

TRUE COSTS FOR THE COMPLETE BILLING CYCLE

Virtually all small, medium and some large businesses utilize the standard method of distributing invoices and statements to their customers via the United States Postal Service. This is labor intensive, expensive and inefficient, and creates other labor intensive activities such as: manually receiving and posting payments, updating the customer records and preparing payments to be deposited into banking institutions. e-suite™ was developed to automate these tasks to increase efficiency and performance and reduce costs, increasing the bottom line. The e-suite™ online solution automates the entire billing cycle, which until now, has been handled manually. See Exhibit 1 - Traditional Method for the process flow of sending and receiving payments for more information.

Exhibit 1

Traditional Method for the process flow of sending and receiving payments

1. Accept order from customer via fax, phone or mail;
2. Input order information into order system;
3. Update the inventory system;
4. Generate mailing label;
5. Generate and print packing lists;
6. Ship items or provide services to customer;
7. When complete update order system and enter ship date and etc.;
8. Input data in to invoice system, or import data, fill in the necessary fields, the data can also be auto populated with more sophisticated systems;
9. Print multiple copies on invoice (one to be mailed and one to be filed);
10. Place into envelope;
11. Affix postage;
12. Mail the invoice, most companies have standard time intervals as to when invoices are generated and sent to try and increase efficiency and productivity. (Based on recent surveys, many companies prepare invoices once a week.);
13. Wait for payments;
14. Open mail and receive payment;
15. Enter payment amount, date, invoice number into accounting program;
16. Prepare check / money order to be deposited into financial institution;
17. Physically deposit payment into financial institution;
18. In some cases payments will be returned for non-payment;
19. Open mail and receive returned payments from the financial institution;
20. Update the accounting program;
21. Contact customer via phone, mail or fax;
22. Wait for new payment and start the process over again.

As evidenced by the aforementioned steps, invoicing and capturing payments is extremely labor intensive, expensive and inefficient. It is estimated that it costs the average company between \$6.72 to \$8.44 to create, distribute and collect payment for a single invoice. See Exhibit 2 – Summary Cost Comparison for more information. For the example in Exhibit 2, assumption is made that the company possesses and utilizes an accounting program to minimize some manual labor tasks. If the company does not utilize an accounting program the costs would be increased by approximately \$4.00 per invoice, bringing the total from \$10.72 to \$12.44 to capture payment for one single invoice.

Customer service is another category which reduces profits for all companies. According to surveys and market research, 75% of all calls from existing customers are invoice related. It is estimated that it costs the average company \$1.66 to \$2.66 to handle a single call from their customers. See Exhibit 2E for more information.

If a company does not utilize a customer service program, the costs would be increased by approximately \$4.00 per call, bringing the total to \$5.66 to \$6.66 per inquiry.

Further, a report published by American Express/Ernst & Young, indicates the average cost to process a single transaction is \$90.00. See the following report - Costs of Traditional Vs Online Purchasing Processes in (USD)

Costs of Traditional Vs Online Purchasing Processes in (USD)

Process Step (Description)	Traditional Process	Purchase card + eCommerce
Buying	\$59.00	\$3.40
Paying	\$12.00	\$0.34
Reconciling / Data Integration	\$19.00	\$0.70
Average Transaction Cost	\$90.00	\$4.44

Source: American Express/Ernst & Young, June 2002

Based on both studies conducted by American Express/Ernst & Young and etransactus, the cost savings to companies is substantial and would provide for an immediate increase in profits for any company who utilizes our online solution.

Activity / Task	Standard Model		etransactus Model		Savings
	Time	Cost	Time	Cost	
Receive Order	21	\$ 3.50	7	\$ 1.17	\$ 2.33
Sending Invoices / Statements	8	\$ 1.34	0	\$ -	\$ 1.34
AR via Check	10	\$ 1.67	0	\$ -	\$ 1.67
AR via Credit / Debit Cards / EFT	18	\$ 3.00	0	\$ -	\$ 3.00
True Costs to accept checks	39	\$ 6.51	0	\$ -	\$ 5.34
True Costs to accept Credit/Debit Card	47	\$ 7.84	7	\$ 1.17	\$ 6.67
Customer Care	40	\$ 6.67	0	\$ -	\$ 6.67

