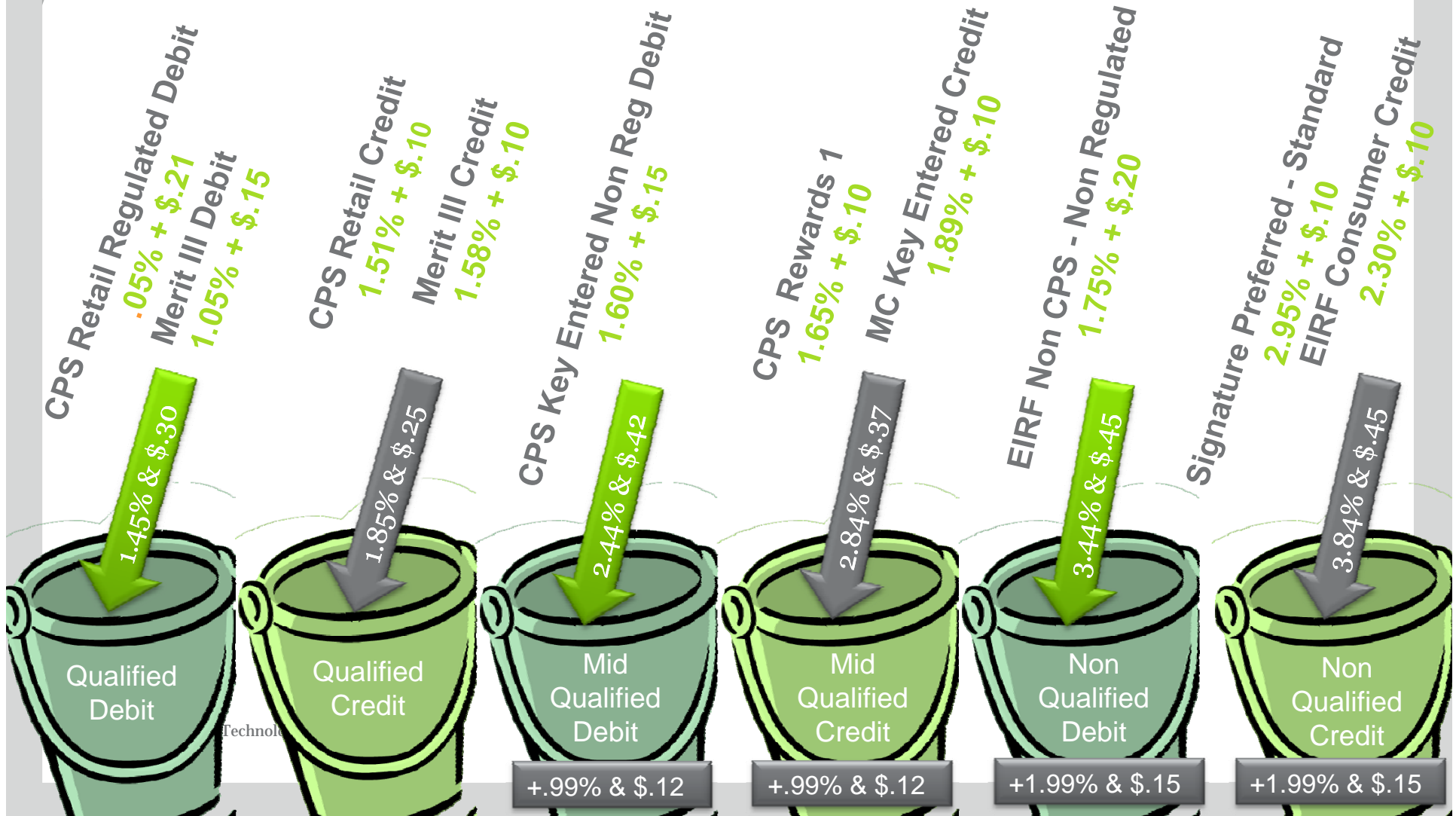


- Qualified Check Card Rate – 1.45 and \$.30
- Qualified Credit Card Rate – 1.85% and \$.25

