WR HAMBRECHT + CO

REVISED 10-19-00

eFINANCE ENABLERS: EFFICIENTLY MOVING THE BUCK

Jeffery B. Baker jbaker@wrhambrecht.com 415.551.8600

Stephen A. Laws slaws@wrhambrecht.com

REVISED 10-19-00

TABLE OF CONTENTS

◆◆◆

TABLE OF CONTENTS

Exhibits

◆◆◆

EXECUTIVE SUMMARY

INVESTMENT THESIS

We have followed B2B Internet software companies since 1998. Our focus on the infrastructure piece of the Internet versus the retail piece has given us great insight into successful industries and business models. One area where we believe the best investment opportunities are still ahead is the eFinance software and service enablers. Our thesis is spelled out based on the following points:

1) **Outsource non-core technology:** Within the resource equation in which financial institutions operate, there is a scarcity of talented professionals available to develop and maintain technology platforms. As the technology continuously evolves, companies become constrained by the resources needed to execute on their core competencies. For most traditional and non-traditional financial institutions, technology is not a core competency that can be effectively handled. As a result, many eFinance software and service enablers stand to benefit as these companies look to outsource their technology needs.

2) **The "fear factor":** We believe the "fear factor" is what will drive traditional financial institutions to adopt new technology solutions. One thing that is clear in the financial services industry is that traditional financial institutions will either embrace new technologies or be disintermediated by non-traditional competitors like Yahoo!, America Online, Merrill Lynch, American Express, State Farm, or the hundreds of other companies looking to expand upon their customer relationship.

3) **eFinance adoption to take shape over the next twelve to eighteen months:** We expect increased competition among traditional and non-traditional financial institutions for commercial and consumer accounts. This competition, driven by the repeal of Glass-Steagle and the use of the Internet as a ubiquitous communication/delivery platform should drive advertising and promotional campaigns such that awareness and adoption rates for Internet-related financial services should increase.

4) **Industry experts bullish on eFinance growth:**

   - In 1998, 1,150 banks offered online banking. By 2003 this number is estimated to grow to almost 16,000 banks. (American Banker)
   - The number of users banking over the Internet in the U.S. is expected to increase to approximately 40 million by 2003. (IDC)
   - The electronic bill presentment and payment (EBPP) market is expected to grow 100% over the next four years. (IDC)
   - By 2004, 21 million households (33% of all wired households) will be paying their bills electronically, while two billion consumer bills, which represent 12% of all U.S. bills, will be presented and paid electronically. (Forrester Research)
   - By 2007, consumers will pay eight billion bills on the Internet. (Forrester Research)

Clearly, this is an industry with a huge potential for growth. Although electronic banking has been around for many years in the form of PC banking, the Internet-based eFinance software and service enablers industries are very young. We believe that industry conditions are just beginning to fall into place that will make these sectors exciting for years to come.

5) **Business models do matter:** It is extremely difficult for eFinance software and service companies to make money and create a respectable ROI for their investors through a pure software-licensing model. On the other hand, many companies prefer to fix the majority of their costs on software and services that are "purchased," preferring a software-licensing model. While we understand the dilemma between the service provider and the customer, we favor those companies that have found a way to incorporate recurring revenues, other than software maintenance revenues, into their business models. These are companies that use or favor an application service provider (ASP) model in which they collect revenues by charging a transaction, usage, or subscription fee.

6) **Initiating coverage on the following companies:**

(i) CheckFree Holdings (CKFR) Strong Buy, $50 12-month price target.

We are initiating coverage on CheckFree Corporation with a Strong Buy rating and a price target of $50 per share. Our recommendation is based on positive overall industry trends and CheckFree's positioning in the electronic bill presentment and payment (EBPP) market. The Company continues to effectively execute on its business plan, demonstrating the leverage embedded in its financial model. The increase in the number of the Company's subscribers, transactions processed, billers under contract, and distribution sites gives us increased confidence that the EBPP market is, and will continue to be, accepted by businesses and consumers alike. While competition is sure to increase, it is clear that CheckFree continues to distance itself from the pack with a very efficient and effective integrated bill payment platform. We expect CheckFree to grow its business by accelerating billing content, driving end-user awareness and adoption, and continuing to enhance the quality and efficiency of its billing platform.

(ii) The InterCept Group (ICPT) Strong Buy, $32 12-month price target.

We are initiating coverage on The InterCept Group with a Strong Buy rating and a price target of $32 per share. Our recommendation is based on the positive overall industry dynamics (outsourcing of IT functions), the company's strong internal growth rate (15%-18%), high recurring revenue base (75%) off 3-5 year contracts, seasoned management team, and strong reputation for providing quality service. We look for InterCept to grow its business by signing up new community institutions, continuing to develop working relationships with bankers' banks, and cross-selling products and services to its existing customer base. Additionally, we look for ICPT to continue to make strategic acquisitions to expand its customer base, product offering, and geographic presence, thus continuing to accelerate the company's overall growth rate to a targeted 30%.

(iii) S1 Corp. (SONE) Buy, $14.75 12-month price target

We are initiating coverage on S1 Corporation with a Buy rating and a 12-month price target of $14.75 per share. We believe S1 can provide financial institutions of all sizes with the appropriate electronic banking, brokerage, and insurance solutions. We believe S1 will benefit from the expected strong growth of the online financial services market. There remains risk to the story, as the Company's near-term financial outlook is uncertain due to pricing from its Vertical One subsidiary, domestic pricing pressures in the Company's service business, and longer-than-expected sales cycles. We believe investors need to take a long-term perspective with this story, however, and focus on the growth of non-service revenues and improvements in operating expenses, which we expect to improve the bottom line. With the steep slide in S1's share price, we believe the stock offers an attractive risk/reward ratio over the next 12 months. We believe the Company's customer base, extensive product offering, and cash balance offer investors limited downside risk from current levels, with the potential for a respectable investment return if the Company begins to execute up to its potential. Thus, we believe a Buy rating is justified at this time.

INDUSTRY REPORT

INDUSTRY OVERVIEW

Over the past several years, we have followed companies in the eFinance sector and have closely tracked the progression of the industry from both a business standpoint and a customer standpoint. While the industry is still in its infancy, we believe that over the next twelve to eighteen months there will be an inflection point at which commercial and consumer adoption in the eFinance industry takes shape. We believe the main driving force behind the growth opportunities in the eFinance industry is the increased competition among traditional and non-traditional financial institutions, which is being driven by the repeal of the Glass-Steagle legislation (see Gramm-Leach-Bliley Act, p. 35) and the use of the Internet as a ubiquitous communication/delivery platform. Our goal for this piece is to educate investors on the eFinance industry and help investors make better informed investment decisions within the sector.

While there are many sub-sectors in the eFinance industry, we will focus on two areas we believe investors can make solid returns on their investment dollar over the long run: 1) companies that offer electronic banking applications and 2) companies that offer electronic bill presentment and payment (EBPP) solutions. For the most part, the business models of these companies are very attractive to investors, the space is vast enough for multiple participants, and the customer base being served has traditionally outsourced its technology applications to third party participants. However, there is much confusion among investors as to the participants in each area, their roles within that area, and the market being addressed by a given company.

According to Martin Stein, former Vice Chairman of Technology at Bank of America, "the most important factor in modern banking is the use of technology to deliver service products to clients." This belief is also shared by others like David Pottruck, co-chief executive officer of Charles Schwab, who states, “we have barely scratched the surface in understanding how to improve the client experience in terms of integrating technology and people. The people who do that are going to be the people who win.” It is our opinion that financial institutions understand the importance of integrating new economy technologies into their existing infrastructure and are rapidly moving to the Internet to better service their customers and lower their business costs. While this is not a new strategy, as banks have offered PC banking for many years, the repeal of Glass-Steagle has dramatically altered the competitive landscape, giving new opportunities to traditional and non-traditional financial institutions to position themselves as one-stop-shops for businesses and consumers.

Taking a look at a traditional financial institution (bank, savings and loan, credit union), there is a sense of community within each organization. Here “members” share a similar interest (money) and look upon the institution as a trusted third party. Because of those characteristics, we believe traditional financial institutions hold an advantage over non-traditional financial institutions in being able to win the mind share of their customers for other services, whether that is bill presentment and bill payment, brokerage, insurance, e-commerce, information, etc. As such, we believe the end game for traditional financial institutions is to move from being simply a provider of lending services to being a full-service financial portal for businesses and consumers. Some financial institutions will try to accomplish this positioning by building everything in-house. It is our belief that, for the most part, the successful organizations will actually be the ones that use outsource service providers of technology to offer these additional services.

The reason we give the "success advantage" to those financial institutions who choose to outsource their non-core information technology (IT) functions is because within the resource equation in which financial institutions operate, there are two important variables to focus on: scarce resources and plentiful resources. In today's fast-moving economy, where the employment rate is at an all-time low for any peacetime period, the scarce resources can be summarized as time and talent, encompassing both management and support personnel. Because of the rapid development cycles of technology and the support costs to maintain systems, these are two resources that financial institutions cannot neglect. As for resources that financial institutions have plenty of access to, service providers happen to be the most important. Given the limited resources and the non-core nature of a financial institution's information technology needs, we look for a continued increase in the usage of service providers for financial institutions. We believe failure to outsource the non-core tasks can undermine a financial institution's competitive advantage.

If traditional financial institutions do not embrace the use of new Internet technologies to improve on the existing services being offered to their customers, traditional financial institutions will lose their customers to non-traditional financial institutions who are embracing new technologies. In fact, in a recent panel participation, Brian Moynihan, Executive Vice President, e-Catalyst at FleetBoston Financial Corp., stated that it was non-traditional companies like America Online and Yahoo! that he felt most threatened about offering financial services to the banks customers. Stated another way, Geoffrey A. Moore summarized the message delivered in Clayton Christensen's *The Innovator's Dilemma* saying,

> *"disruptive technologies like the Internet force changes in strategy and behavior that are deeply counterintuitive to established companies and are normally not embraced. As a result, over time these companies become less competitive, their relevance and influence marginalized, their stock price depressed, their core constituencies defensive, their futures dim."*

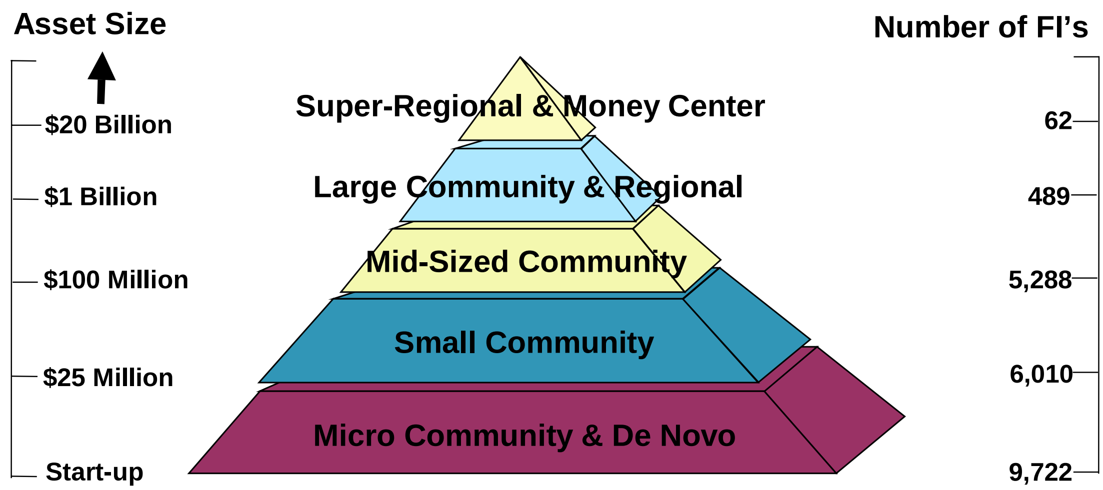
While a few traditional financial institutions have been proactive in embracing new technologies, the realization is that the majority of these financial institutions will implement new technologies as a defensive measure. We believe this will be very favorable for financial service providers, although it may be too little too late for traditional financial institutions that do not quickly adopt the paradigm shift to the Internet. Just because Internet services are not dominating the balance sheets of financial institutions today does not mean that the future impact will be minimal. Consumers are getting more comfortable with the Internet every day. More financial services like loans, mortgages, credit cards, brokerage accounts, and banking accounts are being obtained online than ever before. As a bank's traditional customer becomes users of online financial services, financial institutions will be expected to have an integrated online solution to meet their customer's needs. But with the rapid change in technology and the accelerating growth in online banking users, financial institutions cannot be reactionary in offering online services. They must be very proactive.

Yet many financial institutions do not want to make the capital commitment necessary to offer online financial services, believing that their return on investment (ROI) cannot justify the cost of service at this stage of the game, given the low penetration rates within the industry. This may be true in the near term, but as banks gain online customers, the cost benefits to the banks become enormous. According to a Deloitte Consulting report, a transaction via a branch costs a bank $1.07. The same transaction via an automated teller machine (ATM) costs $0.27. However, using the Internet, the same transaction costs less than $0.01. While we do not fully agree with the numbers published in this report, we do believe the cost savings are directionally accurate relative to each transaction. Additionally, various bank representatives have told us that online banking customers keep higher account balances and use 10–15% more banking services than traditional banking customers. As a result, online banking customers tend to be 20–30% more profitable for banks. And while the penetration rates for online banking customers are on average approaching 10% after the first year of service, financial institutions like Wells Fargo and Company, which has had an online banking solution for many years, are experiencing a 25% penetration rate among its existing customer base. Additionally, over the past couple of months, financial institutions like Wells Fargo and FleetBoston have been adding 100,000 and 80,000 online customers, respectively, each month. Demand is accelerating and financial institutions must have an online banking solution in place or risk losing their customer to a competitor. At the very least, financial institutions are subject to benefit from a tremendous amount of cost savings.

When people talk about the banking industry, oftentimes they make generalizations based on their experience with their own financial institution. However, there are many different financial institutions in business today to serve the many different needs of individuals. For example, credit unions have traditionally served the needs of a given organization or group, and up until a couple of months ago, could not solicit membership outside of those organizations. Additionally, credit unions typically do not have corporate customers whereas banks have both corporate and retail customers. Even within the banking industry, there are differences ranging from large global financial institutions who have branches throughout the world to small financial institutions with a couple of branches that serve a given community, often called community banks. Not only are the characteristics between these various financial institutions different, but so are the technology solution providers that typically serve these given areas.

Banks are characterized by their asset size, defined as the total amount of deposits collected. Money center and super regional financial institutions have assets over $20 billion and represent approximately 62 entities in the United States. Large community and regional financial institutions have assets between $1 billion and $20 billion, and currently consist of approximately 489 entities in the United States. Mid-sized community financial institutions have assets between $100 million and $1 billion, and currently consist of approximately 5,288 entities in the United States. Small community financial institutions have assets between $25 million and $100 million, and currently consist of approximately 6,010 entities in the United States. All other financial institutions, with assets under $25 million, are classified as micro community and de novo organizations, and number approximately 9,722 in the United States (see Exhibit 1). For the purpose of this piece, when we will talk about community financial institutions, we are addressing those entities with $1 billion in assets and below.

EXHIBIT 1**: MARKET SEGMENTS OF U.S. FINANCIAL INSTITUTIONS**



Source: Magnet Communications

As can be seen from Exhibit 1, the majority of the financial institutions in the U.S. have assets under $1 billion. This also happens to be where approximately 40% of the deposits in the U.S. are kept. So by no means is the under $1 billion in assets marketplace not an attractive area for financial service companies to target. In fact, we would even argue that the opportunities are somewhat "clearer" for the service providers catering to this marketplace, given the fact that the majority of these financial institutions do not have the internal resources to support technology initiatives without using outside service providers. Yet the one thing that is definite is the need for all financial institutions to offer the same services that are being provided by competition within a given region. Thus, if a Bank of America branch is offering Internet banking and bill payment solutions, then XYZ state bank or XYZ community bank must offer the same services to retain its customer base. This rationalization was a large motivating factor in Centura Bank's decision to select S1 Corp. as their provider of online financial services. Within Centura's competitive market are Bank of America and Wachovia Corp., both of which are aggressively marketing an online banking solution. If our vision is correct, we believe the migration of Internet banking and bill payment solutions by financial institutions will take on the same characteristics as the automated teller machine boom that was led by Citigroup in the 1980's. As Citigroup aggressively rolled out ATM machines, other financial institutions quickly followed suit to remain competitive.

INDUSTRY INFORMATION

According to the Yankee Group, the percentage of U.S. consumer households owning a personal computer is expected to increase to 54% by 2001. IDC estimates there will be 136 million Internet users in the United States by the end of 2002. Forrester Research estimates that revenue from business-to-business (B2B) e-commerce will increase to more than $1.3 trillion in 2003. Along with these vast macro-economic projections, other specific industry sectors within the Internet will likely see complementary acceptance. One industry we see poised to benefit from such trends is the eFinance industry, especially in the areas of Internet banking services and electronic bill presentment and payment (EBPP) services.

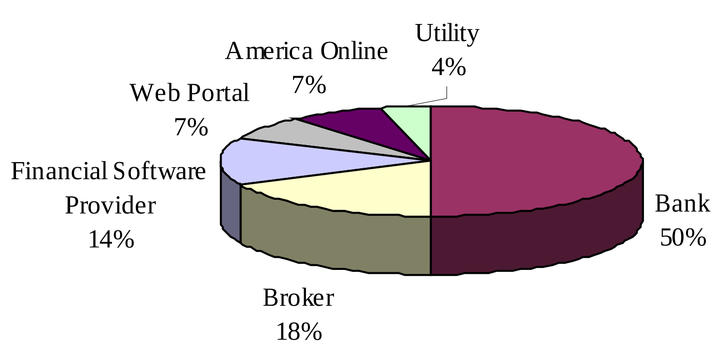
According to a March 2000 report from AdRelevance titled "Money Makes the Web Go 'Round," Jupiter Media Metrix found that roughly one-quarter of Web users are visiting financial sites and their popularity is growing. From December 1999 through February 2000, traffic to financial Web sites increased 27% versus a 9% increase in overall Web traffic. Additionally, the financial service companies represented the third-largest industry among online advertisers and were spending a greater percentage of their total ad budget online than other industries. Getting more granular on our two areas of focus, Internet banking and EBPP, International Data Corp. (IDC), Gartner Group, and Online Banking Report all support our belief in the opportunities within the eFinance industry.

IDC estimates that there were approximately eight million users banking over the Internet in the United States in 1998, and projects that the number will increase to approximately 40 million by 2003. Gartner Group forecasts that 14 million households in the United States will use online banking in 2000, with the number expecting to grow to over 24 million in 2003. Whether we take IDC's more aggressive estimate or Gartner Group's more conservative estimate, it does not really make that much difference from our perspective today. The important takeaway is that the growth in online banking is set to explode over the next three years. As a result, financial institutions must be strategically positioned to take advantage of this spectacular growth.

In 1998, 1,150 banks offered online banking and by 2003 it is estimated that this number will grow to almost 16,000 banks. According to Online Banking Report, over 50% of the 100 largest banks in the United States offer Internet banking. By contrast, only approximately 10% of community financial institutions currently offer Internet banking. As financial institutions enable their customers to bank online, there will be other opportunities to cross-sell new products and services. Some of these services will be financial in nature, while others will be e-commerce related. One service we believe that banks will implement most aggressively is the electronic bill presentment and payment (EBPP) functionality, as this is the "stickiest" application that keeps customers coming back to their Internet site week after week, month after month.

According to a recent survey by Gartner Group, banks remain the overwhelming favorite among consumers as the preferred destination site to pay electronic bills (see Exhibit 2). However, if we look closely at the graph below, we will see that other Internet options such as America Online or Web portals are garnering significant mind share. Combined, these two options garnered 14% of the mind share with consumers, tying financial software companies like Quicken and Microsoft Money. We suspect that in 3-5 years, this chart will look materially different with financial service providers like brokerage, insurance companies, and other non-traditional destination sites gaining market share from banks. Thus, in order for banks to keep the competitive advantage of mind share that they possess today, we believe offering additional services like bill presentment and bill payment is imperative.

EXHIBIT 2: **PREFERRED SITE FOR EBPP**



Source: Gartner Group

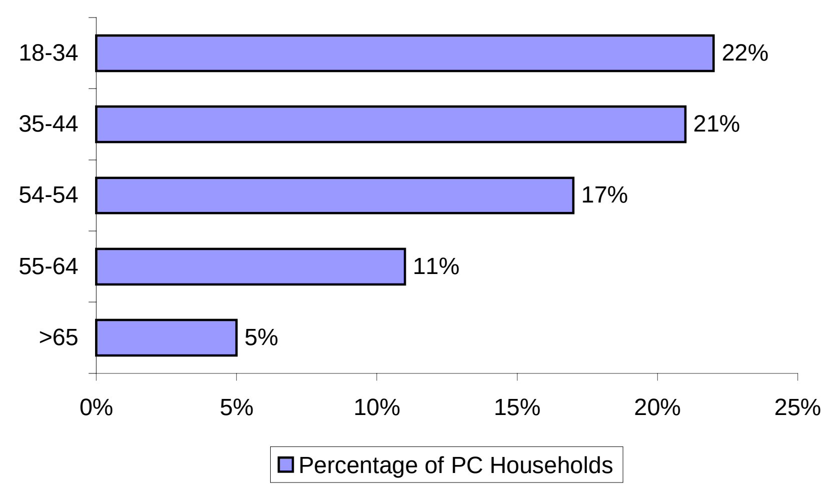
In the United States approximately 1.4 billion bills are sent to customers each month, resulting in about 17 billion transactions and almost $6 billion in processing fees. Today, less than 5% of consumers pay their bills electronically. Forrester estimates that by 2004, 21 million households (33% of all wired households) will be paying their bills electronically, while two billion consumer bills, which represent 12% of all U.S. bills, will be presented and paid electronically. By 2007, it is estimated that consumers will pay eight billion bills on the Internet. IDC estimates that electronic bill presentment and payment (EBPP) generated $32 million in revenues in 1999, up 540% from the previous year. IDC believes the market will grow 100% over the next four years.

As a result of market trends and industry changes, financial organizations must compete for customers who are demanding the enhanced service and increased personal convenience they can derive by using the Internet. We believe financial institutions will seek to combine online banking with other financial services and content to provide one-stop shopping and promote customer retention. Competition is accelerating the demand for an integrated technology solution that satisfies the service demands of customers, while providing the financial organizations with a convenient personalized communication and marketing channel. Because of the technological difficulties, long development times, and risks associated with building internal solutions, many financial organizations are seeking third party providers to design and implement their Internet solutions.

INTERNET BANKING DEMOGRAPHICS

We believe the demographics of online banking users prove the industry is poised for dramatic growth. A recent Gartner Group survey found that online banking users were most likely to be young, affluent, and reside in the West. As Exhibit 3 illustrates, 43% of PC owners under the age of 45 have tried online banking, while the percentage drops off substantially in the older age groups. We believe this bodes well for the future of online banking as younger individuals growing up in the “electronic age” use the Internet for products and services.

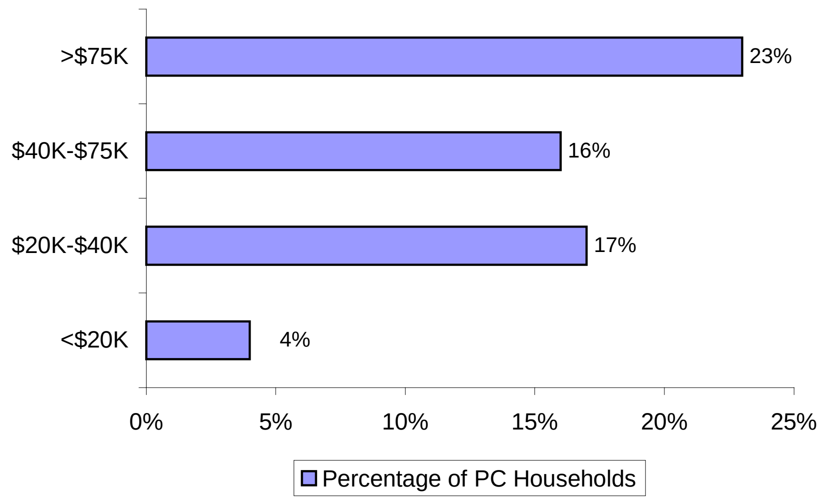
EXHIBIT 3: **AGE BREAKDOWN OF ONLINE BANKING USERS**



Source: Gartner Group

Besides being young, online banking users are typically affluent, as Exhibit 4 illustrates. Of all the PC-owning households in the United States, almost one quarter are online banking customers. Additionally, we note that people with higher incomes tend to use online banking services more than those individuals with lower incomes. We believe that as access devices become more affordable and more convenient (i.e., telephone, PDA, etc.), there will likely be a greater adoption across all income levels.

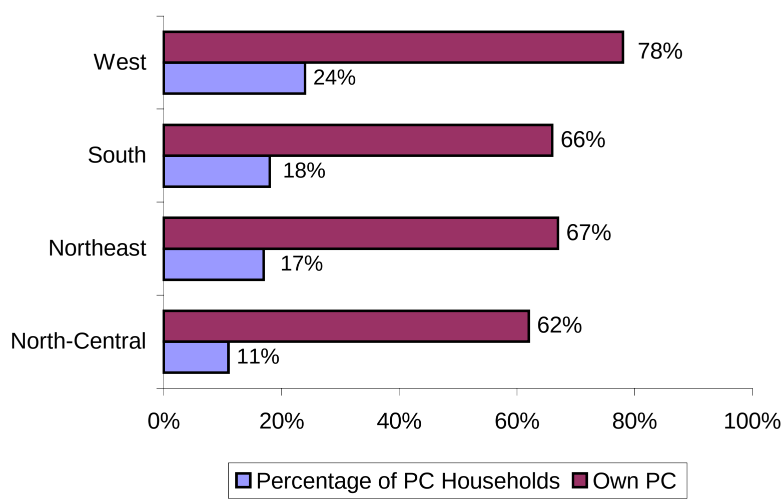
EXHIBIT 4: **INCOME BREAKDOWN OF ONLINE BANKING USERS**



Source: Gartner Group

Finally, as Exhibit 5 indicates, online banking users are more likely to reside in the West, where residents are more likely to own a computer. In the West, the Gartner Group study found that 78% of the residents own a PC, of which 24% have tried online banking. These numbers drop off by 15% and 25%, respectively, when we look at the South, which is the next most "technologically comfortable" region. Currently, the West is more technologically comfortable due to the considerable regional influence of technology companies.

EXHIBIT 5: **GEOGRAPHIC BREAKDOWN OF ONLINE BANKING USERS**



Source: Gartner Group

RETAIL INTERNET BANKING

Internet banking applications allow traditional and non-traditional financial institutions to offer electronic banking services on their own Web site. Depending on whether or not the customer of the bank is a retail customer or a commercial customer depends on the degree of complexity needed in an Internet banking solution. For example, retail customers seek the following services from their Internet banking application: the ability to check balances on checking, savings, money markets, loans, credit cards, lines of credit, and certificate of deposits; the ability to view, search, and download account history; the ability to perform account reconciliation; the ability to transfer funds; the ability to pay bills; the ability to stop payments; the ability to order checks; the ability to submit address changes; and the ability to initiate direct deposits. While this is not a comprehensive list of services being offered by most financial institutions, these services are the most important to retail customers and are comprehensive across the majority of Internet banking applications in the market today.

Electronic banking is not a new activity for banks or their customers. Banks have been providing electronic banking services to their customers for years through software programs that have allowed customers' personal computers to dial up banks directly. Today, electronic banking has evolved into a Web-based offering whereby customers can now access banking applications through an online service provider and Web browser. With its early start and experience in electronic banking solutions, it should not come as a surprise that Wells Fargo has the highest online banking customer penetration among all traditional banks. Through August, Wells Fargo had 2.15 million online customers, representing about 25% of its checking account households. It is adding 100,000 online customers per month and controls approximately 14% of the online banking market.

Bank of America has about 2.6 million online customers using its Internet banking products, but its penetration rate among its checking account households is closer to the national average of seven percent. Bank of America is adding about 132,000 users a month without advertising its service. These numbers are staggering in our opinion, given the first-generation Internet banking product that Bank of America offers its customers. There are many service providers in the industry that offer products with greater functionality that would love to have Bank of America's business. Of the larger financial institutions in the United States, Bank of America remains one of the few financial institutions yet to announce an Internet banking initiative with a second-generation product.

Other banks making up the top ten financial institutions in a recent Gomez survey on Internet banking include Citibank, Bank One, First Union, FleetBoston, Washington Mutual, Wachovia, Chase, and SunTrust. While traditional financial institutions have a head start in the Internet banking area, it has not deterred new non-traditional financial institutions from entering this space. Specifically, we have seen a number of Internet-only banks, brokerage firms, and retailers launch or announce Internet banking initiatives. This would include companies like NetBank, Everbank.com, Nexity Financial Corp., USABankshares.com, Ameritrade E*Trade Group, BMW, General Motors, and AAA, formerly known as the American Automobile Association.

Retail Internet Banking Competition

The market for retail Internet banking services is highly competitive with companies like Digital Insight, Netzee, FundsXpress, S1 Corp./Q-Up, HomeAccount, Regency Systems (a subsidiary of Transaction Systems Architects), Corillian, Online Resources, Cavion, VIFI, Adtek Information Systems, Equifax, Financial Fusion (a subsidiary of Sybase), e-PROFILE (a subsidiary of Sanchez Computer); the list is seemingly endless. Additionally, several of the vendors offering data processing services to financial institutions offer their own Internet banking solutions, including Electronic Data Systems, Fiserv, Jack Henry, and Metavante (formerly M&I Data Services). In all, we estimate there to be over 40 different companies who provide outsourced retail Internet banking services to financial institutions.

After seeing a large number of these companies and evaluating the business models in the sector, one thing is very clear. The only way for these retail Internet banking vendors to be profitable is to sign up a few large financial institutions with a sizeable number of potential end users, or target the thousands of smaller financial institutions that have a considerably smaller number of potential end users. Among the vendors who target the larger financial institutions with assets over $1 billion are S1 Corp., Corillian, Financial Fusion, and HomeAccount. For the most part the remaining vendors focus on financial institutions with assets under $1 billion, although this space is segmented as well. For example, Digital Insight rarely signs up financial institutions that have assets under $100 million, yet Netzee has a number of financial institutions of this size.

We would also like to note that the smaller the asset size of the bank, the less likely it is they will pay upfront implementation fees. Thus, the business models of these companies differ depending upon their core target market. For the vendors who target the smaller financial institutions, having a large number of banks as customers is pivotal to establishing the leverageable customer base needed to be a successful company.

Retail Internet Banking Consolidation

Clearly, there are too many retail Internet banking vendors participating in this marketplace. With the recent pullback in the financial markets, we believe consolidation is inevitable and, in fact, has already begun. In May 1999, S1 Corp. started the consolidation by acquiring Edify Corp. and FICS. Later that same year in November, Digital Insight acquired nFront and in December Sybase acquired Home Financial Network, which has been renamed Financial Fusion. In March of this year, S1 Corp. acquired Q-Up Systems, in July John H. Harland acquired Concentrex, and in October Netzee acquired the Internet banking and bill payment operations of John Harland (see exhibit 6). Further consolidation should occur as companies like Digital Insight, who recently raised approximately $61.2 million in a secondary offering, seek to gain market share and strategic relationships. We believe the shakeout will make the survivors stronger and the markets healthier, eliminating those companies who may have lacked a successful business plan, a strong management team, or a viable product offering. We believe that approximately six to twelve of these retail Internet banking vendors will survive with the other companies falling victim to consolidation or bankruptcy. We believe this puts the well-capitalized firms in an excellent position to capture market share and add new services at a relatively inexpensive price.

EXHIBIT 6: RECENT TRANSACTIONS IN THE eFINANCE SECTOR

Company Acquired	Acquired By	Transaction Value	Announcement Date
Edify Corporation	S1 Corp.	$319 MM	May 1999
FICS Group	S1 Corp.	$395 MM plus earnout provisions	May 1999
nFront	Digital Insight	$439 MM	November 1999
Home Financial Network	Sybase	$130 MM	December 1999
Q-UP Systems	S1 Corp.	$436 MM	March 2000
Concentrex	John H. Harland	$140 MM	July 2000
Internet banking operations of John Harland	Netzee	$18 MM	October 2000

Source: Company reports

COMMERCIAL INTERNET BANKING

We believe that enabling commercial Internet banking will be the next big movement for larger financial institutions. Over the past five years banks have focused their Internet banking efforts on the consumer, and this focus should continue. However, a bank's most profitable customer is not the consumer, but rather the 68.4 million businesses worldwide. Commercial customers not only seek the same services that retail customers seek, but they require more enhanced functionality in the form of a cash management solution. Important services include the following: the ability to access multiple cash management accounts and set maximum transaction limits; the ability to view account summaries and details such as ledger balances, float balances, hold amounts, overdraft protection, available balance, and running balance; the ability to view and filter postings by category; the ability to export data to financial accounting software like Quicken's Quick Books; the ability to initiate wire transfers and tax payments; the ability to allow direct deposit of payroll checks; and the ability to originate automated clearing house (ACH) transactions. According to Killen and Associates, the market for network-enabled business banking and cash management is expected to reach $80 billion worldwide by 2004.

Wells Fargo recently launched its commercial banking initiative, Commercial Electronic Office (CEO), which is targeted at mid-sized companies and large corporations. The service allows customers to conduct transactions, access information, and receive service online for their credit, cash management, electronic payment, foreign exchange, and trust and investment needs. Later this year the Company plans to extend its services with credit and loan services, B2B invoicing, eProcurement, wire initiation, and institutional account access.

Commercial Internet Banking Competition

While Wells Fargo has internally built its commercial banking application, just as it did with its retail banking application, we believe that the majority of financial institutions will choose a third party outsource provider like the retail Internet banking marketplace. The difference between the two spaces is that there will likely be fewer technology providers in this area, given the complexity of the services that need to be incorporated into the application. There will also be fewer financial institutions that will require a robust commercial Internet banking solution versus a modified retail banking application. Most service providers who license commercial banking applications today include Magnet Communications; S1 Corp. (via its acquisition of FICS); Automatic Data Processing; BROKAT (via its acquisition of Transaction Software Technologies); Fundtech; and Pulitzer &

Haney. The majority of these companies are niche cash management providers trying to improve on their mature TTY-based (teletype-based) cash management system. Others sell middleware architecture upon which traditional cash management applications can be linked to legacy information sources across a bank's IT infrastructure. And most recently, we have started to see retail banking service providers attempt to crossover into commercial Internet banking solutions, although it remains questionable whether or not their service offerings will have the needed functionality that focused commercial Internet banking vendors provide. Our suspicion is that for small businesses with less than ten employees, a modified retail Internet banking solution will likely be sufficient but will not be robust enough to handle larger organizations.

INTERNET BANKING BUSINESS MODELS

There are essentially three business models being employed by Internet banking service providers. One business model is a pure software license model, the second model is the hybrid software license model, and the third model is an outsourced model, or ASP model. We believe that the outsourced business model is the most attractive to investors because of the visibility associated with the high percentage of recurring revenues and the low dependence on last-minute software license revenues that must be "booked" in order to meet financial expectations for the quarter. The hybrid software license model is our next favored model, while the pure software license model is our least favorite.

Under the pure software license model, financial institutions are charged a one-time license fee for the software and annual maintenance fees equivalent to a certain percentage of the original purchase price of the software license, typically fifteen to twenty percent. The license fee is based on the number of application modules (retail banking, bill payment, cash management, etc.) licensed by the financial institution. Financial institutions prefer this pricing, as it enables better budgeting of their non-traditional financial services. From a service provider standpoint, our experience has been that it is very difficult to consistently make money from a pure software license model because the pricing leverage resides with the buyer, not the seller. As a result, this is our least favored pricing model.

The hybrid software license model has all the characteristics of the pure software license model with additional fees based upon the number of bank end users utilizing the service. This additional fee is typically incorporated into the license fee with the recurring maintenance fee priced off the total charges to the financial institutions. This model is a good compromise between service providers and financial institutions because it fixes the majority of the costs for the financial institution while providing upside to the service providers based upon adoption rates of the service. Given the stage that Internet banking is at today with nominal penetration rates, the buyer still has a lot of pricing leverage. As adoption rates increase, we will see the pricing leverage fall more into equilibrium as recurring fees from end users and maintenance soften the dependence of software license revenues.

The pure outsourced model is our most favored model because it is almost a one hundred percent recurring revenue model, which provides excellent visibility to forecasted financial models. Under this model, financial institutions are charged a one-time set-up fee (the non-recurring portion) with a monthly recurring fee based on the number of application modules utilized by the financial institution and the number of end users using the service. Some service providers may waive the one-time set-up fee, although this is typically only the case with smaller financial institutions. This model is not favored by financial institutions because they have unlimited liability with respect to their expenses, making their financial forecasting very difficult.

On average, we believe larger financial institutions (greater than $1 billion in assets) will chose one of the software license models. These larger financial institutions typically have in-house information technology (IT) personnel who work closely with the service provider implementation team. Smaller financial institutions (less than $1 billion in assets) typically do not have large information technology teams. As a result, these smaller financial institutions typically chose the pure outsourced model.

INTERNET ONLY FINANCIAL INSTITUTIONS

Our stance on Internet only financial institutions is that the successful ones will be far and few between. We maintain a strong belief that the Internet is simply a complementary distribution medium to the brick and mortar world in which we live today. Since initiating coverage on business-to-business Internet companies in mid-1998, we have seen the majority of Internet-only operations struggle to gain market acceptance relative to their traditional brick and mortar counterparts. In the banking industry, this has been particularly true.

Financial institutions such as Citi f/i (Citibank), WingspanBank (Bank One), mbanx (Bank of Montreal), and Security First Network Bank (Royal Bank of Canada) have all struggled to gain a stronghold as an Internet-only bank despite the expense of millions of marketing and development dollars. Of these companies, Citibank has been the latest to reevaluate its Internet-only strategy, announcing that it would replace Citi f/i with a new service. It is our belief that banking is still a service business in which individuals demand the opportunity to meet with an individual one-on-one, even if they never capitalize on the service.