Notes: Labor rate is \$10 per hour and time is represented in minutes

Exhibit 2A True Costs to Capture Orders Comparison

Activity / Task	Standard Model		etransactus Model		Savings
	Time	Cost	Time	Cost	
Capture order via fax, phone or mail	5	\$ 0.83	0	\$ -	\$ 0.83
Input order into billing system	5	\$ 0.83	0	\$ -	\$ 0.83
Update the inventory system	2	\$ 0.33	0	\$ -	\$ 0.33
Print mailing label	2	\$ 0.33	2	\$ 0.33	\$ -
Enter ship / Service date	5	\$ 0.83	5	\$ 0.83	\$ -
Input order info. into invoicing system	2	\$ 0.33	0	\$ -	\$ 0.33
Total	21.00	\$ 3.50	7	\$ 1.17	\$ 2.33

Notes: Labor rate is \$10 per hour and time is represented in minutes

**Exhibit 2B
True Costs to Send Invoices and Statements Comparison**

Activity / Task	Standard Model		etransactus Model		Savings
	Time	Cost	Time	Cost	
Print invoices	3	\$ 0.50	0	\$ -	\$ 0.50
Place into envelope	3	\$ 0.50	0	\$ -	\$ 0.50
Affix postage	2	\$ 0.33	0	\$ -	\$ 0.33
Mail the invoice	0.03	\$ 0.01	0	\$ -	\$ 0.01
Postage and mailing materials*		\$ 0.40	0	\$ -	\$ 0.40
Total	8.03	\$ 1.74	0	\$ -	\$ 1.74

Notes: Labor rate is \$10 per hour and time is represented in minutes

* Postage is \$.37, envelopes is \$.03

**Exhibit 2C
True Costs to Process Payments via Check & Money Orders Comparison**

Activity / Task	Standard Model		etransactus Model		Savings
	Time	Cost	Time	Cost	
Open mail and prepare payment to be processed	3	\$ 0.50	0	\$ -	\$ 0.50
Enter data into accounting program	5	\$ 0.83	0	\$ -	\$ 0.83
Prepare payments to be deposited into bank	2	\$ 0.33	0	\$ -	\$ 0.33
Physically deposit payment into financial institution	0.03	\$ 0.01	0	\$ -	\$ 0.01
Total	10.03	\$ 1.67	0	\$ -	\$ 1.67

Notes: Labor rate is \$10 per hour and time is represented in minutes

Payments are processed once a week to increase efficiency and productivity.

**Exhibit 2D
True Costs to Process Payments via Credit Card / Debit and EFT Comparison**

Activity / Task	Standard Model		etransactus Model		Savings
	Time	Cost	Time	Cost	
Process credit card info. via mail or phone	5	\$ 0.83	0	\$ -	\$ 0.83
Process credit card transactions into credit card machine	3	\$ 0.50	0	\$ -	\$ 0.50
Capture and update the payment information into accounting program	5	\$ 0.83	0	\$ -	\$ 0.83
Send receipt to customer via mail - place into envelope	3	\$ 0.50	0	\$ -	\$ 0.50
Affix postage	2	\$ 0.33	0	\$ -	\$ 0.33
Postage and mailing materials		\$ 0.40	0	\$ -	\$ 0.40
Total	18	\$ 3.00	0	\$ -	\$ 3.40

Notes: Labor rate is \$10 per hour and time is represented in minutes

Activity / Task	Standard Model		etransactus Model		Savings
	Time	Cost	Time	Cost	
Contact customer via phone	3	\$ 0.50	0	\$ -	\$ 0.50
Receive correct or different credit card number	3	\$ 0.50	0	\$ -	\$ 0.50
Process credit card transaction	3	\$ 0.50	0	\$ -	\$ 0.50
Total	9	\$ 1.50	0	\$ -	\$ 1.50

Notes: Labor rate is \$10 per hour and time is represented in minutes

Exhibit 2E True Costs for Customer Service Cost Comparison

Activity / Task	No. of Inquires	Standard Model		etransactus Model		Savings
		Time	Cost	Time	Cost	
Customer call – Invoice Questions	3	30	\$4.98	0	\$ -	\$4.98
Customer call – Ship Dates and other information	1	10	\$1.66	0	\$ -	\$1.66
Total	4	40	\$6.64	0	\$ -	\$6.64

Notes:

Customer Service request average is 1% of invoices,
Customer Call in regard to billing questions averages 3% of the number of invoices sent
Labor rate is \$10 per hour, time is represented in minutes, each inquiry is 10 minutes.
This example represents number of calls per 100 invoices

ABOUT ETRANSACTUS, LLC

etransactus, LLC is a leading provider of automated billing solutions. The company through it e-suite™ product and it offerings provides an end to end billing, payment processing, time, customer service & support, inventory, staff, expense, purchase order, document & File

Sharing, and Credit management from a single web based application which offers a comprehensive solution for all companies regardless of its vertical, with emphasis on the small to mid-size companies. For more information, contact (908) 916-5216.

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