- Mid Qualified Check Card Rate – 2.44 and \$.42
- Mid Qualified Credit Card Rate – 2.84 and \$.37

- Non Qualified Check Card Rate – 3.44% and \$.45
- Non Qualified Credit Card Rate – 3.84% and \$.40

Six Tier Example



Pricing Schedule



Pricing Schedule – Six Tier Example

Tiered	Discount	Per Auth
Visa/MasterCard Check Card Qualified	1.55%	\$.25
Discover Card Check Card Qualified	1.55%	\$.25
Visa/MasterCard Credit Card Qualified	1.85%	\$.25
Discover Credit Card Qualified	1.85%	\$.25
Visa/MasterCard/Discover Reward Card Qualified		
Visa/MasterCard/Discover Mid-Qualified (Rate in addition to qualified)	+.99%	\$.25
Visa/MasterCard/Discover Non-Qualified (Rate in addition to qualified)	+1.89%	\$.25

Tiered Overview



- Qualified, Mid Qualified and Non Qualified buckets may vary depending on the processor.
- Merchant pays same rate for each tier irrespective of interchange.
- Interchange qualifications can greatly impact partners profitability.

Tiered Overview



- Three and six tier pricing models are the most common.
- Tiered pricing is a non-transparent pricing model
- Tiered pricing is typically used for small to medium sized businesses.

Pass Through Pricing



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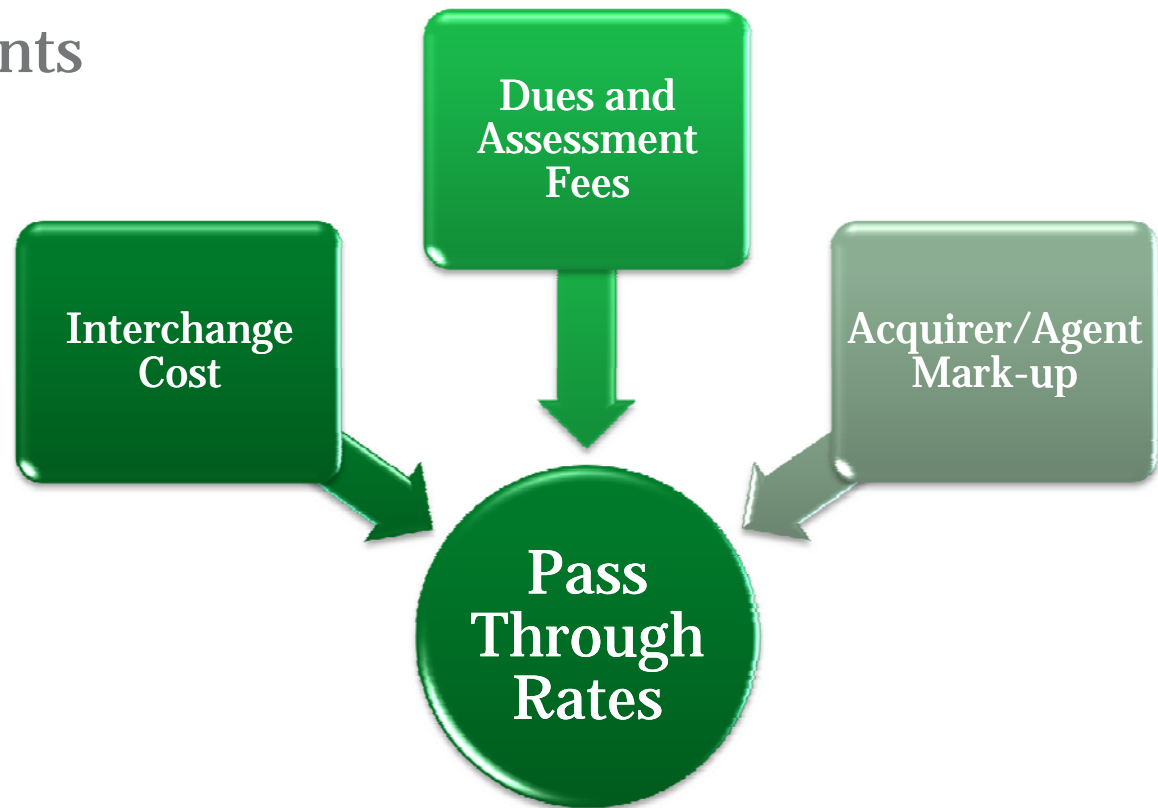
Pass Through