While the Internet-only banks of larger financial institutions have struggled since their inception, we are starting to see a new breed of Internet-only banks that are targeted at affinity groups (individuals that have similar interests). Many individuals may be more familiar with this form of target marketing as it relates closely to the credit card industry, which was revolutionized by the emergence of affinity cards in the 1980's. Today there are Internet-only banks for the fans of David Bowie (www.bowiebanc.com), gays and lesbians (www.glbank.com), small businesses (www.ebank.com), and even newlyweds (www.pointpath.com). The verdict is still out on the success of these banks, but our feeling is that the majority of these affinity banks will likely struggle to gain any real market acceptance. One bank we believe that has a chance to survive is the bank targeted at the gay and lesbian population. The reason being is that this is a very large affinity market with a very loyal population.

It is difficult to determine whether or not any virtual bank not associated with a brick and mortar bank will ever be successful. Companies like E*Trade Group and American Express believe that they can be successful combining Internet banking with various company-owned automated teller machines around the country. E*Trade owns approximately 8,500 ATMs around the country while American Express owns approximately 4,700. In all, the number of ATMs owned by virtual banks numbers just over 115,000. By offering their existing customers complementary financial services and a multiple, integrated distribution channel, we believe companies like E*Trade and American Express could evolve as formidable competitors to traditional financial institutions.

Still, our thoughts remain, if one can have access to a brick and mortar bank, access to ATMs, and access to an Internet bank all integrated under the same brick and mortar institution where a relationship is already established and the loan officer knows the customer's family, interests, etc., then why would that individual chose another banking solution that is not as comprehensive? Many would argue that higher interest rates on products and lower banking fees would be enticing enough to migrate people over to virtual banks. We do not believe that will ever be the case. There is still something to be said about personalized service and old habits—the service is hard to leave and the habit is hard to break. The Internet is nothing more than a complementary medium to a traditional way of life. When I recently visited my bank to make a deposit, I still had to wait in line for a bank teller. Of course, they were all supposed to be put out of business with the advent of the automated teller machine.

INTERNET BANKING BENEFITS TO THE FINANCIAL INSTITUTION

Internet banking can create many benefits for financial institutions. At the very minimum, banks can use their Internet banking site to create brand awareness. As new and existing customers begin to utilize the Internet banking service, online transactions are generated, data is collected, and relationships are created or enhanced. The immediate benefit to financial institutions is recognized as soon as transactions move online, immediately reducing transaction costs for the bank. Additionally, online banking customers tend to keep higher account balances and use more bank services than traditional banking customers. As a result, online banking customers are 20–30% more profitable for banks.

For those financial institutions that are marketing savvy, the data being collected on customers could be more important than cost benefits. By mining the data collected during the transaction process, financial institutions can cross-sell other products or services to individuals that possess similar surfing habits, site preferences, and responses to specific Web advertisements. This enables financial institutions to reduce customer acquisition costs as well as enhance the customer relationship by providing value-added products and services. Of course, all of this information can then be used to target other traditional customers who may be reluctant to try new technology solutions. Banks followed a similar evolution and marketing challenge when ATMs were first installed in the early 1980's. Today, while banks have not eliminated traditional tellers with ATMs, end user adoption of these machines has dramatically reduced transaction costs, enabling banks to allocate financial resources to other initiatives. Our best guess is that Internet banking will follow a similar migration path that occurred from traditional tellers to ATMs. If that is the case, over the next five years we could see a dramatic end user adoption for Internet banking services. With so much at stake for traditional financial institutions, they cannot afford not to be prepared once adoption rates escalate.

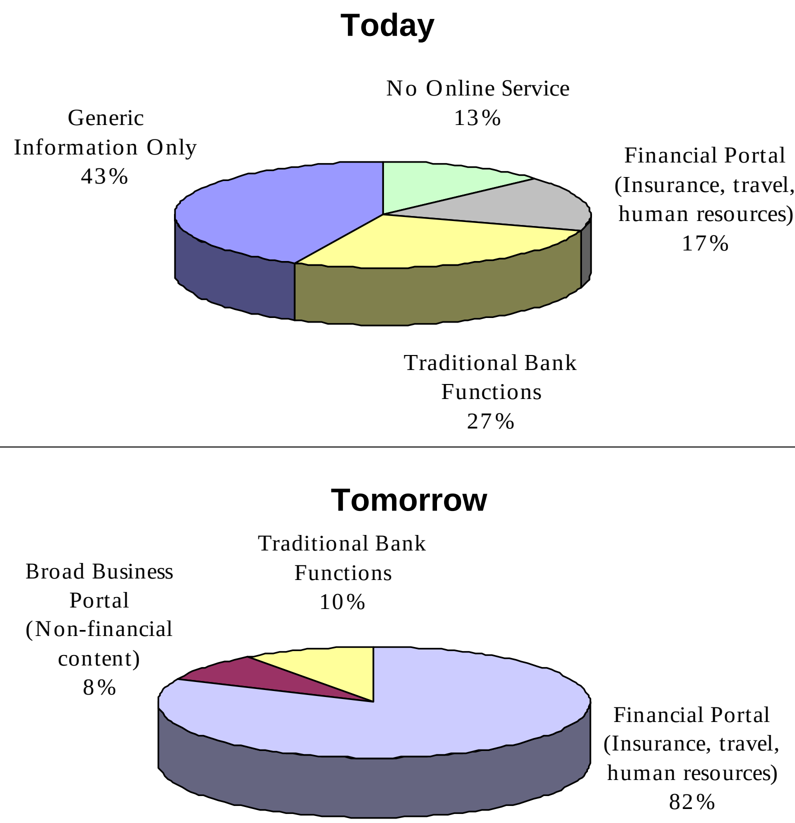
INTERNET BANKING AND SMALL BUSINESSES

According to Clyde Ostler, group executive vice president and head of Internet services at Wells Fargo, there is "an even bigger opportunity in small business and B2B" for banks that use the distribution power of the Internet. For small businesses, many banks are taking initiatives to go beyond Internet banking by offering ancillary services such as tax preparation, telecommunication, insurance, travel, human resources, benefits administration, and online procurement. The idea being that by helping small business owners run their companies, banks will build much stronger relationships as well as share in the incremental profits that these new services generate. Although it has historically been difficult for banks to profit from small businesses, there is hope that leveraging the direct marketing power of the Internet will change this. In a recent report by IDC, 85% of small businesses with fewer than 100 employees now use personal computers (PCs) to conduct their daily business activities. Additionally, more than 61% of these firms have access to the Internet.

The opportunity for banks to profit from their small business customers is considerable. IDC also estimated that the nation's 30.5 million small businesses would spend more than $107 billion annually online by 2002. Using their brand names and existing relationships, banks hope to profit considerably from the e-commerce spending by small businesses.

Banks that have made e-commerce announcements include Citigroup, First Union, Bank of America, Chase Manhattan Corp., Toronto-Dominion Bank, and Wachovia. Even non-traditional financial institutions and service providers like American Express; Metavante (formerly M&I Data Services); Netzee; and Digital Insight have incorporated third party e-commerce services into their service offerings. First Union has partnered with eCredit.com to offer these ancillary services, Bank of America has announced alliances with the likes of Ariba and Biztro, Toronto-Dominion Bank has announced its use of Commerce One's software, and American Express has announced a joint venture with Ventro. Netzee offers its customers Banking on Main Street, which enables a bank's small business customer to buy and sell their products on the Internet. Instead of only having deposit relationships with small businesses, these banks and service providers are setting up small business marketplaces, or portals (see Exhibit 7). While we believe this makes a lot of sense conceptually, it is too early to determine whether or not these initiatives will be profitable. Historically, it has been very difficult for banks to make money on small businesses because of the bank's cost structure relative to the size of a small business. Until banks can prove that these ancillary services are being widely accepted by small businesses and are profitable to the bank, we see a continued movement in the industry toward outsourcing to service providers that offer individual products or bundled services.

EXHIBIT 7: **BANK ONLINE OFFERINGS FOR SMALL BUSINESS**



Source: Forrester Research Inc./U.S. Banker

INTERNET BANKING AND COMMUNITY FINANCIAL INSTITUTIONS

For the most part, community financial institutions are the providers of financial services to individuals in small town America. Whereas the perception in the market place is that larger financial institutions are going to put community banks out of business, the reality is that these banks continue to prosper and compete very aggressively against larger financial institutions.

For an example of this, we do not have to look any further than two very different cities in Texas: Lubbock and Seguin. Lubbock has approximately 180,000 citizens that are served by thirteen banks. Of these thirteen banks, only two of them, Wells Fargo and Bank of America, are branches of money center financial institutions run out of Dallas. The other eleven banks are community financial institutions with local ownership. The fact is that the consolidation in the banking industry over the past ten years in Lubbock has not been among community banks, but rather it has been among larger financial institutions. Wells Fargo recently gained a presence in the city through its acquisition of Norwest Bank. Prior to that, Norwest had entered Lubbock through its purchase of First National Bancshares. Amazingly enough, during this same time period, the number of community banks has actually doubled instead of decreased. Our belief is that the growth of community financial institutions has been driven by the consolidation of larger banks as the citizens of Lubbock seem to prefer banking with a locally owned bank.

In Seguin (30 miles outside of San Antonio, TX), the story is very similar to Lubbock. Seguin has approximately 20,000 citizens that are served by five banks. One of those banks is a Bank of America branch, while the other four are community financial institutions. According to our contacts in the banking industry in Seguin, Bank of America is struggling to compete in this city due to the loyalties these citizens have with local banks. We will be the first to admit that Lubbock and Seguin are not a large sample size. However, we believe that it does lend credibility to our thesis that banking is a relationship business and that people in small town America prefer banking with their hometown bank where they have established relationships.

Yet, if the services being offered by a community bank are not up to par with those of a larger financial institution, then individuals may forego their relationship banking in exchange for a bank that offers more products and services. If there is no difference in the products and services being offered between large financial institutions and community banks, individuals usually find greater comfort in doing business with a member of the local community. The key point to make is that given similar product and service offerings, community financial institutions typically prevail in the mind share of individuals within a given community, an intangible but priceless asset.

Because of this mentality, it is imperative that community financial institutions offer the same product and services that larger financial institutions offer. Thus it is no surprise that if Bank of America moves into a community and offers Internet banking, electronic bill presentment and payment, online trading, insurance, etc., the local community bank(s) will have to offer similar products and services to stay competitive and retain their customer base. Therefore, it should also come as no surprise that community financial institutions are traditionally reactionary (defensive) when it comes to implementing new products and services, especially those that deal with technology. With the movement towards Internet banking and electronic bill presentment and payment among large financial institutions, we are seeing rapid adoption among community financial institutions looking to establish an Internet banking presence. Three services that are most often being utilized by community banks purchasing Internet banking solutions include core Internet banking software, bill payment, and cash management. Another "module" that we see gaining in popularity is an e-commerce marketplace where the bank’s merchant customers can sell products to the bank’s retail customers.

Our expectations as to the services we expect community banks to offer coincides with a recent survey by Grantz Wiley Research that found that bank customers are most interested in checking account balances (50%), transferring funds between accounts (39%), paying bills (36%), applying for loans (29%), and conducting brokerage trades (23%) over the Internet (see Exhibit 8). The desire to offer a cash management solution comes from the demands on the corporate side of the bank, as cash management functionality is frequently requested as a mandatory service from businesses. While e-commerce participation by banks is relatively new, the marketplace is growing in popularity as banks look at revenue sharing opportunities between themselves, their business customers, and their retail customers.

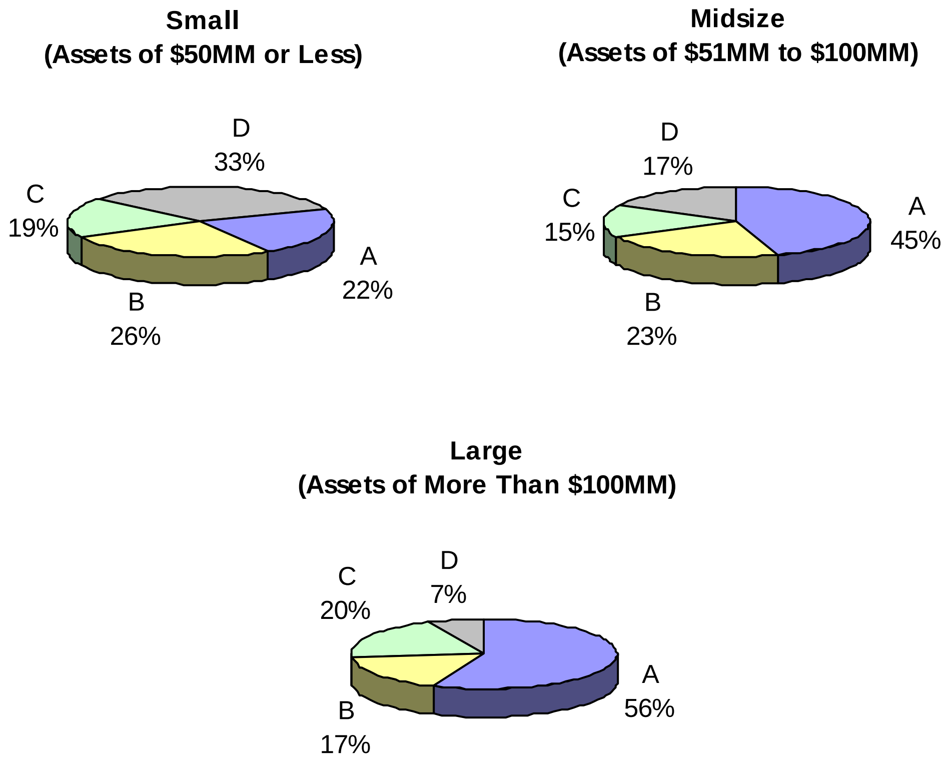
EXHIBIT 8: **E-FINANCIAL SERVICE TRENDS**

Web-based services	% of community banks that expect to offer by the end of 2000	% of consumers likely to use if offered by their bank
Check account balances	55%	50%
Transfer funds between accounts	54%	39%
Pay bills	37%	36%
Apply for loans	37%	29%
Conduct brokerage trades	8%	23%

Source: Grantz Wiley Research

In a recent survey that Grant Thornton completed among community banking executives, 93% felt that employing technology was the single most important factor in their continuing success. With 67% expecting that substantially more customers would prefer to have the option to access financial services via the Internet over the next three years, it is easy to understand why community banks are aggressively implementing Web sites and Internet banking solutions. By the end of 2000, it is estimated that 78% of all community banks will have a Web site, up from 55% at the end of 1999. More importantly, 64% of all community banks are expected to offer Internet banking services by the end of the year, up from approximately 15% at the end of 1999. Without a doubt, this is a “land grab” opportunity as community financial institutions race to implement Internet banking solutions (see Exhibit 9).

EXHIBIT 9: **WEB SITE PLANS OF COMMUNITY BANKS BY SIZE OF BANK**



A – Had a Web site in 1999

C – Expect to have a Web site by end of 2000

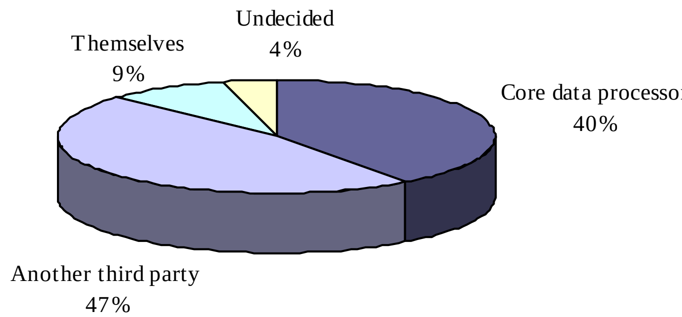
B – Expect to have a Web site after 2000

D – No plans to have a Web site

Source: Grant Thornton, LLP

Grant Thornton also addressed the question of how community banks plan to offer an Internet banking service. The overwhelming majority (87%) plan to outsource through a third party service provider like Jack Henry, Fiserv, Netzee, Online Resources, Digital Insight, Q-Up, FundsXpress, Home Account, Regency Systems, or one of the other numerous Internet banking solution providers. Of those using a third party service provider, only 40% plan to use their existing core data processor, while the other 47% plan on using a neutral provider (see Exhibit 10). One disadvantage we see in a bank using its existing core data processor as an Internet banking provider is that a solution from a core processor will only interface with a single core processing system. If a bank wanted to change its core processor, which happens more frequently than one might think, then the bank would have to change its Internet banking provider. If the bank was also offering bill payment capabilities, this would have to be changed, or at the very least, reconfigured by the end user, a frustrating ordeal that would likely lead to a loss of customers. Thus, we believe this is one major reason that more banks are not using their core data processor for their Internet banking solution. On the other hand, with a number of these service providers operating their business without profitability, some banks are more comfortable using their core data processor, which typically operates a profitable business.

EXHIBIT 10: **OUTSOURCING INTERNET BANKING**



Source: Grant Thornton, LLP

ELECTRONIC BILL PRESENTMENT AND PAYMENT (EBPP)

The concept of paying bills electronically is nothing new. The functionality has been around for the past five years. However, what has not been available is the ability to receive bills electronically and then click a button on the bill to complete the payment. This is what is known as electronic bill *presentment* and *payment* and goes by the acronym EBPP. A formal definition of electronic bill presentment and payment refers to the process that allows a biller to create and present an electronic bill or financial statement on its own Web site or through a third party organization that makes the content available to end users who ultimately are able to view and pay the bill over the Internet. In 1999, the market reached $32 million, of which the majority of the revenue was from software license sales. IDC projects that the combined license and transaction-based revenue for the EBPP market will grow to $1.0 billion through 2004 at a compound annual growth rate of 100%. However, the majority of the revenue in 2004 is projected to be from transaction-based revenues as end user adoption rates escalate. With there being approximately 105 million households in the U.S. receiving between 12 and 14 bills per month, one can see that there is a large opportunity for transaction-based revenues. While we acknowledge the fact that we may never be a check-free society, there is a tremendous opportunity to cut out a great deal of the inefficiencies in the billing process that approximately 17 billion bills encounter each year. In all, if the paper-based system in operation today could be modified into an efficient electronic distribution process, we believe the industry could experience cost savings that exceed $125 billion per year. Keep in mind, these numbers are for households only and exclude the 12 billion corporate bills sent out each year that are much more costly to mail out and process.

We view EBPP as an integral part to any financial service offering, providing the "stickiness" needed to keep users loyal to a particular distribution destination or service. With the recent explosion in the consumer use of online banking and brokerage services, we believe the foundation has been laid for the evolution of EBPP. While an individual is not required to have online banking or brokerage services to perform online bill payments, the services are very complementary.

Given the current stage of the EBPP lifecycle, we look for an inflection point over the next twelve to eighteen months as solution providers, financial institutions, portals, and other distribution destinations begin to aggressively market the service. These destinations are determined to use the technology to complement their eFinance strategy and their overall customer relationship management (CRM) solutions. EBPP services will be aggressively marketed by these participants as competition for a consumer's financial portfolio or threat of disintermediation continues to escalate.

Two providers who are expected to aggressively market an EBPP solution beginning in the first quarter of 2001 are the United States Postal Service and Bank of America. Both of these companies have partnered with CheckFree Corp. to allow their customers to pay bills electronically over the Internet. The Postal Service chose to enter the EBPP market as a defensive measure to protect against the cannibalization of their traditional paper-based business. With 80% of the documents being delivered by the Postal Service involving monthly bills, it is clear to see that the acceptance of electronic billing would seriously damage their existing business. We look for the Postal Service to complement their recent television advertising campaign with an aggressive direct mail campaign before the end of the year and a commitment to aggressively promote EBPP through mid-2002. Bank of America chose to enter the EBPP market as a complementary offering to its Internet banking service. With the Bank of America customer base representing approximately one-third of all U.S. banking households, the aggressive advertising campaign that will start in some areas of the country in the fourth quarter and expand throughout the entire U.S. in the first quarter of 2001 should bring increased awareness to the space. Bank of America, in conjunction with CheckFree, has committed to spending $45 million over a twelve-month period marketing electronic bill presentment and bill payment.

One thing that has hindered the success of EBPP up until this point is the actual adoption of the technology among billers and end users. Not to overly use a famous cliché, but it is the chicken and egg story. Billers will not adopt a new technology until they see that it will be widely used by its customer base, and users will not use a new technology until there are enough participants providing the service. Fortunately there are two parts to EBPP: the presentment side and the payment side. While the presentment side has been slower to adopt largely due to a lack of standards, the payment side is starting to show signs of momentum in the marketplace, which is being driven by an increase in non-traditional financial institutions offering the service. Two things that should help accelerate the bill presentment part of the equation are (1) the recent merger between CheckFree and TransPoint, which subside confusion in the marketplace, and (2) the acceleration of bill payment, which validates the acceptance by end users to pay bills electronically. Looking at the success that biller service providers like Derivion, billserv.com, Princeton eCom, and CheckFree are experiencing in signing up billers for bill presentment, we are already starting to see signs of the EBPP evolution.

The value proposition for EBPP is different, depending upon your prospective as a biller, a distribution site, or an end user. We have already touched base on the benefit to distribution sites in which EBPP is solely used for the purpose of customer acquisition and customer retention. For consumers, we believe the main value proposition is convenience, where individuals can review bills and make payments when they want, 24 hours a day, 7 days a week. Additionally, all of the bills are in one centralized location where the payment of bills can occur with the click of a mouse, saving a significant amount of time and providing for better record keeping. For billers presenting bills to consumers, we believe the main value proposition centers around better customer service, where billers want to provide their customers with the capabilities to view and pay their bills at anytime of the day and from any distribution point available on the Internet. Additionally, billers can engage in one-to-one marketing opportunities, leveraging the delivery power of the Internet as well as become the beneficiary of a reduction in the payment float by increasing the speed and efficiency with which payments are received. Please note that while cost savings are indeed a value proposition for billers, it is not listed as the main driver for implementing an EBPP solution. Our research has found that cost savings only enters into the decision equation once EBPP becomes widely adopted by a biller's customer base. This would imply an adoption rate of 15-20% of a biller's customer base. Today, customer adoption rates hover between 1-2% for most billers. For billers presenting bills to other businesses, the same value proposition that applies to consumers also applies to corporations. However, cost savings relating to issues such as the ability to adjust bills and reduce days sales outstanding (DSOs) is a much more important driver for implementing an EBPP solution. In summary, all parties involved in the billing experience have something to gain from the adoption of electronic bill presentment and bill payment.

THE PARTICIPANTS

In order to completely understand EBPP, individuals must know all seven players involved in the process. While it is important to understand the roles these participants play, it is also important to understand that a given participant can play multiple roles. Below is a list of the participants and a brief description of each:

- **Biller –** An entity that bills a customer.
- **Customer –** The party that receives the bill. This could be a consumer or a business.
- **Biller Service Provider (BSP) –** An agent of the biller that provides services such as bill formatting, data parsing, bill hosting, and bill consolidation.
- **Customer Service Provider (CSP) –** An agent of the customer that provides service access. This could be a personal finance management software, direct banking site, or a customer aggregator.
- **Biller Payment Provider (BPP) –** An entity that processes payment and remittance information on behalf of the biller.
- **Customer Payment Provider (CPP) –** An entity that processes payment and remittance information on behalf of the customer. This could be the customer's bank or a third party.
- **Payment/Remittance Network(s) –** An entity that transfers payment and remittance information between the BPP and the CPP, typically either through an ACH (automated clearinghouse) transaction, the EFT (electronic funds transfer) network, or a check (single/check and list/check and stub).

THE PROCESS

In order for an EBPP transaction to start, the customer must notify all parties involved in the process. Service initiation can occur either directly with the biller or with a CSP. Depending upon which EBPP model a customer will use will determine where the service initiation occurs. Presently there are three major bill presentment models being used in the marketplace: biller direct, third party consolidation/aggregation, and scan-n-pay. While there are sure to be new models that evolve, we believe that the biller direct model and the third party consolidator model will be the two models most widely used between billers and their customers. It is also important to note that a biller customer can be a business or a consumer, with each having their own agenda. All EBPP models have their advantages and disadvantages, which we will discuss at length later in the report.

The registration process is very important to the success of the electronic transaction. Registration for the EBPP service not only notifies the biller to send electronic bills instead of mailing paper bills, it also creates the proper routing directions for the electronic bills and electronic payments and establishes the authenticity of the participants. Thus, the accurate information of the customer's name, account number, address, payment account information, and email address are all very important. Additionally, the registration process is considered the most important link in the EBPP value chain. It is the time where a biller can collect priceless marketing information that should help it maximize its return on investment (ROI).

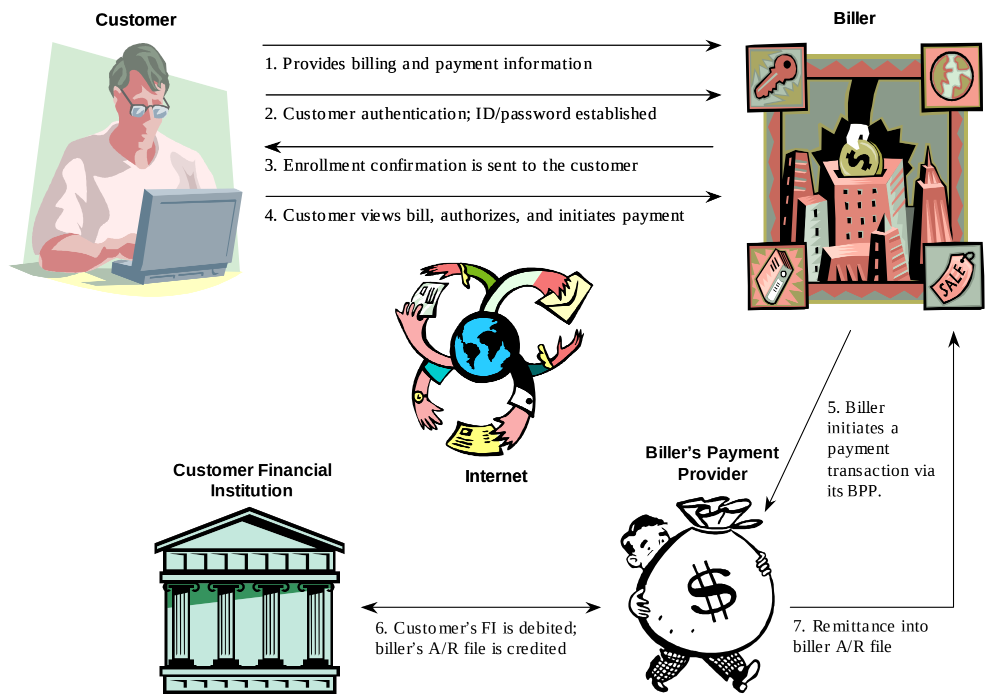
If the registration process is the most important link in the EBPP value chain, then the payment process has to run a close second. Simply put, if the payment does not get withdrawn from the customer's account and deposited into the biller's account, then there is no "value" to be received. A bill payment provider accomplishes this important function. After payment is authorized, a bill payment provider will withdraw funds from the customer account and deposit it into his or her own account. At the same time, the bill payment provider will send the money from his or her account to the biller's account. If the transfer of funds is to be completed electronically it can either be done directly, through a third party such as MasterCard RPS (Remittance Processing Services), through the ACH network, or through the EFT network. If the transfer of funds is to be completed by traditional means because the biller cannot receive electronic payments, a paper check is sent either individually, with multiple checks in a single envelope, by check and list (a single check in an envelope with a list of the customers represented), or by check and stub (a single check in an envelope with a paper stub for each customer). Today, approximately 40% of all electronic bill payments are completed electronically while the other 60% involve some type of paper settlement. For businesses and processors alike, the more electronic the settlement of a transaction is, the more cost efficient the business becomes. This is because electronic transactions significantly reduce the "human error" component in the settlement equation.

As we mentioned above, there are three major bill presentment models being used in the marketplace today to link billers and customers together. They are the biller direct model, the third party consolidation/aggregation model, and the scan-n-pay model. Following is a discussion of each model and their pros and cons as we see them today.

Biller Direct Model

Under the biller direct model, the customer initiates the EBPP service directly with the biller, most likely at the biller's Web site. At the Web site, the biller will have important information regarding the electronic delivery of the bill, including security, possible fees (if any), and payment procedures. If the customer decides he/she wants to go directly to the biller's site to pay the bill, he/she will register for the service. Upon the receipt of the information needed to electronically deliver a bill, which could be real-time or batch processing, the biller will change its customer profile/database to deliver the bill via EBPP. Verification will then be sent from the biller to the customer either real-time during registration, or shortly after the registration process by either email or snail mail. After all of the steps are completed, the customer will be able to go directly to the biller's Web site to pay the bill. Once a customer views the bill and authorizes payment to be made, the payment is initiated by the biller through the bill payment provider. The bill payment provider then moves the funds through the payment system, debiting the customer's financial institution and crediting the biller's account receivable file (see Exhibit 11).

EXHIBIT 11: **BILLER DIRECT MODEL**



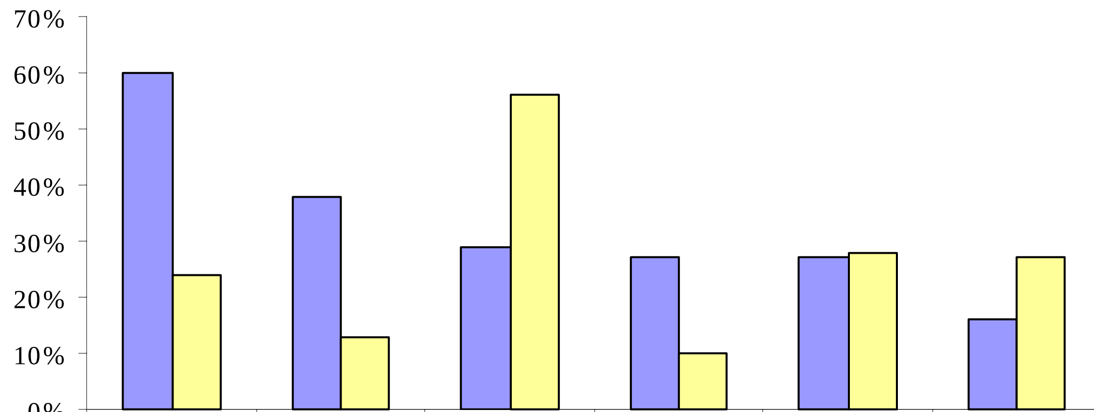
Source: eBilling.org

It should come as no surprise that the biller direct model is the preferred delivery method of EBPP by billers. Everyone wants to enroll the customer, collect the marketing information, and gain control of the value chain. Through the biller direct model the biller knows that each month it will have the opportunity to cross-sell or up-sell new products or services to a defined customer, further leveraging the customer relationship. The products or services being offered may be from the biller or from another third party with which the biller has entered into a joint marketing relationship. By offering new products and services, the biller then extends its positioning in the value chain to become more of a relationship manager, which could lead to an entrenched and long-lasting economic return. In all, the biller direct model enables billers multiple opportunities to increase the ROI of their EBPP solution, which can be very costly to implement and support.

Unfortunately for the biller, a consumer does not care about the biller's ROI. Consumers will likely decide which model they will use based largely on convenience and incentives (if any). The problem with the biller direct model from a consumer's perspective is that it is not convenient at all. The ability for a consumer to "pay anyone" does not exist under this model. Thus, for each bill that a consumer receives, he/she would have to go to that biller's Web site and log on with a unique user ID and password. They would then have to view all of the promotional items being displayed by the biller before making their payment. This could be very time consuming, especially since there are still a large number of 28.8k modems being used. The only value proposition to the consumer is that he/she would be able to see the bill statement in detail without having to click to another screen for additional information (like we will see in the consolidator model). It is our belief that this value proposition does not outweigh the convenience factor of paying all bills at one site, which is the number one interest by consumers.

If consumer adoption of the biller-direct model is likely to be infrequent, then why does research from Gartner Group project that the number one delivery method of EBPP solutions by billers is projected to be a biller direct solution? (see Exhibit 12) In conducting our research we have found that businesses prefer the biller direct model because of the additional functionality that accompanies the software solution. Such functionality includes various analytical tools that enable businesses to provide cost allocation, sorting or filtering by column heading, and graphical representations of the data. The solution must also integrate with existing systems and processes such as accounting, billing approval, and workflow. It is clear that while a biller direct solution may not offer enough value in the consumer mind to drive usage, there is another customer known as a business who prefers a biller direct solution. Thus, it is our opinion that in order for billers to service all of their customers, multiple billing solutions will need to be implemented.

EXHIBIT 12: **METHODS FOR PRESENTING BILLS**



	Third-Party Providers	Telephone IVR	Biller Direct	Bank Web Sites	Private Dial-up Networks	E-mail Notification
Now	60%	38%	29%	27%	27%	16%
Planned	24%	13%	56%	10%	28%	27%

Source: GartnerGroup

Biller Direct Model Summary: *In this model, individual billers use their own Web sites to present bills directly to the customer. The biller favors such a solution because it maintains control of the bill and deals directly with the customer, providing for a more effective and direct marketing opportunity. Businesses prefer the solution because of the additional functionality that accompanies the software solution. However, the solution is expensive to implement and requires a costly IT infrastructure. Additionally, the solution is inconvenient for consumers who must go from one site to the next to view and pay each bill.*

Third Party Consolidator Model

There are two types of third party consolidator models: "thin" and "thick". These two models differ in the amount of billing data that a customer sees at a consolidator's site. A "thin" consolidator model means that customers are only seeing summary data (see Exhibit 13).

EXHIBIT 13: **"THIN" THIRD PARTY CONSOLIDATOR MODEL**

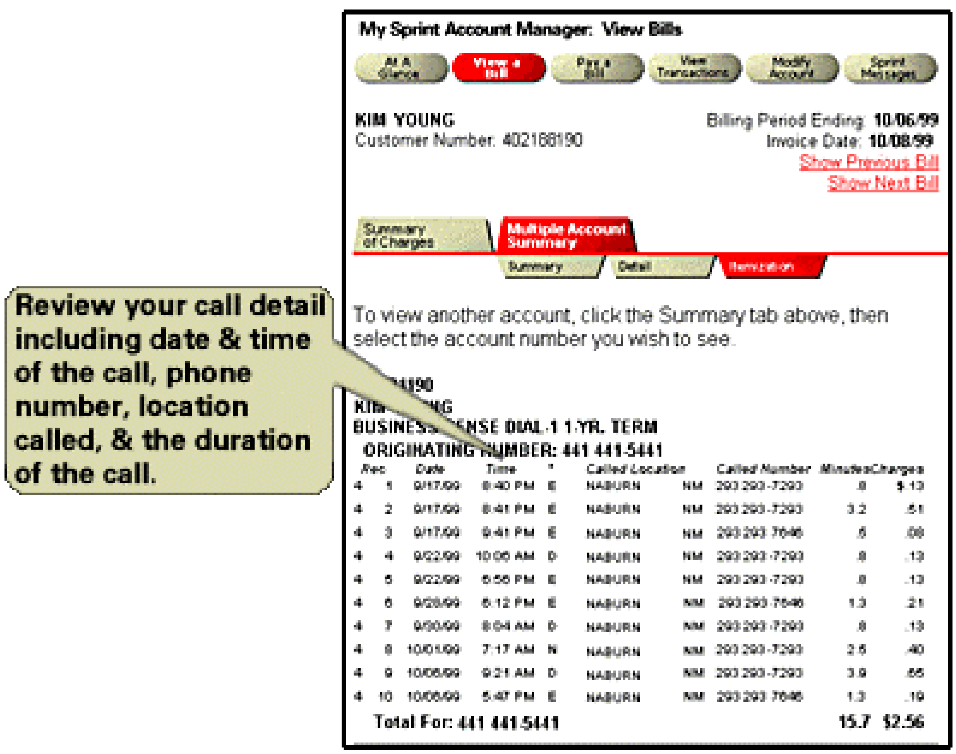
Payments & Reminders E-Bills (3 New) As of 25 April 2000, 2:30 EST - Refresh

Payee Name	Amount	Pay Date	Status	Action
High Power Company	$25.01	26-Mar-2000	Scheduled (every 2 mo.)	Change - Cancel
Cell Phone	$61.48	1-Apr-2000	Scheduled (every 1 mo.)	View Bill - Change - Cancel
Rent	$1200.00	27-Mar-2000	Remind (every 1 mo.)	Pay - Change - Cancel
Jane Doe	$137.87	1-Apr-2000	Scheduled	Change - Cancel
XYZ Credit Card	$432.79	1-Apr-2000	Remind once	Pay - Change - Cancel
Drips Water Company	$23.45	1-May-2000	Remind	Pay - Change - Cancel

Source: CheckFree Corporation

If a customer wanted more detailed information about their bill, they would have to click on a "view bill" button that would take them to their biller's Web site (see Figure 14).

EXHIBIT 14: **BILLER'S WEB SITE**



Source: Sprint

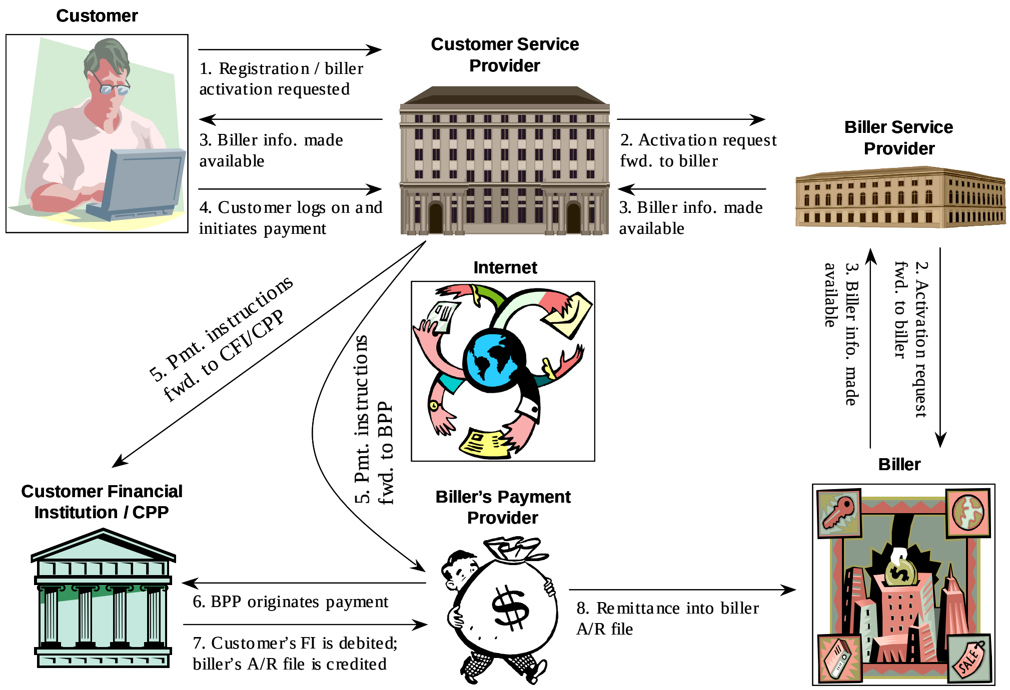
Provided a biller-direct model does not work for consumers, this is the next best solution for billers. Under the "thin" consolidator model, billers are able to maintain control over the billing detail, preserving the customer relationship as well as cross-selling and up-selling opportunities when the customer goes to the biller's Web site.

