

Bulletin Number: 2008-005

Date: June 13, 2008

Important: Keep a copy of this Bulletin with your contract file.

Re: Discover MAP Program Updates

On October 18, 2007, a bulletin was distributed announcing the end of the Discover EASI program and WPS's implementation strategy for Discover MAP (Merchant Acquiring Program).

MAP is the final transfer of processing responsibilities from Discover to WPS in which Discover Card acceptance becomes a standard offering along with Visa and MasterCard and is included in a consolidated merchant statement!

Additionally, WPS will assume all merchant support and setup functions formerly performed by Discover, including transaction processing/settlement, merchant services and voice authorization.

Improved Residual Opportunity!

The best news is that you have an opportunity to *increase* your residual income from Discover transactions under Discover MAP. Now, instead of a flat residual paid by Discover, your Discover residuals will be calculated in way similar to your Visa / MasterCard residuals and included on your monthly residuals report from WPS!



Special training webinars will be scheduled the week of June 16th to answer any questions that you might have about this bulletin and changes pertinent to our multi-phase integration plan in 2008.

Effective Date: June 25, 2008 for all New Merchant Accounts

New Merchant Accounts: Discover Card acceptance will be a standard offering for all new merchants along with Visa and MasterCard under the MAP program. ALL **NEW MERCHANTS**, submitted beginning June 25th for boarding on the following front-end and back-end platforms, will have their Discover accounts setup on the Discover MAP program. For merchants boarded on platforms other than those listed below, Discover will continue to be setup via IMAP (Interim Merchant Acquiring Program). Note that **ADDITIONAL LOCATIONS** for merchants originally setup under EASI or IMAP will be setup under IMAP.

Platform	Front End	Back End
WPS-East	TSYS	TSYS
WPS-West	TSYS	FNBO
WPS-West	Global	FNBO

Merchant Statements: WPS will process and settle Discover transactions, which will be incorporated into the existing merchant statement, along with Visa and MasterCard detail. Merchants benefit by receiving one consolidated statement!

Merchant Services: WPS Merchant Services will service Discover inquiries, including statement questions, retrieval requests, chargeback information, etc. When calling, Merchants will simply provide their existing Visa/MasterCard MID number. They do not need to provide their Discover MID.

Voice Auth: Merchants setup on Discover MAP will call the same Voice Authorization telephone number as they do for Visa/MasterCard. When doing so, they will simply use their Visa/MasterCard MID when getting a Voice Authorization for a Discover card. Merchants will not need their Discover ID to obtain Voice Authorization.

Merchant Application: **An updated Merchant Application and Terms/Conditions are attached to be used beginning June 25th.** The new application will allow you to setup merchants to accept Visa, MasterCard, Discover MAP and American Express. Hardcopies will be shipped within the next two weeks. A tab-and-type version will also be distributed. Note: The updated application includes the recent American Express changes and eliminates the need for the American Express Amendment. **Effective August 1, 2008 the new application MUST be used to avoid the pending of applications.**

Discover Amendment: A Discover Amendment (which also includes the recent American Express updates) is attached that can be utilized with the previous version of the application beginning June 25th and will be acceptable until July 31st. The Amendment is NOT required with the attached new application as it contains all required updates for Discover MAP and American Express. **Effective August 1, 2008 the new application MUST be used to avoid the pending of applications.**

Welcome/Start Up Kits: Welcome Kits will include applicable Discover updates to the Start Up Manual, Welcome Letter, Voice Authorization Sticker and Merchant Services Phone Number. Sales Groups who provide their own Welcome Kits will need to order the updated items.

Discover Pricing Components: Since all Discover Cards contain cash back rewards, the industry is generally treating Discover transactions similar to rewards cards and pricing them in the standardized **Mid-Qualified rate**. This approach will also allow you to **maximize** your residual opportunity.

- Discover Discount Rate: EQUAL to Visa/MasterCard Mid-Qualified Rate
- Discover Transaction Fee: EQUAL to the Visa/MasterCard Transaction Fee (not in addition to)
- Optional monthly Discover Access Fee: \$0-\$9.95 as described on page 4

In highly competitive situations, you have the flexibility to price the merchant using traditional Tiered pricing. When using tiered pricing, **it is important to note that Discover Interchange Rates are approximately 8 basis points higher than Visa/MasterCard**, based upon the attached Discover Interchange schedule. Also note that Tiered pricing will significantly reduce your residual opportunity.

MAG: MAG has been updated to support Discover MAP pricing and the associated changes on the new merchant application.