All cost and fees passed on to the merchant

- True Interchange costs
- Dues & Assessments

Also Know As

- Interchange
- Plus
- Cost Plus
- IC Plus



Pass Through



Partner can mark-up:

- Rate – Basis Point Mark-up
- Per item fee or Transaction Fee
- Both Discount Rate and Per Item Fee

Pass Through Example



Transaction Qualifies at 1.54% and \$0.10

Three ways to price the merchant:

1. Add 20 Basis Points
 - 1.54% and \$0.10 + **.20%** = 1.74% and \$0.10
2. Add \$.25
 - 1.54% and \$0.10 + **\$0.25** = 1.54% and \$0.35
3. Add 20 Basis Points and \$0.07
 - 1.54% and \$0.10 + **.20%** + **\$0.07** = 1.74% and \$0.17

Pass Through



Pass Through

- No 'downgrade' concept with this pricing method.
- Interchange is simply 'passed through' to merchant.
- Profit margins are preserved
- Ideal for larger merchants.
- Profits are easier to calculate.

Trade-offs



	<u>Tiered</u>	<u>Pass Thru</u>
Pros	<ul style="list-style-type: none">• Very simple• Downgrades easy to explain• Hard for competitor to analyze• Downgrade income	<ul style="list-style-type: none">• Guaranteed margin• Interchange updates simple
Cons	<ul style="list-style-type: none">• Margin not guaranteed• Interchange updates complex• Involved pricing management	<ul style="list-style-type: none">• No downgrade income• Hardest for merchant to understand• Easy for competitor to analyze

Pricing – Amex OnePoint



Amex Fees:

- Discount Rate
- Transaction Fee
- Card Not Present (CNP) Downgrade
- Inbound Fee

Sterling Fee

- T&E Authorization Fee
- Refer to Amex QRC



Appendix B: American Express U.S. Merchant Pricing Quick Reference Card and Signing Guidelines (Effective April 19, 2013)

Industry	Discount	Prepaid Discount
B2B	2.89% plus \$0.15 Transaction Fee*	1.95% plus \$0.15 Transaction Fee*
Education	2.50%	1.95%
Fast Food Restaurant	3.50%	1.95% plus \$0.05 Transaction Fee*
Independent Gas Stations	3.25%	1.30% plus \$0.12 Transaction Fee*
Lodging	3.50%	1.95% plus \$0.05 Transaction Fee*
Mail Order & Internet	3.50%	2.25% plus \$0.20 Transaction Fee*
Office-based Healthcare	2.65% (only for MCC 8011, 8021; for all other Healthcare see Services, Wholesale & All Other)	1.95% plus \$0.30 Transaction Fee*
Other Transportation	3.50%	1.95% plus \$0.20 Transaction Fee*
Restaurant**	3.50% plus \$0.05 Transaction Fee*	1.95% plus \$0.05 Transaction Fee*
Retail**	2.89% plus \$0.10 Transaction Fee*	1.95% plus \$0.20 Transaction Fee*
Services, Wholesale & All Other	2.89% plus \$0.15 Transaction Fee*	1.95% plus \$0.15 Transaction Fee*
Supermarkets	2.30%	0.45% plus \$0.20 Transaction Fee*
Telecommunications	3.50%	1.95% plus \$0.20 Transaction Fee*
Telecommunications - Cable/Computer Network	3.90%	1.95% plus \$0.20 Transaction Fee*
Travel Agencies/Tour Operators**	2.89% plus \$0.15 Transaction Fee*	1.95%

*Fee to be applied by American Express

**0.30% downgrade will be charged by American Express for transactions whenever a CNP or Card Not Present Charge occurs. CNP means a Charge for which the Card is not presented at the point of purchase (e.g., Charges by mail, telephone, fax or the Internet). Note: The CNP Fee is applicable to transactions made on all American Express Cards, including Prepaid Cards.