A "thick" consolidator model means that customers are able to see detailed billing information at the consolidator's Web site, just like the billing statement they receive in the mail. Yet, unlike the "thin" consolidator model where the biller still maintains some sort of business relationship with its customer, the "thick" consolidator model has the biller sending all of its billing detail directly to the consolidator. Under this model, biller adoption would likely be low because of the perceived loss in the customer relationship. Without biller adoption, EBPP will not exist. Without customer usage, EBPP will not exist. At this time, the only third party consolidator model that seems to make sense, where both the biller and customer have a value proposition in adopting EBPP is a "thin" consolidator model.

Under the third party consolidator model, the customer typically initiates the EBPP service with a customer service provider (CSP), most likely at the CSP Web site. At the Web site, the CSP will have important information regarding the electronic delivery of the bill, including security, possible fees (if any), and payment procedures. If a customer decides he/she wants to pay their bills at the CSP's Web site, they will register for the service and request biller activation. The CSP will send a request to the biller service provider (BSP) requesting biller information be made available to be processed. The BSP then notifies the biller to change its customer profile/database to deliver the bill via EBPP. Biller information is made available to the BSP, CSP, and customer. After all of the steps are completed, the customer will be able to go to the CSP to pay their bills. Not every bill is available for electronic presentment, which has hindered the acceptability by customers. However, one feature that makes electronic payments attractive is being able to "pay anyone," regardless of a biller's ability to electronically present bills to their customers. This "pay anyone" feature is only offered by a few vendors, yet it is imperative to the success of any bill payment solution being offered.

To pay bills at a third party consolidator site (also known as a customer service provider), a customer must log on with a unique user ID and password. The customer reviews the bills that are presented, authorizes, and initiates the payment(s). The CSP is notified, at which time payment instructions are simultaneously sent to the customer's financial institution [customer payment provider (CPP)] and the biller's payment provider (BPP). The BPP then moves the funds through the payment system, debiting the customer's financial institution and crediting the biller's account receivable file (see Exhibit 15).

EXHIBIT 15: **THIRD PARTY CONSOLIDAT0R MODEL**



Source: eBilling.org

Third Party Consolidator Model Summary: *In this model, a single service consolidates the bills at a separate Web site where the customer goes to pay multiple bills. While the biller's relationship with the consumer is less direct, which could dilute the biller's branding, it is less expensive because the service is outsourced to a third party. And, because it is outsourced, it makes it easier to implement than a direct solution. From a consumer's standpoint, this model is more favorable because the consumer only has to visit one Web site to pay his or her bills.*

Scan-n-Pay

One group of companies that have emerged as CSPs under the customer consolidation model are "scan and pay" providers, also referred to as scanners. Paytrust/PayMyBills.com (announced a merger August 22, 2000), Click-n-Done, CyberBills (StatusFactory), and MessagingDirect are examples of companies who have entered into this business. These companies require individuals to have their bills sent to a data center where the paper bill is electronically scanned with high-speed scanners into an HTML file for transport to an individual's email address where he/she can view the scanned image. Upon receipt and approval of the charges on the bill, the consumer replies to the CSP to make the required payment on his or her behalf. Companies like Click-n-Done do not charge the consumer anything for this service whereas companies like Paytrust/PayMyBills.com charge $8.95 per month for the service. According to industry statistics, Paytrust and PayMyBills.com are the two (soon to be one) leading scan and pay providers in the space.

While many people would argue that this is a competing technology to other CSPs like financial institutions, we believe there are four primary problems with these scan-and-pay services that will hinder their long-term viability in the marketplace. First, due to the manual process of converting the bills from a paper format to an electronic format and forwarding them on to the individual, the monthly service fee of $5 to $10 per month is not sufficient enough to recapture the costs. Many of these providers hope to supplement their costs by selling demographic information or advertising. Second, the conversion process opens up security issues that make subscribers and billers uncomfortable. Third, some billers have refused to send a bill to any place other than the individual's primary residence. Fourth, billers do not like these services because it alienates them from their relationship with their customers. At best, we view scan-n-pay technology as a patch, not a long-term solution. That being said, until billers implement an EBPP solution, we would not be surprised to even see the leader in the industry, CheckFree Corp., use "screen scraping" technology from Vertical One and/or Yodlee to complement their existing bill payment solution.

EBPP Competition

The number of announcements by companies offering an EBPP solution continues to accelerate as the space grows in popularity. In our recent Yahoo! search, we counted over 40 companies in the EBPP space. Some of these companies are biller service providers, some are scan-and-pay providers, and others are infrastructure providers. To say the least, the space is very crowded and very confusing. To help add clarity, we include one-page summaries of the leading participants in the space later in this report. In our opinion, the leader in the group remains CheckFree Corporation, and we view it as the Company best positioned to benefit from any traction that occurs in the EBPP space. That being said, there are other public participants in the space such as billserv.com, Bottomline Technologies, and Intelidata that could also benefit if the industry materializes. Of course, if the industry does materialize the way we expect, there would be a host of private companies like Derivion, Princeton eCom, and edocs that would try enter the public markets to make their claim in the industry. Investors need to understand that while we expect many companies will make EBPP announcements, not all companies participating in the space directly compete with each other. In fact, many are partners or solution providers to one another. Yet, that does not dispel the fact that as these announcements are made, stocks participating in this group will be susceptible to extreme volatility, due mostly to the lack of understanding by investors participating in the space, in our opinion. Without a doubt, we believe the EBPP space will be exciting.

CONCLUSION

Despite the EBPP models available today and new ones that we expect will come tomorrow, there are some important facts investors must realize:

1) We believe the financial models of companies participating in the EBPP space will not work without consumer and business adoption.

2) Consumers will not use EBPP services unless the service is consolidated at one distribution point and there are enough bills being presented to make it worthwhile (we estimate approximately five).

3) We do not expect billers to offer EBPP services unless consumers demand and actively use the service.

4) EBPP will not likely become mainstream until significant market dollars are spent to increase consumer awareness, whether through television, direct marketing, or incentive-based usage (free).

Unfortunately for EBPP companies, all of these issues are not within their control; they are dependant upon external forces to determine the success of their business. Given the clarity in the marketplace the merger between CheckFree and TransPoint brings and the marketing dollars expected to be spent by Bank of America, CheckFree, and the U.S. Postal Service in the first half of 2001, we should soon get a clearer picture of whether or not the EBPP space will ever come to fruition. With CheckFree being so actively involved in both of these events, we would look for evidence of industry traction in the Company's quarterly results.

OPEN FINANCIAL EXCHANGE (OFX)

As with any industry, the use of a common technological language is very important to overall success. In the eFinance industry, the most common language used for the transformation of financial information between financial institutions, businesses, and consumers is called Open Financial Exchange, also known as OFX. CheckFree, Intuit, and Microsoft created OFX in early 1997 as a protocol to enable communication with personal finance management (PFM) software applications. In addition to these three companies, other institutions such as Bank of America, Chase Manhattan Bank, Citibank, Wells Fargo, Key Bank, Woodforest National Bank, First Technology Credit Union, Fidelity Investments, Charles Schwab, and Dean Witter have actively participated in the development of OFX.

Today a large and growing community of financial service providers including banks, brokerages, billing houses, and check processors, are embracing the OFX technology. OFX supports transactional Web sites, thin clients, and personal financial software in an Internet-based client/server system that features a direct connection between the client and a financial institution's server. We believe that eliminating concerns about the connectivity of financial information makes it more compelling for financial institutions to accelerate the adoption of online financial services. Of course, the use of a common communication platform should also help the adopters of OFX drive out costs in their own business, making them more competitive with their services in the market place. All of this helps mitigate the risk that many traditional and non-traditional financial institutions may incur in standardizing their products on a singular communication standard.

While OFX is the communication standard within the financial service industry, a new communication protocol emerging in the EBPP industry that bears watching is known as Interactive Financial Exchange (IFX). IFX is being marketed as an Extensible Markup Language- (XML) compatible specification that offers the interoperable exchange of financial data between financial institutions, billing service providers, billers, and consumers. Version 1.0.1, recently launched, defines the information and schematics required in message requests and responses. Other versions are expected to be released later this year that should add additional features and functionality. For EBPP, one major advantage we expect IFX technology to have over the OFX technology is that consumers would be able to receive confirmation that a bill has been credited to their account. Another IFX advantage is that it is easier to direct remittance information straight to a biller's accounting system, allowing companies to determine who has paid their bill. These technological advancements may be enough to displace OFX as the standard communication protocol in the EBPP industry.

GRAMM-LEACH-BLILEY ACT

Due to the impact of the Internet and electronic transactions, changes were needed in the way financial services companies were allowed to interact with their customers. Recognizing that a new financial system would more effectively meet the needs of American consumers and corporations in an expanding and more global economy, President Clinton signed into law the Gramm-Leach-Bliley Act on November 12, 1999. The Gramm-Leach-Bliley Act addresses seven key provisions known as Title I through Title VII. While all provisions are important, we are only going to address those that deal with the interrelations of traditional and non-traditional financial institutions and their desire to offer financial services.

We believe the most significant provision of the Gramm-Leach-Bliley Act falls under Title I, which addressed the 66-year-old Glass-Steagall Act. Under Glass-Steagall, banks, securities firms, and insurance companies were prohibited from affiliating with one another. Under the Gramm-Leach-Bliley Act, banks, securities firms, and insurance companies can now affiliate within a "new financial holding company" structure that allows for a list of financial activities, including insurance and securities underwriting and agency activities, merchant banking, and insurance company portfolio investment activities. Other activities that are "complementary" to financial activities are also allowed. Prior to this new affiliation, banks could only be organized as a bank holding company.

With this new designation, banks can now grow their businesses both vertically and horizontally. Over 175 banks have already opted for the new structure. While the new structure expands on the services banks can offer their customers, we believe it is too early to conclude if banks will be successful in offering these new services. Our best guess is that while some banks will be successful, the majority of them will likely find that the additional costs to support their new product initiatives and the increased competition from nonbank companies will be a drag on earnings. As a result, we would look for the majority of banks to migrate back to the functionality of traditional bank holding companies and pursue partnership opportunities for non core-related services.

Another important aspect of the Gramm-Leach-Bliley Act addresses insurance activities. Under Title III, national banks not engaged in underwriting or the sale of title insurance at the time the bill was signed into law are prohibited from commencing in such activity. However, state banks in states that specifically authorize the sale of insurance, as well as national bank subsidiaries, are permitted to sell all types of insurance, including title insurance.

Under Title IV, the Gramm-Leach-Bliley Act eliminated a loophole that provided for the granting of a unitary thrift holding company charter, a vehicle through which many non-traditional financial institutions received a bank charter. All applications received by the Office of Thrift Supervision after May 4, 1999, would no longer be approved. Additionally, all existing unitary thrift holding companies may only be sold to financial companies. This clearly affects those businesses that have a large, installed customer base they would like to leverage with new products and services. In fact, BMW has tried to go around this law by receiving an industrial loan company (ILC) charter in Utah. ILCs are only offered in California, Colorado, and Utah. They are FDIC insured yet they are not subject to all the regulations that apply to regular banks. One of the negative aspects to the charter is that companies with more than $100 million in assets cannot offer checking accounts. We look for companies like BMW to challenge this rule by offering negotiable order of withdrawal (NOW) accounts, which combine the payable-on-demand features of checks with the investment characteristics of savings accounts. However, given their similarities to demand deposit accounts (DDA), we believe BMW will have a difficult time circumventing Title IV of the Gramm-Leach-Bliley Act.

In conclusion, we would like to point out that the Gramm-Leach-Bliley Act represents an important step in deregulating the financial services industry and positions today's financial institutions to better serve their customers with multiple financial services. As the products and responsibilities that traditional and non-traditional financial institutions offer their customers have blurred over the years, we believe it is clear that customers of these financial institutions could be better served from one entity rather than separate entities. We believe the notion of a one-stop-shop service is very appealing to people, especially if it increases convenience and reduces the cost of services. By going to one financial service company for banking, brokerage, insurance, and other financial service activities, individuals should save time. Additionally, because more entities will be vying for the same customer dollar, competition would likely increase, thus driving down the price of financial services.

While, in our view, banks currently have the upper hand in addressing the needs of consumers through a one-stop-shop solution, the Gramm-Leach-Bliley Act does not prevent other entities from partnering with solution providers that may offer independent financial services, a tactic we are already starting to see employed quite extensively. Marshall & Ilsley's (M&I) Origins business unit is positioning itself to offer nonbank companies the tools to offer online banking, from the technology needed to offer such services to the banking charter that all "banks" are required to maintain. M&I is using a company-owned thrift in Las Vegas to provide the necessary charters to nonbank companies. AAA is Origins' largest customer to date. AAA has approximately 1,000 brick and mortar branch locations and 37 million members. Under the agreement with AAA, M&I will share in any profits gained from AAA's banking operations as well as a natural pipeline to promote other services like credit cards, auto loans, and home loans.

INITIATING COVERAGE

CHECKFREE CORPORATION
NASDAQ: CKFR
RATING: STRONG BUY
PRICE TARGET: $50

OCTOBER 6, 2000

CKFR: INITIATING COVERAGE WITH STRONG BUY RATING

Jeffery B. Baker | **jbaker@wrhambrecht.com** | **415.551.8600**
www.wrhambrecht.com

Price (10/4/00)	$38.19	FY Ends June	1999A	2000A	2001E
S&P 500 Index (10/4/00)	1,434.32	**Revenue (MM)**	**$249.1**	**$310.2**	**$431.0**
52–Week Range	$125.63 – $28.50	**Operating EPS**			
Shares Outstanding (000s)	85,520	Q1	($0.03)	($0.05)	($0.10)
Market Capitalization (MM)	$3,265.8	Q2	$0.02	($0.05)	($0.09)
Enterprise Value (MM)	$3,311.0	Q3	$0.06	($0.04)	($0.06)
Avg. Daily Vol. (1 Month)	991,000	Q4	$0.08	($0.06)	($0.05)
Projected 3–Yr. Rev. CAGR	35%	**Fiscal Year EPS**	**$0.13**	**($0.20)**	**($0.30)**
Debt/Total Cap. (6/00)	30%	**EV/Sales**	**13.3x**	**10.7x**	**7.7x**
Cash/Share (6/00)	$2.26	**P/E**	**NM**	**NA**	**NA**

Sources: WR Hambrecht + Co estimates and Company reports

INVESTMENT HIGHLIGHTS

- **We are initiating coverage on CheckFree Corporation with a Strong Buy rating.** We believe the electronic bill presentment and payment (EBPP) market is poised to experience dramatic growth over the next three to five years in conjunction with overall trends in the eFinance sector. With many organizations choosing to outsource their EBPP solution instead of developing one in-house, we believe CheckFree is well positioned to capture a significant portion of this potential growth as the space matures. The increase in the number of CheckFree's subscribers, transactions processed, billers under contract, and distribution sites make us increasingly comfortable that the EBPP market is, and will be, accepted by businesses and consumers alike.

- **In the United States approximately 1.4 billion bills are sent to customers each month, resulting in approximately 17 billion transactions and almost $6 billion in processing fees.** Today, fewer than 5% of consumers pay their bills electronically. Forrester Research estimates that by 2004 21 million households (33% of all wired households) will be paying their bills electronically, while two billion consumer bills, which represent 12% of all U.S. bills, will be presented and paid electronically. By 2007, it is estimated that consumers will pay eight billion bills on the Internet.

- **We believe shares of CKFR offer an attractive valuation at these levels.** We believe CheckFree's stock offers an attractive risk/reward ratio over the next twelve months. As its recent quarterly earnings releases indicate, the Company has effectively executed on its business plan, demonstrating the leverage embedded in its financial model. Despite competitive threats, we believe CheckFree clearly remains the dominant player in the bill payment and electronic bill presentment and payment industries with a lead that would be difficult to erase. That being said, we believe the Company's most significant challenge in the coming year is leveraging its Bank of America and United States Postal Service relationships. With the right platform in place, the right software solutions in place, and the right partnerships in place, it is now time for CheckFree to execute. Based on a discounted price to 2005 operating earnings valuation and a discounted cash flow valuation, we arrive at a 12-month price target of $50 per share.

INITIATING COVERAGE

We are initiating coverage on CheckFree Corporation with a Strong Buy rating and a price target of $50 per share. Our recommendation is based on positive overall industry trends and CheckFree's positioning in the electronic bill presentment and payment (EBPP) market. The Company continues to effectively execute on its business plan, demonstrating the leverage embedded in its financial model. The increase in the number of the Company's subscribers, transactions processed, billers under contract, and distribution sites gives us increased confidence that the EBPP market is, and will continue to be, accepted by businesses and consumers alike. While competition is sure to increase, it is clear that CheckFree continues to distance itself from the pack with a very efficient and effective integrated bill payment platform. We expect CheckFree to grow its business by accelerating billing content, driving end-user awareness and adoption, and continuing to enhance the quality and efficiency of its billing platform.

COMPANY INFORMATION

Founded as an electronic payments processor in 1981, CheckFree launched the first fully integrated electronic billing and payment solution, CheckFree E-Bills, in March 1997. Today, CheckFree services enable over 3.5 million consumers to pay bills electronically. The Company has multi-year contracts with 190 of the nation's top billers to provide online billing and payment through its network of partnerships with nearly 200 consumer service providers (CSPs), including banks, brokerage firms, Internet portals and content sites, and personal financial management (PFM) software. CheckFree also has relationships with over 20 biller service providers (BSPs), including billserv.com and Derivion. As of the end of Q4:00, CheckFree was distributing approximately 94,000 electronic bills per month.

One advantage CheckFree has in the EBPP space is its direct remittance relationship with over 1,100 billers. Many EBPP payments are Automated Clearing House (ACH) payments that flow through CheckFree's Compliance and Financial Service division. CheckFree processes more than two-thirds of the nation's annual six billion ACH payments. ACH is the leading payment mechanism for EBPP and will likely be so for the foreseeable future. CheckFree exited Q4:00 processing sixteen million (58%) electronic bill payment transactions per month, an increase of one million over the fifteen million (56%) electronic transactions processed at the end of Q3:00.

CheckFree's Investment Services division provides a range of investment management services that enable more than 350 institutions to provide portfolio management and reporting services to their clients. CheckFree clients manage over one million portfolios totaling more than $500 billion in assets. In all, CheckFree's customers include 23 of the 25 largest domestic banks and eight of the top ten domestic brokerage firms.

PRODUCTS AND SERVICES

CheckFree offers its customers four major products and services. These include processing and servicing, software licenses, maintenance, and other (consulting) services. Process and servicing is the largest component of CheckFree's revenues and consists of its ACH processing business, its electronic funds transfer (EFT) business, and its payment solutions business (account balance transfer, debit solutions, electronic remittance). Licenses and maintenance are the next largest components of revenues and are directly related to each another. For every licensing dollar CheckFree collects, it collects a maintenance fee of 10% to 20% of the annual license contract. Included in licensing revenues are software sales from the Company's ACH business, compliance business, electronic billing and payment business, investment services business, and reconciliation business. Other revenues are generated primarily from consulting services from CheckFree's payment solutions and investment services divisions. The Company provides its clients with industry, product, and vendor education, to promote an understanding of important issues and possible solutions. Below, we discuss in greater detail some of CheckFree's main products:

CheckFree's PEP+

CheckFree's PEP+ (Paperless Entry Processing) product is an online, real-time mainframe system run by banks and other financial institutions for originating and receiving electronic payments through the ACH network. PEP+ is the ACH processing standard for the global banking industry and is used by over 80% of the nation's top 50 ACH originators. CheckFree has been processing ACH transactions for over nineteen years.

CheckFree i-Solutions

CheckFree i-Solutions is the division of CheckFree that emerged from the acquisition of BlueGill Technologies in December 1999. The i-Solutions group makes available to billers an end-to-end electronic billing and payment and statement delivery application from one vendor, integrated on one platform. Financial institutions can use the i-Solutions software suite as a foundation for building biller service provider (BSP) offerings for their customers. The core software application that allows billers to transform hard copy bills into electronic bills for presentation on their Web sites is known as i-Series. The i-Series solution supports multiple vertical markets including utilities (i-Biller), telecommunications companies (i-Telco), brokerages (i-Broker), insurance companies (i-insurance), and banks (i-banker). As of the end of Q4:00, the i-Solutions division had 60 billers under contract, 40 in the business-to-consumer market (B2C), twelve in the combined business-to-business (B2B) and B2C market, and eight in the B2B market.

CheckFree APL

CheckFree APL is the investment services division's main product. It allows traditional money managers to enter and maintain account data, manage trades, and measure portfolio performance. Another important module that CheckFree sells with the base product is CheckFree APL WRAP. This is a customized accounting and reporting solution that is specifically designed to meet the needs of the managers and administrators of wrap programs. The APL product is UNIX-based (IBM RS/6000) and available to asset management and broker/dealer firms on either a remote processing outsourced or in-house basis. These financial performance management tools help money managers bridge the gap between online investing and hands-on advice and guidance. While not integrated with CheckFree's bill presentment and payment services at present, we envision a solution where the online tracking and reporting component could be integrated with CheckFree's other solutions, most likely as an electronic statement presentment (ESP) service.

CheckFree RECON

CheckFree RECON solutions enable businesses to automatically match, identify, manage, resolve, and report financial exceptions that occur when reconciling and processing transactions. With the volume and complexity of today's transactions, the data consistency necessary for quick, accurate matching is often lacking—especially when single transactions must be matched with multiple transactions.

STRATEGIC PARTNERSHIPS/ACQUISITIONS

Over the past year CheckFree has been busy building its platform, its product offering, and its partner base through acquisitions, investments, and exclusive contract agreements. With the right platform in place, the right software solutions in place, and the right partnerships in place, it is now time for the Company to execute. Below is a brief chronological summary of the major partnerships/acquisitions that have taken place over this period:

billserv.com

billserv.com is a biller service provider (BSP) that provides an outsourcing solution for presenting bills to consumers. In March 1999, billserv.com signed a service bureau processor agreement with CheckFree whereby billserv.com agreed to transmit biller information from its base of biller customers to CheckFree. On June 6 of this year, CheckFree extended this original agreement with a $10 million equity investment in billserv.com with the option to purchase five million common shares as certain business milestones are achieved. In addition to the investment, billserv.com agreed to act as an outsource provider of CheckFree's i-Series software to CheckFree's large billers.

BlueGill Technologies

In December 1999, CheckFree announced its intentions to acquire BlueGill Technologies for $250 million in stock. The acquisition closed on April 28, 2000. Since the close of the acquisition, CheckFree has renamed BlueGill the i-Solutions group. As we mentioned under the product section, the i-Solutions group provides billers an end-to-end electronic billing and payment and statement delivery application from one vendor, integrated on one platform. As CheckFree had a consolidator solution already in place, this acquisition was an ideal fit as it addressed the direct EBPP market. The group's main competitor is edocs, Inc.

TransPoint

TransPoint was a joint development effort between Microsoft, First Data Corporation, and Citigroup. On February 15, CheckFree announced its intention to purchase TransPoint, formerly its closest competitor, for 17 million shares of stock, valuing the transaction at just over $1 billion. The acquisition closed on September 5. With the close of the acquisition, CheckFree claimed approximately 187 billers (157 from CheckFree and 30 from TransPoint) under contract and 111 active billers (approximately 93 from CheckFree and 18 from TransPoint) presenting bills over the Internet. Additionally, CheckFree received $100 million in cash from Microsoft with commitments for an additional $120 million in revenue over five years. From First Data, CheckFree received a commitment for $60 million in contract sales or operating cost savings (processing, settlement, and electronic remittance capabilities) over a five-year period.

United States Postal Service

On April 5, CheckFree and the United States Postal Service announced a strategic alliance in which CheckFree became the Postal Service's provider of electronic bill presentment and payment (EBPP) solutions. With bills comprising 80% of the documents delivered by the postal service, the Postal Service viewed electronic bill presentment and payment as a major competitive threat to their business. Since the announcement, the postal service has invested heavily in television, radio, and print advertising and is committed to continue this marketing for the next 24 months. Although the Postal Service has not yet started a direct mail campaign, this is something that we believe will occur in the near future. CheckFree is expecting strong subscriber growth once the U.S. Postal Service launches its direct mail campaign. We also expect CheckFree to launch a person-to-person (P2P) payment solution and enable real-time enrollment with the U.S. Postal Service by the end of this year.

Bank of America

On April 27, Bank of America and CheckFree announced an agreement in which CheckFree would provide Bank of America's 2.1 million customers an electronic bill payment and presentment (EBPP) option. The agreement was finalized and approved on October 2. In exchange for ten million shares of CheckFree stock and warrants for an additional ten million shares, which are based on tiered performance bonuses, the Company is to receive a 10-year contract to provide EBPP services to Bank of America's customers. Eight million warrants would be based on subscriber growth metrics while two million warrants would be based on the number of electronic bills that are delivered. Band of America is to receive two million warrants for every 2.5 million subscribers added to the CheckFree platform up to ten million subscribers. Band of America is to receive one million warrants for each five million electronic bills presented on CheckFree's bill payment system up to ten million bills. Additionally, under the contract, CheckFree is to receive guarantee minimum payments of $50 million per year. Of the 700,000 subscribers that are currently enrolled in Bank of America online payment services, 400,000 are currently using CheckFree and 300,000 will be incremental new subscribers to the Company's service.

While the guaranteed revenue dollars are important to the agreement, we believe the more significant part of the contract is the commitment by both Bank of America and CheckFree to begin a marketing campaign to drive consumer adoption and awareness of EBPP services. The companies plan to spend approximately $45 million on the campaign, of which $25 million would be put to work over the next six months. These marketing costs are to be split evenly between the two companies, however, the expenditures are not expected to flow through CheckFree's operating expenses. We believe that driving consumer and biller awareness is pivotal to the success of EBPP and CheckFree. With Bank of America, the U.S. Postal Service, and CheckFree committed to increasing awareness in calendar 2001, we should soon get a clear indication of EBPP acceptance.

FINANCIAL DISCUSSION

The biggest question in the CheckFree story remains: When will investors start to see mass adoption by consumers to pay their bills electronically? We believe this is very difficult to answer. There is no question in our minds that consumer adoption of electronic bill payment will happen. But first the concept must be aggressively marketed. Aside from Bank of America, we believe the marketing push in the near-term to come from non-traditional financial institutions that are using electronic bill payment to attract end users to their Internet sites. Companies of note who are employing this marketing strategy include American Express, Charles Schwab, and the United States Postal Service. Once other traditional financial institutions start to consider electronic bill payment as a marketing/cross-selling opportunity instead of a single profit opportunity and providers put their marketing dollars behind the service, we believe consumer adoption will occur very rapidly. Our best guess is that rapid adoption of electronic bill presentment and payment will occur sometime in 2001.

However, the one caveat is that we do not believe that mass adoption will occur until the service is given away for "free." We use the term loosely because, as we all learned in Finance 101, there is no such thing as a "free lunch." While the perception of a service may be "free," the reality is that the service is being paid for by other means, typically in exchange for the use of other paid products, services, or requirements, such as minimum account balances, monthly account fees, mandatory direct deposits, and the like. The idea of offering free bill payment is a bold statement, yet we have evidence of it working in another eFinance medium: Internet banking. Internet banking has been around for many years, however, its adoption has only recently began to take off as many traditional and non-traditional banks have offered free Internet banking.

HISTORICAL RESULTS

2000 Results

CheckFree's fiscal year ends in June. Total revenues for CheckFree increased 24.5% in fiscal year 2000 compared to 1999 levels. Processing and services revenue, which is expected to generate the majority of the Company's revenue going forward, increased 29.6%, licensing revenue increased by 7.2%, maintenance revenue increased by 11.1%, and other revenue (consulting) decreased by 11.7%. During 2000, CheckFree increased the percentage of bills it processed electronically from 50% to 58% while increasing the total number of transactions processed from 125 million to 170 million. Total billers under contract increased from 64 at the end of 1999 to 157 at the end of 2000 and the number of billers implemented increased from 29 to 93. The number of subscribers increased from approximately three million to 3.5 million.

Q4:00 Results

CheckFree's Q4:00 revenues grew 23.7% year-over-year and 11.0% sequentially to $88.5 million. Broken out by product lines, processing and servicing revenues were $72.2 million (81.6% of revenues), software licensing revenues were $6.5 million (7.4% of revenues), maintenance revenues were $5.2 million (5.9% of revenues), and other revenues, which consist of consulting and implementation fees, were $4.6 million (5.2% of revenues).

CheckFree's Q4:00 gross profit margin increased to 44.8%, a 350 basis point increase from the 41.3% reported in Q3:00. The gross profit margin improvement was a result of higher software licensing revenues and an increase in the percentage of transactions performed electronically from 56% to 58%. Software license revenues carry higher gross profit margins than other areas of the Company, therefore an increase in these revenues tends to have a significant impact on the overall gross profit margin. Additionally, electronic transactions carry a much lower cost as far as processing and support, thus positively affecting the gross profit margin. Operating costs during the quarter totaled $38.7 million (43.7% of revenues), resulting in an EBITDA of $1.0 million (1.1% of revenues). Excluding a $6.9 million in-process research and development charge and $10.1 million of amortization associated with the acquisition of BlueGill Technologies, CheckFree reported an operating loss of $5.1 million, or ($0.09) per share.

CheckFree increased the percentage of bills it processed electronically from 56% in Q3:00 to 58% in Q4:00 and processed sixteen million transactions versus fifteen million transactions over the same time frame. CheckFree added 36 new billers during the quarter bringing the total number of billers under contract to 157. Additionally, CheckFree increased the number of billers it had implemented from 76 at the end of Q3:00 to 93. The number of subscribers increased from approximately 3.3 million to 3.5 million, a sequential increase of 7.9%.

While we believe it is important to monitor the growth in the subscriber base, it is becoming even more important to monitor the overall transaction volumes because of the number of various distribution points (over 200) that CheckFree has for electronic bill payment. It is also important not to overlook the number of billers that CheckFree has signed up for EBPP, the number of billers that it has implemented, and the overall progress being made relative to the competition. CheckFree stands out on all of these metrics and, as a result of its leadership position, we believe CheckFree is able to offer a much more attractive total EBPP solution to banks and billers than those of its competitors.

EXHIBIT 16: **CHECKFREE'S KEY HISTORICAL METRICS**

	Q1:00 (Sept.)	Q2:00 (Dec.)	Q2:00 (Mar.)	Q4:00 (June)
Revenues (MM):				
Processing and Servicing:	$58.3	$62.6	$68.5	$72.2
License:	$3.0	$3.2	$4.1	$6.5
Maintenance:	$4.4	$4.5	$4.6	$5.2
Other (incl. Consulting):	$3.3	$2.6	$2.5	$4.6
Total (MM):	**$69.0**	**$73.0**	**$79.7**	**$88.5**
Number of Subscribers (000s):	**3,000**	**3,010**	**3,290**	**3,550**
EBPP Billers Under Contract:	77	89	121	157
EBPP Billers Implemented:	**40**	**62**	**76**	**93**
Monthly Bills exiting quarter (MM):	13	14	15	16
Bills Processed Electronically:	**52%**	**54%**	**56%**	**58%**

NOTE: CKFR's fiscal year ends on June 30.
Source: WR Hambrecht + Co. and company reports.

Balance Sheet

CheckFree ended the fourth quarter with $184.6 million in cash and cash equivalents. This excludes the $97 million in net cash from the TransPoint acquisition. With the Company's commitment to be cash flow break-even and capital expenditures of $39.4 million in 2000 being a good indication of CheckFree's future capital commitments, we believe the Company has ample cash to grow its business without the need to raise additional capital. Total assets ending Q4:00 were $713.1 million. CheckFree had $173.2 million in long-term debt at the end of the June quarter as a result of the convertible debt issuance in 1999. Shareholder's equity ended the quarter at $445.9 million. Book value per share ended the quarter at $7.86. On page 49 we have provided an historical balance sheet for CheckFree.

FINANCIAL EXPECTATIONS (see model, p. 48)

The following discussion does include the revenue and expenses related to the acquisition of TransPoint and the agreement with Bank of America. The TransPoint acquisition was finalized on September 5 and the Bank of America acquisition was finalized on October 2. CheckFree has not given any specific guidance past the first quarter (Sept.), only that it would be cash flow positive for the year. At the Company's recent analyst meeting at its headquarters in Atlanta, CheckFree gave financial guidance for the first quarter including TransPoint, but said that it would not give financial guidance for the Bank of America acquisition until its first quarter conference call, which is scheduled to be released after the market closes on October 24. Although the Company would not give a definitive answer as to the accounting treatment of the joint marketing agreement between CheckFree and Bank of America, early indications are that CheckFree will not have to account for the use of those marketing dollars in its operating results. Since CheckFree does not have control over Bank of America's marketing programs and is uncertain as to the timing of specific marketing events, the expense will likely be carved out as a one-time charge in the second quarter. Our fiscal 2001 EPS operating assumptions call for a loss of ($0.10) for Q1:01, a loss of ($0.09) for Q2:01, a loss of ($0.06) for Q3:01, and a loss of ($0.05) for Q4:01.

To try to give a "complete" picture of CheckFree's profit and loss statement for 2001, we have made the following assumptions in our model:

- First Data contributes $1.5 million in revenues per quarter starting in Q1:01. These revenues are categorized under processing and servicing.
- Microsoft contributes $3.0 million in revenues per quarter starting in Q3:01. These revenues are categorized under processing and servicing.
- Bank of America contributes $8.75 million in revenues per quarter starting in Q2:01. These revenues are categorized under processing and servicing.
- Product and personnel costs relating to the acquisitions have been spread across cost of sales, sales and marketing expenses, general and administrative expenses, and research and development expenses.
- Amortization for the BlueGill acquisition will be approximately $15.5 million per quarter through Q3:01 and then declining as amortization schedules end.
- Amortization for the TransPoint acquisition will be approximately $30.2 million for Q1:00, increasing to $90.7 million per quarter starting in Q2:00 through the remainder of 2001. We estimate that CheckFree will take a $131.4 million one-time in process R&D charge in Q1:01 relating to the TransPoint acquisition.
- Amortization for the Bank of America acquisition will be approximately $10.0 million, beginning Q2:00 and continuing for the next ten years. No marketing dollars relating to the Bank of America agreement are expected to impact CheckFree's operating expenses. Early indications call for the expense to be carved out as a one-time charge in the second quarter.
- The share count reflects only the initial stock granted to TransPoint (17 million shares) and Bank of America (10 million shares). There are no performance options included in the share count or the revenue assumptions.

All that being said, our revenue estimates for FQ1:01 and FY 2001 are $90.2 million and $431.0 million, respectively. We are estimating a sequential subscriber growth of 6.2% for Q1:01, exiting the quarter with 3.77 million. Our estimate exiting the end of the year is 4.66 million subscribers. Gross profit margins should be seasonally down in the first quarter and will likely remain depressed due to the break-even nature of the Bank of America contract and a greater percentage of processing and servicing revenues. Operating expenses will likely shift in the first quarter from sales and marketing to R&D as the Company starts a new commission year and continues to invest in integrating the BlueGill and TransPoint product lines. Operating expenses are expected to escalate in Q2 and beyond due to the integration of Bank of America and TransPoint and the continued investment in R&D. Our EBITDA estimate for FQ1:01 is a loss of $3.1 million and for the full year it is a loss of $10.2 million. We are also assuming a 42% tax rate.

VALUATION

Of all the various methods to value CheckFree, we believe that discounting the Company's future operations is more realistic than valuing the Company based on the trading multiples of other companies in the B2B or the financial services industries. This is a direct result of the industry's early life cycle, a lack of direct comparables, and investor sentiment for Internet-related stocks.