Residual income under your agreement will be modified as follows for Discover MAP transactions only:

1. MERCHANT STANDARD PRICING:

Buyrate Group Costs (For Groups on a Buyrate Marketing Agreement):

Standard pricing is the preferred pricing model for merchants and your price will be as follows:

- Your price for Discover Qualified and Mid-Qualified transactions will be EQUAL to Visa/MasterCard Mid-Qualified Rates.
- Your price for Discover Non-Qualified transactions will be EQUAL to the Visa/MasterCard Non-Qualified costs.
- Your price for the Discover Transaction Fee will be EQUAL to the Visa/MasterCard Transaction Fee (not in addition to).

Rev Share Group Costs (For Groups on a Revenue Share Marketing Agreement):

- Costs in connection with Discover MAP transactions will be applied in the same manner as Visa/MasterCard are today (Transaction Fees and Interchange) based upon the attached Discover Interchange schedule.

2. MERCHANT ALTERNATIVE TIERED PRICING:

Buyrate Group Costs (For Groups on a Buyrate Marketing Agreement):

When alternative rates are warranted in highly competitive circumstances, Tiered pricing may be written on

the application to override the standard Mid-Qualified pricing model:

- Your price for Discover Qualified will be 8 basis points higher than your Visa/MasterCard Qualified Rate.
- Your price for the Discover Transaction Fee will be EQUAL to the Visa/MasterCard Transaction Fee (not in addition to).

Rev Share Group Costs (For Groups on a Revenue Share Marketing Agreement):

- Costs in connection with Discover MAP transactions will be applied in the same manner as Visa/MasterCard are today (Transaction Fees and Interchange) based upon the attached Discover Interchange schedule.

Monthly Discover Access Fee:

- Sales Groups have the option of charging a monthly Discover Access Fee to Merchants which replaces the former Discover Statement Fee charged by Discover. Discover's fee historically ranged between \$0 and \$9.95. When charged, Sales Groups and WPS will share the revenue from that fee according to your contractual percentage values or in the case of Buy Rate groups at 50%.

Residual Notes:

- IMAP:** You will continue to receive 25 basis points on IMAP merchants' volume until IMAP merchants are transitioned to Discover MAP processing in 2008 or 2009. Once a merchant is transitioned to Discover MAP, Discover IMAP residuals will be replaced by Discover MAP residuals which will be calculated in the same manner as described above.
- MAP:** Residuals in connection with Discover Card transactions will be processed for new merchants boarded under the Discover MAP program in the same manner as Visa/MasterCard are today based on the actual Discover Interchange schedule attached.

FREQUENTLY ASKED QUESTIONS

Will all new merchants automatically be setup to accept Discover cards starting on June 25th?

Yes, all merchants on the above referenced front-ends and back-ends will automatically be setup to accept Discover just as they are for Visa and MasterCard. This allows merchants to broaden their payment acceptance methods. However, to set them up on the MAP program will require the new merchant application or previous application with the attached Discover Amendment. Merchants boarded prior to June 25th will be boarded on IMAP and will be transitioned over to MAP during 2008 or 2009.

Can I setup a merchant on Discover MAP prior to June 25th?

No. Our systems will not accommodate Discover MAP until the 25th. Until then, merchants will be setup on IMAP.

What if the merchant doesn't want to accept Discover cards?

If they do not want to accept Discover, they will simply not display the Discover window decals and will not select Discover on the application. As long as no Discover transactions

are processed, there will be no incremental fees incurred. In this instance do not add a Discover Access Fee.

Will existing WPS merchants who accept Discover be immediately affected by this change on June 25th?

No. Existing WPS merchants who accept Discover via the previous EASI or IMAP Discover programs will be transitioned to Discover MAP at a later date. Future announcements will be sent as we approach that phase.

When transition from EASI/IMAP to MAP occurs, will the terminals require a download?

No download will be required to transition existing Discover merchants from Discover EASI/IMAP to MAP.

Will additional locations to existing merchants automatically be setup on Discover MAP?

Not automatically. Additional locations will be setup so that they process Discover according to the Discover program under which their existing locations are setup. If existing locations are processing Discover under EASI or IMAP, the additional locations will be setup under IMAP. Note that all EASI and IMAP merchants will be transitioned to Discover MAP processing later in 2008 or 2009 (without terminal download impact). Additionally, if their existing locations do not currently accept Discover, the additional locations will not be set up to process Discover.

When is the last date that I can use the attached Amendment and pre-existing applications?

Effective **August 1, 2008**, all merchant accounts must be submitted on the new application.

ATTACHMENTS:

The following documents are included to begin using on June 25th:

- **Discover Interchange Schedule**
- **NEW Merchant Application**
- **Updated Terms and Conditions**
- **Amendment to Merchant Services Agreement**