An Inbound fee of 0.40% will be applied on any Charge made using a Card, including Prepaid Cards, that was issued outside the United States (as used herein, the United States does not include Puerto Rico, the U.S. Virgin Islands and other U.S. territories and possessions). This fee is applicable to all industries listed in Appendix B, except Education in the following categories: Sporting & Recreation Camps (MCC 7032), Elementary & Secondary Schools (MCC 8211), Colleges, Universities, Professional Schools (MCC 8220), and Child Care Services (MCC 8351).

Pricing – Amex OnePoint



Amex Rates

- Dictated by Amex and not negotiable by the merchant
- Pricing is based on MCC
- Amex pricing is the same for every processor
- Authorization Fee for Amex must be less than or equal to the Authorization Fee for all other Card Brands.

Pricing – Amex OnePoint



MPA (Version 5/13)

- Amex T&E Fee must be equal to or less than Visa, MasterCard, Discover Auth Fees.

EXISTING AMERICAN EXPRESS ESA OR CAP#

Existing American Express #:

Order New
Amex OnePoint

AMERICAN EXPRESS

By signing below, I represent that I have read and am authorized to sign and submit this application for the above entity, which agrees to be bound by the American Express® Card Acceptance Agreement ("Agreement"), and that all information provided herein is true, complete, and accurate. I authorize Sterling Payment Technologies and American Express Travel Related Services Company, Inc. ("AXP") and AXP's agents and Affiliates to verify the information in this application and receive and exchange information about me personally, including by requesting reports from consumer reporting agencies from time to time, and disclose such information to their agent, subcontractors, Affiliates and other parties for any purpose permitted by law. I authorize and direct Sterling Payment Technologies and AXP and AXP's agents and Affiliates to inform me directly, or inform the entity above, about the contents of reports about me that they have requested from consumer reporting agencies. Such information will include the name and address of the agency furnishing the report. I also authorize AXP to use the reports on me from consumer reporting agencies for marketing and administrative purposes. I am able to read and understand the English language. I understand that upon AXP's approval of the application, the entity will be provided with the Agreement and materials welcoming it either to AXP's program for Sterling Payment Technologies to perform services for AXP or to AXP's standard Card acceptance program which has different servicing terms (e.g. different speeds of pay). I understand that if the entity does not qualify for the servicing program that the entity may be enrolled in AXP's standard Card acceptance program and the entity may terminate the Agreement. By accepting the American Express Card for the purchase of goods and/or services, or otherwise indicating its intention to be bound, the entity agrees to be bound by the Agreement.

Owner/Officer 1 from Application (Signature)

Date

Owner/Officer 2 from Application (Signature)

Date

PRICING SCHEDULE

Pass Through

Visa/MasterCard Basis Points _____

Visa/MasterCard Per Auths _____

Discover Basis Points _____

Discover Per Auth _____

Tiered	Discount	Per Auth
Visa/MasterCard/Discover Check Card Qualified		
Visa/MasterCard/Discover Credit Card Qualified		
Visa/MasterCard/Discover Reward Card Qualified		
Visa/MasterCard/Discover Mid-Qualified (Rate in addition to qualified)		
Visa/MasterCard/Discover Non-Qualified (Rate in addition to qualified)		
American Express	Discount	Per Trans
American Express Discount Rate*		
American Express Prepaid Rate		
Retail, Restaurants, and Travel Agencies/Tour Operators will be charged an additional [30] basis points for non-swiped American Express Card transactions. 0.40% will be added for charges made using a Card, issued outside the US. This fee is applicable to all industries except on business types: MCC 7032, 8211, 8220, and 8351.		
T&E Authorization Fee		

Billing Options



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Merchant Billing



Billing Options

- Daily versus Monthly Billing
- Month End Billing

Bundling Rates

- Bundled

Billing Options



Daily Discount

Fees for processing VISA, MasterCard and Discover transactions are deducted daily for the previous day's processing.

