

CURRENT METHODS TO ACCEPT PAYMENTS

In the current market place, there are only a handful of ways to accept payments from customers. The traditional method is via checks, money orders, bank transfers (a/k/a EFT, Wire transfers), credit & debit cards, and echecks. All of these methods require significant amount of labor to process each payment, and can be very expensive. To reduce the costs and improve efficiency and performance, companies spend countless amounts of money and time in the quest to automate the payment processing system. What they developed was a system to accept credit/debit cards and echecks as forms of payments. These new payment methods have been successful in automating the payment processing and reducing overall costs per transaction, excluding the one time expenditures to establish the system, which has been estimated to cost companies on the average of \$10 Million to \$20 million dollars. Even with the development of these new systems, companies find themselves having to run multiple disparate systems to accomplish all the corporate needs such as billing, inventory, customer care and back office functions. Even though accepting credit/debit and echecks has been a positive step towards automation of the payment processing industry, the costs have been significant and have diminished the profits of companies ranging from 2% to as much as 10% with the average being 3.5% to 4% of the gross sale amount going towards the credit card issuing companies and banks as processing fees. Yet even with these expensive costs, companies have embraced this solution. For fear if they do not, they face the very real possibility of losing their customers to competitors who accept credit/debit cards and echecks as form of payments. The early adopters were very successful in cannibalizing their competition, forcing others to catch up and accept credit/debit cards and echecks. With all this, the credit/debit payment methods have not been very successful in capturing a large market of transactions over \$1,000.00, as companies simply choose not to absorb the typical fees associated with accepting credit cards. A \$1,000 credit card charge would cost a company approximately \$20 or a \$10,000 transaction would cost \$200 and so on. This is one of the main reasons why B2B payments are still made by traditional means by via checks, and EFTs. See the report ACH Benefits on the Business to Business Market. (Attach link) That was until now. Etransactus' has developed a unique solution called e-suite™ which affords companies of any size to automate the invoicing, payment processing, back office functions and customer service functions, to increase the bottom line profits and, at the same time, create a competitive advantage against its competitors by offering its clients an alternative payment method, which is by far the most cost effective method of accepting payments.

PAYMENT INSTRUMENTS AS A PERCENTAGE OF TOTAL ECOMMERCE			
Year	ACH/Closed Networks	Cards	Other
2001	3.2	82.8	13.8
2002	4.6	81.3	13
2003	5.5	81.6	12.8
2004	6.4	81.7	11.7
2005	7.3	82	10.6

Source: Celent Communications, April 2002

It is evident by this report, that fastest growing payment method is ACH. This is due to the overall lower costs compared to accepting credit and debit cards. By leveraging the e-suite™ online solution the costs for the typical ACH payment will be further reduced making this form of payment even more attractive to customers. Where Credit and Debit Cards are too costly to use for large transactions, ACH will have mass appeal as the costs are not

associated with total dollar amount but rather on a flat fee basis ranging from \$.25 to \$1.00 per transaction. The firm expects the wide use of ACH vs. credit and debit cards especially for the B2B market, where the average amount of items sold is in excess of \$100.00. See Exhibit 1 – Cost Comparison between ACH and Credit/Debit Card & echeck. As the ACH payment method continues to evolve and becomes just as easy to process as credit/debit and echeck, ACH payment method will quickly establish itself as the preferred choice by all companies and etransactus will be leading the way with its innovative e-suite™ online solutio

Exhibit 1 – Cost Comparison between ACH and Credit/Debit Card & echeck

COST COMPARISON BETWEEN ACH, CREDIT, DEBIT & ECHECK								
Dollar	Discount Rate		Transaction Cost		Total Cost		Funds Availability	
Amount	ACH	CDE*	ACH	CDE*	ACH	CDE*	ACH	CDE*
\$25	-	2%	\$.75	\$.25	\$.75	\$.75	1-3	2-3
\$50	-	2%	\$.75	\$.25	\$.75	\$1.25	1-3	2-3
\$100	-	2%	\$.75	\$.25	\$.75	\$2.25	1-3	2-3
\$200	-	2%	\$.75	\$.25	\$.75	\$4.25	1-3	2-3
\$300	-	2%	\$.75	\$.25	\$.75	\$6.25	1-3	2-3
\$400	-	2%	\$.75	\$.25	\$.75	\$8.25	1-3	2-3
\$500	-	2%	\$.75	\$.25	\$.75	\$10.25	1-3	2-3

For the example above we have used the following assumptions:

The average discount rate to accept credit cards is 2%, the actual rate can be greater or lower.

The average transaction rate is \$.25, the actual rate can be greater or lower.

Cautionary Statement

Statements contained herein which are not historical information are forward-looking statements. Such statements are subject to certain risks and uncertainties. Actual results could differ materially from those included in the forward-looking statements for a variety of reasons, including the level of acceptance of *e-suite™* product by the marketplace, the ability of the product to achieve the results for which it is designed, the ability of the company to raise capital to fund operations and marketing programs for this product, competition from other approaches to automate billing solutions and other risks described in the company's communications with investors. These statements are not guarantees of future performance and readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The Company undertakes no obligation to update publicly any forward-looking statements.