We have projected CheckFree's operating results through 2005. Assuming revenues grow at a compounded annual growth rate (CAGR) of 27.9%, we estimate that the Company will be able to generate operating earnings of between $2.50 and $3.00 per share in 2005. Operating earnings focus on CheckFree's "true" financial results and exclude the amortization and depreciation expenses relating to the Company's acquisitions. Assuming the Company receives a 35x multiple on its 2005 operating earnings, which we believe is reasonable given the

Company's leadership position in the market place, and we discount the future value by our calculated expected return of 19.4%, we arrive at a 12-month price target of roughly $50 per share, which is a 31% upside to the current price. Our rating is Strong Buy

EXHIBIT 17: **PRICE TARGETS BASED ON DISCOUNTED 2005 OPERATING EARNINGS PER SHARE ESTIMATES**

	Multiple Applied				
2005E	**25x**	**30x**	**35x**	**40x**	**45x**
$2.50	$32.20	$38.63	$45.07	$51.51	$57.95
$2.63	$33.87	$40.64	$47.42	$54.19	$60.97
$2.75	$35.42	$42.50	$49.58	$56.66	$63.75
$2.88	$37.09	$44.51	$51.93	$59.34	$66.76
$3.00	$38.63	$46.36	$54.09	$61.82	$69.54

Note: Prices assume discount rate of 19.4%
Sources: WR Hambrecht + Co estimates, Company reports

CheckFree Corp. (CKFR)
Income Statement ($ in millions, except per share)
Jeffery B. Baker jbaker@wrhambrecht.com 415.551.8600

FY Ends June	**1998**	**1999**	**2000**					**2001**				
	FY	**FY**	**Q1**	**Q2**	**Q3**	**Q4**	**FY**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**FY**
Net Revenues	$ 233.86	$ 249.14	$ 69.02	$ 72.97	$ 79.71	$ 88.50	$ 310.20	$ 90.17	$ 104.85	$ 114.52	$ 121.44	$ 430.98
Cost of Goods Sold	128.43	142.62	42.99	43.91	46.79	48.86	182.54	51.38	63.10	67.78	71.20	253.45
Gross Profit	105.43	106.53	26.03	29.06	32.92	39.64	127.65	38.79	41.74	46.74	50.24	177.52
Cash Operating Expenses:												
Sales and Marketing	28.84	31.97	8.67	9.91	10.95	15.26	44.78	14.25	15.43	16.32	17.97	63.97
General and Administrative	20.68	28.63	9.92	9.36	9.55	12.09	40.93	14.25	16.25	16.55	16.76	63.80
Research and Development	36.27	20.29	6.82	8.29	9.17	11.36	35.63	13.34	15.36	15.57	15.67	59.95
EBITDA	19.65	25.64	0.61	1.51	3.26	0.93	6.31	(3.05)	(5.30)	(1.70)	(0.16)	(10.20)
Depreciation and Amortization	25.00	24.60	6.98	7.78	9.03	19.04	42.83	54.69	125.16	125.16	122.44	427.44
Operating Income Before Charges	(5.35)	1.04	(6.37)	(6.28)	(5.77)	(18.11)	(36.52)	(57.74)	(130.46)	(126.85)	(122.60)	(437.64)
Charge for Stock Warrants	32.83	-	-	-	-	-	-	-	-	-	-	-
In Process R&D Charge	3.68	-	-	-	-	6.90	6.90	131.38	-	-	-	131.38
Operating Income After Charges	(41.86)	1.04	(6.37)	(6.28)	(5.77)	(25.01)	(43.42)	(189.12)	(130.46)	(126.85)	(122.60)	(569.02)
Gain on Sale of Business	36.17	-	-	-	-	-	-	-	-	-	-	-
Interest, net	2.84	2.18	0.25	(0.10)	(0.23)	(0.26)	(0.33)	(0.99)	(1.07)	(1.10)	(1.10)	(4.26)
Income (Loss) Before Taxes	(2.85)	3.22	(6.12)	(6.38)	(6.00)	(25.26)	(43.76)	(190.11)	(131.53)	(127.95)	(123.70)	(573.29)
Income Tax Expense (Benefit)	0.64	1.23	(2.18)	(2.41)	(2.13)	(4.72)	(11.44)	(4.55)	(5.53)	(4.03)	(3.39)	(17.50)
Net Income (Loss)	(3.49)	1.99	(3.93)	(3.97)	(3.87)	(20.55)	(32.32)	(185.55)	(126.00)	(123.92)	(120.31)	(555.79)
Adjusted Operating Income	(2.85)	7.38	(2.40)	(2.56)	(2.19)	(3.57)	(10.52)	(6.28)	(7.64)	(5.57)	(4.67)	(24.17)
Avg. Shares Outstanding (Basic)	55.09	52.44	51.85	52.20	52.72	56.72	53.37	64.03	85.52	85.67	85.82	80.26
Avg. Shares Outstanding (Diluted)	55.09	55.19	51.85	52.20	52.72	56.72	53.37	64.03	85.52	85.67	85.82	80.26
Earnings Per Share (Diluted)	**$ (0.06)**	**$ 0.04**	**$ (0.08)**	**$ (0.08)**	**$ (0.07)**	**$ (0.36)**	**$ (0.61)**	**$ (2.90)**	**$ (1.47)**	**$ (1.45)**	**$ (1.40)**	**$ (6.93)**
Operating EPS (Diluted)	**$ (0.05)**	**$ 0.13**	**$ (0.05)**	**$ (0.05)**	**$ (0.04)**	**$ (0.06)**	**$ (0.20)**	**$ (0.10)**	**$ (0.09)**	**$ (0.06)**	**$ (0.05)**	**$ (0.30)**
Profit Analysis:												
Cost of Goods Sold	54.9%	57.2%	62.3%	60.2%	58.7%	55.2%	58.8%	57.0%	60.2%	59.2%	58.6%	58.8%
Gross Profit	45.1%	42.8%	37.7%	39.8%	41.3%	44.8%	41.2%	43.0%	39.8%	40.8%	41.4%	41.2%
Sales and Marketing	12.3%	12.8%	12.6%	13.6%	13.7%	17.2%	14.4%	15.8%	14.7%	14.3%	14.8%	14.8%
General and Administrative	8.8%	11.5%	14.4%	12.8%	12.0%	11.3%	13.2%	15.8%	15.5%	14.5%	13.8%	14.8%
Research and Development	15.5%	8.1%	9.9%	11.4%	11.5%	13.1%	11.5%	14.8%	14.7%	13.6%	12.9%	13.9%
EBITDA Margin	8.4%	10.3%	0.9%	2.1%	4.1%	1.1%	2.0%	-3.4%	-5.1%	-1.5%	-0.1%	-2.4%
Depreciation and Amortization	10.7%	9.9%	10.1%	10.7%	11.3%	21.5%	13.8%	60.7%	119.4%	109.3%	100.8%	99.2%
Cash Operating Expense Ratio	36.7%	32.5%	36.8%	37.8%	37.2%	43.7%	39.1%	46.4%	44.9%	42.3%	41.5%	43.6%
Operating Margin	-2.3%	0.4%	-9.2%	-8.6%	-7.2%	-20.5%	-11.8%	-64.0%	-124.4%	-110.8%	-100.9%	-101.5%
Net Margin	-1.5%	0.8%	-5.7%	-5.4%	-4.9%	-23.2%	-10.4%	-205.8%	-120.2%	-108.2%	-99.1%	-129.0%
Tax Rate	NA	NA	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%	42.0%

Sources: WR Hambrecht + Co estimates, Company reports

CheckFree Corp. (CKFR)
Balance Sheet ($ in millions)

Jeffery B. Baker jbaker@wrhambrecht.com 415.551.8600

WR Hambrecht + Co Equity Research

FY Ends June	FY 1997	FY 1998	FY 1999	FY 2000
ASSETS				
Cash & cash equivalents	$ 20.99	$ 36.53	$ 12.45	$ 128.07
Investments	18.09	24.53	10.27	56.55
Accounts Receivable	-	32.96	45.66	58.31
Notes Receivable	49.59	14.88	-	-
Prepaid Expenses and Other Current Assets	2.21	27.78	14.31	22.55
Total Current Assets	90.87	136.68	82.69	265.48
PP&E (Net)	36.57	50.92	69.82	93.21
Capitalized Software (Net)	37.11	11.38	20.06	37.19
Intangible Assets (Net)	27.51	30.47	45.88	251.28
Deferred Income Taxes	-	-	21.92	29.25
Other Assets	4.17	20.61	12.40	36.71
Total Noncurrent Assets	105.36	113.38	170.08	447.64
TOTAL ASSETS	$ 196.23	$ 250.06	$ 252.76	$ 713.11
LIABILITIES & EQUITY				
Accounts Payable & Accrued Liabilities	$ 21.18	$ 38.89	$ 36.61	$ 54.12
Current Portion of LT Debt	1.11	1.18	1.64	5.96
Income Taxes Payable	7.82	-	-	-
Deferred Revenue	15.39	19.71	20.20	26.64
Total Current Liabilities	45.50	59.78	58.44	86.72
Long-term Obligations (Net)	8.32	6.46	3.88	0.74
6.5% Convertible Subordinated Notes	-	-	-	172.50
Other Noncurrent Liabilities	4.73	-	3.54	7.27
Total Noncurrent Liabilities	13.06	6.46	7.42	180.51
Shareholders Equity				
Common Stock	0.42	0.56	0.52	0.58
Additional Paid-In Capital	276.82	492.10	480.39	771.89
Treasury Stock	(0.63)	(4.36)	-	-
Accumulated Deficit	(138.94)	(304.48)	(294.00)	(326.32)
Other	-	-	-	(0.26)
STOCKHOLDER'S EQUITY	137.67	183.82	186.90	445.89
TOTAL LIAB. & EQUITY	$ 196.23	$ 250.06	$ 252.76	$ 713.11

Source: Company reports

THE INTERCEPT GROUP
NASDAQ: ICPT
RATING: STRONG BUY
PRICE TARGET: $32

OCTOBER 6, 2000

ICPT: INITIATING COVERAGE WITH A STRONG BUY RATING

Jeffery B. Baker | **jbaker@wrhambrecht.com** | **415.551.8600**
www.wrhambrecht.com

Price (10/4/00)	$22.75	FY Ends Dec.	1999A	2000E	2001E
S&P 500 Index (10/4/00)	1,434.32	**Revenue (MM)**	**$47.1**	**$65.9**	**$79.4**
52–Week Range	$32.06 – $12.50	**EPS**			
Shares Outstanding (000s)	12,830	Q1	$0.10	$0.14A	$0.18
Market Capitalization (MM)	$291.2	Q2	$0.11	$0.16A	$0.20
Enterprise Value (MM)	$271.2	Q3	$0.13	$0.17	$0.22
Avg. Daily Vol. (1 Month)	67,000	Q4	$0.15	$0.18	$0.22
Projected 3–Yr. Rev. CAGR	18%	**Fiscal Year EPS**	**$0.49**	**$0.65**	**$0.81**
Debt/Total Cap. (6/00)	None	**EV/Sales**	**5.8x**	**4.1x**	**3.4x**
Cash/Share (6/00)	$3.54	**P/E**	**46.4x**	**35.0x**	**28.1x**

Sources: WR Hambrecht + Co estimates and Company reports

INVESTMENT HIGHLIGHTS

- **We are initiating coverage on The InterCept Group with a Strong Buy rating and price target of $32 per share for aggressive investors.**
- **Our recommendation is based on positive overall industry dynamics (outsourcing of IT functions), the Company's strong internal growth rate (15–18%), high recurring revenue base (75%) generated by three- to five-year contracts, its seasoned management team, and the Company's strong reputation for providing quality service.**
- **We expect InterCept to grow its business by signing up new community institutions, continuing to develop working relationships with bankers' banks, and cross-selling products and services to its existing customer base.**
- **Additionally, we anticipate InterCept will continue to make strategic acquisitions to expand its customer base, product offering, and geographic presence and thus continue to accelerate its overall yearly growth rate to a targeted 30%.**

COMPANY INFORMATION

Based in Norcross, Georgia, The InterCept Group is a single-source provider of a broad range of technologies, products, and services that work together to meet the electronic commerce and operating needs of community financial institutions. The history of The InterCept Group dates back 14 years when the Company's chairman and CEO, John Collins, co-founded InterCept Systems, Inc. to provide electronic funds transfer (EFT) services to community financial institutions. Today, InterCept's services include EFT, core bank processing software, check imaging, and data communications management as well as Internet banking products and services through its affiliate, Netzee, Inc., of which the Company owns 7.6 million shares, or 28%. In all, InterCept offers over a dozen different products and services to financial institutions, reducing its dependency upon the success of one product. Additionally, InterCept enters into long-term contracts of three to five years, resulting in recurring revenues of approximately 75%. The Company currently serves over 1,500 financial institutions and is the largest third-party processor of automated teller machine (ATM) transactions in the southeastern United States. The Company's target market includes over 8,500 community banks with assets under $500 million located throughout the nation. These institutions typically rely heavily on third-party providers for a majority of their EFT, data communications management, enterprise software, and transaction processing solutions. Central to InterCept's success has been its relationships with bankers' banks. Of the 18 bankers' banks in the country, the Company has exclusive relationships with nine and working relationships with three others, representing, in total, over 5,500 community financial institutions. Since going public in mid-1998, InterCept has established a proven track record of delivering consistent quarterly earnings growth and making accretive acquisitions.

PRODUCTS AND SERVICES

The InterCept Group offers its customers three major products and services: EFT Processing Services, Data Communications Management, and Client/Server Enterprise Software. Customers may subscribe to one or more of the products. In fact, the majority of the Company's customers utilize at least two of its services. The following table provides a detailed breakdown of these services:

EXHIBIT 18: **THE INTERCEPT GROUP—PRODUCTS AND SERVICES**

EFT Processing Services	Data Communications Mgt.	Client/Server Software
• ATM Transactions	• Network Management Services	• PC BancPAC (in-house or in-service bureau)
• POS Transactions	• Data Packet Transport	• Check Imaging Services
• Funds Transfer	• Turnkey Solution	• Internet and Telephone
• Universal Access		• Teller Software
• Debit Card Transactions		• Banking (via Netzee alliance)

Source: The InterCept Group

EFT transaction processing involves the online processing of consumer-initiated transactions using a debit or credit card issued by the consumer's financial institution. Various transactions, including cash withdrawals, transfers, and balance inquiries, are initialized, authorized, completed, and recorded against the consumer's account. Banks have reported an increase in transaction volume in recent years that is attributable to increases in the number of ATMs and POS terminals deployed and the number of cardholders and their frequency of use. To remain competitive with larger financial institutions, we believe it is imperative that community financial service providers offer a variety of EFT solutions and value-added services to their customers.

The InterCept Group utilizes a state-of-the-art frame relay network (InterCept Frame Relay Network) to process EFT transactions and manage the data communication needs of its customers. EFT services utilize only a small fraction of the frame relay network's capacity. The InterCept Group can therefore leverage the unused capacity by offering additional communication services at competitive prices. If a financial organization is using the InterCept Group for ATM transactions, chances are very good the same organization is using InterCept's data line to transfer information between ATM machines and the main branch.

InterCept's enterprise software product is called PC BancPAC, which is used to provide core data processing needs for banks. These include general ledger and financial management, customer information file maintenance, loan and deposit processing, financial accounting and reporting, and ATM and ACH (automated clearing house) interfaces. The PC-based software operates in a Windows NT environment. It can be implemented in both an in-house and service bureau basis.

BANKERS' BANKS

Before there were bankers' banks, large regional and money center banks would perform enhanced financial services for community banks, the most common of which was correspondent banking. For example, if a customer of a community bank requested a loan that would push the community bank over its maximum lending limit, the bank would enter into an agreement with a larger bank to help fund a portion of the loan. The larger bank would be invisible in the transaction, and the borrower's perception would be that the community bank was acting as the sole lender. When the loans came up for renewal, however, the larger financial institutions began to contact borrowers directly, cutting out their community bank partners to improve their yields. As a result, community banks began to lose valuable customers.

In an effort to compete with the larger institutions, community banks joined together to form bankers' banks. These banks were formed by a group of community banks that would collectively invest funds that would then be made available to any bank (usually other community banks) that exceeded its lending limit. Banks did not have to be "members" of the bankers' bank to qualify for the funds. Community banks could turn to bankers' banks for needed funds rather than incur the risks inherent in involving a large financial institution.

While it is important to understand why and how the bankers' banks were created, it is even more important to realize the major implications that resulted from their development:

1. Community banks were able to acquire and retain customers due to the correspondent banking services offered by bankers' banks.

2. Bankers' banks began to be looked upon as a trusted entity for all banking products and services.

In the 1980s and 1990s, with technological advances accelerating in the banking area, community banks once again found themselves threatened by larger financial institutions. New banking services such as electronic funds transfers, ATM access, and debit cards were now being offered by larger institutions as a means to provide increased banking convenience. Cognizant of the threat of competition, community banks quickly realized the potential for customer losses if they did not offer similar banking services.

However, offering electronic funds transfer, ATM access, debit card and the like posed considerable challenges for smaller financial institutions that lacked the technology systems and in-house technical staff to establish and maintain such services. As a result, community banks began to outsource in order offer their customers the same value-added services offered by larger institutions. Some community banks established direct outsourcing relationships with providers of electronic commerce products and services. Others again looked to bankers' banks for the answer.

Today, the role of the bankers' bank remains primarily that of a lender of funds. They have, however, taken a much more active role in advising community banks of products and services needed to compete with larger financial institutions. The relationships that have developed between bankers' banks and community banks have been carved out through a seamless interaction of daily activities. There exists a high level of trust between these two parties, which is why the relationship between the InterCept Group and bankers' banks is so consequential.

There are approximately 8,500 community financial institutions in InterCept's target market of institutions with $500 million in assets or less. Of these, there are 18 bankers' banks nationwide that provide services for approximately 8,100 financial institutions. InterCept's nine exclusive bankers' bank relationships give them access to over 5,500 community financial institutions. With only 1,500 present customers, we believe InterCept possesses a tremendous opportunity for additional penetration through these nine relationships.

FINANCIAL DISCUSSION

There are three revenue drivers for the Company: 1) service fee income, 2) data line revenues, and 3) equipment and product sales. A substantial portion of the Company's revenues is derived from recurring monthly charges to customers under service agreements ranging from three to five years (75.5% of Q2:00 revenues). Because of these recurring contracts, the Company's quarterly earnings visibility is excellent. Recurring revenues include all data line revenues and 65–70% of service fee revenues. Equipment sales and revenues from service contracts that would be lost from merger-related activity would be considered non-recurring revenues. Currently, no one customer represents more than 2% of the Company's overall revenues.

Service fee income includes EFT services, core data processing services, maintenance services, merchant portfolio management services, and check imaging services. In a typical quarter, the percentage of revenues derived from EFT services is approximately 30%. Approximately 35% of revenues is derived from core data processing and check imaging and roughly 12% comes from maintenance. InterCept receives a base fee for providing its ATM processing services and an additional fee for each ATM serviced. Once the number of transactions exceeds established levels (typically 2,000), additional fees are charged for the extra transactions processed. 80% of ATM revenues are derived from flat rate fees, while 20% are derived from variable rate fees. Service fees are also received for installation, maintenance, and support for the ATMs the Company supplies its customers. For point-of-sale (POS) services, InterCept receives a portion of interchange fees charged by banks issuing debit cards or a monthly fee if certain minimum transaction dollar amounts are not met. All EFT contracts automatically renew at the end of the obligation unless written notice is given 180 days prior to expiration. Software license fees are recognized after an agreement is signed, the product is shipped, and all significant obligations to the customer have been satisfied. Other service fee revenues are recognized as obligations are performed.

Data communication management service revenues are attained from network management services, data packet transportation services across the InterCept Frame Relay Network, consulting, and equipment leasing. Flat fees are collected on a monthly basis for telecommunications connectivity and network management. Payments received in advance are equally recognized as revenue throughout the life of the contract. In a typical quarter, the percentage of revenues derived from data communications management is approximately 10%.

Equipment and product revenues are attained from the sale of specialized equipment including ATMs, check imaging machines, proof machines, teller equipment, personal computers, vaults, and other security equipment. Equipment revenues are recognized at the time of shipment. In a typical quarter, the percentage of revenues derived from equipment sales and other miscellaneous items is approximately 13%.

For the most part, there is little seasonality in the Company's revenues. Though due to the back to school and Christmas buying seasons, the one area that does experience some seasonality is the Company's debit card (transaction volume) business, which positively affects the InterCept's Q3 and Q4 revenues. With approximately 60% of InterCept's customers offering a debit card service, and debit card business being one of the fastest growth areas for the Company, seasonality in revenues should likely become a greater factor going forward.

Because of the variety of the Company's product offerings, cost of services varies across product lines. Service fee income generates the greatest profit contribution, at approximately a 70% gross profit margin. As with any other service-type revenue model, we believe there is notable leverage in profitability from each incremental dollar of revenue. Equipment and product cost of sales fluctuates, dependent on whether the equipment being sold is new or used. New equipment yields approximately 15% gross profit margin versus used equipment, which can yield as much as 30%. Data line cost of sales consists primarily of network lines and leased router equipment related to telecommunication transmission. Gross profit margins are currently in the low-30% range and have been accelerating due to favorable industry conditions and a shift toward customers' utilization of full communications management (LAN/WAN traffic, teller traffic, and communication lines to other branches) versus communications links from remote ATM machines. The blended gross profit margin was approximately 60% at the end of Q2:00.

Operating expenses are broken up into SG&A expenditures and depreciation and amortization. SG&A consists of direct sales force salaries, commissions and benefits, research and development, travel, marketing, payments to strategic partners (bankers' banks and Netzee), rent, and utilities. InterCept currently has approximately 32 sales and sales support professionals. SG&A continues to improve as a percentage of revenues as InterCept leverages its fixed cost infrastructure. At the end of Q2:00 SG&A was 37.3% of revenues. Depreciation and amortization consist of intangibles related to acquisitions, buildings and leasehold improvements, furniture and office equipment, and the amortization of computer and network equipment. This has held steady at just over 6% of revenues per quarter.

HISTORICAL RESULTS

1999 Results

For The InterCept Group's fiscal year ending December 31, 1999, the Company generated $47.1 million in revenues, 75% of which was derived from service fee income, 14% derived from equipment and product sales, and 11% derived from data line revenues. The Company's blended gross profit margin was 61%, with the highest margin product being service fee income at 72%. The operating margin was 17.3% and the net margin was 10.6%.

Q2:00 Results

For the most recently reported quarter, Q2:00 (June), the Company had revenues of $16.0 million versus $10.1 million for the same period last year, an increase of 58%. The top line growth of 58% came from net internal growth of 16.5% (within the Company's targeted growth rate of 15–18%) and acquired growth of 41.5%. Of the $16.0 million in total revenues reported, 75.5% were recurring in nature from three- to five-year service contracts.

The blended gross profit margin was 59.9% versus 61.3% for the same period last year. The decrease was primarily the result of a greater portion of the revenues from data processing and item processing transactions versus check imaging transactions, which is reflective of the acquisitions made throughout 1999. SG&A increased $2.2 million on an absolute dollar basis due to acquisitions but remained relatively unchanged at 37.3% of revenues. Depreciation and amortization was also relatively unchanged at 6.3% of revenues, or just over $1.0 million. The Company's net margin was 13.5% of revenues versus 10.5% of revenues for the same period last year. The improvement was due largely to interest income received from the Company's secondary offering in February. Earnings per share were $0.16 versus $0.11.

FINANCIAL EXPECTATIONS (see model, p. 59)

There are four main factors driving the growth for InterCept's products and services:

1. Consumer's demand for convenient banking services continues to increase
2. Community banks have to be competitive in their service offerings or risk losing customers to larger competitors
3. Technology continues to change rapidly and speed to market is crucial
4. Technology is not a core competency for community financial institutions

As a result, outsourcing technology solutions to service providers like InterCept has become the most cost-effective alternative for community banks. To capitalize on this growth, we expect InterCept to continue to enhance its product and service offering, cross-sell product and services into its existing customer base, expand the customer base through direct sales and strategic alliances, and make strategic acquisitions.

Our assumptions for 2000 and 2001 are for internal growth only and exclude any potential acquisitions the Company may make in the future. We estimate diluted earnings per share of $0.65 for 2000 and $0.81 for 2001, led by solid revenue growth, expanding gross profit margins, and improving operating leverage.

The InterCept Group has a solid revenue base with approximately 75% of its revenues recurring from three- to five-year service contracts. Service fees are expected to contribute approximately 77% of total revenues in 2000 and 2001. This has been the core revenue-generating area for the Company since its inception fourteen years ago. For 2000, we suspect that most of the service fee revenue growth will come from existing bankers' bank relationships where solid alliances are already established. For 2001, we expect additional growth to come from states such as Texas, California, and Illinois, where relationships established toward the end of 1999 and into 2000 should begin to flourish.

Equipment and product sales are estimated to be approximately 13% of total revenues for 2000 and 2001. Because of the uncertainty of the amount and timing of this revenue contribution, we have conservatively estimated its impact to InterCept's top line growth. Data line revenues are estimated to be approximately 10% of total revenues for 2000 and 2001.

Net revenues for 2000 are projected to be $66.0 million, an increase of 40% over 1999's revenues of $47.1 million. For 2001, revenues are projected to be $79.4 million, an increase of 20% over 2000. Revenue growth is slower in 2001 due to our assumption of not including any acquisitions that have not closed. Blended gross profit margins are expected to remain in the 60% range and expand by 150 basis points by the end of 2001. We believe greater operating efficiencies with its data centers and lower communication carrying costs will contribute to this increase. Operating expenses should continue to trend higher on an absolute dollar amount but decline as an overall percentage of revenues. The tax rate should remain around 40.5% throughout the remainder of 2000 before improving slightly in 2001 as non-deductible goodwill contracts from previous acquisitions roll off the Company's books.

VALUATION

Relative to its peer group, InterCept's stock trades at a discount. The stock prices of InterCept's main competitors—BISYS Group, Inc., Concord EFS, Jack Henry & Associates, and Fiserv, Inc.—have performed favorably in this volatile market, as investors have been rewarding growth companies that offer strong earnings visibility. On an estimated calendar 2001 P/E/G multiple, the Company's competitors trade at 1.44x, versus InterCept at 1.15x, as Exhibit 19, below, shows:

EXHIBIT 19: **COMPARABLE COMPANY VALUATIONS**

Ticker	Company Name	9/29/00 Price	2001E EPS*	Growth Rate	Price/ Earnings/ Growth (PEG) Multiple
BSYS	BISYS Group, Inc.	$77.31	$3.21	19.5%	1.24
CEFT	Concord EFS	35.50	1.18	34.4%	0.87
FISV	Fiserv, Inc.	59.88	1.61	16.7%	2.23
JKHY	Jack Henry & Assoc.	43.38	1.34	22.9%	1.41
	Sector Average				**1.44**
ICPT	The InterCept Group	23.31	0.81	25%	1.15

**EPS figures are First Call estimates.*
Source: WR Hambrecht + Co estimates and First Call estimates

Using the average P/E/G multiple of InterCept's competitors and a 25% growth rate for the Company yields a current price of $29.11 per share. In addition, Exhibit 20 calculates InterCept's current price using other growth rates:

EXHIBIT 20: **APPLIED TO THE INTERCEPT GROUP AT VARIOUS GROWTH RATES**

Growth Rate Applied:	15%	20%	25%	30%	35%
2001E EPS:	$0.81	$0.81	$0.81	$0.81	$0.81
Sector Average PEG Multiple:	1.44	1.44	1.44	1.44	1.44
Implied Current Price:	**$17.47**	**$23.29**	**$29.11**	**$34.93**	**$40.75**

Source: WR Hambrecht + Co estimates

In order to calculate our 12-month price target for InterCept, we project that in 12 months the Company should trade at the same multiple of 2001 earnings that its competitors currently trade on 2000 earnings. Therefore, we take the group's current P/E/G multiple of 2000 estimated earnings of 1.78x and apply it to our 2001E estimate for InterCept of $0.81 per share, as Exhibits 21 and 22 illustrate:

EXHIBIT 21: **COMPARABLE COMPANY VALUATIONS**

Ticker	**Company Name**	**9/29/00 Price**	**2000E EPS***	**Growth Rate**	**Price/ Earnings/ Growth (PEG) Multiple**
BSYS	BISYS Group, Inc.	$77.31	$2.66	19.5%	1.49
CEFT	Concord EFS	$35.50	0.88	34.4%	1.17
FISV	Fiserv, Inc.	$59.88	1.36	16.7%	2.64
JKHY	Jack Henry & Assoc.	$43.38	1.04	22.9%	1.82
	Sector Average				**1.78**

**EPS figures are First Call estimates.*
Source: First Call estimates

EXHIBIT 22: **APPLIED TO THE INTERCEPT GROUP'S 2001E**

Growth Rate Applied:	15%	20%	25%	30%	35%
2001E EPS:	$0.81	$0.81	$0.81	$0.81	$0.81
Sector Average PEG Multiple:	1.78	1.78	1.78	1.78	1.78
12 month Target Price:	**$21.63**	**$28.84**	**$36.05**	**$43.26**	**$50.47**

*****Establishing a 12 month Target Price of $32 per Share.*****

Source: WR Hambrecht + Co estimates

Using this analysis, we have established a 12-month price of $32 per share, which equates to a 41% appreciation from its recent closing price. From a return on investment standpoint, we believe InterCept represents a positive investment opportunity, as the expected 12-month appreciation is greater than the Company's CAPM of 16.4%. We also note these prices exclude any benefit the Company might recognize from its 28% ownership interest in Netzee.

The InterCept Group (ICPT)
Income Statement ($ in millions, except per share)
Jeffery B. Baker jbaker@wrhambrecht.com 415.551.8600

	1998	1999	2000					2001				
FY Ends December	**FY**	**FY**	**Q1**	**Q2**	**Q3E**	**Q4E**	**FY**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**FY**
Net Revenue	$ 28.90	$ 47.09	$ 14.55	$ 15.96	$ 17.50	$ 17.90	$ 65.91	$ 17.75	$ 19.58	$ 20.65	$ 21.46	$ 79.44
Cost of Goods Sold	12.03	18.47	5.76	6.40	7.00	7.13	26.28	6.87	7.59	7.95	8.25	30.66
Gross Profit	16.87	28.62	8.80	9.56	10.50	10.77	39.62	10.88	11.99	12.70	13.21	48.78
Operating Expenses:												
Selling, General & Administrative	11.22	17.58	5.49	5.96	6.48	6.50	24.42	6.61	7.13	7.35	7.68	28.77
EBITDA	5.65	11.03	3.31	3.60	4.03	4.27	15.20	4.26	4.86	5.36	5.54	20.01
Depreciation / Amortization	1.34	2.88	0.89	1.01	1.08	1.09	4.07	1.11	1.19	1.24	1.27	4.81
Operating Income	4.31	8.15	2.42	2.59	2.95	3.18	11.13	3.16	3.66	4.12	4.27	15.20
Other Income (Expense)	(0.18)	0.34	0.42	1.11	1.03	1.03	3.58	1.04	1.06	1.07	1.08	4.26
Income (Loss) Before Taxes	4.13	8.49	2.83	3.69	3.98	4.21	14.71	4.20	4.72	5.18	5.36	19.46
Income Tax Expense (Benefit)	1.56	3.39	1.15	1.53	1.61	1.70	6.00	1.69	1.90	2.09	2.16	7.84
Minority Interest (Income)	(0.09)	(0.12)	(0.02)	(0.02)	(0.02)	(0.02)	(0.06)	(0.02)	(0.02)	(0.02)	(0.02)	(0.06)
Net Income	2.48	4.98	1.66	2.15	2.35	2.49	8.65	2.49	2.80	3.08	3.18	11.55
Preferred Stock Dividend	(0.02)	-	-	-	-	-	-	-	-	-	-	-
Net Income to Shareholders	$ 2.46	$ 4.98	$ 1.66	$ 2.15	$ 2.35	$ 2.49	$ 8.65	$ 2.49	$ 2.80	$ 3.08	$ 3.18	$ 11.55
Average Shares Outstanding (Basic)	8.12	9.94	11.75	12.83	13.36	13.43	12.84	13.53	13.63	13.73	13.83	13.68
Average Shares Outstanding (Diluted)	8.23	10.21	12.07	13.35	13.85	14.00	13.32	14.10	14.20	14.30	14.40	14.25
Earnings Per Share (Basic)	**$0.30**	**$0.50**	**$0.14**	**$0.17**	**$0.18**	**$0.19**	**$0.67**	**$0.18**	**$0.21**	**$0.22**	**$0.23**	**$0.84**
Earnings Per Share (Diluted)	**$0.30**	**$0.49**	**$0.14**	**$0.16**	**$0.17**	**$0.18**	**$0.65**	**$0.18**	**$0.20**	**$0.22**	**$0.22**	**$0.81**
EPS (Diluted - x. goodwill)	**$0.32**	**$0.53**	**$0.15**	**$0.18**	**$0.18**	**$0.19**	**$0.69**	**$0.19**	**$0.21**	**$0.23**	**$0.23**	**$0.85**
Profit Analysis:												
Cost of Goods Sold	41.6%	39.2%	39.5%	40.1%	40.0%	39.9%	39.9%	38.7%	38.8%	38.5%	38.4%	38.6%
Gross Profit	58.4%	60.8%	60.5%	59.9%	60.0%	60.1%	60.1%	61.3%	61.2%	61.5%	61.6%	61.4%
Selling, General & Administrative	38.8%	37.3%	37.7%	37.3%	37.0%	36.3%	37.1%	36.7%	35.9%	35.1%	35.3%	36.2%
EBITDA	19.5%	23.4%	22.7%	22.6%	23.0%	23.8%	23.1%	24.0%	24.8%	25.9%	25.8%	25.2%
Depreciation / Amortization	4.6%	6.1%	6.1%	6.3%	6.2%	6.1%	6.2%	6.3%	6.1%	6.0%	5.9%	6.1%
Operating Expense Ratio	63.0%	66.9%	66.6%	66.2%	66.2%	66.2%	66.3%	67.5%	67.3%	67.5%	67.5%	67.5%
Operating Margin	14.9%	17.3%	16.6%	16.2%	16.9%	17.7%	16.9%	17.8%	18.7%	19.9%	19.9%	19.1%
Net Margin	8.5%	10.6%	11.4%	13.5%	13.4%	13.9%	13.1%	14.0%	14.3%	14.9%	14.8%	14.5%
Tax Rate	37.9%	40.0%	40.7%	41.4%	40.5%	40.5%	40.5%	40.3%	40.3%	40.3%	40.3%	40.3%
EBITDA:	$ 5.65	$ 11.03	$ 3.31	$ 3.60	$ 4.03	$ 4.27	$ 15.20	$ 4.26	$ 4.86	$ 5.36	$ 5.54	$ 20.01
(-) Capital Expenditures	4.84	4.43	0.94	2.82	1.30	1.60	6.66	1.50	1.50	1.50	1.50	6.00
Free Cash Flow:	$ 0.81	$ 6.60	$ 2.37	$ 0.77	$ 2.73	$ 2.67	$ 8.54	$ 2.76	$ 3.36	$ 3.86	$ 4.04	$ 14.01

Note: Periods 2Q00 and prior have not been restated to account for the pooling acquisition of Advanced Computer Enterprises (ACE).

Sources: WR Hambrecht + Co estimates, Company reports

The InterCept Group (ICPT)
Balance Sheet ($ in millions)
Jeffery B. Baker jbaker@wrhambrecht.com 415.551.8600

FY Ends December	FY 1996	FY 1997	FY 1998	FY 1999	1Q00	2Q00
ASSETS						
Current Assets						
Cash & cash equivalents	$ 1.40	$ 2.01	$ 3.22	$ 2.00	$ 11.67	$ 2.96
Short term investments	-	-	-	0.20	45.45	42.50
Related party note receivable	0.47	-	-	-	-	-
Account Receivable	2.84	2.78	3.50	8.71	8.62	8.65
Deferred tax assets	-	-	0.08	1.96	2.08	2.19
Prepaid Expenses, Inventory	0.22	0.23	1.27	2.54	2.89	4.48
Total Current Assets	4.92	5.02	8.07	15.41	70.71	60.78
Non-current Assets						
PP&E (Net)	2.09	2.52	7.09	10.63	11.32	12.67
Other Assets	0.65	0.67	0.33	41.67	43.03	38.24
Notes receivable	-	0.05	-	10.96	7.73	14.95
Intangible assets, net	3.28	1.91	4.66	20.60	21.57	25.97
Total Non-current Assets	6.02	5.14	12.08	83.85	83.65	91.82
TOTAL ASSETS	$ 10.94	$ 10.16	$ 20.16	$ 99.26	$ 154.36	$ 152.60
LIABILITIES & EQUITY						
Current Liabilities						
Accounts Payable & Accrued Charges	$ 1.77	$ 1.87	$ 2.11	$ 4.57	$ 3.80	$ 3.38
Deferred Revenue	1.07	1.14	1.15	5.77	6.04	6.49
Accrued income taxes	0.05	0.23	0.10	1.78	-	-
Line of Credit	-	0.20	-	-	-	-
Current Portion LT Debt	0.52	0.58	0.10	0.15	0.15	3.56
Total Current Liabilities	3.41	4.02	3.45	12.27	9.99	13.43
Long-term Liabilities						
LT Debt	5.21	4.72	0.21	12.67	1.37	0.02
Deferred compensation	1.80	1.80	-	0.44	0.41	0.43
Deferred taxes	-	-	0.18	22.57	25.20	25.20
Total LT Liabilities	7.01	6.52	0.39	35.68	26.97	25.64
TOTAL LIABILITIES	10.42	10.54	3.84	47.95	36.96	39.08
Shareholders Equity						
Minority Interest	0.04	-	0.06	0.18	0.19	0.21
Preferred stock	0.40	0.40	-	-	-	-
Common stock	2.77	2.76	17.17	42.29	108.24	108.22
Retained Earnings	(2.69)	(3.55)	(1.10)	8.75	8.96	5.13
Unrealized gain on securities	-	-	0.19	0.09	0.01	(0.03)
EQUITY	0.52	(0.38)	16.32	51.31	117.39	113.52
TOTAL LIAB. & EQUITY	$ 10.94	$ 10.16	$ 20.16	$ 99.26	$ 154.36	$ 152.60

Source: Company reports

S1 CORPORATION
NASDAQ: SONE
RATING: BUY
PRICE TARGET: $14.75

OCTOBER 6, 2000

SONE: INITIATING COVERAGE WITH A BUY RATING

Jeffery B. Baker	jbaker@wrhambrecht.com	415.551.8600
		www.wrhambrecht.com

Price (10/04/00)	$10.50	FY Ends Dec.	1999A	2000E	2001E
S&P 500 Index (10/04/00)	1,434.32	**Revenue (MM)**	**$92.9**	**$237.4**	**$307.8**
52–Week Range	$142.75 – $9.50	EBITDA per share:			
Shares Outstanding (000s)	54,670	Q1	($0.08)	($0.35)A	($0.19)
Market Capitalization (MM)	$568.8	Q2	($0.04)	($0.27)A	($0.14)
Enterprise Value (MM)	$323.3	Q3	($0.01)	($0.28)	($0.08)
Avg. Daily Vol. (1 Month)	681,000	Q4	($0.19)	($0.25)	$0.00
Projected 3–Yr. Rev. CAGR	24.8%	**Fiscal Year EBITA per sh.**	**($0.36)**	**($1.15)**	**($0.41)**
Debt/Total Cap. (6/00)	None	**EV/Sales**	**3.5x**	**1.4x**	**1.1x**
Cash/Share (6/00)	$4.53	**P/E**	**NA**	**NA**	**NA**

Sources: WR Hambrecht + Co estimates and Company reports

INVESTMENT HIGHLIGHTS

- **We are initiating coverage on S1 Corporation with a Buy rating.** We believe the eFinance Software and Service Enablers sector will begin to experience a period of hypergrowth as the eFinance industry attains critical mass. With S1 targeting the largest financial institutions in the world, we believe the Company will benefit from the overall growth of the industry. Despite uncertainties regarding the Company's near-term financial outlook, we believe a Buy rating is appropriate at this time.
- **eFinance Enablers sector expected to experience strong growth.** Over the next 18 months, we believe the Internet banking industry will begin to experience a self-reinforcing cycle. We expect more consumers will begin to bank online as more financial institutions offer and market Internet banking services. As online banking becomes increasingly widespread, we believe traditional, "offline" financial services institutions will be forced to offer Internet banking services in order to retain customers. Recent reports by Gomez Advisors and Gartner Group suggest the industry is starting to see strong growth trends. For example, Gomez recently published a report stating that the number of adults nationwide who bank online at least once a month increased 54% between December and August of this year.
- **We believe S1 shares offer an attractive valuation at present levels.** With the steep slide in the Company's share price year to date, we believe SONE shares should offer an attractive risk/reward ratio over the next 12 months, provided the Company can execute on the Street's financial expectations and continue winning large customer contracts. Since S1 has over $4 per share in cash on its balance sheet, we believe downside risk is limited, though the Company is currently in a cash-burn mode that will likely continue through the end of 2001. Based on a discounted price to 2005 operating earnings valuation and a discounted cash flow valuation, we arrive at a 12-month price target of $14.75 per share for aggressive-growth investors.