Page 1 of 3
Merchant ID: [REDACTED]
P.O. Box 2047
Tampa, FL 33622-0407
06/01/2012 - 06/30/2012

Merchant Processing Statement

Billing Questions / Technical Support / Supplies
Contact customer service at
(800) 383-0561
or customer.service@sterlingpayment.com.
You may also access your Merchant Processing Statement at
www.sterlingpayment.com
Thank you for choosing Sterling Payment Technologies, LLC

Post Date	Day	Bankcard/Voyager Sales	Returns	Debit/EFT	Interchange	Net Amount	Submit	Effective
06/01	Fri	363.00	-4.46	-2.70	355.84	355.84	06/01	06/04
06/02	Sat	306.00	-4.33	-1.62	299.05	299.05	06/02	06/05
06/03	Sun	565.00	-13.80	-3.51	547.69	547.69	06/03	06/05
06/05	Tue	212.00	-5.23	-1.35	205.42	205.42	06/05	06/06
06/06	Wed	352.00	-8.08	-2.16	341.76	341.76	06/06	06/07
06/07	Thu	212.00	-3.98	-1.62	206.40	206.40	06/07	06/08
06/08	Fri	326.00	-7.00	-1.89	317.11	317.11	06/08	06/11
06/09	Sat	509.00	-10.80	-3.51	494.69	494.69	06/09	06/12
06/10	Sun	409.00	-10.02	-2.43	396.55	396.55	06/10	06/12
06/12	Tue	244.00	-6.53	-2.43	235.04	235.04	06/12	06/13
06/13	Wed	376.00	-9.75	-2.16	364.09	364.09	06/13	06/14
Totals		\$4,472.00	\$0.00	\$0.00	\$3,944.76	\$3,944.76		

* Deductions: Debit & EFT funding is included with Bankcard/Voyager. The transaction fees are billed separately by Sterling.
† Dates: Post Date = Date of the next 8:00 AM (Eastern) cutoff time following the closing of your batch.
‡ Submit Date = Date that Sterling initiates the direct deposit into your bank account.
§ Effective Date = Date that deposit should post to your bank account. Your bank may choose a different date.

This is not a bill. All fees have already been deducted.

Merchant Processing Statement

Billing Questions / Technical Support / Supplies
Contact customer service at
(800) 383-0561
or customer.service@sterlingpayment.com.
You may also access your information online at
www.sterlingpayment.com
Thank you for choosing Sterling Payment Technologies, LLC

Post Date	Day	Bankcard/Voyager Sales	Returns	Debit/EFT	Interchange	Tran Fees*	Other/Misc	Net Activity	Net Amount	Submit	Effective
06/01	Fri	363.00			-6.46	-2.70		353.84	353.84	06/01	06/04
06/02	Sat	306.00			-6.33	-1.62		298.05	298.05	06/02	06/05
06/03	Sun	565.00			-13.80	-3.51		547.69	547.69	06/03	06/05
06/05	Tue	212.00			-5.23	-1.35		205.42	205.42	06/05	06/06
06/06	Wed	352.00			-8.08	-2.16		341.76	341.76	06/06	06/07
06/07	Thu	212.00			-3.98	-1.62		206.40	206.40	06/07	06/08
06/08	Fri	326.00			-7.00	-1.89		317.11	317.11	06/08	06/11
06/09	Sat	509.00			-10.80	-3.51		494.69	494.69	06/09	06/12
06/10	Sun	409.00			-10.02	-2.43		396.55	396.55	06/10	06/12
06/12	Tue	244.00			-6.53	-2.43		235.04	235.04	06/12	06/13
06/13	Wed	376.00			-9.75	-2.16		364.09	364.09	06/13	06/14

Billing Options



Monthly Discount

Fees for processing VISA, MasterCard and Discover transactions are deducted on the last day of the month.

