



Electronic Transactions Association Annual Meeting and Expo  
April 15-17, 2008 - Mandalay Bay Resort & Casino - Las Vegas, Nevada

## Mission Possible: Your Future As A Successful ISO

### FROM MLS TO MEGA ISO

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## THE STARS!

- CardService International – Chuck Bertzloff
- Card Payment Solutions – Larry Stone
- Innovative Merchant Solutions – Joe Kaplan
- Evo Merchant Services – Ray Sidholm
- Total Merchant Services – Ed Freedman
- North American Bancard – Marc Gardner
- United Bancard – Jared Isaacman
- Cynergy Data – Marcelo Paladini
- Joyce Cook – International Cybertrans
- Rick Pylant - CoCard
- Hundreds of PMT, IPMT, Verus and other roll-up Acquirers

These companies and individuals names are  
synonymous with success in the ISO world.

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## What is the difference between these people and you?

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*When they started:*  
***NOTHING!***

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## Navigate The Path

The road to mega-acquirer does not happen overnight.  
There is an evolution and a path that one must follow.



Be Cautious as you Navigate Down the Road.

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## Navigate Carefully



The wrong turn can put you in harms way!

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## THE ISO PYRAMID

Moving upstream is an evolutionary process.  
 Planning and preparing for the move is strategic.

**Tier I (Rent-A-BIN)**

- Acquiring functions in-house. Limited processor support
- Service bureau purchasing from processors

**Tier II (Full Liability ISO)**

- In-house risk & underwriting
- Sophisticated technology requirements
- High level of operational success

**Tier III (Shared / No Liability)**

- Larger sales organizations
- Growing capacity
- Limited operational experience

**Tier IV (Unregistered Organizations)**

- Typically sales organization
- No in-house support capability

**Tier V (Merchant Level Salesperson)**

- Independent contractor
- The feet on the street

approx. deals per month

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## The ISO Pyramid

### Tier V – The Merchant Level Salesperson

**Tier V (Merchant Level Salesperson)**  
 Independent contractor      The feet on the street

The MLS is the workhorse of the acquiring world.

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## Tier V – The Merchant Level Salesperson

**CHARACTERISTICS:**

- Learning Ground
- Sales Focused
- Day to Day with Merchants
  - “Feeling the Pain”
- Calling on anyone, selling anything
- Start as a generalist, tend to grow into a specialist
- Working for an Tier I,II, or III player

**KEY LEARNING:**

- Understand what works for you
- Make sure you can teach others your “secret sauce”

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### The ISO Pyramid

#### Tier IV – The Unregistered Organization



**Tier IV (Unregistered Organization)**  
typically sales organization    no in-house support capability

**Tier V (Merchant Level Salesperson)**

**Now it's time to go hire some reps and duplicate yourself.**

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### The ISO Pyramid

#### Tier IV – The Unregistered Organization

**CHARACTERISTICS:**

- Sales & Marketing Focused
- Retail focused – Sell direct to merchants
- Wholesaling is difficult at this point due to pricing, control, and branding
- Market under the name of the Registered Agent
- Often the educator of the MLS
- Tier I & II ISOs look to this group to drive their volumes
- General Rules:
  - No liability
  - No portability

**KEY LEARNING:**

- Grow your reps slowly
- Build some key referral sources
- Focus on key verticals
- Don't wholesale
- Keep it Simple

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### The ISO Pyramid

#### Tier III – The Shared/No Liability ISO



**Tier III (Shared/No Liability ISO)**  
larger sales organizations    growing capacity  
limited operational experience

**Tier IV (Unregistered Organization)**

**Tier V (Merchant Level Salesperson)**

**Let's get registered!**

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## Tier III – The Shared/No Liability Registered ISO

**CHARACTERISTICS:**

- Organization is getting larger and gaining momentum
- Pays \$10,000 w/ \$5,000 every year
- Start to build a BRAND
- Outsourcing Underwriting & Risk
- Working towards Critical Mass
- General Rules:
  - Still a Sales and Service Office
  - Most likely no-portability

**KEY LEARNING:**

- Very Similar to Tier III
- Grow slow and steady
- Prepare your infrastructure for scale
- Start to de-couple yourself from your upstream provider

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## The ISO Pyramid

Tier II – The Full Liability ISO

Tier II (Full Liability ISO)  
sophisticated technology requirements  
high level of operational success  
in-house risk and underwriting

Tier III (Shared/No Liability ISO)

Tier IV (Unregistered Organization)

Tier V (Merchant Level Salesperson)

There is an evolution to the process. Most ISOs move up stream over time. Planning for the move is strategic.

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## Tier II – The Full Liability ISO

**CHARACTERISTICS:**

- Most operational functions in-house
- Full control of underwriting & risk
- 100% liable for all losses
- Wholesale opportunities
- Program developed for ISO by a processor of FI
- General Rules:
  - Own their merchant agreements
  - The largest of the entrepreneurial ISOs
  - Often have large wholesale channels

**KEY LEARNING:**

- This is a complex Tier
- Hire risk and credit expertise. Losses are REAL!
- Don't shortcut the operations
- Test before opening the floodgates
- If you go wholesale prepare your organization for early pain
- Choose your partner wisely

No one wants liability, but to provide the service and have the control necessary to manage a large portfolio or a huge sales machine it is necessary.

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## THE ISO PYRAMID

It is a Long Road.  
Be Patient!  
A Great ISO Takes Time.

### Tier I (Rent-A-BIN)

- Acquiring functions in-house. Limited processor support
- Service bureau purchasing from processors

### Tier II (Full Liability ISO)

- In-house risk & underwriting
- Sophisticated technology requirements
- High level of operational success

### Tier III (Shared / No Liability)

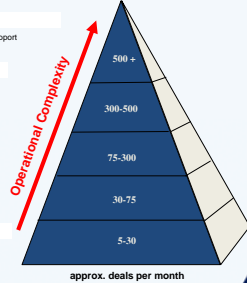
- Larger sales organizations
- Growing capacity
- Limited operational experience

### Tier IV (Unregistered Organizations)

- Typically sales organization
- No in-house support capability

### Tier V (Merchant Level Salesperson)

- Independent contractor
- The feet on the street



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