INITIATING COVERAGE

We are initiating coverage on S1 Corporation with a Buy rating and a 12-month price target of $14.75 per share. We believe S1 can provide financial institutions of all sizes with the appropriate electronic banking, brokerage, and insurance solutions. We believe S1 will benefit from the expected strong growth of the online financial services market. There remains risk to the story, as the Company's near-term financial outlook is uncertain due to pricing from its Vertical One subsidiary, domestic pricing pressures in the Company's service business, and longer-than-expected sales cycles. We believe investors need to take a long-term perspective with this story, however, and focus on the growth of non-service revenues and improvements in operating expenses, which we expect to improve the bottom line. With the steep slide in S1's share price, we believe the stock offers an attractive risk/reward ratio over the next 12 months. We believe the Company's customer base, extensive product offering, and cash balance offer investors limited downside risk from current levels, with the potential for a respectable investment return if the Company begins to execute up to its potential. Thus, we believe a Buy rating is justified at this time.

COMPANY INFORMATION

Atlanta, Georgia-based S1 Corporation develops integrated, brandable Internet applications that enable companies offering financial services to create their own financial portals. S1's extensive range of products enables financial organizations to serve their customers across various lines of business, market segments, and delivery channels. The Company's main product, Virtual Financial Manager (VFM), enables the integration of banking, investment, loan, and credit card accounts with content such as news, weather, and sports—all personalized by the end user. S1 licenses its Virtual Financial Manager software, provides installation and integration services, and offers outsourced Internet transaction processing through its data center. The Company's software operates within a UNIX or NT environment and runs on the IBM and Hewlett Packard platforms. S1 is an international company with 21 offices in 11 countries on five continents and employs 2,000 people.

S1 Corporation's product lines are relevant to multi-billion-dollar global financial institutions as well as to small community financial institutions. The Company primarily targets the 300 largest financial institutions in the world including banks, insurance companies, and brokerage firms. This high-end sector remains very lucrative as 77% of the top 100 U.S. banks have no transaction functionality, and very few insurance companies and brokerage firms have yet adopted the integrated Internet solutions necessary to compete in today's marketplace. Additionally, S1 has reach into the community financial institution marketplace through its Q-Up subsidiary and reseller agreements with third-party data processors like Fiserv, M&I, and NCR Corporation. Presently, S1 provides innovative Internet-based financial services solutions to more than 900 financial services customers worldwide, including 33 of the top 100 financial institutions in the United States and 57 of the top 100 financial institutions worldwide. S1 has over four million end users in its data center, giving the Company an excellent opportunity to leverage its operations as more end users are leveraged across the Company's fixed cost infrastructure.

The present S1 Corporation resulted primarily from the former Security First Technologies' acquisitions during Q4:99. Since that time, the Company has been enhancing its product offering through additional acquisitions. Upon the completion of the FICS Group N.V., Edify Corporation, and VerticalOne Corporation acquisitions, Security First Technologies was renamed S1 Corporation. In March, S1 Corp. acquired Q-Up Systems in order to address community financial institutions with assets under $10 billion. The impetus surrounding these acquisitions was to add products and services, expand geographical presence both domestically and internationally, address the financial institution market from top to bottom, and strengthen the sales and implementation personnel. Following is a brief description of each of the former companies and the main product solutions each bring to S1.

Security First Technologies

Security First Technologies was a leading provider of Internet banking applications to domestic financial institutions. Although the Company pioneered Internet banking by launching the world's first Internet bank, Security First Network Bank, it is no longer wholly an online bank. On October 1, 1998, Security First sold its banking operations to the Royal Bank of Canada while retaining the infrastructure solution it sells today. As a financial service company, Security First Technologies' target market consisted of the 150 largest financial institutions in the United States. Under the merger, Security First Technologies brings its retail banking solution, its insurance application, its investment application, and its data center operations to the combined entity.

FICS Group

FICS Group, a Belgium-based corporation, was a software provider of corporate banking applications for the global financial services industry before being acquired by S1. FICS brings its corporate banking products, its financial reporting software, and, most importantly, its international reach to the new Company. FICS Group's corporate banking products enable banks and financial institutions to offer cash management, trade finance, custody, and other corporate banking services over the Internet or other direct connections. FICS Group's financial reporting system products enable banks and financial institutions to meet regulatory reporting requirements and perform internal information management and consolidation activities in over 20 countries. FICS Group's international presence brings an accelerated geographic expansion and an understanding of the international payment systems that should enable S1 to offer local solutions. With offices in 11 countries on five continents, this acquisition shortened S1's international expansion by an estimated four years.

Edify Corporation

Santa Clara, California-based Edify Corporation is a global provider of Internet and voice e-commerce solutions. The Company's software solutions include an on-premise retail Internet banking product, an interactive voice response (IVR) product, a bill presentment and payment product, and a small business application. Additionally, Edify provided additional direct sales and implementation personnel to help distribute S1's products. Edify's Electronic Workforce product, which encompasses the voice applications, has been a gem within the acquisition and is currently licensed to over 1,300 customers.

VerticalOne Corporation

Atlanta, Georgia-based VerticalOne is a wholly owned subsidiary of S1 Corp. The Company provides an Internet-based service that consolidates, organizes, and presents consumers' personal account information in a single, easy-to-use interface, saving them the inconvenience of having to log on to multiple Web sites.

VerticalOne acts as an agent for the end user to "scrape" content from various sites. Content includes bank account information, credit card account information, frequent flyer information, e-mail, electronic bills, etc. This content is then delivered to a destination site such as the end user's bank brokerage firm, or personal Yahoo! page.

With the acquisition of VerticalOne, the opportunity for S1 is twofold. First, the data collected on end users can be mined into useful information for S1's financial customers. Second, the VerticalOne solution provides a sticky application for S1's customers and, we believe, should help improve S1's customer retention rate.

Q-Up Systems

Austin, Texas-based Q-Up Systems addresses the Internet banking software needs of community financial institutions with $10 billion in assets or less. We believe this acquisition enables S1 to extend its product reach to financial institutions of all sizes. There are over 20,000 financial institutions with assets under $10 billion, making this an important marketplace to service. Presently, Q-Up has over 600 customers, of which the average contract value is $50,000.

Davidge Data Systems Corporation

By acquiring New York-based Davidge Data Systems Corporation, we believe S1 can more easily expand its brokerage industry product and service offerings. Davidge specializes in middleware and order routing software and systems for the brokerage industry. This is an important acquisition for S1, as over half of the world's top 100 financial institutions need an integrated banking and brokerage service product.

Level Next, Inc.

On September 22, S1 entered into an agreement to acquire Level Next, a developer and distributor of global trade banking systems. S1 plans to integrate Level Next's Web-based client access system, InterTrade Connextion, into its Corporate Suite to deliver an integrated cash and trade finance system for global trade activities and e-commerce banking. Its features enable a bank's corporate clients to originate and amend documentary letters of credit, standby letters of credit, guarantees, documentary collections, transfer letters of credit, assignments of proceeds, and discrepancy notification. The system includes more than 150 standard system reports that the bank's corporate clients can view, print, and export from the system to help them manage their trade finance business.

PRODUCTS AND SERVICES

Through the acquisitions of FICS, Edify, VerticalOne, Q-Up, Davidge, and Level Next, we believe S1 should eventually be able to offer its customers a Web-based product solution incorporating both the retail and commercial divisions of all traditional and non-traditional financial institutions. S1's product suites combine core financial applications with value-added services such as content, marketing capabilities, financial planning tools, and customer care. Depending on the solutions being sold, the products are either implemented in-house or outsourced to the S1 Data Center.

S1 Consumer Suite

Formerly known as VFM (Virtual Financial Manager), the S1 Consumer Suite gives financial institutions the ability to offer their retail customers a comprehensive suite of financial services. End users can perform functions such as banking, bill payment, and investment management. Additionally, the Internet banking solution integrates with personal financial software applications such as Intuit's Turbo Tax, Intuit's Quicken, and Microsoft's Money. S1 has incorporated the VerticalOne functionality into the Consumer Suite product and additional investment options such as fixed income, insurance, mortgages, 401Ks, and annuities.

Also available as an added module to the Consumer Suite is the Consumer Insurance product, which allows users to address their needs for property and casualty insurance, view policy details and changes, obtain policy quotes, and initiate claims. This gives consumers the ability to purchase policies, track claim status, and settle claims. We expect the Company to continue increasing the product's content and research capabilities going forward.

Given the limited annual contact that most insurance agents experience with their customers, we suspect that Internet banking, coupled with the Consumer Insurance product, will be widely accepted by the insurance industry as a means to become more involved with the customer on a day-to-day basis.

S1 Retail Banking

The S1 Retail Banking solution is an on-premises solution that addresses the requirements of both financial institutions and end users by integrating multiple financial applications (banking, bill payment integration, and personal financial management software, etc.) in one comprehensive product suite. Ideal for both small- and medium-size financial institutions, the retail banking solution acts as a financial portal through which end users can conduct their daily financial and personal activities online. At the same time, the retail banking solution enables S1's clients to perform one-to-one marketing to their customers through a branded, trusted, and secure Internet solution.

S1 Business Suite

The S1 Business Suite allows banks to offer small- to medium-size companies cash management services such as information reporting, payment and collections, wire and ACH transfers, and alert/reminder notifications.

S1 Corporate Suite

The S1 Corporate Suite allows banks to offer large corporations a Web-based cash management solution that includes corporate banking, check services, file services, trade finance, custody, netting, cash pooling, and domestic and international payments.

VerticalOne

The functionality of the VerticalOne product allows end users to aggregate all of their personal information at one site. End users can visit one site and view their current status of their reward programs, email accounts, investment accounts, credit card balances, banking balances, bills, and other personal information. In addition, the site provides quick links to the sites of each account to enable the user to see a more detailed layout of their account history or to allow the user to make financial transactions at the issuer's site, such as pay bills or transfer balances. The VerticalOne product has been integrated across the entire S1 product line to enable end users, both individuals and companies, to view large amounts of content by visiting only one site.

S1 Data Center

The S1 Data Center provides traditional and non-traditional financial institutions an outsourced solution for hosting of their customers' content. This facility is secure, scalable, and capable of handling over thirty million end users at any given moment. By placing end users in the S1 Data Center, traditional and non-traditional financial institutions are able to provide up to two years of historical financial information versus the standard six months. This is an important consideration since users typically need over a year's worth of data when filling out their tax forms.

In December 1999, S1 announced an agreement with Zurich Financial Services in which the Company made a $15 million equity investment in a new European data center. In return, Zurich received a 10% ownership of the new S1 subsidiary with options to buy up to an additional 5%. While the data center is not currently fully operational, it is on track to open in January 2001, and there appears to be heavy demand by other financial institutions for S1's hosting services in the region.

Electronic Workforce

Edify's Electronic Workforce (EWF) product enables customers to reach their financial institutions through the media or device channels that most convenient to them. It is designed to be an open, scalable Internet and voice e-commerce application that can be deployed across multiple platforms. EWF supports Web, IVR/speech recognition, and other channels. Today, EWF is used in high-volume applications and handles the majority of calls to Sears Roebuck and Home Shopping Network.

Financial Reporting System

S1's Financial Reporting System (FiRE) enables banks, mutual funds, pension brokers, and other financial institutions to meet regulatory reporting requirements and perform internal information management and consolidation. Additionally, it provides such institutions the ability to build financial data warehouses and generate their own financial reports.

STRATEGIC PARTNERSHIPS

We believe S1 Corporation handles strategic relationships in a unique manner. For many companies, a strategic relationship is nothing more than a *Barney*-esque "I love you, you love me" relationship, in that there is no substance and no incentive written into the relationship that encourages either party to do something that benefits all involved, in our opinion. In contrast, every company with which S1 has entered into a strategic relationship has a vested interest in the success of S1 Corporation. Many companies like Andersen Consulting and Intuit own stock in the Company. Other institutions, such as the ones listed below, have joint ownership in some of the assets of the Company:

$244 Million Equity Investment

On May 25, 2000, Zurich Financial Services, Allianz AG, FleetBoston Financial Corporation, J.P. Morgan, and State Farm Insurance Company made equity investments in S1 Corp. totaling $244 million. We believe that with investments by European firms like Zurich Financial and Allianz, S1 should reap benefits from its FICS acquisition, as the Company adds marquee international customers. Under the terms of the agreement, S1 issued to these companies preferred stock convertible into 7,145,052 shares of S1 common stock, at an effective price $34.15 per share, a 21% premium to the closing price on the date of announcement. The shares are to be locked up for a period of one year; however, the lock-up is to expire if S1's stock price reaches $68.30 per share, or twice the effective price.

Zurich Financial Services Alliance

On December 14, 1999, Zurich Financial Services entered into a strategic alliance with S1. At the time of the announcement, Zurich stated that it planned to implement the S1 Consumer Suite of Internet-based financial service applications through one or more of its European subsidiaries. It is presently? implementing the S1 Consumer Suite at its Farmers Insurance subsidiary in the United States. Zurich operates in over 60 countries and has over 30 million customers.

In addition to implementing S1's product line, Zurich is also outsourcing the data processing operations to S1's new European data center. Zurich made a $15 million equity investment in return for 10% ownership in the new subsidiary and has options to acquire an additional 5%. We believe S1 benefits from the transaction, as it retains ownership of at least 85% of the European data center without having to invest a large sum to fund its development. S1 is also able to leverage its data center, as it hosts additional customers it signs up in Europe.

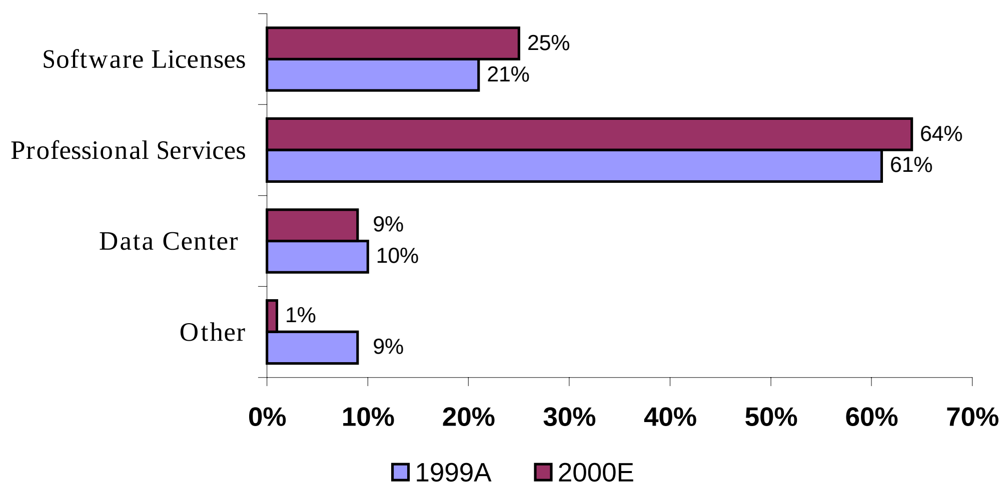
Other Strategic Partners

Other S1 strategic partners include Andersen Consulting, Broadvision, Hewlett Packard, and Intuit. In February 1999, Andersen Consulting and Hewlett Packard invested $14 million in S1, and Broadvision later invested in the Company, taking a $2 million equity position. Andersen Consulting is a very important strategic partner for S1 due to its dominance in the insurance industry as well as its implementation personnel. Broadvision's solution enables S1 to build one-to-one marketing capabilities into its product suites, affording banks a more comprehensive product offering. Hewlett Packard provides the necessary hardware for S1's domestic data center operations and also provides important leads for non-traditional financial institutions. Intuit controls 85% of home and small business financial software package market, providing an integrated solution to end users. We believe these strategic partnerships give S1 the ability to work with some of the leading companies in the technology industry.

REVENUE BREAKDOWN

S1 has four revenue components: software license revenues, professional service revenues, data center revenues, and other revenues. As a percentage of total revenue in 1999, software license revenues were 21%, professional service revenues 61%, data center revenues 10%, and other revenues 9%. For 2000, we expect these components to represent 25%, 64%, 9%, and 1% of total revenue, respectively (see Exhibit 23).

EXHIBIT 23: **REVENUE COMPONENTS AS A PERCENTAGE OF TOTAL REVENUE**



Sources: WR Hambrecht + Co estimates, Company reports

Software License Revenue

S1's software license revenue consists of the revenue generated from the sales of product licenses for the original S1 IVR product, the Edify retail license, the Q-Up banking suite, and in-house, per-customer charges. While the software license revenue carries the highest gross profit margin (greater than 85%), we believe this component also has the poorest visibility; these revenues are generated by one-time license sales, and sales cycles can be long and uncertain. The Company's recent quarterly revenue shortfalls have largely been associated with sales of the Edify retail product. Due to visibility issues related to software license sales, we remain extremely cautious when forecasting this revenue component.

Professional Service Revenue

The Company's professional services revenue consists of a combination of funded development revenues, integration fees, and consulting services among the financial institution, VerticalOne, and Edify Call Center Technology divisions. This is the largest component of the Company's revenue base. The financial institution division makes up 86% of the professional services revenue, which comes from lengthy implementation projects. Due to the length of most of these projects and the backlog of work in the Company's pipeline, professional service revenues visibility is fairly good.

Professional service revenues historically carry a gross profit margin in the high-30% range, except after new product releases. At the time of a new product release, the gross profit margin drops to around 30% due to implementation inefficiencies associated with new installs. The current gross profit margin on the Company's recent release of its new 5.1 Suite of products is approximately 30%. We expect the profit margin to climb back into the high-30% range over the next few quarters as inefficiencies are taken out of the installation process.

Data Center Revenue

Data center revenues are generated primarily through a monthly charge per customer and are therefore considered recurring in nature. S1 is typically compensated at the rate of $2.50 per end user, irrespective of volume discounts. Not included in the data center revenues are per user fees generated from in-house agreements in which S1's customers run processing through their own data center. As we mentioned earlier, these revenues are recorded under software license revenues. S1 is typically compensated at the rate of $0.50 per end user under this scenario. While the net revenues charged are very different, and are even classified as different revenue components, the gross revenues collected are similar because the in-house model does not incur the costs associated with the outsourced model.

Under an outsourced agreement, monthly minimums are paid to S1, depending on the number of end users each financial institution has in S1's data center. This arrangement protects S1's interests and provides an incentive for financial institutions to leverage their fixed costs by aggressively marketing Internet banking services.

The data center's gross profit margin continues to increase, coming in at 10% in Q2:00 after becoming profitable in Q4:99. We expect the data center gross profit margin to continue to improve and exceed 40% by the end of 2001 as S1 leverages the fixed cost infrastructure of the data center. Due to the leverage associated with this part of the business and its attractive business model, we believe investors will watch closely the adoption of in-house and data center end users as well as the profitability improvements. These metrics represent the growth potential of the enterprise, it is important that the Company execute on this opportunity.

HISTORICAL RESULTS

1999 Results

For S1's fiscal year ending December 31, 1999, the Company generated $92.9 million in revenues, of which 61% was derived from professional services, 21% from software licenses, 10% from the data center, and 9% from other sources. The Company's blended gross profit margin was 43%; software license revenue, at 97%, was the Company's highest margin product. The adjusted operating margin, which excludes approximately $110 million in amortization and integration expenses, was negative 16%.

Q2:00 Results

For the most recently reported quarter, Q2:00 (June), S1 reported revenues of $59.1 million versus $50.4 million in Q1:00 and an EBITDA loss of ($0.27) per share versus an EBITDA loss of ($0.35) per share in the previous quarter. Please note that year-over-year comparisons are not meaningful due to the acquisitions S1 made during 1999.

During the second quarter, S1 experienced strong growth in its data center end user base, increasing 32% sequentially from 412,000 to 552,000. In the first quarter of 2000, S1 reported an 82% end user growth, however, this figure included the one-time effect of transitioning approximately 100,000 end users into the S1 Data Center from a customer's facility at the end of March. Excluding this one-time event, S1 would have reported a 38% sequential increase in its data center. The Q2:00 results were in-line with the Company's guidance of 30–35% sequential end user growth throughout the remainder of 2000. S1's data center gross profit margin increased to 10%, up from 4% in Q1:00.

EXHIBIT 24: **S1'S KEY METRICS**

	Q1:99	Q2:99	Q3:99	Q4:99	Q1:00	Q2:00
Revenue (MM)						
Professional Services	$7.7	$10.9	$14.8	$23.0	$34.4	$37.3
Software License	$2.3	$2.3	$2.3	$12.2	$10.7	$15.3
Data Center	$1.6	$2.0	$2.1	$3.2	$3.5	$5.3
Total (MM)	**$12.0**	**$15.7**	**$24.8**	**$40.4**	**$50.4**	**$59.1**
EBITDA (MM)	($2.1)	($1.1)	($0.1)	($7.4)	($17.7)	($14.6)
EBITDA Per Share	**($0.08)**	**($0.04)**	**($0.01)**	**($0.19)**	**($0.35)**	**($0.27)**
Data Center Users (000s)	**100.2**	**114.5**	**163.0**	**226.0**	**412.0**	**552.0**
Sequential Growth	NA	14.3%	42.4%	38.7%	82.3%	34.0%

Sources: WR Hambrecht + Co estimates and Company reports

S1's blended gross profit margin was 44.2% versus 35.8% for the prior quarter. This sequential increase in gross profit margin resulted from the Company's ability to increase the gross profit margin of all three of its main revenue components: software license, professional service, and data center revenues. SG&A increased $4.9 million on an absolute dollar basis, but remained relatively unchanged on a percentage of revenue at approximately 70%. This resulted in an EBITDA loss of $14.6 million, or ($0.27) per share, versus and EBITDA loss of $17.7 million, or ($0.35) per share, for the prior quarter. As a result of $138.9 million in amortization, depreciation, and integration costs during the quarter, S1's net loss was $153.0 million, or ($2.82) per share. In Q1:00, the Company reported a net loss o $75.2 million, or ($1.49) per share.

As previously mentioned, five financial institutions made an equity infusion into the Company in May. As a result, S1 finished the quarter with cash and cash equivalents totaling $284.5 million. During the second quarter, S1's cash burn rate was approximately $15 million. Assuming there is no improvement in the cash burn rate through Q4:01 (an unlikely scenario), we believe S1 will still have in excess of $100 million in cash and cash equivalents left on its balance sheet when it reaches cash flow breakeven, which we project to occur in Q4:01. The Company continues to have little debt on its balance sheet.

At this point, there are some important points about the May equity infusion and any other equity infusions S1 may receive. First, despite its recent financial struggles, S1 continues to be able to attract marquee investors to fund its domestic and international growth. These investors remain optimistic about S1's opportunities, even as the Company's stock price has fallen significantly since the investment. Second, this last equity infusion should provide enough capital to fund the Company's operations until it reaches cash flow breakeven projected for Q4:01 as well as leave S1 enough money to look at acquisition opportunities and expand its international business. Third, S1 continues to dilute its existing shareholder base in the hopes that prior shareholders would eventually receive a proper return on their investment. We would not be surprised to see S1 continue to give up equity in the Company in order to land significant customer contracts. While this is not an ideal situation for current investors, we believe acquisitions of multi-year contract from marquee customers outweigh the dilution to an existing shareholder, provided S1 can execute the returns. At this time, the jury is still out on S1's ability to generate those returns.

FINANCIAL EXPECTATIONS (see model, page 73)

We believe that S1 has been negatively impacted by pricing in the marketplace as well as by product sell-through from its Edify and FICS acquisitions and that these issues will likely continue throughout the remainder of the year and into 2001. It is our hope that our financial expectations are conservative enough to provide us the opportunity to raise our estimates at a later date.

In Q3:00 (September), we expect S1 to report total revenue of $61.8 million, with 27% from software license revenues, 63% from professional service revenues, 9% from the data center revenues, and 1% from other sources. We believe the gross profit margin will remain flat at 42.2%, with a slight decline in professional service gross profit margins and a slight increase in data center gross profit margins. The decline in the professional service gross profit margin is projected as the Company uses more third-party implementation services from its partners and as industry pricing declines. The increase in data center gross profit margin is projected as the Company continues to leverage its fixed-cost infrastructure. Operating expenses are estimated to be $42.8 million, or 69.2% of revenues, resulting in an EBITDA loss of $15.5 million, or ($0.28) per share. After amortization, depreciation, and integration costs of $125 million, we expect S1 to report a net loss of $139.5 million, or ($2.52) per share.

For 2000 and 2001, we project the Company to report revenues of $237.4 million and $307.8 million, respectively, a year-over-year increase of 30%. We expect S1 to have a 2000 gross profit margin of 42.4%, increasing to 47.6% in 2001 as a result of improved implementation efficiencies, as the Company continues to roll out its 5.1 Suite of products, as well as improved leverage with the fixed-cost infrastructure of the data center. We expect S1 to continue to experience customer growth in its data center, although the sequential growth will likely be below the 30–35% growth the Street is anticipating. S1 currently has 165 implementations underway at 119 financial institutions, of which 35 projects are for the S1 Data Center.

After operating expenses of $162.7 million in 2000, we expect the Company to report an EBITDA loss of $62.0 million, or $1.15 per share. After operating expenses of $169.7 million in 2001, we expect the Company to report an EBITDA loss of $23.2 million, or ($0.41) per share. Additionally, we expect the Company to reach EBITDA breakeven in Q4:01. On a net loss basis, we project S1 to report a loss of $502.4 million and $501.8 million, or ($9.32) and ($8.80) per share, respectively.

We believe 2001 should be a pivotal year for S1 as the Company will need to prove to investors it can drive improvements to the bottom line, despite pricing pressures in the industry that likely will afford modest top-line growth. In our opinion, S1 remains strategically positioned to capitalize on the outsourcing trends in the global financial sector. We expect the Company to continue signing up and renewing quality bank, insurance, and brokerage contracts both domestically and internationally. With the recent IBM alliance, we believe S1 will not only have the ability to run its solution on all three major operating platforms: mainframe, UNIX, and Windows NT; but also access to additional sales and integration personnel.

VALUATION

Of all the various methods to value S1, we believe that discounting the Company's future operations is more realistic than valuing the Company based on the trading multiples of other companies in the B2B or financial service industries, as a result of the Company's year-to-date execution issues as well as investor sentiment for Internet-related stocks.

We have projected S1's operating results through 2005. Assuming revenues grow at a compounded annual growth rate (CAGR) of 21.8%, we estimate the Company will be able to generate operating earnings of $1.47 per share in 2005. Operating earnings focus on S1's "true" financial results and exclude the amortization and depreciation expenses related to the Company's acquisitions. Assuming the Company receives a 20x multiple on its 2005 operating earnings, which we believe is reasonable, and we discount the future value by our calculated expected return of 17.7%, we arrive at a 12-month price target of $14.75 per share, which is a 40.5% upside to the current price. Please see Exhibit 25 to see projected 12-month price targets assuming other multiples and operating earning per share estimates. Given the uncertainty around the Company's top-line growth and execution issues in the last couple of quarters, we believe our earnings and multiple expectations are justified. As S1 improves its execution, we believe the Company can trade at higher multiples; but it must execute.

EXHIBIT 25: **PRICE TARGETS BASED ON DISCOUNTED 2005 OPERATING EARNINGS PER SHARE**

	Multiple Applied				
2005E	**16x**	**18x**	**20x**	**22x**	**24x**
$1.37	$10.98	$12.35	$13.72	$15.09	$16.47
$1.42	$11.38	$12.80	$14.22	$15.65	$17.08
$1.47	$11.78	$13.25	$14.72	$16.20	$17.67
$1.52	$12.18	$13.70	$15.22	$16.75	$18.27
$1.57	$12.58	$14.15	$15.73	$17.30	$18.87

Note: Prices assume discount rate of 17.7%
Sources: WR Hambrecht + Co estimates and Company reports

In our opinion, S1 remains strategically positioned to capitalize on the outsourcing trends in the global financial sector. We expect the Company to continue signing up and renewing quality bank, insurance, and brokerage contracts both domestically and internationally. S1's market dominance, its strong customer base, and its global opportunity are all characteristics that should provide some downside protection to the stock. Additionally, the Company's strong cash position of over $4 per share should also protect the downside risks from current levels. We rate S1 shares a Buy.

S1 Corp. (SONE)
Income Statement ($ in millions, except per share)
Jeffery B. Baker jbaker@wrhambrecht.com 415.551.8600

	1998	1999	2000					2001				
FY Ends December	**FY**	**FY**	**Q1**	**Q2**	**Q3E**	**Q4E**	**FY**	**Q1E**	**Q2E**	**Q3E**	**Q4E**	**FY**
Net Revenue	$ 24.18	$ 92.89	$ 50.37	$ 59.08	$ 61.80	$ 66.13	$ 237.39	$ 68.91	$ 73.58	$ 79.19	$ 86.10	$ 307.77
Cost of Goods Sold	16.47	53.19	32.35	32.98	34.49	36.80	136.62	37.89	39.32	40.98	43.11	161.31
Gross Profit	5.94	39.71	18.02	26.10	27.31	29.33	100.76	31.02	34.25	38.21	42.99	146.47
Cash Operating Expenses:												
Selling and Marketing	4.72	12.17	11.41	13.40	14.34	15.04	54.18	14.06	14.13	14.25	14.38	56.82
General and Administrative	5.99	13.91	9.35	11.45	11.74	11.77	44.32	11.85	11.99	12.10	12.24	48.18
Product Development	14.63	24.26	14.99	15.83	16.69	16.73	64.24	16.02	16.11	16.23	16.32	64.68
EBITDA	(44.75)	(10.64)	(17.73)	(14.57)	(15.46)	(14.22)	(61.97)	(10.91)	(7.98)	(4.37)	0.05	(23.22)
Integration Costs	-	6.64	6.81	6.34	5.40	1.60	20.16	-	-	-	-	-
Market Costs for Warrants Issued	-	-	4.60	0.36	-	-	4.96	-	-	-	-	-
Stock Compensation Expense	-	0.10	1.13	1.60	1.20	1.20	5.12	1.20	1.20	1.20	1.20	4.80
Depreciation	5.35	6.92	3.40	6.13	6.40	6.70	22.63	7.00	7.30	7.60	7.90	29.80
Amort. of Goodwill & Acq. Charges	4.38	103.01	77.13	126.49	112.00	112.00	427.61	112.00	112.00	112.00	112.00	448.00
Operating Income	(54.48)	(127.21)	(110.80)	(155.49)	(140.46)	(135.72)	(542.46)	(131.11)	(128.48)	(125.17)	(121.05)	(505.82)
Investment Income	-	-	34.82	-	-	-	34.82	-	-	-	-	-
Interest Income	0.58	2.24	0.78	2.50	1.00	1.00	5.27	1.00	1.00	1.00	1.00	4.00
Income (Loss) Before Taxes	(53.90)	(124.98)	(75.20)	(153.00)	(139.46)	(134.72)	(502.37)	(130.11)	(127.48)	(124.17)	(120.05)	(501.82)
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss) From Cont. Ops	(53.90)	(124.98)	(75.20)	(153.00)	(139.46)	(134.72)	(502.37)	(130.11)	(127.48)	(124.17)	(120.05)	(501.82)
Loss From Discontinued Operations	(2.25)	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	$ (56.14)	$ (124.98)	$ (75.20)	$ (153.00)	$ (139.46)	$ (134.72)	$ (502.37)	$ (130.11)	$ (127.48)	$ (124.17)	$ (120.05)	$ (501.82)
Average Shares Outstanding	22.03	29.18	50.46	54.17	55.30	55.80	53.93	56.30	56.80	57.30	57.80	57.05
EBITDA Per Share	**$ (2.03)**	**$ (0.36)**	**$ (0.35)**	**$ (0.27)**	**$ (0.28)**	**$ (0.25)**	**$ (1.15)**	**$ (0.19)**	**$ (0.14)**	**$ (0.08)**	**$ 0.00**	**$ (0.41)**
Net Earnings Per Share	**$ (2.55)**	**$ (3.54)**	**$ (1.49)**	**$ (2.82)**	**$ (2.52)**	**$ (2.41)**	**$ (9.32)**	**$ (2.31)**	**$ (2.24)**	**$ (2.17)**	**$ (2.08)**	**$ (8.80)**
Operating EPS:												
Income Before Taxes	(28.56)	(124.98)	(75.20)	(153.00)	(139.46)	(134.72)	(502.37)	(130.11)	(127.48)	(124.17)	(120.05)	(501.82)
Integration	-	6.64	6.81	6.34	5.40	1.60	20.16	-	-	-	-	-
Market Costs for Warrants Issued	-	-	4.60	0.36	-	-	4.96	-	-	-	-	-
Stock Compensation Expense	-	0.10	1.13	1.60	1.20	1.20	5.12	1.20	1.20	1.20	1.20	4.80
Amort. of Goodwill & Acq. Charges	4.38	103.01	77.13	126.49	112.00	112.00	427.61	112.00	112.00	112.00	112.00	448.00
Adjusted Operating Income b/4 Taxes	(24.17)	(15.22)	14.46	(18.21)	(20.86)	(19.92)	(44.52)	(16.91)	(14.28)	(10.97)	(6.85)	(49.02)
Provision for Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Operating Income	(28.56)	(15.22)	14.46	(18.21)	(20.86)	(19.92)	(44.52)	(16.91)	(14.28)	(10.97)	(6.85)	(49.02)
Operating Earnings Per Share	**(1.30)**	**(0.52)**	**$ 0.29**	**$ (0.34)**	**$ (0.38)**	**$ (0.36)**	**$ (0.83)**	**$ (0.30)**	**$ (0.25)**	**$ (0.19)**	**$ (0.12)**	**$ (0.86)**
Profit Analysis:												
Cost of Goods Sold	68.1%	57.3%	64.2%	55.8%	55.8%	55.6%	57.6%	55.0%	53.4%	51.7%	50.1%	52.4%
Gross Profit	24.5%	42.7%	35.8%	44.2%	44.2%	44.4%	42.4%	45.0%	46.6%	48.3%	49.9%	47.6%
Selling and Marketing	19.5%	13.1%	22.6%	22.7%	23.2%	22.8%	22.8%	20.4%	19.2%	18.0%	16.7%	18.5%
General and Administrative	24.8%	15.0%	18.6%	19.4%	19.0%	17.8%	18.7%	17.2%	16.3%	15.3%	14.2%	15.7%
Product Development	60.5%	26.1%	29.8%	26.8%	27.0%	25.3%	27.1%	23.3%	21.9%	20.5%	19.0%	21.0%
EBITDA Margin	-185.1%	-11.4%	-35.2%	-24.7%	-25.0%	-21.5%	-26.1%	-15.8%	-10.8%	-5.5%	0.1%	-7.5%
Depreciation and Amortization	40.2%	118.3%	159.9%	224.5%	-191.6%	-179.5%	-189.7%	-172.7%	-162.1%	-151.0%	-139.2%	-155.2%
Operating Expense Ratio	104.8%	54.2%	71.0%	68.8%	69.2%	65.9%	68.6%	60.9%	57.4%	53.8%	49.9%	55.1%
Operating Margin	-225.3%	-136.9%	-220.0%	-263.2%	-227.3%	-205.2%	-228.5%	-190.3%	-174.6%	-158.1%	-140.6%	-164.3%
Net Margin	-222.9%	-134.5%	-149.3%	-258.9%	-225.6%	-203.7%	-211.6%	-188.8%	-173.3%	-156.8%	-139.4%	-163.0%
Tax Rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
EBITDA:	$ (44.75)	$ (17.28)	$ (30.27)	$ (22.88)	$ (22.06)	$ (17.02)	$ (92.22)	$ (12.11)	$ (9.18)	$ (5.57)	$ (1.15)	$ (28.02)
(-) Capital Expenditures	(4.10)	(11.94)	(10.00)	(5.00)	(5.00)	(5.00)	(25.00)	(3.00)	(3.00)	(3.00)	(3.00)	(12.00)
Free Cash Flow:	$ (48.85)	$ (29.22)	$ (40.27)	$ (27.88)	$ (27.06)	$ (22.02)	$ (117.22)	$ (15.11)	$ (12.18)	$ (8.57)	$ (4.15)	$ (40.02)

Sources: WR Hambrecht + Co estimates, Company reports

S1 Corp. (SONE) **WR Hambrecht + Co Equity Research**
Balance Sheet ($ in millions)
Jeffery B. Baker jbaker@wrhambrecht.com 415.551.8600

FY Ends December	**1996**	**1997**	**1998**	**1999**	**March 2000**	**June 2000**
Current Assets:						
Cash & Cash Equivalents	$ 4.12	$ 3.14	$ 14.50	$ 67.85	$ 75.11	$ 245.50
Investments Available for Sale	32.03	16.81	3.94	62.75	38.55	43.22
Accounts Receivable	1.22	4.63	17.52	70.14	63.66	83.05
Note Receivable	-	-	-	1.50	1.50	1.00
Prepaid Expenses	-	-	0.51	6.63	7.91	8.01
Other Current Assets	0.57	0.53	0.81	0.68	0.62	0.43
Total Current Assets	37.94	25.12	37.27	209.54	187.35	381.21
Non-Current Assets:						
Property & Equipment (Net)	5.19	5.80	5.36	24.58	33.55	53.95
Intangible Assets	-	-	2.68	106.51	94.62	98.26
Goodwill	2.67	4.62	0.24	788.29	719.62	1,028.16
Note Receivable	-	-	1.50	-	2.00	2.00
Other Assets	0.15	0.66	1.25	3.56	6.37	7.92
Total Non-Current Assets	8.00	11.08	11.02	922.94	856.17	1,190.30
Total Assets	$ 45.94	$ 36.19	$ 48.29	$ 1,132.49	$ 1,043.52	$ 1,571.50
Current Liabilities:						
Accounts Payable	$ 2.22	$ 0.49	$ 3.23	$ 29.49	$ 18.44	$ 11.70
Accrued Expenses	1.26	1.55	3.15	44.12	56.23	47.61
Accrued Stock Option Compensation	0.95	-	0.57	12.12	11.24	-
Deferred Revenues	1.61	6.66	10.38	20.47	22.22	29.09
Notes Payable	-	-	-	6.35	3.74	4.76
Current Portion of Capital Lease	-	-	0.88	0.76	0.62	6.29
Total Current Liabilities	6.03	8.70	18.20	113.32	112.49	99.44
Deferred Revenues	-	2.36	12.03	9.28	5.43	5.68
Capital Lease Obligation	-	-	0.16	1.09	0.92	10.11
Deferred Tax Liability	-	-	0.68	15.39	15.39	15.39
Other Liabilities	-	-	-	2.61	2.13	2.58
Total Liabilities	6.03	11.05	31.06	141.68	136.34	133.20
Stockholders Equity						
Preferred Stock	2.05	2.68	11.91	23.09	22.68	253.98
Common Stock	0.10	0.11	0.25	0.49	0.51	0.55
Additional Paid-In Capital	61.68	74.49	86.81	1,126.61	1,142.13	1,590.01
Receivable from Sale of Stock	-	-	-	(11.74)	(11.73)	(11.78)
Accumulated Deficit	(24.04)	(52.04)	(82.84)	(207.93)	(283.14)	(436.13)
Net Unrealized Gains on Investments	0.13	0.06	1.33	60.14	36.39	41.06
Cumulative Foreign Currency Adjustment	-	(0.15)	(0.22)	0.14	0.33	0.62
Total Stockholders Equity	39.91	25.14	17.23	990.81	907.18	1,438.31
Total Liabilities & Equity	$ 45.94	$ 36.19	$ 48.29	$ 1,132.49	$ 1,043.52	$ 1,571.50

Source: Company reports

COMPANY PROFILES

FINANCIAL ENTERPRISE ENABLERS

cavion.com

FINANCIAL ENTERPRISE ENABLERS

CAVION.COM ♦ CAVN
www.cavion.com

SHARE PRICE	
9/29/00	**$3.81**
52-Week Range:	$37.63 - $2.75

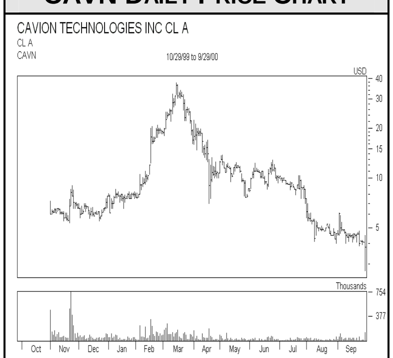
FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**($1.88)**	**$20.0**
2000E	**($2.70)**	**$10.0**
Q1A	($0.50)	
Q2A	($0.58)	
Q3E	($0.81)	
Q4E	($0.68)	
1999A	**($1.56)**	**$0.6**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	5.0
Market Capitalization (MM):	**$19**
Float (MM):	1.6
Average Daily Volume (000s):	28
Institutional Ownership:	5%
Officers/Directors Hold:	16%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$2.0
Total Assets (MM):	$8.9
Total Liabilities (MM):	$2.8
LT Debt/Total Capital:	None
Book Value Per Share:	$1.11

CAVN DAILY PRICE CHART



COMPANY DESCRIPTION

Englewood, Colorado-based cavion.com offers products and services for secure business-to-business communications and secure Internet financial products and services designed specifically for the needs of credit unions. The Internet software products offered by the Company include online transactional banking, cellular access, online bill payment, and online loan decision products along with enabling software for kiosks.

cavion.com is also building and managing a secure private communications network, dubbed CUiNET (Credit Union interactive Network), exclusively for the credit union industry. The network provides a secure, high-speed communications platform for the delivery of services and information to and from credit unions and related organizations such as trade organizations, corporate credit unions, and credit union vendors. To date, nearly 200 credit unions and credit union businesses have joined CUiNET.