STERLING Payment Technologies		Page 1 of 5	
P.O. Box 2527 Tampa, FL 33602-0257		Merchant ID: _____	
		03/01/2012 - 03/31/2012	
Merchant Processing Statement			
Billing Questions / Technical Support / Supplies Contact customer service at (800) 383-4561 or customer.service@sterlingpayment.com. You may also access your information online at www.sterlingpayment.com. Thank you for choosing Sterling Payment Technologies, LLC.			
Post Date	Bankcard/Voyager	Debit/ATM & Misc	Net
03/01 Thu	560.92		560.92
03/02 Fri	466.68		466.68
03/03 Sat	953.18		953.18
03/04 Sun	1,131.62		1,131.62
03/05 Mon	971.28		971.28
03/06 Tue	464.81		464.81
03/07 Wed	794.92		794.92
03/08 Thu	488.66		488.66
03/09 Fri	464.58		464.58
03/10 Sat	1,080.20		1,080.20
03/11 Sun	1,328.91		1,328.91
03/12 Mon	1,112.92		1,112.92
03/13 Tue	877.64		877.64
03/14 Wed	974.45		974.45
03/15 Thu	864.00		864.00
03/16 Fri	756.00		756.00
03/17 Sat	1,361.88		1,361.88
03/18 Sun	1,112.92		1,112.92
03/19 Mon	1,485.93		1,485.93
03/20 Tue	754.20		754.20
03/21 Wed	756.45		756.45
03/22 Thu	474.82		474.82
03/23 Fri	663.43		663.43
03/24 Sat	1,271.54		1,271.54
03/25 Sun	1,351.80		1,351.80
03/26 Mon	1,480.20		1,480.20
03/27 Tue	610.42		610.42
03/28 Wed	845.75		845.75
03/29 Thu	781.45		781.45
03/30 Fri	806.05		806.05
03/31 Sat	1,058.39		1,058.39
Totals:	\$28,502.11	\$0.00	\$28,502.11

Post Date	Bankcard/Voyager	Debit/ATM & Misc	Net	Net amount	Submit	Effective
03/23 Fri	663.43		663.43	663.43	03/23	03/26
03/24 Sat	1,271.54		1,271.54	1,271.54	03/24	03/27
03/25 Sun	1,351.80		1,351.80	1,351.80	03/25	03/27
03/26 Mon	1,480.20		1,480.20	1,480.20	03/26	03/27
03/27 Tue	610.42		610.42	610.42	03/27	03/28
03/28 Wed	845.75		845.75	845.75	03/28	03/29
03/29 Thu	781.45		781.45	781.45	03/29	03/30
03/30 Fri	806.05		806.05	806.05	03/30	04/02
03/31 Sat	1,058.39		1,058.39	-793.75	-469.84	-31.31
Totals:	\$28,502.11	\$0.00	\$28,502.11	\$0.00	\$-793.75	\$-469.84

* Deductions: Debit & EBT funding is included with Bankcard/Voyager. The transaction fees are billed separately by Sterling.
 ** Dates: Post Date = Date of the next 5:00 AM (Eastern) cutoff time following the closing of your batch.
 Submit Date = Date that Sterling initiated the direct deposit into your bank account.
 Effective Date = Date that deposit should post to your bank account. Your bank may choose a different date.

This is not a bill. All fees have already been deducted.

Month End Billing



Occurs the last day of the month

Assessed to all merchants whether on Daily or Monthly Discount Billing

Fees Examples

- Batch Fee
- Monthly Fee
- SPREE, Sterling Advantage
- PIN Based Debit

Effective Rate



Competitive Pricing Scenario

Effective Rate = Total Fees Paid / Total Volume

Effective rate includes most fees including:

- Monthly statement fee
- Batch fees

Excludes Amex volume and fees

Effective Rate Example



Fees divided by bankcard volume

- Fees: \$932.33
- Total Volume: \$40,523.74
- $\$932.33 / \$40,523.74 = .023007$
 - Move the decimal two places to the right
- Effective Rate = 2.30%

Conclusion



Pricing Methodologies

- Tiered
- Pass Through

Components of pricing

- Interchange plus 'Dues and Assessments'
- Sterling's fees to the partner must be taken into account.

Key driver when pricing an account:

- Average ticket, monthly volume, type of business, number of downgrades, number of transactions, etc.

Thank You



Questions?