As of May 9, 2000, cavion.com served 196 credit union entities in 34 states. The Company's clients include credit unions, credit union vendors, corporate credit unions, and state credit union leagues.

IMPORTANT INFORMATION

Denver Police Federal Credit Union to offer online investing through Member Emporium. On August 21, 2000, the Denver Police Federal Credit Union began offering online investing services to its members through cavion.com's Member Emporium using Stockwalk.com. The Denver Police Federal Credit Union has 8,000 members, of which over 20% are actively using their online accounts.

cavion.com and iDigi sign ISP agreement. cavion.com's e-commerce division, Member Emporium (ME), and iDigi Networks LLC signed a multi-year agreement for operational and infrastructure support for the launch of ME's discounted national Internet Service Provider (ISP) service for credit union members and employees. The agreement enables ME's credit union clients to increase their presence on the Internet by using the latest retail ISP technology. Additionally, ME's credit union clients can offer high-speed dial-up and ISDN Internet access to their members.

cavion.com appoints David Maus to Board of Directors. On March 20, cavion.com appointed David E. Maus to its Board of Directors. Mr. Maus serves as the president and CEO of Public Service Employees Credit Union, which has more than $300 million in assets and a loan portfolio in excess of $250 million. More importantly, he is the current chairman of the Credit Union National Association (CUNA), which is a not-for-profit trade organization that represents more than 10,000 credit unions nationally.

FINANCIAL ENTERPRISE ENABLERS

CORILLIAN CORPORATION ♦ CORI
www.corillian.com

SHARE PRICE	
9/29/00	**$9.63**
52-Week Range:	$32.81 - $6.88

FINANCIAL METRICS*

(FY 12/31)	EPS	Rev. (MM)
2001E	**($0.58)**	**$43.7**
2000E	**($1.00)**	**$22.3**
Q1A	($0.26)	
Q2A	($0.21)	
Q3E	($0.24)	
Q4E	($0.22)	
1999A	**($0.62)**	**$7.7**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	31.9
Market Capitalization(MM):	**$307**
Float (MM):	12.2
Average Daily Volume (000s):	187
Institutional Ownership:	11%
Officers/Directors Hold:	62%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$62.0
Total Assets (MM):	$77.7
Total Liabilities (MM):	$13.1
LT Debt/Total Capital:	3%
Book Value Per Share:	$1.96

CORI DAILY PRICE CHART

COMPANY DESCRIPTION

Beaverton, Oregon-based Corillian Corporation is a provider of eFinance-enabling software for the financial services industry. Corillian applications support Internet banking, bill delivery and payment, brokerage, targeted marketing, enhanced data aggregation, and small business transactions through the Voyager eFinance Suite. The suite is based on the Windows NT platform and can be deployed on-site at the financial firm or at a secure data center; most of its installations are on-site. Corillian also offers an Open Financial Exchange (OFX) server through which information can be accessed by personal finance management software packages such as Quicken and Microsoft Money. Corillian's solutions are implemented at a number of banks and credit unions including SunTrust Bank, M&T Bank, AmSouth Bank, Hibernia, Provident Central Credit Union, Mission Federal Credit Union, and Technology Credit Union. The Company lists over 40 Voyager platform customers that represent over 600,000 active end-users.

IMPORTANT INFORMATION

Mercantile-Safe Deposit and Trust chooses Corillian. In mid-September, 2000, the Company announced that Mercantile-Safe Deposit and Trust Company had licensed its Voyager eFinance Suite for Internet retail banking. Mercantile-Safe Deposit and Trust is located in Baltimore, Maryland and has approximately $3 billion in assets.

Corillian and Yodlee.com form alliance. In mid-July, the Company and Yodlee.com formed a strategic alliance to provide financial services companies with an end-to-end personal financial aggregation solution. Yodlee.com is a provider of account aggregation services.

Huntington Bancshares chooses Corillian. In early June, Huntington Bancshares announced it would license Corillian's Voyager eFinance Suite of products. Huntington Bancshares plans to use the software to support its customers banking on the Internet, which is approximately 15% of its total customer base. Huntington Bancshares is a $29 billion regional bank holding company headquartered in Columbus, Ohio.

Lehman Brothers selects Corillian. In May, Lehman announced it had selected the Company's Voyager eFinance Suite as part of its strategy to expand its online retail banking capabilities. The product is scheduled to be implemented and available to Lehman Brothers Bank customers by the beginning of the fourth quarter.

Corillian completes IPO. On April 12, 2000, the Company completed an initial public offering of four million shares of common stock at $8 per share. Corillian generated $54.9 million in net proceeds from the offering.

FINANCIAL ENTERPRISE ENABLERS

DIGITAL INSIGHT ♦ DGIN
www.digitalinsight.com

SHARE PRICE	
9/29/00	**$35.88**
52-Week Range:	$86.00 - $19.00

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**($0.33)**	**$97.0**
2000E	**($0.89)**	**$57.0**
Q1A	($0.32)	
Q2A	($0.20)	
Q3E	($0.20)	
Q4E	($0.17)	
1999A	**($0.86)**	**$26.3**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	28.9
Market Cap. (MM):	**$1,037**
Float (MM):	16.9
Average Daily Volume(000s):	215
Institutional Ownership:	28%
Officers/Directors Hold:	19%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$19.6
Total Assets (MM):	$119.5
Total Liabilities (MM):	$23.7
LT Debt/Total Capital:	None
Book Value Per Share:	$3.89

DGIN DAILY PRICE CHART

COMPANY DESCRIPTION

Digital Insight provides Internet banking services to community financial institutions. The Company targets small, mid-sized, large community, and regional financial institutions that number approximately 11,800. Digital Insight offers a cost-effective, outsourced service, branded in the institution's name, which enables the financial institution to provide Internet-based financial solutions to their retail and commercial customers. In addition, Digital Insight provides fully transactional Internet banking development and implementation; Web site design, maintenance and hosting; customer service training and support; and marketing services.

Digital Insight's AXIS architecture is designed to communicate in either real-time or batch with the institution's core data processing system. AXIS Internet Banking delivers a full range of Internet branch capabilities including bill payment to the financial institution's retail customers. AXIS Target Marketing facilitates the sales of additional financial services to these customers. AXIS Cash Management provides comprehensive Internet banking functionality to the institution's commercial customers.

Digital Insight generates revenues from its financial institution customers in the form of implementation fees for establishing Internet banking services and recurring service fees based on end-user adoption and Web maintenance. More than 970 community financial institutions have contracted with Digital Insight. Of these financial institutions, 856 had contracted for the Company's Internet banking service and 340 had contracted for its cash management service. More than one million customers of these institutions are actively using Digital Insight for their Internet banking.

IMPORTANT INFORMATION

Digital Insight launches Chinese-language Internet banking site. On September 25, 2000, the Company launched the nation's first bilingual Internet banking Web site for the Chinese-American customers of East West Bancorp. This should add to Digital Insight's dual Spanish-English Internet banking solution.

Digital Insight completes secondary offering. On August 1, the Company completed a four million-share follow-on offering at $31 per share. Of the four million shares, the Company offered 2.15 million and selling shareholders offered the remaining 1.85 million. Net proceeds from the offering are to be used for acquisitions, working capital, and general corporate purposes.

Digital Insight acquires AnyTime Access and 1View Network. In July 2000, the Company completed its acquisitions of AnyTime Access, a provider of Internet and call center loan services to over 170 financial institutions, and 1View Network, a provider of EBPP solutions and account aggregation tools.

FINANCIAL ENTERPRISE ENABLERS

E-PROFILE INC. ♦ PRIVATE
www.e-profile.com

MANAGEMENT
Michael A. Sanchez, CEO
Alex W. "Pete" Hart, Chairman
David Schlenker, Executive Vice President & CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
Sanchez Computer Associates
Customers:
American Express
DeepGreen Bank
GMAC Bank
Lehman Brothers
Morgan Stanley Dean Witter & Co.
Sovereign Bank
Potential Competitors:
Corillian
Digital Insight
Home Account
S1 Corp.

INVESTORS
Sanchez Computer Associates
GMAC Residential Holding

COMPANY DESCRIPTION

Malvern, Pennsylvania-based *e*-PROFILE is a vertical service provider (VSP) targeted at larger financial institutions. A VSP is a business-to-business entity that manages the technology and operational supply chain within an industry and integrates all of its components under a single, outsourced operating infrastructure. The Company's integrated, one-stop outsourcing solution enables financial institutions to offer Internet-based services to their retail and commercial customers. The *e*-PROFILE solution includes front-end operations such as Web site creation, data center operations, loan origination, checking services, and bill pay functions in a thin-client server environment. *e*-PROFILE is a majority-owned subsidiary of Sanchez Computer Associates.

IMPORTANT INFORMATION

***e*-PROFILE puts IPO on hold.** On September 21, 2000, *e*-PROFILE announced it was indefinitely delaying its initial public offering in hopes that conditions would improve in the financial marketplace. *e*-PROFILE filed a registration statement with the SEC on August 9 for an IPO.

DeepGreen Bank goes live with *e*-PROFILE. On August 23, *e*-PROFILE announced it would process the accounts of DeepGreen Bank, a new Internet bank targeting the U.S. home equity lending market. The bank is owned by Third Federal Savings and Loan Association of Cleveland, MHC, which is also the parent company of Third Federal Savings and Loan, the nation's largest mutually owned savings and loan association.

GMAC Bank selects *e*-PROFILE. On July 26, GMAC Bank, a unit of GMAC Financial Services, announced it had selected *e*-PROFILE to provide it an outsourced, end-to-end, multi-channel, e-banking solution. Additionally, GMAC Residential Holding Corp., the parent organization for GMAC Bank, invested $3 million for a minority ownership in *e*-PROFILE.

American Express chooses *e*-PROFILE. In mid-July, *e*-PROFILE signed a global agreement to implement e-commerce technologies and provide operational support for American Express' online bank, called Membership B@nking.

FINANCIAL ENTERPRISE ENABLERS

EVERSYSTEMS ♦ PRIVATE
www.eversystems.com/english/

MANAGEMENT
Marco Garib, President and CEO
Cristian G. Balbontin, COO, North America
Jose Cabral, CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
Global One
GTE CyberTrust
IBM
Intuit
Starmedia
CyberBills
Customers:
Banco 1
Banco de Credito del Peru
BankBoston
Citibank Brazil, Argentina, Chile, Columbia, Peru, Venezuela
HSBC
Lloyds TSB
Meridional Bank
Real/ABN Amro Bank
Rio de la Plata Bank
Unibanco
Zurich Brazil Seguros
Potential Competitors:
Corillian
Scopus
S1 Corp.

INVESTORS
Marco Garib
Bozano Group

COMPANY DESCRIPTION

Sao Paulo, Brazil-based EverSystems is a leading provider of integrated technology solutions for financial institutions primarily in Latin America, garnering an 80% market share. The Company sells an in-house suite of products and services that enable financial institutions to offer their customers access to banking, bill payment, brokerage, target marketing, and small business transactions across a wide-range of Internet-enabled wireless and consumer electronic devices.

The Company has successfully implemented more than 55 projects for more than 40 clients, and its client base totals more than 1.2 million end users. It is currently in the process of expanding into other countries, including the United States.

EverSystems has more than 280 employees, 60% of them working out of the Brazil offices in Sao Paulo, Rio de Janeiro, and Curitiba, and the remainder in offices in Argentina, Venezuela, Miami, with representation in Colombia and Portugal.

IMPORTANT INFORMATION

EverSystems to deploy mobile payment solution. With an expected launch in the next couple of weeks, EverSystems will launch a mobile payment solution on vending machines with a major wireless provider in Brazil. EverSystems recently displayed its mobile payment solution on vending machines at the American Banker Association conference in Chicago. Individuals who wish to purchase a soda, bag of chips, candy, etc. simply point their wireless device at the vending machine, dial a dedicated phone number, and select the desired item. Payment can either be debited to the individual's monthly wireless phone bill or credit card bill.

EverSystems launches CRM solution. Building on its commitment to deliver a fully integrated eFinance solution, EverSystems recently launched a new eCRM application that enables financial institutions to support their online banking initiative.

FINANCIAL ENTERPRISE ENABLERS

FINANCIAL FUSION ♦ PRIVATE
www.financialfusion.com

MANAGEMENT
Daniel M. Schley, CEO
Michon Schenck, President
Eric T. Jacobsen, COO
Andrew C. Bangser, CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
Aztec Technology Partners
CheckFree
e-Profile
IBM
Intuit
Magnet Communications
Price Waterhouse Coopers
Sideware Corp.
Sun Microsystems
Sybase
Teknowledge Corp.
Customers:
Banco Mercantile
Banco Popular
BB&T
Deutsche Bank
Digital Insight
Equifax
Nomura
Old Kent Financial Corp.
S1 Corp.
Wells Fargo
Potential Competitors:
BROKAT
Corillian
Digital Insight
Home Account
S1 Corp.

INVESTORS
Sybase, Inc.

COMPANY DESCRIPTION

Westport, Connecticut-based Financial Fusion, a wholly owned subsidiary of Sybase, Inc., was formed in January 2000 by the merger of privately-held Home Financial Network, Inc. (HFN) and the Financial Server business unit of SYBS. The value of HFN at the time of its acquisition was $130 million.

Financial Fusion seeks to provide e-banking and e-trading software solutions to the top 1,000 global financial institutions. The Company brings together a full range of technology solutions to provide an integrated, flexible, and scalable solution for e-banking, brokerage, and insurance. Its Financial Fusion Server addresses the middleware needs of all financial services areas. Its Financial Fusion Web & Wireless System addresses front-end retail Internet banking with an emphasis on an easy-to-use interface. And its Financial Fusion GlobalFIX product addresses the institutional securities trading markets.

Financial Fusion operates worldwide in 60 countries, primarily through Sybase offices. The Company has regional offices and technology centers in Watertown, Massachusetts; Milpitas, California; New York City; Orem, Utah; and Waterloo, Ontario, Canada.

IMPORTANT INFORMATION

Magnet Communications selects Financial Fusion's UniversalOFX. On August 30, 2000, Financial Fusion announced that UniversalOFX would be integrated with Magnet's Internet business banking products. This would allow Magnet's end-users to exchange data with financial management software.

Financial Fusion partners with Teknowledge Corporation. At the beginning of August, Financial Fusion and Teknowledge signed an Original Equipment Manufacturer's (OEM) agreement to provide account aggregation to global financial institutions. Financial Fusion plans to use Teknowledge's TekPortal software as the financial information aggregation component of its Web & Wireless System. This system would provide Internet banking customers a consolidated view of their financial portfolios.

Wells Fargo selects Financial Fusion. In mid-June, Financial Fusion announced that Wells Fargo had licensed the Financial Fusion Server and OFX Adapter to provide OFX and IFX connectivity to the bank's retail and small business customers. Wells Fargo is the seventh-largest bank in the United States with $222 billion in total assets.

FINANCIAL ENTERPRISE ENABLERS

FUNDSXPRESS INC ♦ PRIVATE
www.fundsxpress.com

MANAGEMENT
John Burns, Chairman, President, CEO, and Director
Song Kim, CFO & Treasurer

INDUSTRY LANDSCAPE
Sponsors/Partners:
Community Bankers Association of Oklahoma
Community Bankers of Colorado
Community Bankers of Illinois
Community Bankers of Kentucky
Community Bankers of Ohio
Credit Union National Association (CUNA)
Crowe Chizek
DIEBOLD
Independent Bankers Association of Texas
Intuit
Iowa Bankers Association
Iowa Independent Bankers
PULSE EFT Association
SHAZAM EFT Network
Customers:
Total: >500
Potential Competitors:
cavion.com
Digital Insight
Home Account
Netzee, Inc.
Open Solutions
Regency Systems
S1 Corp.

INVESTORS
Beacon Group
Cendant Internet Group
E. M. Warburg, Pincus & Company
Texas Growth Fund

COMPANY DESCRIPTION

Austin, Texas-based FundsXpress, Inc., through its subsidiaries, provides secure eFinance solutions to banks, credit unions, and savings and loans throughout the United States. Solutions include an e-commerce portal, Internet banking, brokerage, insurance, and cash management. The Company has over 500 bank customers that represent over six million potential banking end users. Aside from its recent acquisition of Choice Investments and Good2CU, FundsXpress purchased Integrated Business Systems, a mortgage lending company, late last year. Once all of the acquisitions are in place, the Company believes it will have a first generation total end-to-end product solution.

IMPORTANT INFORMATION

FundsXpress acquires Choice Investments. On September 7, 2000, FundsXpress announced it would acquire Choice Investments, Inc., a 16-year old broker-dealer, to enable FundsXpress' 500 customers to offer broker services on the Web. With the service to be marketed as a revenue sharing model, financial institutions would receive revenue on each trade as opposed to just a link deal where they might get a referral fee. Banks, credit unions, and other customers would receive about 20% of each brokerage transaction back in revenue, while FundsXpress would keep the remaining 80%. Over 50 financial institutions have signed commitments to offer brokerage services through FundsXpress portal sites by the end of 2000.

FundsXpress to acquire Good2CU. In mid-July, FundsXpress announced it had entered into an agreement to acquire the assets of Good2CU, which is a strategic Internet partner for credit unions with over 70 members. FundsXpress acquired the Company to bring additional portal technology and enhancements to its portal offering.

FundsXpress and InsureRate form strategic alliance. At the end of March, FundsXpress and InsureRate formed a strategic alliance that would enable financial institutions to offer competitive Internet insurance products to their consumers. Members and customers of FundsXpress' credit union and bank customers would have access to Internet insurance products including personal auto, homeowners, fixed annuities, term-life policies and other products over the Internet.

FINANCIAL ENTERPRISE ENABLERS

FUNDTECH CORPORATION • FNDT
www.fundtech.com

SHARE PRICE	
9/29/00	**$23.86**
52-Week Range:	$43.00 - $10.00

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**$0.96**	**$65.5**
2000E	**$0.43**	**$48.3**
Q1A	($0.01)	
Q2A	$0.08	
Q3E	$0.16	
Q4E	$0.23	
1999A	**($0.13)**	**$31.7**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	14.1
Market Capitalization(MM):	**$336**
Float (MM):	12.9
Average Daily Volume (000s):	85
Institutional Ownership:	29%
Officers/Directors Hold:	35%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$37.8
Total Assets (MM):	$128.9
Total Liabilities (MM):	$10.0
LT Debt/Total Capital:	None
Book Value Per Share:	$8.38

FNDT DAILY PRICE CHART

COMPANY DESCRIPTION

Jersey City, New Jersey-based Fundtech Corporation provides software and service solutions that give financial institutions the necessary infrastructure to support their e-commerce and e-banking initiatives. The Company's end-to-end, real-time solutions facilitate e-commerce applications by enabling banks and their business customers to manage cash, process e-payments and transfer funds electronically. Fundtech offers its customers the following solutions: e-payment, e-banking, e-commerce, and services.

Fundtech's e-payments solutions automate all aspects of the funds transfer and customer notification process, enabling straight-through processing (STP) of payments. Its e-banking solutions enable financial institutions to deliver cash management services through the Internet and other delivery channels. Fundtech's e-banking solutions address the needs of small, mid-tier, and large financial institutions. By bringing together the Company's e-payments and e-banking solutions, Fundtech provides its financial institution clients the infrastructure they need to support e-commerce initiatives.

Fundtech's solutions are primarily Windows-based, running on the Window's NT operating system. The Company has developed strategic marketing alliances with Microsoft and S.W.I.F.T. as well as distributor relationships with Compaq, Electronic Data Systems, M&I, and Fiserv. Fundtech's solutions have been sold to over 650 financial institutions around the world such as Fidelity Investments, Swedbank, Visa International, and Washington Mutual.

The Company's competitors include BROKAT, S1 Corp., Magnet Communications, and Politzer & HANEY.

IMPORTANT INFORMATION

Eight banks choose Fundtech. In early September 2000, Fundtech announced that eight new banks had chosen to use its *PAYplus* USA e-payments system. The new customers are based in Indiana, California, North Carolina, and Puerto Rico. The *PAYplus* USA e-payments systems initiates clearance and settlement for domestic and international payments.

World Savings chooses Fundtech's FEDplu$. World Savings, which is one of the largest domestic residential mortgage lenders, selected the Company's FEDplu$ system for executing wire transfers. World Savings plans to use the Fundtech product to link its corporate facilities in California and Texas, making the sharing of all wire information and end of day balancing and reporting a seamless process.

HomeAccount®

FINANCIAL ENTERPRISE ENABLERS

HOME ACCOUNT ♦ PRIVATE
www.homeaccount.com

MANAGEMENT
Chuck A. White, CEO
David E. Kaplan, CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
Alliance Capital Management
AmeriVest
CarSmart.com
CheckFree Corp.
First Data Corp.
The Forms Group
Forte Software
Heinrich Marketing
ICSA.net
Murphy & Company
Oracle Corp.
Princeton eCom
Sun Microsystems, Inc.
U.S. Clearing
Customers:
Bank of America
Colonial BancGroup
First Union
Security National Bank of Omaha
Total: >100
Potential Competitors:
Netzee, Inc.
Digital Insight

INVESTORS
First Data Resources
Marsh & McLennan
Mobius Management Systems
New Enterprise Associates
Oak Investment Partners

COMPANY DESCRIPTION

Emeryville, California-based Home Account was formed in July 1999 through the merger of Home Account Network Inc. and the First Data Direct Banking business of First Data Corp. Home Account delivers Internet banking, financial management, and electronic commerce solutions to financial services organizations and their customers. Its Canopy Suite of online banking products also includes borrowing, brokerage, advice, and investing services within their revenue-generating financial center (portal). The Company also provides Internet-based cash management solutions and CardSolutions, an innovative program for credit card issuers that enables Internet account management. HomeAccount's Open Financial Exchange (OFX) financial services platform allows access by personal finance management software packages such as Quicken and Microsoft Money. The Company's direct sales force targets financial institutions with assets between $1 billion and $40 billion, while its resellers focus on financial institutions with assets below $1 billion. Today, more than 150 financial institutions use Home Account's software and financial transaction products and services.

IMPORTANT INFORMATION

Home Account and 724 Solutions enter strategic relationship. On September 11, 2000, Home Account and 724 Solutions entered into a strategic relationship that would enable Home Account to add account aggregation functionality to its Canopy Central full-service, Web-based financial service solution. The service is expected to become available to Home Account's customers in the fourth quarter of 2000.

Compass Bank promotes Home Account's Canopy Suite. In June, Birmingham, Alabama-based Compass Bank began offering Home Account's Canopy Suite of Internet banking solutions to its more than 1,000 community bank customers, enabling them to offer online financial services to both their retail and commercial customers.

Home Account forms partnership with Magnet Communications. In mid-May, Home Account formed a partnership with Magnet Communications, Inc. making its Internet cash management function available to small and medium-sized business customers of community banks. The agreement created Home Account's first business banking product by making core functions of Magnet's iBank Suite Internet-based cash management system part of Home Account's Canopy Suite of Internet banking products.

Home Account closes $10 million funding round. On May 8, Home Account closed its second round of funding for $10 million, bringing its total financing to $26 million since the Company merged with First Data Corp.'s Direct Banking division in June 1999. Along with the funding, the Company announced it would reduce staff in the product development division and increase its sales and marketing capabilities.

FINANCIAL ENTERPRISE ENABLERS

MAGNET

MAGNET COMMUNICATIONS, INC. ♦ PRIVATE
www.magnetbanking.com

MANAGEMENT
Steve Gordon, President & CEO
Scott M. Pranger, COO
Mark Noyd, Vice President & CFO
Dan Myers, Founder & CTO

INDUSTRY LANDSCAPE
Sponsors/Partners:
Allaire Corp.
BankServ
Cash Management Solutions, Inc.
Compaq
Data Management Products
Financial Fusion, Inc.
IBM
Microsoft
Netscape Corp.
RogueWave
Customers:
ABN AMRO
California Bank & Trust
First American Bancorp
First Union National Bank
National City Bank of Minneapolis
Regions Bank
Royal Bank of Canada
SunTrust Banks, Inc.
Potential Competitors:
BROKAT
Fundtech Limited
Politzer & HANEY
S1 Corp.

INVESTORS
Coral Ventures
Cordova Ventures
LiveOak Equity Partners

COMPANY DESCRIPTION

Atlanta, Georgia-based Magnet Communications, Inc. is a provider of Web-based cash management, corporate banking, and image delivery solutions. Founded in 1995, Magnet provides a comprehensive array of Internet cash management and image delivery products, as well as electronic commerce and treasury management consulting services. Magnet's Internet Banking Suite of sixteen cash management products, Image Delivery Solutions and the Magnet e-Commerce Platform are built from new technologies from the ground up. This facilitates integration with legacy systems and assures that banks of all sizes can implement new products and services to reach businesses small to large. The Company has thirty customers ranging from the some of the largest banks in the world to market-savvy community banks.

IMPORTANT INFORMATION

Magnet to use Financial Fusion's UniversalOFX. On August 30, 2000, Financial Fusion and Magnet announced that Financial Fusion's UniversalOFX would be integrated with Magnet's Internet business banking products. This allows Magnet's end users to exchange data with financial management software like Quicken and Microsoft Money.

Magnet forms strategic partnership with Princeton eCom. On August 23, Magnet formed a strategic partnership with Princeton eCom that empowers Magnet's iPortBiz small business banking portal and the Company's Internet Banking Suite with electronic bill payment capabilities.

Magnet signs Regions Bank. On June 1, Magnet reached an agreement with Birmingham, Alabama-based Regions Bank to provide Internet banking services on an application service provider (ASP) basis. The banking services provided include balance reporting, book transfer, stop payment, wire transfers, Automated Clearing House (ACH) transactions, lockbox, positive pay, money market, ERD, and controlled disbursement.

Magnet offers services to First American customers. At the end of May, Magnet began licensing its iBank Suite of cash management and business banking products to First American Bank. The agreement enables First American to offer its business customers an expanded range of online business banking services.

Magnet forms partnership with Home Account. Magnet and Home Account, a private Internet banking enabler, formed a partnership that makes Internet cash management functions available to small and medium-sized business customers of community banks. Home Account integrated core functions of Magnet's iBank Suite Internet-based cash management system into its Canopy Suite of Internet banking products.

FINANCIAL ENTERPRISE ENABLERS

NETZEE, INC. ♦ NETZ
www.netzee.com

SHARE PRICE	
9/29/00	**$3.81**
52-Week Range:	$31.00 - $3.59

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**$0.06**	**$58.1**
2000E	**($0.62)**	**$20.6**
Q1A	($0.16)	
Q2A	($0.18)	
Q3E	($0.16)	
Q4E	($0.12)	
1999A	**($0.43)**	**$2.4**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	22.0
Market Capitalization(MM):	**$84**
Float (MM):	21.7
Average Daily Volume (000s):	87
Institutional Ownership:	12%
Officers/Directors Hold:	13%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$5.4
Total Assets (MM):	$138.7
Total Liabilities (MM):	$22.9
LT Debt/Total Capital:	None
Book Value Per Share:	$5.51

NETZ DAILY PRICE CHART

COMPANY DESCRIPTION

Atlanta, Georgia-based Netzee provides financial institutions with an integrated retail suite of electronic-based products and services, including full-service Internet banking, bill payment, cash management, online brokerage, Internet commerce services, telephone banking, custom Web design and hosting, implementation and marketing services. Netzee also provides financial institutions with an integrated wholesale suite of products and services, including regulatory reporting software and financial information tools. The Company targets community financial institutions with assets under $1 billion. Netzee has a customer base in excess of 7,000, of which more than 1,500 have contracted for one or more of its Internet-based products. Over 700 financial institutions have contracted for Netzee's Internet banking product, of which over 600 have been implemented. The Company has over 200,000 active online account users.

IMPORTANT INFORMATION

Netzee and Trans Union in partnership. On September 13, Netzee and Trans Union announced an agreement that will enable banks and other financial institutions to obtain consumer credit reports on the Web. Many of Trans Union's products and services will now become accessible over the Internet via Netzee's secure BANC Mall Web site for banks and PortPro Mall for credit unions. For consumers, the service will expedite the lending process for everything from car loans to mortgages by streamlining the process through which loan officers obtain credit information on individuals. For credit officers, the service will enable access to information at Internet speed with a simple point and click, rather than the slower, costlier shared terminal dial-up modem connection.

Texas Bankers Association endorses Netzee. On August 7, the Company announced that it had received an endorsement from the Texas Bankers Association for online financial services. The agreement calls for Netzee and the Texas Bankers Association to co-market online products and services to community banking customers.

Netzee and Zingbill form strategic alliance. In late July, Netzee formed a strategic alliance with Zingbill, which is an Internet-based, anonymous reverse auction engine for the financial industry. The alliance enables the Company to market Zingbill's anonymous reverse auction technology to its financial institution customers so they can protect their Internet banking customers' privacy by scrubbing all personal information.

Netzee signs alliance with TD Waterhouse. During the first quarter, Netzee and TD Waterhouse signed a strategic alliance that allows the bank's end users to buy and sell stocks at TD Waterhouse. Unlike other bank/broker dealer relationships, this alliance allows funds to remain at the bank instead of being held at the broker dealer. Netzee and the banks share in the revenue generated from this alliance. The Company began generating revenue from this alliance in Q2:00.

FINANCIAL ENTERPRISE ENABLERS

ONLINE RESOURCES CORPORATION • ORCC
www.orcc.com

SHARE PRICE	
9/29/00	**$3.75**
52-Week Range:	$24.50 - $3.38

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**($1.02)**	**$40.1**
2000E	**($1.63)**	**$16.9**
Q1A	($0.45)	
Q2A	($0.41)	
Q3E	($0.40)	
Q4E	($0.36)	
1999A	**($2.10)**	**$8.4**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	11.6
Market Capitalization(MM):	**$44**
Float (MM):	7.4
Average Daily Volume (000s):	46
Institutional Ownership:	39%
Officers/Directors Hold:	23%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$1.3
Total Assets (MM):	$21.1
Total Liabilities (MM):	$3.6
LT Debt/Total Capital:	None
Book Value Per Share:	$1.51

ORCC DAILY PRICE CHART

COMPANY DESCRIPTION

Online Resources Corp. is a provider of electronic commerce solutions that enable regional and community financial institutions to offer a fully integrated and branded set of Internet and other online banking services. Online Resources offers its clients access to a financial electronic commerce hub, which provides online banking, bill paying, and access to complementary financial services. In addition, the Company provides customer support through its call center and offers a range of marketing and other services and products. Online Resources' services and related products include implementation; banking and bill paying; support services; and third-party services gateway. The Company has over 450 financial institution customers today. Online Resources competes with such companies as Digital Insight, Netzee, Open Solutions, Regency Systems, and S1 Corp.

IMPORTANT INFORMATION

Online Resources' annualized transactions exceed 30 million. On September 13, 2000, the Company announced that it processed 2.8 million transactions (10.2 transactions per user) in August, or approximately 33 million on an annualized basis. Additionally, the Company released that it had 275,000 end users, of which 55% (151,300) subscribe to the Company's bill payment processing services. Transactions in August included 1.3 million banking transactions (4.73 transactions per user), an increase of 164% Y/Y and 25% sequentially; 550,000 bill payment transactions (3.64 transactions per bill payment user), an increase of 155% Y/Y and 24% sequentially; 200,000 customer care contacts (.73 transactions per user), an increase of 153% Y/Y and 29% sequentially; and 750,000 other transactions (2.73 transactions per user), an increase of 183% Y/Y and 28% sequentially.

Online Resources partners with TRADE.COM. In late July, the Company expanded its brokerage program to include TRADE.COM, which is a service of BlueStone Capital Partners. TRADE.COM helps institutions develop profitable relationships with customers through a co-branded service.

Online Resources signs bill payment agreement with MasterCard. By joining MasterCard's Remote Payments and Presentment Service (RPPS), the Company provides real-time bill payment through its consumer interface at financial institutions' Web sites and debit consumers' accounts. Online Resources uses MasterCard's RPPS network to provide online bill presentment to the customers of its more than 450 financial institution clients. As a consumer service provider (CSP), the Company receives online bills from the MasterCard RPPS network and notifies the institutions' customers. Online Resources then presents the summary data and provides a link to the bill's details. Debit account customers are then able to pay the billing service provider (BSP) through MasterCard's RPPS network with one click. MasterCard's RPPS already has an established bill payments network conducting more than eight million transactions per month between CSPs and BSPs.

FINANCIAL ENTERPRISE ENABLERS

OPEN SOLUTIONS INC. ♦ PRIVATE
www.opensolutions.com

MANAGEMENT

Louis Hernandez, Chairman & CEO
John (Jack) Person, President & COO
John Wieczorek, Vice President & CFO

INDUSTRY LANDSCAPE

Sponsors/Partners:
- BISYS
- Centura
- Compaq
- Connecticut Online Computer Center
- Hewlett-Packard
- Microsoft
- Nexus Software Inc.
- Oracle
- Source Technologies
- Sqribe Technologies
- Stratus
- Unisys Asia

Customers:
- Technology Community Credit Union

Potential Competitors:
- Digital Insight
- FundsXpress
- Home Account
- Netzee, Inc.
- Regency Systems
- S1 Corp.

INVESTORS

- Aetna Investments
- Axiom Venture Partners
- Connecticut Innovations
- Crystal Internet Ventures
- HNC Software
- Key Principle Investing
- Menlo Ventures
- Prometheon Capital
- Webster Bank
- Winfield Capital

COMPANY DESCRIPTION

Glastonbury, Connecticut-based Open Solutions Inc. (OSI) offers its customers the Open Community Network (OCN), which is an enabling platform that integrates electronic commerce with Internet banking and enterprise processing applications. Solutions are sold in-house or in an ASP environment primarily to community banks and credit unions with assets under $5 billion. OCN consists of three primary components: e-Commerce Mart (eCM), an electronic commerce platform facilitating B2B and B2C transactions between partner-suppliers and a financial institution's customers; e-Commerce Banker (eCB), a fully featured Internet banking product specifically designed to provide a financial institution's end users with a trusted access point to financial information; and The Complete Banking Solution (TCBS) and The Complete Credit Union Solution (TCCUS), OSI's open architecture real time relational database enterprise processing applications that support a financial institution's entire core processing requirements including deposit and loan account processing, customer information, reporting, back office and Federal/State regulatory compliance requirements.

IMPORTANT INFORMATION

Open Solutions and Biztravel.com sign exclusive partnership. On August 8, 2000, Open Solutions and Biztravel.com signed an exclusive partnership where Biztravel.com will become the preferred business travel management provider for Open Solutions' Open Community Network (OCN).

Open Solutions and PayMaxx form strategic partnership. On July 27, Open Solutions announced a strategic partnership with PayMaxx, which is an Internet payroll processor. This agreement enables Open Solution's clients the ability to offer their small business customers payroll transaction processing.

Open Solutions partners with Princeton eCom. In early July, Open Solutions formed a strategic partnership with Princeton eCom, which provides EBPP services. Under the agreement, Princeton eCom will process payments for financial institutions that use Open Solutions' business platforms.

Open Solutions offers brokerage service through Stockwalk.com. Open Solutions signed an agreement with Stockwalk.com to market a private label version of Stockwalk.com's online brokerage services to financial institutions. This enables financial institutions to provide online brokerage services to their retail customers.

PHOENIX INTERNATIONAL

FINANCIAL ENTERPRISE ENABLERS

PHOENIX INTERNATIONAL LTD. ♦ PHXXE
www.phoenixint.com

SHARE PRICE	
9/29/00	**$3.08**
52-Week Range:	$6.38 - $1.50

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**NE**	**NE**
2000E	**NE**	**NE**
Q1A	($0.34)	
Q2A	NA	
Q3E	NE	
Q4E	NE	
1999A	**($1.84)**	**$19.7**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	9.4
Market Capitalization (MM):	**$29**
Float (MM):	6.6
Average Daily Volume (000s):	NA
Institutional Ownership:	39%
Officers/Directors Hold:	27%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$5.2
Total Assets (MM):	$46.2
Total Liabilities (MM):	$10.3
LT Debt/Total Capital:	1%
Book Value Per Share:	$3.82

PHXXE DAILY PRICE CHART

COMPANY DESCRIPTION

Phoenix International, based in Heathrow, Florida, is a provider of core banking application software solutions to global financial institutions. Clients range from U.S. community banks to international financial organizations throughout Europe, the Middle East, Africa, Asia/Pacific, South America, and Australia.

The Company provides the Phoenix System for its U.S.-based community banking clients, and the Phoenix Universal Banking System for its international wholesale and retail clients. Both systems are fully integrated core-banking solutions that process transactions in real time. The software solutions manage all facets of an institution's information processing operations in an open-system, Windows-based, client/server environment on a UNIX or Windows NT platform.

Currently, Phoenix has more than 130 banks worldwide under contract, and operates business offices in the United States, the United Kingdom, New Zealand, Singapore, and Australia.

IMPORTANT INFORMATION

London Bridge to evaluate potential buy of Phoenix. On August 23, 2000, London Bridge signed an exclusive agreement with Phoenix International to evaluate a potential purchase of the Company. Under the agreement, Phoenix may not solicit anything related to a third party acquisition proposal for a period of 30 days. Holding up an agreement is the recently announced delay of Phoenix's 10-Q for Q2:00. London Bridge holds a 9.16% interest in Phoenix.

Bannister Bank selects Phoenix for online brokerage product. In mid July, Kansas City, Missouri-based Bannister Bank selected the Company's online brokerage product, PersonalStockTrader.com. Through Phoenix's partnership with Stockwalk.com, PersonalStockTrader.com was developed.

Phoenix forms marketing alliance with London Bridge Software Holdings PLC in return for equity infusion. In mid-February, the Company entered into a marketing alliance with London, England-based London Bridge Software Holdings PLC to jointly market London Bridge's advanced customer relationship management system, Vectus, to financial institutions worldwide. Phoenix markets Vectus as a value-added offering with the Phoenix System to larger financial institutions seeking advanced CRM capabilities to enhance customer information consolidation, modeling, decision support, and cross sales. In return, London Bridge made an investment in Phoenix through the purchase of over 860,000 shares of common stock at $5.80 per share, giving London Bridge ownership of 9.16% of Phoenix.

FINANCIAL ENTERPRISE ENABLERS

POLITZER & HANEY • PRIVATE
www.ph.com

MANAGEMENT
Chris Haney, Founder, President, & CEO
Phil Pengeroth, Vice President
Ralph Dangelmaier, Senior Vice President, Sales & Marketing

INDUSTRY LANDSCAPE
Sponsors/Partners:
Banklink/Fiserv
Corillian
InteliData
Intuit
NCR
Oracle
Sungard
Customers:
ABN Amro
Allfirst
Banco Popular
Bank One
Chase Manhattan
CoBank Financial
First Tennessee
Imperial Bank
National City
Norwest
Old National
State Street
Summit Bank
VT National
Potential Competitors:
BROKAT
Fundtech Corp.
Magnet Communications
S1 Corp.

INVESTORS
Allfirst Financial
Boston Millennia Partners
Citizens Capital
Merrill Lynch
Shawmut Capital

COMPANY DESCRIPTION

Founded in 1983, Newton, Massachusetts-based Politzer & HANEY is a solution provider of corporate electronic banking services. More than 350 financial institutions, brokerages, and insurance companies, including eight of the top ten banks, utilize and leverage Politzer & HANEY's products to support their customer relationships, corporate sales and competitive position within the marketplace.

Politzer & HANEY recently released Web Cash Manager 5.0, which enables banks and other financial services institutions to offer Internet-based cash management services to small and mid-size businesses. Features include reporting on checking, loan, and investment accounts; internal account transfers; direct link to Quicken via OFX; links to accounting packages for reconcilement; and payment services such as direct deposit of payroll, vendor payments and payment of state and federal taxes. Customers can also handle all form-based requests, such as stop payments and check reorders, via the Web product.

IMPORTANT INFORMATION

Old National adds Web Cash Manager. On August 24, 2000 Old National Bancorp, an Evansville, Indiana-based bank with $8.5 billion in assets, added Politzer & HANEY's Web Cash Manager product suite to its online group of electronic banking services. The software will launch immediately with 40 customers and is expected to launch with an additional 500 over the next year.

National City selects Politzer & HANEY for Internet Banking. On June 19, Cleveland, Ohio-based National City selected Politzer & HANEY's Web Cash Manager for its Internet banking services platform. A full rollout of the service is expected to be complete by the end of 2001.

Politzer & HANEY raises $15 million. In mid-May, Politzer & HANEY closed a $15 million mezzanine round of financing. Boston Millennia Partners led the round with Shawmut Capital as the co-lead. Citizens Capital, Allfirst Financial, and Merrill Lynch, all of which are customers, also invested in the round.

FINANCIAL ENTERPRISE ENABLERS

REGENCY SYSTEMS, INC. ♦ PRIVATE
www.regencysystems.com

MANAGEMENT
Clay Hamlet, President

INDUSTRY LANDSCAPE
Sponsors/Partners:
Phoenix International
Princeton eCom
Customers:
Total: >1,500
>120 Internet banking
Potential Competitors:
Digital Insight
FundsXpress
Netzee
Online Resources
Open Solutions
S1 Corp.

INVESTORS
Transaction Systems Architects Inc.

COMPANY DESCRIPTION

Dallas, Texas-based Regency Systems, Inc. was founded in 1991. In April 1997, it was acquired by Transaction Systems Architects and today operates as a wholly owned subsidiary. Regency's products are used to process transactions involving credit cards, debit cards, smart cards, and home banking services, checks, wire transfers, as well as automated clearing and settlement. As of July 2000, Regency had in excess of 1,500 customers in 49 states, all of which had integrated a voice response solution. Of these customers, 120 had purchased an Internet banking solution and 65 had been installed.

Regency Systems targets financial institutions with total assets of $5 billion or less. The Company sells an NT-based system that scales across multiple boxes and multiple processors. The Company's employs a software-licensing financial model with recurring maintenance based off of the original license fee. The financial institution can run the service in-house or outsource it to Regency as an ASP. Of the Company's 65 installed customers, two were running the software in-house while the rest were outsourcing the service.

IMPORTANT INFORMATION

Phoenix International and Regency Systems sign agreement. On June 28, Phoenix and Regency Systems announced a joint marketing agreement where Regency will be Phoenix's preferred interactive voice response (IVR) vendor. Phoenix will provide Regency's XPRESS Banking IVR system to its financial services clients, which allows customers to access account balances, pay bills, verify account activity, transfer funds, and obtain loan-payoff information 24 hours a day.

FINANCIAL ENTERPRISE ENABLERS

S1 CORPORATION ♦ SONE
www.s1.com

SHARE PRICE	
9/29/00	**$11.94**
52-Week Range:	$142.25 - $10.63

FINANCIAL METRICS*		
(FY 12/31)	**EPS****	**Rev. (MM)**
2001E	**($0.41)**	**$307.8**
2000E	**($1.15)**	**$237.4**
Q1A	($0.35)	
Q2A	($0.27)	
Q3E	($0.28)	
Q4E	($0.25)	
1999A	**($0.52)**	**$92.9**

**WR Hambrecht + Co estimates*
***EBITDA per share*

TRADING DATA	
Shares Outstanding (MM):	55.2
Market Capitalization(MM):	**$659**
Float (MM):	39.0
Average DailyVolume(000s):	1,294
Institutional Ownership:	45%
Officers/Directors Hold:	21%

BALANCE SHEET SUMMARY	
Cash andEquivalents(MM):	$245.5
Total Assets (MM):	$1,571.5
Total Liabilities (MM):	$99.4
LT Debt/Total Capital:	None
Book Value Per Share:	$21.54

SONE DAILY PRICE CHART

COMPANY DESCRIPTION

Atlanta, Georgia-based S1 Corporation develops integrated, brandable Internet applications that enable companies offering financial services to create their own financial portals. S1's extensive range of products enables financial organizations to serve their customers across various lines of business, market segments, and delivery channels. S1's main product is called Virtual Financial Manager (VFM). It integrates banking, investment, loan, and credit card accounts at an institution, with content such as news, weather, and sports personalized by the end user. S1 licenses its Virtual Financial Manager software, provides installation and integration services, and offers outsourced Internet transaction processing through its data center. The Company's product lines cover multi-billion global financial institutions on the high end to small community financial institutions on the low end. S1 provides innovative Internet-based financial services solutions to more than 900 leading financial services customers worldwide including 33 of the top 100 financial institutions in the United States and 57 of the world's top 100. S1's software operates within a UNIX or NT environment and runs on the IBM and HP platforms. It is an international company with 21 offices in eleven countries on five continents and employs 2,000 people worldwide.

IMPORTANT INFORMATION

S1 to use Aether Systems and SILA Communications to offer wireless financial services. At the beginning of September, SONE announced that it would use Aether for its wireless financial services offering in the U.S. and SILA Communications, which was formed by Aether and Reuters Group, to provide wireless financial services in Europe and Asia. These products are expected to be integrated into S1's software solutions with availability in the fourth quarter of 2000.

VerticalOne to provide online account aggregation for Yahoo!. Through a relationship with Yahoo! announced at the end of August, VerticalOne, a wholly owned subsidiary of S1, will begin offering account aggregation services to Yahoo! users. This relationship allows Yahoo! users to access their financial information while viewing content on Yahoo!'s site.

S1 and others form FinancialSettlementMatrix.com. On August 7, Citigroup, Enron Broadband Services, i2 Technologies, S1, and Wells Fargo formed FinancialSettlementMatrix.com. The new company is expected to develop a solution that connects buyers and sellers in e-marketplaces with payment processing, credit, and other services through multiple participating banks and financial services companies.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

ELECTRONIC BILL PRESENTMENT AND PAYMENT

AVOLENT INC. ♦ PRIVATE
www.avolent.com

MANAGEMENT
Douglas Thompson, President & CEO
Stephen Ghiglieri, Executive Vice President & CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
AT&T
Art Technology Group
CheckFree
Intuit
RSA Security
Signio
Sun Microsystems
Customers:
AT&T
Bank of America
CheckFree
CyberBills
Financial Fusion
Intuit
MasterCard
Signio
Spectrum
Sun Microsystems
Xenos Group
Wells Fargo
Potential Competitors:
Broadvision
CheckFree
edocs
TriSense

INVESTORS
Advanced Technology Ventures
Intuit
Norwest Venture Capital
Wells Fargo

COMPANY DESCRIPTION

San Francisco, California-based Avolent (formerly Just in Time Solutions) is a leader in standards-based software solutions for business-to-business (B2B) and business-to-consumer (B2C) Internet billing, invoicing, and interactive customer care.

The Company's modular BillCast software suite enables relationship-centric billers to deploy secure, scalable solutions for personalized billing, statement presentment, payment, and service delivery that increase the value of each customer interaction. Avolent's data-centric BizCast platform is designed to deliver interactive electronic invoices between billers, biller service providers, banks, and business customers (payers). Avolent helped pioneer the Open Financial Exchange (OFX) standard for online bill presentment and the thin consolidator model and continues its strong commitment to open standards.

IMPORTANT INFORMATION

TechSpan joins Avolent's Certified Solution Program. On September 26, 2000, TechSpan, a global e-business solutions provider, announced it had become the latest member of Avolent's Certified Solution Partner Program. Certified to implement Avolent's BillCast and BizCast software, TechSpan plans to provide complete, standards-based electronic bill presentment and payment (EBPP) software solutions worldwide.

Avolent and CyberBills form strategic alliance. In mid-August, Avolent and Cyberbills announced a strategic relationship to promote the adoption of Internet billing. Using Avolent's BillCast software, billers and BSPs can electronically deliver bills through CyberBills' distribution network.

Avolent and E.piphany form marketing alliance. At the end of July, Avolent and E.piphany combined marketing efforts to provide Internet billing and customer relationship management (CRM) software solutions. This should allow the companies to meet the needs of both B2B and B2C billers.

Just in Time Solutions renamed Avolent, Inc. On June 19, Just in Time Solutions changed its name to Avolent, Inc. The Company's name change was announced in conjunction with its completion of its latest round of funding. The Company has now completed $46 million in equity financing.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

BILLSERV.COM ♦ BLLS
www.billserv.com

SHARE PRICE	
9/29/00	**$7.75**
52-Week Range:	$45.00 - $3.69

FINANCIAL METRICS*

(FY 12/31)	EPS	Rev. (MM)
2001E	**($0.95)**	**NE**
2000E	**($0.80)**	**NE**
Q1A	($0.15)	
Q2A	($0.18)	
Q3E	($0.21)	
Q4E	($0.25)	
1999A	**($0.50)**	**$0.1**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	15.5
Market Capitalization(MM):	**$120**
Float (MM):	10.8
Average Daily Volume (000s):	62
Institutional Ownership:	16%
Officers/Directors Hold:	29%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$8.6
Total Assets (MM):	$21.5
Total Liabilities (MM):	$2.1
LT Debt/Total Capital:	None
Book Value Per Share:	$0.60

BLLS DAILY PRICE CHART

COMPANY DESCRIPTION

San Antonio, Texas-based billserv.com, Inc. is an electronic bill presentment and payment (EBPP) service bureau (biller service provider—BSP) providing billers a complete outsourced solution for presenting bills to consumers for payment via the Internet. Billserv.com acts as an intermediary between billers and bill presentment aggregators, electronic banking systems, and Internet portals by consolidating customer billing information from multiple billers and securely delivering it to aggregators for presentment to consumers. Billserv.com targets companies in the utility, cable, telecommunication, financial service, and large-volume print-house or paper-based service industries. As of September 18, 2000, the Company had signed up 43 billers, of which 20 were implemented. Billserv.com has five product offerings: eServ, which provides Internet billing clearinghouse services for EBPP; ePublishing, which offers electronic publishing services for online statement delivery; eCare, an interactive customer care center operation; eConsulting, professional consulting services for billing organizations offering in-house bill presentment; and ASP Gateway Services, a service that provides billers who already have an in-house EBPP system with limited distribution points. Billserv.com also owns bills.com, an Internet portal dedicated to EBPP, where consumers can pay all their bills electronically. While billserv.com has relationships with all of the major payment networks, its closest relationship is with CheckFree, which also owns approximately 5.7% of the Company.

IMPORTANT INFORMATION

billserv.com has access to 1.5 billion consumer bills annually. On September 18, 2000, billserv.com announced that it had exceeded the 1.5 billion mark in relation to the number of potential consumer bills it could process annually. While only a small number of these consumers currently view and pay their bills online, the Company hopes that as more companies provide electronic billing capabilities to their customers, the consumer adoption rate will also increase.

Billserv.com and CyberBills release eBill solution. Billserv.com and CyberBills signed a distribution agreement whereby the Company would deliver electronic bills for Sallie Mae into CyberBill's network using the OFX standard.

Billserv.com and MasterCard sign agreement. Billserv.com and MasterCard International entered into an agreement that enables the Company to access MasterCard's Remote Payment and Presentment Service (RPPS) on behalf of its biller customers. MasterCard's RPPS program provides participating financial institutions flexible connectivity to process transactions without capturing or storing consumer or biller relationship information.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

CHECKFREE CORPORATION ♦ CKFR
www.checkfree.com

SHARE PRICE	
9/29/00	**$41.89**
52-Week Range:	$125.63 - $28.50

FINANCIAL METRICS*		
(FY 6/30)	**EPS****	**Rev. (MM)**
2001E	**($0.30)**	**$414**
Q1E	($0.10)	
Q2E	($0.09)	
Q3E	($0.06)	
Q4E	($0.05)	
2000A	**($0.32)**	**$310.2**
1999A	**$0.04**	**$250.1**

**WR Hambrecht + Co. Estimates.*
***Operating EPS.*

TRADING DATA	
Shares Outstanding (MM):	74.9
Market Cap. (MM):	**$3,138**
Float (MM):	48.6
Average DailyVolume(000s):	1,118
Institutional Ownership:	52%
Officers/Directors Hold:	11%

BALANCE SHEET SUMMARY	
Cash andEquivalents(MM):	$184.6
Total Assets (MM):	$713.1
Total Liabilities (MM):	$86.7
LT Debt/Total Capital:	28%
Book Value Per Share:	$4.00

CKFR DAILY PRICE CHART

COMPANY DESCRIPTION

Founded as an electronic payments processor in 1981, CheckFree launched the first fully integrated electronic billing and payment solution, CheckFree E-Bills, in March 1997. Today, CheckFree services enable over 3.5 million consumers to pay bills electronically. The Company has multi-year contracts with 190 of the nation's top billers to provide online billing and payment through its network of partnerships of nearly 200 consumer service providers (CSPs), including banks, brokerage firms, Internet portals, content sites, and personal financial management (PFM) software. CheckFree's Investment Services division provides a range of investment management services to help more than 350 institutions provide portfolio management and reporting services to their clients. CheckFree clients manage over one million portfolios totaling more than $500 billion in assets. Additionally, software and services provided by CheckFree's Compliance and Financial Service division are used to process more than two-thirds of the nation's six billion Automated Clearing House (ACH) payments, the leading payment mechanism for EBPP.

IMPORTANT INFORMATION

Sears to use CheckFree for EBPP. Sears, the largest proprietary credit card issuer in the United States, plans to use CheckFree for EBPP to its greater than 60 million credit card customers. Sears' customers would be able to view and pay their Sears' bills online at their choice of nearly 200 CheckFree-powered Web sites.

CheckFree tops one million portfolios managed on APL platform. On September 18, 2000, the Company's Investment Services Division announced that its clients now manage over one million portfolios totaling more than $500 billion in assets on CheckFree's APL platform. CheckFree APL allows traditional money managers to enter and maintain account data, manage trades and measure portfolio performance, while CheckFree WRAP serves as an information conduit between a majority of the nation's leading wrap sponsors and managers.

CheckFree and TransPoint complete merger. On September 5, CheckFree and TransPoint, a joint venture between Microsoft, First Data Corp., and Citibank, completed their planned merger. Prior to the transaction TransPoint was the Company's main competitor. CheckFree issued seventeen million shares of common stock to TransPoint shareholders, valuing the transaction at the time of announcement at just over $1 billion. Approximately 30 net new billers joined CheckFree's base of 157 billers, bringing the Company's total to almost 190 billers who are committed to EBPP using CheckFree's services.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

CLICK-N-DONE.COM ♦ PRIVATE
www.click-n-done.com

MANAGEMENT
Mitchell Gross, CEO & President
Norman C. (Skip) Dugas, Chief Development Officer
Joseph Tinnerello, Vice President of Business Development
Sandra Becker, Senior Vice President of Marketing

INDUSTRY LANDSCAPE
Sponsors/Partners:
Diamond Technology Partners
Flooz.com
Mobius Management Systems, Inc.
Customers:
Flooz.com
Potential Competitors:
CyberBills
Messaging Direct
Micro Vault
NETdelivery
Paytrust/PayMyBills.com

INVESTORS
Mobius Management Systems, Inc.

COMPANY DESCRIPTION

Rye, New York-based Click-n-Done.com is a subsidiary of Mobius Management Systems, Inc. The Company provides an e-statement and e-billing solution that addresses the needs of financial institutions, companies who issue bills and statements, and the consumers who receive and pay them. For issuers, Click-n-Done enables complete control of the one-to-one marketing relationship with their customers while delivering all the benefits of electronic statement presentment (ESP) and electronic bill presentment and payment (EBPP). The Company's multi-channel solution delivers bills and statements through the biller's own Web site, consolidator sites, or directly to the consumer's desktop, also known as consumer consolidation. Click-n-Done.com offers its service free to consumers. We believe Click-n-Done's main differentiating factor is that no other service provider offers the consolidation of statements and bills at the consumer's desktop while enabling the biller to maintain his or her relationship.

IMPORTANT INFORMATION

Click-n-Done.com sponsors EBPP seminars. Beginning in June 2000, Click-n-Done.com sponsored educational EBPP seminars designed to help e-business professionals understand the issues in implementing EBPP. The series, titled "Beyond EBPP," also illustrated the impact on billers, bankers, and consumers.

Click-n-Done.com forms partnership with Flooz.com. Flooz.com, which is an e-commerce site providing unique Flooz online gift currency, became a member of the Click-n-Done Consortium. The agreement enables Click-n-Done.com to offer Flooz online gift currency as a means of rewarding consumers, prospective partners, clients, and seminar attendees. Distributions of Flooz gift currency would take place via a Web-based interface created by Flooz.

USA Group selects EBPP solution. In April, USA Group, the nation's largest guarantor and administrator of education loans, announced it would offer an online bill payment service to its borrowers using Click-n-Done's electronic bill presentment and payment (EBPP) software. 934,000 borrowers whose loans are in repayment and are serviced by USA Group would be able to receive their monthly loan statements via the Internet and make loan payments electronically.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

CYBERBILLS ♦ PRIVATE
www.cyberbills.com

MANAGEMENT
John Simpson, CEO
Murali Chirala, President
Steve Guerrettaz, CFO & Senior Vice President of Finance

INDUSTRY LANDSCAPE
Sponsors/Partners:
AC Bank
AppOnline.com
billserv.com
clickrewards
Corillian
edocs
Home Account
Intuit
nopaperbills.com
Princeton eCom
SmartPartner.com
Southern Bill Pay
Visa USA
Yodlee
Potential Competitors:
Click-n-Done.com
Messaging Direct
Micro Vault
NETdelivery
Paytrust/PayMyBills.com

INVESTORS
The Angels' Forum
DOTCOM Ventures
Greenfield Technology Ventures Fund
Intuit
Kiwi Fund
Technology Development Fund
Vertex Management

COMPANY DESCRIPTION

San Jose, California-based CyberBills offers an electronic bill presentment and payment (EBPP) service called Total Bill Management. Through the CyberBills portal, StatusFactory.com, APFactory, and a wide variety of channel partners, users can view, manage, and pay all of their bills and invoices online, regardless of bill format. A consolidated status report shows billing activity and biller information, and customers receive email reminders to inform them when bills arrive and when they are due. All information is posted on a secure Web site, so users have complete access to their bills wherever they go, whenever they need it. CyberBills offers a variety of monthly pricing plans for its Total Bill Management solution ranging from $3.50 to $29.95 depending upon the number of monthly bills being handled. In August, the Company expanded its service offering for financial institutions by launching a "pay anyone" solution that can be purchased as a separate product.

IMPORTANT INFORMATION

CyberBills and YourAccounts.com form relationship. In mid-September, 2000, CyberBills and YourAccounts.com announced an agreement that expands CyberBills' ability to receive, consolidate and deliver electronic bills to its customer and gives YourAccounts.com access to the CyberBills distributions network. YourAccount.com would transmit electronic bills to CyberBills using the OFX standard, where customers of YourAccounts.com's billers can view and pay their bills.

Billserv.com and CyberBills release eBill solution. On September 6, billserv.com and CyberBills signed a distribution agreement whereby billserv.com would deliver electronic bills for Sallie Mae into CyberBill's network using the OFX standard.

CyberBills and Visa sign partnership. Visa USA and CyberBills formed a partnership to offer consumers convenient, cost-effective, and secure wireless bill payment services. Visa and CyberBills are jointly marketing applications for mobile phones and handheld devices that would enable bill payment transactions via the Internet.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

DERIVION ♦ PRIVATE
www.derivion.com

MANAGEMENT
Gregory J. Rable, CEO
David Fiacco, COO
Ronald Reising, CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
CheckFree
Comerica
Enercom
First Union
Intuit
Paytrust.com
Customers:
Cotton States Insurance
Energen Utility
Farmers Insurance Group
First Union
Florida Power
Hargray Communications
Madison Gas and Electric
Potential Competitors:
billserv.com
Metavante
Payanybill
Princeton eCom
Solant

INVESTORS
Capital Z Financial Services
Chase, Hambrecht & Quist
Farmers Group, Inc.
Fuqua Capital
GE Financial Assurance
Greystone Capital
NeoCarta Ventures
PTEKVentures.com
Zurich U.S.

COMPANY DESCRIPTION

Atlanta, Georgia-based Derivion is an electronic bill presentment and payment (EBPP) service bureau (biller service provider—BSP) providing billers a complete outsourced solution for presenting bills to consumers for payment via the Internet. Industries targeted by Derivion include telecommunications, utility, insurance, and financial services. Historically, Derivion has signed up smaller billers (under one million bills per month) but is expanding its focus to larger biller opportunities. Derivion acts as an intermediary between billers and bill presentment aggregators, electronic banking systems, and Internet portals. It consolidates customer billing information from multiple billers and securely delivers it to aggregators for presentment to consumers. The Company has signed up over 60 billers. The main product offering that Derivion promotes to its potential customers is inetBiller. While Derivion has relationships with all of the major payment networks, its closest relationship is with Spectrum EBP, LLC.

IMPORTANT INFORMATION

First Union chooses Derivion. On September 11, 2000, First Union and Derivion entered into a joint initiative to bring e-billing services to the B2B market. Using Derivion's technology and First Union's distribution and payment network, the two companies plan to reach new customers in the B2B e-commerce marketplace. The B2B e-billing solution features workflow and approval management, analysis and reporting, dispute resolution, and payment authorization and initiation.

Derivion joins MasterCard's RPPS. Through an agreement with MasterCard announced on August 16, Derivion's customers, who now total more than 60 billers, would have access to MasterCard's Remote Payment and Presentment Service (RPPS). This agreement allows customers to access their bills via the biller's Web site or a wide range of online access points through MasterCard's RPPS network.

Chase Manhattan and Derivion to target small businesses. In June, Derivion and Chase Manhattan entered into a joint initiative to make e-billing solutions available to Chase's small businesses. Chase Manhattan intends to use Derivion's e-billing solution to deliver cost-effective and comprehensive e-billing services to its more than 300,000 small business customers.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

EDOCS ♦ PRIVATE
www.edocs.com

MANAGEMENT
Kevin Laracey, CEO & Founder
Phyllis Doherty, CFO

INDUSTRY LANDSCAPE
ponsors/Partners:
Andersen Consulting
American Express
Bell & Howell
CheckFree
CyberBills
CyberCash
Netcentives
Paytrust.com
Vignette
Customers:
American Express
GE Capital
Boston Edison
Southern California Edison
Sprint
UUNET
Target
Potential Competitors:
Avolent
Broadvision
CheckFree
TriSense

INVESTORS
American Express
Charles River Ventures
Comdisco
GE Capital Services
Goldman Sachs
JAFCO America Ventures
Sigma Partners
Vignette

COMPANY DESCRIPTION

Natick, Massachusetts-based edocs develops, markets and supports a "biller direct" software platform for Internet billing and customer management. The Company's solution enables high-volume billers to utilize the Internet to transform the traditional paper-based bill and statement delivery process into the foundation of an online customer account management strategy. Companies use edocs' solution to establish interactive, online relationships with their customers, improve customer care and loyalty, increase revenue generation opportunities, and reduce costs associated with customer care and account management.

IMPORTANT INFORMATION

Saks Inc. selects edocs' BillDirect for EBPP. On July 26, 2000, retail player Saks Inc. selected edocs' BillDirect Internet billing and customer management solution to enable its eleven million credit card holders to view and pay their bills online. In addition to EBPP capabilities, Saks' credit card holders would be able to receive previews of sale events, notification of double and triple point events, exclusive promotions and giveaways, and many other special perks. Cardholders would also be able to view and manage their SaksFirst First Reward program online.

Edocs to deliver EBPP solution to Norway's Bankenes Betalingssentral. On June 19, edocs was selected to provide a complete EBPP solution to Norway's Bankenes Betalingssentral, a secure payment provider to banks, companies, and private individuals.

InteliData and edocs form alliance. On June 13, InteliData and edocs formed an alliance to deliver an Internet billing, payment, and customer management solution to banks and other financial institutions. This solution should allow banks to Internet-enable their own bills, statements, and other account-based communications for EBPP.

Edocs and CyberBills form alliance. In mid-May, edocs and CyberBills reached an agreement that would enable bill and statement issuers to leverage edocs' BillDirect Internet billing and customer management software to deliver bills, statements, and other customer account data to CyberBills' distribution network including its consumer site, StatusFactory.com.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

INSCI-STATEMENTS.COM CORPORATION ♦ INSI
www.insci.com

SHARE PRICE	
9/29/00	**$2.38**
52-Week Range:	$9.38 - $2.00

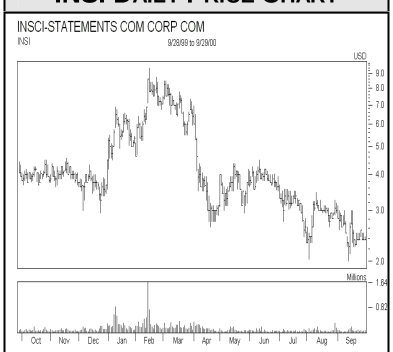
FINANCIAL METRICS*		
(FY 3/31)	**EPS**	**Rev. (MM)**
2001E	**NE**	**NE**
Q1A	($0.17)	
Q2E	NE	
Q3E	NE	
Q4E	NE	
2000A	**($1.11)**	**$11.0**
1999A	**($0.32)**	**$12.6**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	15.8
Market Capitalization (MM):	**$38**
Float (MM):	3.5
Average Daily Volume (000s):	70
Institutional Ownership:	1%
Officers/Directors Hold:	29%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$3.0
Total Assets (MM):	$15.1
Total Liabilities (MM):	$6.2
LT Debt/Total Capital:	3%
Book Value Per Share:	$0.53

INSI DAILY PRICE CHART



COMPANY DESCRIPTION

Westborough, Massachusetts-based insci-statements.com Corp., is a provider of Internet-based and on-site solutions for electronic statement/bill presentment services and digital document storage, workflow, and electronic commerce. The Company's technology provides a means by which banks, savings and loans, credit card providers, brokerage firms, and other businesses can outsource, on a per-transaction basis, the management and high volume delivery of statements, confirmations, invoices, and other transaction documents. Some of this capability is enabled by its subsidiary, InfiniteSpace.com, which provides electronic statement presentment (ESP) and management services.

IMPORTANT INFORMATION

Intuit teams with insci-statements.com. On August 29, 2000, Intuit signed an agreement with insci-statements.com to further expand its e-billing services for its online consumers. By teaming with insci-statements.com and its wholly owned subsidiary, InfiniteSpace.com, Intuit expects to expand the number of companies, especially in the banking, health care and financial services industries, that present bills electronically to its consumers.

Insci-statements.com reports Q1:01 (June) results. On August 14, the Company reported Q1:01 revenue of $2.87 million, a 17% increase over $2.45 million in the year-ago period. Product revenue was up 38 percent over the same period last year and services revenue increased five percent. Net loss was $2.44 million, or $0.17 per share, due to the Company's commitment to invest in its subsidiary, InfiniteSpace.com.

insci-statements.com and BISYS form alliance. On July 11, insci-statement.com's subsidiary, InfiniteSpace.com, entered into a distribution agreement with BISYS to provide the Internet-based delivery of paperless, online mutual fund statements and other related documents to BISYS Fund Services' clients and their shareholders. The electronic statement presentment (ESP) services provided by InfiniteSpace.com would be included as part of BISYS' WebSolutions suite of Internet-based mutual fund administration and customer service solutions.

Insci-statements.com and Bell & Howell form alliance. On June 15, insci-statement.com's subsidiary, InfiniteSpace.com, entered into a three-year distribution agreement with Bell & Howell. Under the agreement, Bell & Howell Mail and Messaging Technologies would distribute InfiniteSpace's application service provider-based document archiving services as part of the Bell & Howell IMPACT eMessaging product line. IMPACT eMessaging provides companies with speed-to-market for Internet messaging projects because it requires no changes to legacy applications.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

INTELIDATA ♦ INTD
www.intelidata.com

SHARE PRICE	
9/29/00	**$5.23**
52-Week Range:	$22.50 - $1.09

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**NE**	**NE**
2000E	**NE**	**NE**
Q1A	($0.09)	
Q2A	($0.13)	
Q3E	NE	
Q4E	NE	
1999A	**($0.21)**	**$10.5**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	38.4
Market Capitalization(MM):	**$201**
Float (MM):	34.8
Average Daily Volume (000s):	493
Institutional Ownership:	7%
Officers/Directors Hold:	5%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$18.3
Total Assets (MM):	$56.9
Total Liabilities (MM):	$8.2
LT Debt/Total Capital:	None
Book Value Per Share:	$1.27

INTD DAILY PRICE CHART

COMPANY DESCRIPTION

Reston, Virginia-based InteliData provides financial institutions with the critical, real-time financial processing infrastructure they need to Internet-enable their enterprise. Eight of the top 100 U.S. banks are customers of InteliData's current generation of Internet banking products and services, and twenty of the top 100 U.S. financial institutions and financial service providers have chosen InteliData's products and services for their electronic financial delivery.

InteliData has two complementary lines of business, which provide for both an end-to-end Internet banking solution, Interpose Connect as well as a comprehensive electronic bill presentment and bill payment (EBPP) solution, the Interpose Payment Network. These solutions can be implemented either in-house or in an outsourcing environment.

The Company's suite of EBPP products, the Interpose Payment Network, provides an end-to-end, bank-centric bill presentment and payment solution. The solution provides banks all the tools they need to compete with non-bank competitors to provide bill presentment and payment solutions to their consumer customers as well as their corporate biller customers. Privately held Spectrum EBP, LLC has chosen InteliData to integrate its bill presentment and payment technology into its new switch.

IMPORTANT INFORMATION

First Tennessee National chooses InteliData. On July 24, 2000, First Tennessee National launched an in-house Internet banking and bill payment solution using InteliData Interpose software. Memphis, Tennessee-based First Tennessee National has $19 billion in total assets.

Hancock Bank picks InteliData. In mid-July, Hancock Bank selected the Company's Interpose software for its Internet bill payment system. InteliData would be an application service provider (ASP) for Hancock Bank on an outsourced basis. Hancock Bank, which has operations in Louisiana and Mississippi, has approximately $3 billion in total assets.

InteliData launches National City. InteliData implemented its Interpose software suite for National City Corp., enabling National City to offer its customers online banking and bill payment. These solutions should allow National City's customers secure access to real-time account information and the ability to transfer funds and pay bills electronically at NCC's Web site. Cleveland, Ohio-based National City is the tenth-largest domestic bank with $87 billion in total assets.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

KUBRA ♦ PRIVATE
www.kubra.com

MANAGEMENT
Rick Watkin, President & COO

INDUSTRY LANDSCAPE
Sponsors/Partners:
ACCPAC International
Bell + Howell
CheckFree
Compaq
Fujitsu
Experian
Hewlett Packard
Hitachi
Kodak
KOFAX
Pitney Bowes
RightFAX
SAP
Xplor
Customers:
Hydro Mississauga
Aquaterra Corp.
Potential Competitors:
billserv.com
Derivion
Metavante
Payanybill
Princeton eCom
Solant

COMPANY DESCRIPTION

Mississauga, Ontario, Canada-based KUBRA was founded in 1992 to deliver comprehensive customer communication and customer relationship management outsourced solutions to billers. KUBRA's capabilities in data processing, print production, electronic presentment and delivery and secure payment processing allows it to provide customer communication solutions through any channel and to facilitate the communication program throughout its entire life cycle – from document conception and presentment to customer response and payment. KUBRA targets the financial services, utilities, telecommunications, management, credit cards, and insurance vertical markets.

As a biller service provider, KUBRA provides issuers of bills and statements with a turnkey bill presentment and payment solution, allowing billers to offer EBPP services without having to develop or purchase software, or make costly investments in their technology infrastructure. KUBRA provides a single-point solution that requires no change of technology for its customers. Companies continue to generate the same data stream they use today for printed bills and statements, which they provide to KUBRA for processing and electronic delivery.

IMPORTANT INFORMATION

KUBRA and CyberBills sign agreement. In July, CyberBills and KUBRA announced an agreement that allows KUBRA to transmit electronic bills from its base of biller customers to consumer members of CyberBills' various channel partners, including its consumer portal, StatusFactory.com.

KUBRA and MasterCard RPPS sign agreement. In June, KUBRA announced that it had entered into an agreement with MasterCard RPPS that enables it to access the RPPS network on behalf of its biller customers. KUBRA was the first Canadian company to sign-up for the bill presentment service with MasterCard. The relationship further strengthens KUBRA's core strategic value proposition of providing billers a single point of access and the subsequent management of a wide selection of front-end locations.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

MASTERCARD RPPS ♦ PRIVATE
www.mastercard.com/business/rpps

MANAGEMENT
Robert Selander, President and CEO
Jerry McElhatton, SVP of Global Technology Operations
Cathleen Conforti, VP and RPPS Business Owner
Tom Carey, VP of Sales and New Business Development

INDUSTRY LANDSCAPE
Sponsors/Partners:
Amerix Corp.
Billserv.com
CashPoint Network Services
Concentrex
CyberBills
Derivion Corp.
First Data Corp.
Freedom Systems
KUBRA
Online Resources
Paytrust (PayMyBills.com)
Princeton eCom
Potential Competitors:
CheckFree
Metavante Corp.
Spectrum EBP, LLC

INVESTORS
MasterCard International

COMPANY DESCRIPTION

MasterCard RPPS is the remote payment and presentment services (RPPS) division of MasterCard International. It is positioned as a single hub for connectivity in the EBPP process, linking biller service providers (BSPs) with consumer service providers (CSPs). Since 1987, RPPS has been a leader in processing remote consumer payments electronically. With connections to almost all of the service providers in the bill payment industry and processing relationships with the vast majority of credit counseling agencies in the United States, RPPS is positioned as a formidable competitor to other electronic payment networks.

RPPS acts as the central link to an EBPP transaction being processed. After a CSP receives instructions from consumers to pay their bills, the CSP acquires consumers' funds and then determines which billers can be reached electronically, using the RPPS Electronic Biller Directory. That evening, the CSP transmits the payment file(s) to MasterCard RPPS. Overnight, RPPS performs the necessary editing, routing, and accounting functions. That morning, the BSP electronically retrieves the payment files and posts the remittance data to the participating biller's accounts-receivable system. That afternoon, MasterCard electronically settles the BSP and CSP funds. By using RPPS, billers are guaranteed that the funds being received are good funds. Having guaranteed funds is important because the number of electronic payments and nonblank originators are accelerating, causing a rise in the number of nonguaranteed payments.

IMPORTANT INFORMATION

2000 for testing. MasterCard RPPS has spent the majority of 2000 testing its solution with a select group of biller service providers (BSPs) and consumer service providers (CSPs). Participating BSPs include billserv.com, CashPoint Network Services, Derivion Corp., First Data Corp., KUBRA, and Princeton eCom. Participating CSPs include CashPoint Network Services, Concentrex, CyberBills, Online Resources, Paytrust (PayMyBills.com), Freedom Systems, and Amerix Corp. The official launch of the service is expected the first of 2001.

Planned enhancements for 2001. Following a successful launch of the payment service, RPPS plans to add consumer-to-consumer payment functionality, multicurrency settlement functionality, and multiple RPPS cutoff functionality.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

METAVANTE ♦ PRIVATE
www.metavante.com

MANAGEMENT
Joseph L. Delgadillo, CEO, President, and Director
Peter Tallian, CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
M&I
Customers:
AAA
Bank of America
First Midwest Bancorp, Inc.
FleetBoston Financial
Provident Bank of Maryland
USAA
Washington Mutual
Potential Competitors:
billserv.com
CheckFree
Derivion
MasterCard RPS
Payanybill
Princeton eCom
Solant
Spectrum EBP, LLC

INVESTORS
M&I

COMPANY DESCRIPTION

Brown Deer, Wisconsin-based Metavante, formerly M&I Data Services, is a wholly owned subsidiary of M&I. The Company provides integrated solutions that enable financial service providers to initiate and process a broad range of financial transactions electronically, including via the Internet. The Company's integrated financial transaction processing, outsourcing, software, and consulting solutions provide virtually all of the technology that a financial services provider needs to run its operations. Metavante is an application service provider, enabling its clients to access and utilize its solutions over public and private networks. As its clients strive to provide market-ready, leading-edge products and services, the Company's solutions free them from the need to own, manage, and continuously update the technology required to support their financial product offerings which, in turn, enables them to compete more effectively.

The Company began operations in 1964. It processed the first ever Internet banking transaction in October 1995 and introduced new products and services such as Internet bill payment in 1997 and Internet business banking in 1999. In 1999, Metavante's solutions were used to originate and/or process over 6.4 billion transactions for over 90 million consumer and business customer bank accounts. As of June 30, 2000, the Company had over 3,300 clients comprised of some of the nation's largest banks, mid-tier and community banks, Internet banks and non-traditional financial services providers.

IMPORTANT INFORMATION

Metavante to integrate eCash's software. Metavante plans to integrate eCash's products into its transaction processing system. ECash's Monneta Debit software will allow consumers to shop or send money online without exposing their actual debit card numbers.

Metavante files S-1. On September 11, Metavante filed an S-1 with the SEC declaring its intent to go public. The Company has proposed to raise just over $246 million by registering 18.975 million shares at a maximum offering price of $13 per share. Following the offering, M&I will still own approximately 84.1% of the Company.

Spectrum EBP, LLC and Metavante form strategic alliance. In late August, Spectrum, which is a joint venture of Chase Manhattan, First Union, and Wells Fargo, formed a strategic alliance with Metavante. The alliance calls for Metavante to provide Spectrum participants with a "pay anyone" electronic bill payment service, which will handle payments that do not go through the Spectrum switch.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

NETDELIVERY CORPORATION ♦ PRIVATE
www.netdelivery.com

MANAGEMENT
Richard Stranger, CEO & President
Daniel Twing, Senior Vice President & COO
Barbara Keller, Vice President of Finance & Administration & CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
AMS
Atlantic Data Services
Formatta Corp.
Output Technology Solutions
Customers:
Canada Post Corp.
Cebra, Inc.
Total: >25,000
Potential Competitors:
Click-n-Done.com
CyberBills
Messaging Direct
Micro Vault
Paytrust/PayMyBills.com

INVESTORS
Apex Investment Partners
First Analysis
Keystone Venture Capital Management
Output Technology Solutions
United Parcel Service

COMPANY DESCRIPTION

Boulder, Colorado-based NETdelivery Corporation was founded in 1995 as a provider of software that allowed users to subscribe to certain information from various Internet sources. It has taken that "push" technology and migrated it into electronic statement presentment (ESP) and electronic bill presentment and payment (EBPP) solutions that consolidate and deliver electronic documents with the ease of email and with the security of hardcopy delivery services. NETdelivery's core Electronic Delivery Management (EDM) software allows billing companies to present consolidated electronic bills to people in three ways. First, consumers or businesses view their bills privately on the billing company's Web site. Second, users receive summary bill information at their computers. Third, consumers and businesses receive complete bill information at their computers, review the bill, and then pay the bill. To further insure secure delivery of materials, NETdelivery recently acquired technology that enables the digital notarization of e-documents. Most of the traction the Company has garnered up until this point has been in Canada.

IMPORTANT INFORMATION

NETdelivery unveils electronic document delivery platforms. In February, NETdelivery unveiled its new strategy to help customers build advanced e-business solutions by announcing two new Web-based software platforms, NETdelivery Consolidex and NETdelivery Ceradex, which provide the delivery of electronic documents. Consolidex is an end-to-end solution for sending, tracking and monitoring electronic bills and financial documents for bill consolidators and bill aggregators. Ceradex manages the delivery of sensitive or high-value documents for a wide range of e-business applications. NETdelivery's platforms build trust and confidence for the end user through complete authentication, security and trusted time stamp functions that allow users to transmit documents via the Internet with the certainty of traditional mail or overnight delivery services.

NETdelivery extends relationship with Electronic Post Office. NETdelivery extended its relationship with Electronic Post Office, which is a partnership between Canada Post Corp. and Cebra Inc., a subsidiary of the Bank of Montreal. The contract extension called for NETdelivery to develop additional electronic document management features for EPOST, which is the world's first electronic post office service. Electronic Post Office first selected NETdelivery in 1998 for document management and delivery technology and renewed its commitment with a master development agreement that provides additional development of the core technology.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

PAYANYBILL ♦ PRIVATE
www.payanybill.com

MANAGEMENT
Phuoc Ho, President
John Dickey, COO
John Hendriks, Vice President, Finance

INDUSTRY LANDSCAPE
Sponsors/Partners:
Entrust Technologies
Globel Direct
Informix
Itemus
Oracle Corp.
Sun Microsystems
VeriSign
Customers:
Globel Direct
Potential Competitors:
billserv.com
Derivion
Metavante
Princeton eCom
Solant

INVESTORS
itemus

COMPANY DESCRIPTION

Payanybill offers a complete electronic bill presentment and payment (EBPP) solution to small and medium-sized billers in the telecommunication, utility, insurance, and financial service industries. Its complete EBPP solution includes online bill design, email notification, bill presentment, payment processing, enrollment marketing, and customer care for billers. As a biller service provider (BSP) Payanybill gives consumers the ability to pay any bill from anywhere at any time, using any Internet-connected device. The Toronto, Canada-based company works with businesses, banks, service bureaus, consolidators and portals as distribution partners to present bills to consumers. Most of the traction the Company has garnered up until this point has been in Canada.

IMPORTANT INFORMATION

Payanybill receives investment from itemus. In mid-May Payanybill received an investment of up to $3.36 million from itemus. The investment builds on the relationship between the principals of Payanybill and members of the itemus executive team. As part of the agreement, Jim Tobin, the president and CEO of itemus, joined the Payanybill board of directors. Itemus is an incubator focused on opportunities in next-generation networking, financial intermediation for e-commerce and rich media.

Globel Direct goes live with EBPP at Payanybill. Globel Direct, Inc. has implemented an electronic bill presentment and payment solution for its customers using Payanybill. Globel's regular invoices to customers are now posted for online viewing, and the Company's customers are notified electronically when they have the option to view the invoices at Globel's Web site. Globel currently produces over one million bills per month.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

PAYTRUST ♦ PRIVATE
www.paytrust.com

MANAGEMENT
Edward G. McLaughlin, CEO
Flint A. Lane, President
Kenneth W. Zeng, CFO

INDUSTRY LANDSCAPE
ponsors/Partners:
Be Free, Inc.
billserv.com
Derivion
The Motley Fool
MyGovClub.com
NextCard, Inc.
Princeton eCom
Travelers Property Casualty
Yodlee.com
Customers:
Sallie Mae
Potential Competitors:
Click-n-Done.com
CyberBills
Messaging Direct
Micro Vault
NETdelivery

INVESTORS
American Express
AT&T Ventures
Citigroup
GE Equity
Goldman Sachs
NextCard, Inc.
SOFTBANK Venture Capital

COMPANY DESCRIPTION

Princeton, New Jersey-based Paytrust allows subscribers to receive and pay 100 percent of their bills online or through a wireless device. Paytrust subscribers receive bill notifications and reminders via email and can review their bill information from anywhere they have access to the Internet. Paytrust can issue payments directly from any check writing account designated by a customer, provide information that enables a customer to balance their checkbook, and provide data that a customer can download into their personal financial management software like Quicken or Microsoft Money.

IMPORTANT INFORMATION

PayMyBills.com to merge with Paytrust. On August 22, 2000 Paytrust announced a definitive agreement to purchase PayMyBills.com in an all-stock transaction. Additionally, PayMyBills.com will receive three Paytrust board seats for its investors, E*Trade, idealab!, and FTVentures. This merger combines the two largest scan-and-pay players in the EBPP space.

Paytrust and Princeton eCom form alliance. In mid-July, Paytrust and Princeton eCom formed a strategic agreement that allows Princeton eCom's billers to access the Paytrust network of online consumers who receive and pay bills electronically. The agreement will allow Princeton eCom to present all of its customers with electronic statements and bills, regardless if a biller has a direct relationship with Princeton eCom.

Paytrust partners with Yodlee.com. In mid-June, Paytrust signed an agreement with Yodlee.com to be a content partner on Yodlee's Web Personalization Platform, which allows users to create a summary of all their personal account information from approximately 1,400 Web sites. The screen scraping service by Yodlee.com enables its customers to receive bills, airline statements, and other content at one site.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

PRINCETON ECOM ♦ PRIVATE
www.princetonecom.com

MANAGEMENT
Curtis R. Welling, CEO
Ronald Averett, COO & President
Christopher Sugden, Senior Vice President & CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
America Online
Cisco Systems
Corillian Corp.
EMC
Magnet Communications
MSN.com
S1 Corp.
Customers:
Adelphia
American Express
Ameritech
Chase Manhattan
Discover Card
First Union
Southern California Edison
Total: >250 billers
>500 financial institutions
Potential Competitors:
billserv.com
Derivion
Metavante
Payanybill
Solant

INVESTORS
Billing Concepts Corp.
Bottomline Technologies
BT Investment Partners
Lycos Ventures L.P.
Mellon Ventures
SG Capital Partners LLC

COMPANY DESCRIPTION

Princeton, New York-based Princeton eCom participates in the electronic bill presentment and payment (EBPP) market as a biller service provider (BSP). The Company enables businesses to present consumer bills and business invoices on the Internet and it provides consumers and businesses with the ability to access and pay those bills online, over the phone, or using a wireless digital device. Princeton eCom also provides electronic payment processing services to banks, credit unions, and other financial institutions, as well as electronic lockbox, collection, and balance transfer services. The Company was one of the first companies to present an e-bill on the Internet and has heavy ties to the telecommunications industry. In the first six months of 2000, Princeton eCom generated $5.4 million in revenues, which surpassed the total amount of revenues recorded in 1999.

IMPORTANT INFORMATION

Magnet Communications and Princeton eCom form partnership. On August 23, 2000 Magnet Communications announced that it had formed a new partnership with Princeton eCom to provide Magnet's iPortBizSM small business banking portal and Magnet's Internet Banking Suite with electronic bill payment capabilities.

Princeton eCom receives $34 million equity investment. On August 17, Princeton eCom completed a $34 million equity investment from a group of investors led by Mellon Ventures and SG Capital Partners. Additionally, Billing Concepts, which was an original investor in the Company, participated in the round. Since 1998, the Company has raised more than $75 million in private capital.

Princeton eCom to provide Ameritech customers with e-billing solution. In mid-August, Princeton eCom announced it would begin providing Ameritech's customers with an e-billing solution. Ameritech is a subsidiary of SBC Communications with over 20 million customers throughout Michigan, Ohio, Indiana, Illinois, and Wisconsin. Under the agreement, Ameritech customers will be able to receive, view, and analyze their bills over the Internet and then pay them either online or by telephone. At the time of the announcement, Ameritech already had approximately 20,000 customers receiving their bills online.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

SPECTRUM EBP, LLC ♦ PRIVATE
www.spectrumebp.com

MANAGEMENT
Liam Carmody, CEO
Alan Pohlman, COO

INDUSTRY LANDSCAPE
Sponsors/Partners:
ALLTEL Corp.
billserv.com
InteliData
Metavante Corp.
Customers:
BB&T
First Tennessee National Bank
Hibernia National Bank
M&I Marshall and Ilsley Bank
Provident Bank
Union Bank of California
Potential Competitors:
CheckFree
MasterCard RPS
Metavante Corp.

INVESTORS
Chase Manhattan Corp.
First Union Corp.
Wells Fargo & Co.

COMPANY DESCRIPTION

Spectrum EBP, L.L.C. is a bank-owned payment system utility that routes electronic bills and payments between billers and consumers, also known as the Spectrum "switch."

As a process facilitator, Spectrum provides a secure central point to enable universal electronic bill presentment and payment (EBPP). The Spectrum switch stands between Biller Service Providers (BSPs), which convert billing data into electronic form on behalf of billers, and Consumer Service Providers (CSPs), which deliver electronic bills to consumers.

Spectrum is committed to operating the premier EPBB switching utility and is focused on keeping financial institutions at the center of the EBPP market. Spectrum's goal is not only to meet market demands, but also to stay ahead of the curve to constantly expand relationship and profit opportunities for participating financial institutions.

IMPORTANT INFORMATION

Spectrum and Metavante form alliance. On August 24, Spectrum announced a strategic alliance with Metavante to offer Spectrum participants a "pay anyone" electronic bill payment service. Additionally, Spectrum's three founders, Chase Manhattan, First Union, and Wells Fargo, will use Metavante for "pay anyone" consumer bill payment capabilities.

WFC signs distribution agreement with billserv.com. In early May, WFC signed billserv.com to a multi-year bill distribution agreement. Billserv.com's more than twenty biller customers now have the ability to present bills to member banking customers of Spectrum.

Eighteen banks join Spectrum. In mid-April, Spectrum announced the addition of eighteen banks to the Spectrum network – six new participants and twelve letters of intent. The new participants are BB&T, First Tennessee National Bank, Hibernia National Bank, M&I Marshall and Ilsley Bank, Provident Bank, and Union Bank of California. Some of the banks signing letters of intent include ABN Amro, Comerica, HSBC USA Inc., Mellon Bank, Michigan National, Summit Bancorp, and Wachovia Corporation.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

TRISENSE SOFTWARE ♦ PRIVATE
www.trisense.com

MANAGEMENT
David R. Lamm, Founder, President, & CEO
Robert Crumpton Jr., Vice President of Sales
Richard P. Urban, Vice President of Operations

INDUSTRY LANDSCAPE
Sponsors/Partners:
Allison Payment Systems, LLC
Wausau Financial Systems
Customers:
Denali Alaskan Federal Credit Union
Matrix Imaging Solutions, Inc.
Potential Competitors:
Avolent
Broadvision
CheckFree
edocs

INVESTORS
NA

COMPANY DESCRIPTION

Minneapolis, Minnesota-based TriSense develops and markets PaySense, a comprehensive, turnkey digital billing solution that allows customers to receive their bill on a corporate Web site (biller direct), on a third-party portal site (thick consolidation), or directly on their own desktops (personal consolidation). Bills can be viewed in both summary and detail format, and paid using checking, savings, debit card, or credit card at any financial institution. Payers also control payment timing, source, and amount – even automatic payments. The Company markets the PaySense solution directly to billers and through a nationwide network of Biller Service Providers (BSPs) that the Company calls Digital Drivers. TriSense's solution provides strategic and affordable digital billing solutions featuring expanded customer reach, start-up and operation, speed-to-market, security and the power of interactive customer connections.

IMPORTANT INFORMATION

TriSense signs PSC Info Group as BSP. In September PSC Info Group selected the PaySense EBPP platform to support its 45 billers that send out over 60 million bills annually. This contract brings the number of BSPs under contract to fifteen. Collectively the fifteen BSPs handle nearly 250 million bills per year.

TriSense signs two BSPs. In late July, TriSense added Document Publishing Group and QSI, to its BSP network. The two BSPs will offer the PaySense solutions in their bill printing and mailing services which support more than 1,000 billers and twelve million bills per year.

TriSense and Intuit sign EBPP distribution pact. At the end of June, TriSense and Intuit signed a non-binding letter of intent to distribute PaySense-powered digital bills. The alliance enables PaySense digital bill delivery through Intuit's distribution channels including Quicken, Quicken.com, America Online, through Intuit's alliance with AOL; as well as in the Quicken.com service on Excite and WebCrawler.

TriSense launches www.paysense.com. In mid-April, the Company launched www.paysense.com, a new Web site for billers and Biller service providers (BSPs) exploring the Company's PaySense digital billing solution. The site launch was made in conjunction with the Company's introduction of its Digital Driver channel program for BSPs.

ELECTRONIC BILL PRESENTMENT AND PAYMENT

YOURACCOUNTS.COM • PRIVATE
www.youraccounts.com

MANAGEMENT

John Korvin, President

INDUSTRY LANDSCAPE

Sponsors/Partners:
- Avolent
- CheckFree
- Convergys Corp.
- CyberBills
- CyberCash Inc.
- DTS Innovis
- Intuit
- NACHA

Customers:
- Cellular One of San Francisco
- Citibank
- Federal Express Corp.
- Ford Motor Credit
- WorldCom

Potential Competitors:
- billserv.com
- Derivion
- Metavante
- Payanybill
- Princeton eCom
- Solant

INVESTORS

DST Systems
Output Technology Solutions

COMPANY DESCRIPTION

El Dorado, California-based YourAccounts.Com is the e-commerce division of Output Technology Solutions, a DST Systems company and the world's largest bill producer that has relationships with more than 300 of the largest billers and financial service firms in the country, representing more than 150 million paper bills, e-bills, and statements every month. YourAccounts.Com focuses solely on the electronic presentment, processing, and payment enabling of bills, financial statements, and other related recurring customer communications. As a biller service provider, YourAccounts.Com provides billers with a complete outsourced solution for presenting bills to consumers for payment via the Internet.

Currently, YourAccounts.Com has 30 companies under contract, representing more than 2 billion electronic customer-communications. The Company delivers nearly 100 million electronic bills and statements annually, or approximately 8 million bills and statements monthly. Its two product lines are e.bill.anywhere for electronic bill presentment and payment, and informa for electronic presentment of mutual fund and brokerage statements, confirmations, and tax documents.

IMPORTANT INFORMATION

Citibank e-Business unveils e-Billing B-to-C solution. On October 12, Citibank announced the launch of an e-billing business-to-consumer solution that will be powered by YourAccounts.Com. The service, known as Citibank e-Billing B-to-C, will provide flexible and enhanced capabilities for corporations to send statements or bills to their consumers and receive payments via the Internet. Citibank e-Billing B-to-C is being offered to clients in the United States. It translates billing data from legacy languages and subsequently routes it electronically to various consumer billing access and presentment platforms. Examples of these include bill consolidator sites, Internet portals, or a biller's branded website.

YourAccounts.Com and CyberBills sign agreement. On September 12, CyberBills and YourAccounts.Com announced an agreement that expands CyberBills' ability to receive, consolidate and deliver electronic bills to its customers and gives YourAccounts.Com access to CyberBills' distribution network. Under this agreement, YourAccounts.Com will have the ability to transmit electronic bills to CyberBills, using the industry standard OFX, where customers of YourAccounts.Com billers can view and pay their bills.

DATA PROCESSORS

A C S

AFFILIATED COMPUTER SERVICES, INC. ♦ ACS
www.acs-inc.com

DATA PROCESSORS

SHARE PRICE	
9/29/00	**$49.88**
52-Week Range:	$51.31 - $31.00

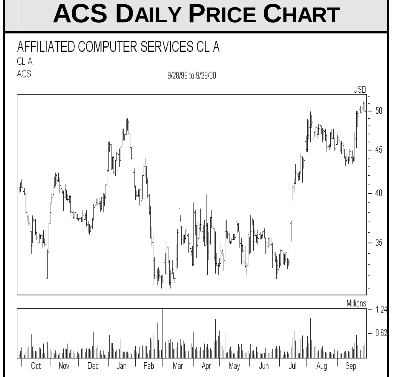
FINANCIAL METRICS*		
(FY 6/30)	**EPS**	**Rev. (MM)**
2001E	**$2.45**	**$2,350**
Q1E	$0.57	
Q2E	$0.59	
Q3E	$0.63	
Q4E	$0.65	
2000A	**$2.05**	**$1,963**
1999A	**$1.66**	**$1,642**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	46.2
Market Cap. (MM):	**$2,304**
Float (MM):	43.0
Average Daily Volume (000s):	248
Institutional Ownership:	83%
Officers/Directors Hold:	7%

BALANCE SHEET SUMMARY	
Cash and Equivalents:	$20.5
Total Assets:	$1,459.3
Total Liabilities:	$297.4
LT Debt/Total Capital:	42%
Book Value Per Share:	$13.72

ACS DAILY PRICE CHART



COMPANY DESCRIPTION

Affiliated Computer Services, Inc. provides information technology services to clients that have information processing needs. Services include technology outsourcing, business process outsourcing, and professional services. ACS provides a variety of services on behalf of its clients, including loan and mortgage processing, claims processing, accounts payable processing, data capture, storage, and retrieval services, and trade marketing. The Company's professional services include technology consulting, Internet development, contract programming, applications outsourcing and maintenance, and technical support and training, as well as network design and installation services. The Company's technology outsourcing solutions include the delivery of information processing services on a remote basis from host data centers with sufficient computer processing capacity to deliver cost savings and process improvements to its clients.

IMPORTANT INFORMATION

Affiliated Computer Services forms partnership with GovStoreUSA. Affiliated Computer Services and GovStoreUSA, which services mid-sized cities and counties, entered into a three-year business partnership. Together, the two companies will provide a key link between local government customers and a variety of information technology vendors.

Affiliated Computer Services wins five-year contract for Electronic Benefits Transfer (EBT) system in Texas. Affiliated Computer Services' State and Local Government unit was awarded a five-year contract from the Texas Department of Human Services to assist in the operation of the state's EBT system. The EBT system delivers Temporary Assistance to Needy Families and food stamp benefits to more than 1.5 million Texans across the state. EBT is the online, real-time electronic authorization and distribution of government benefits and services. EBT incorporates the concepts of Electronic Funds Transfer (EFT) systems that have been used for many years in the banking industry.

FISERV, INC. ♦ FISV
www.fiserv.com

DATA PROCESSORS

SHARE PRICE	
9/29/00	**$59.88**
52-Week Range:	$64.13 - $24.13

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**$1.61**	**$1,917**
2000E	**$1.35**	**$1,675**
Q1A	$0.34	
Q2A	$0.34	
Q3E	$0.33	
Q4E	$0.34	
1999A	**$1.09**	**$1,408**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	123.2
Market Cap. (MM):	**$7,377**
Float (MM):	110.1
Average Daily Volume (000s):	991
Institutional Ownership:	81%
Officers/Directors Hold:	9%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$72.5
Total Assets (MM):	$5,994.0
Total Liabilities (MM):	$4,836.4
LT Debt/Total Capital:	28%
Book Value Per Share:	$9.39

FISV DAILY PRICE CHART

COMPANY DESCRIPTION

Brookfield, Wisconsin-based Fiserv, Inc. is an independent, full-service provider of integrated data processing and information management systems to the financial industry. As a leading technology resource, Fiserv serves more than 10,000 financial services providers worldwide, including banks, broker-dealers, credit unions, financial planners/investment advisers, insurance companies, mortgage banks and savings institutions.

IMPORTANT INFORMATION

Fiserv PremierEcom Internet banking software undergoes scalability tests. Fiserv's PremierEcom Internet banking software, which runs on a Microsoft Windows platform, reported that it is capable of processing more than 225,000 transactions per hour. This confirmed the Company's beliefs that this software can support the processing demands of the largest Internet banks. The tests were conducted jointly by Microsoft and Fiserv.

Fiserv Securities partners with w-Trade Technologies. As a result of w-Trade's partnership with Fiserv Securities, which is a subsidiary of Fiserv, the clearing firm can offer wireless trading services to its clients and their customers. W-Trade has already begun implementing its Wireless Trading system with several Fiserv Securities clients.

1st Mariner Bank selects Fiserv. Baltimore, Maryland-based 1st Mariner Bank, which has $650 million in total assets, selected Fiserv's Custom Outsourcing Solution. The five-year agreement calls for the bank to outsource all of its data processing needs to Fiserv. In addition to providing a complete suite of core banking solutions, The Company provides some customer relationship management (CRM) and retail delivery capabilities to 1st Mariner.

THE INTERCEPT GROUP ♦ ICPT
www.intercept.net

DATA PROCESSORS

SHARE PRICE	
9/29/00	**$23.31**
52-Week Range:	$32.03 - $12.50

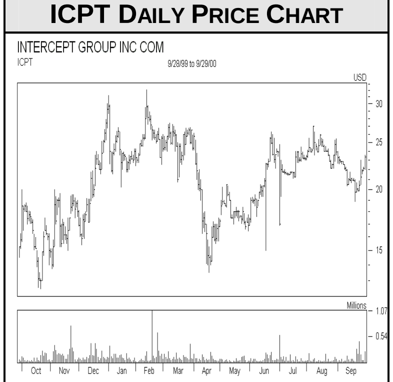
FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**$0.81**	**$76.4**
2000E	**$0.65**	**$65.1**
Q1A	$0.14	
Q2A	$0.16	
Q3E	$0.17	
Q4E	$0.18	
1999A	**$0.49**	**$47.1**

**WR Hambrecht + Co estimates*

TRADING DATA	
Shares Outstanding (MM):	12.8
Market Capitalization(MM):	**$298**
Float (MM):	8.4
Average Daily Volume (000s):	67
Institutional Ownership:	43%
Officers/Directors Hold:	24%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$3.0
Total Assets (MM):	$125.6
Total Liabilities (MM):	$39.1
LT Debt/Total Capital:	None
Book Value Per Share:	$8.83

ICPT DAILY PRICE CHART



COMPANY DESCRIPTION

Norcross, Georgia-based The InterCept Group is a single-source provider of a broad range of technologies, products and services that work together to meet the electronic commerce and operating needs of community financial institutions. InterCept's services include electronic funds transfer (EFT), core bank processing software, check imaging and data communications management as well as Internet banking products and services through its affiliate, Netzee, Inc. In all, the Company offers over fifteen different products and services to financial institutions, reducing its dependency upon the success of one product. Core to InterCept's success has been its relationships with bankers' banks. Of the eighteen bankers' banks in the United States, InterCept has exclusive relationships with nine and working relationships with three others.

IMPORTANT INFORMATION

InterCept acquires Advanced Computer Enterprises, Inc. On August 30, 2000, InterCept acquired Maryville, Tennessee-based Advanced Computer Enterprises, Inc. Privately-held Advanced Computer had provided core data processing, item capture, and check imaging services to approximately twenty community financial institutions throughout Tennessee. InterCept issued 350,000 shares, valuing the acquisition at approximately $8.7 million, or 2.3 times forward 12-month revenues. The acquisition would be accounted for as a pooling and would be break-even to 2000 earnings.

InterCept announces agreement to acquire a division of CRI Financial Systems. InterCept entered into an agreement to acquire TellerPlus, an online teller platform system from CRI Financial Systems, Inc., for just under $1 million. This product allows InterCept to incorporate the online teller platform into its core bank processing product, PC BancPAC, creating a seamless, complete teller module in its client-server core processor software. InterCept has been selling this product for the past two years under a reseller agreement.

InterCept signs exclusive agreement with the Independent Bankers Bank. In June, The InterCept Group signed an exclusive agreement with the Independent Bankers' Bank of Springfield, Illinois to provide products and services to its customer institutions. The Independent Bankers Bank was founded in 1986 to provide correspondent banking products and services to institutions across four states: Illinois, Indiana, Michigan, and Iowa. Today it services over 500 community banks in these states. While we expect little near-term revenue contribution from this new partnership, we are excited about the long-term opportunity it creates for InterCept. Bankers bank relationships have proven to be a core growth engine for InterCept over the years. InterCept now has relationships with twelve bankers banks, nine of which are exclusive.

JACK HENRY & ASSOCIATES, INC. ♦ JKHY
www.jackhenry.com

DATA PROCESSORS

SHARE PRICE	
9/29/00	**$43.38**
52-Week Range:	$54.50 - $16.38

FINANCIAL METRICS*		
(FY 6/30)	**EPS**	**Rev. (MM)**
2001E	**$1.20**	**$272.0**
Q1E	$0.26	
Q2E	$0.28	
Q3E	$0.31	
Q4E	$0.35	
2000A	**$0.84**	**$225.3**
1999A	**$0.81**	**$193.5**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	43.4
Market Cap. (MM):	**1,883$**
Float (MM):	32.0
Average Daily Volume (000s):	231
Institutional Ownership:	42%
Officers/Directors Hold:	27%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$13.0
Total Assets (MM):	$222.7
Total Liabilities (MM):	$86.9
LT Debt/Total Capital:	None
Book Value Per Share:	$3.34

JKHY DAILY PRICE CHART

COMPANY DESCRIPTION

Monett, Missouri-based Jack Henry & Associates, Inc. is a provider of integrated computer systems and services for banks and other financial institutions. It provides data processing solutions through proprietary applications software which operates on IBM computers. The Company offers two core systems: CIF 20/20, typically for customers with less than $300 million in assets, and the Silverlake System, for customers with assets up to $10 billion. Jack Henry also frequently sells the hardware with its software products, and it also provides customer support and related services. Banks can purchase the Company's systems for in-house data processing or they can use the Company's resources through service bureau and facilities management operations. Jack Henry also sells automatic teller machine (ATM) software and processes ATM network transactions through its CommLink subsidiary. The Company serves more than 1500 customers in the United States and several foreign countries.

IMPORTANT INFORMATION

Jack Henry completes secondary offering. On August 11, 2000, the Company registered 3.3 million shares of common stock at $43 per share. Of the 3.3 million shares, the Company offered 1.5 million shares, with the remainder being offered by selling shareholders.

Jack Henry completes purchase of Symitar Systems. On June 7, the Company completed its purchase of Symitar Systems, Inc., a private company based in San Diego, CA, for $44 million. The cash transaction is expected to be immediately accretive to earnings. Symitar is a provider of in-house data processing solutions for credit unions. The acquisition adds 237 credit union customers to Jack Henry's 90 existing credit union customers at the time the acquisition closed.

Jack Henry and IBM team to offer two new products. The Company teamed with IBM to provide community bankers with two new solutions for business development and intelligence. IBM's Customer Relationship Management (CRM) application and Business Intelligence solutions, integrated with Jack Henry's core systems, assists community bankers improving profitability and enhancing customer relationships.

NCR CORPORATION ♦ NCR
www.ncr.com

DATA PROCESSORS

SHARE PRICE	
9/29/00	**$37.81**
52-Week Range:	$47.00 - $26.69

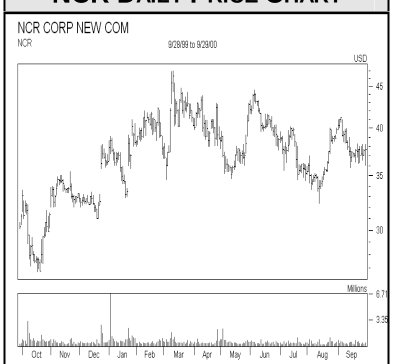
FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**$2.91**	**$6,871**
2000E	**$2.40**	**$6,448**
Q1A	$0.06	
Q2A	$0.61	
Q3E	$0.59	
Q4E	$1.13	
1999A	**$1.61**	**$6,196**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	96.0
Market Cap. (MM):	**$3,630**
Float (MM):	91.2
Average Daily Volume (000s):	434
Institutional Ownership:	68%
Officers/Directors Hold:	4%

BALANCE SHEET SUMMARY	
Cash andEquivalents(MM):	$561.0
Total Assets (MM):	$4,777.0
Total Liabilities (MM):	$3,075.0
LT Debt/Total Capital:	48%
Book Value Per Share:	$17.50

NCR DAILY PRICE CHART



COMPANY DESCRIPTION

Dayton, Ohio-based NCR Corporation is a leader in providing Relationship Technology solutions for the retail, financial, communications, travel, transportation and insurance markets. NCR's Relationship Technology solutions include store automation, ATMs, and privacy-enabled Teradata warehouses. The Company's business solutions are built on its industry knowledge and consulting experience, value-adding software, global customer support services, a line of consumable and media products, and hardware technology.

IMPORTANT INFORMATION

NCR signs three-year contract with the United States Postal Service. The United States Postal Service signed NCR to a three-year contract to use the Company's Teradata database to enhance decision support at over 20,000 post offices across the country. The value of phase-one is approximately $4 million and is expected to be completed in the first half of 2001.

NCR implements PROFILE into First National Bank of Litchfield. In mid-September, NCR implemented the PROFILE banking application in all six branches of First National Bank of Litchfield, CT. The application should allow the bank to improve its management & reporting processes and customer service. PROFILE, which NCR has licensed from Sanchez Computer Associates, Inc., supports core banking functions such as deposits and loan applications.

NCR creates strategic partnership with SageTree. NCR invested $10 million in SageTree, which is a Western Digital Corp subsidiary in the business intelligence market. SageTree is a software company that develops packaged analytic applications for Supply Chain Intelligence. SageTree is an outgrowth of a quality information system (QIS) created by WDC in 1997 on NCR's Teradata database.

DATA PROCESSORS

NOVA CORPORATION ♦ NIS
www.novacorp.net

SHARE PRICE	
9/29/00	**$17.13**
52-Week Range:	$35.19 - $10.50

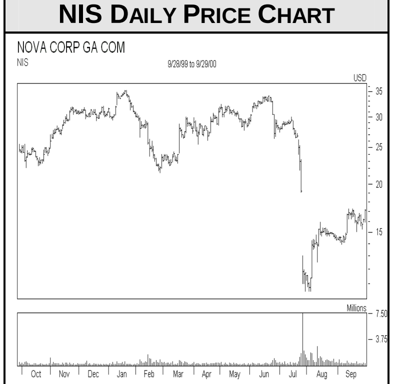
FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**$1.44**	**$1,954**
2000E	**$1.22**	**$1,679**
Q1A	$0.27	
Q2A	$0.31	
Q3E	$0.32	
Q4E	$0.33	
1999A	**$1.14**	**$1,467**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	70.1
Market Cap. (MM):	**$1,201**
Float (MM):	62.5
Average Daily Volume (000s):	490
Institutional Ownership:	95%
Officers/Directors Hold:	3%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$47.3
Total Assets (MM):	$670.0
Total Liabilities (MM):	$68.3
LT Debt/Total Capital:	None
Book Value Per Share:	$5.46

NIS DAILY PRICE CHART



COMPANY DESCRIPTION

Atlanta, Geogia-based NOVA Corporation is a provider of integrated transaction processing services, related software application products, and value-added services. NOVA provides transaction processing support for all major credit, charge, and debit cards as well as check verification services. NOVA provides merchants with a broad range of transaction processing services, including authorizing card transactions at the point-of-sale (POS), capturing and transmitting transaction data, effecting the settlement of payments, and assisting merchants in resolving billing disputes with their customers. In addition, NOVA has developed several software applications that can be delivered to its customers and updated for enhancements via NOVA's proprietary telecommunications network. The Company's merchant customer base consists primarily of small- to medium-sized merchants, with a historic concentration in the restaurant, specialty retail, furniture, automobile repair, and lodging industries.

IMPORTANT INFORMATION

NOVA moves into Europe through joint venture. On May 9, NOVA announced an agreement in principal for the formation of EuroConex Technologies Limited, a joint venture with the Bank of Ireland. EuroConex will provide the foundation for NOVA's core payment processing and expanding e-commerce services to businesses in Europe. Ownership of EuroConex will be divided equally between the two principals. NOVA will customize its technology and operating platform to the European market to deliver credit, debit, charge card and chip payment and acceptance services to European businesses.

Bank of the West extends merchant processing contract with NOVA. In mid-February, NOVA announced that Bank of the West had renewed its marketing alliance with the Company for an additional seven years. NOVA provides merchant services and support to the bank's more than 5,500 local and national customers.

PAYMENT PROCESSORS

FIRST DATA CORPORATION ♦ FDC
www.firstdatacorp.com

PAYMENT PROCESSORS

SHARE PRICE	
9/29/00	**$39.06**
52-Week Range:	$57.69 - $37.00

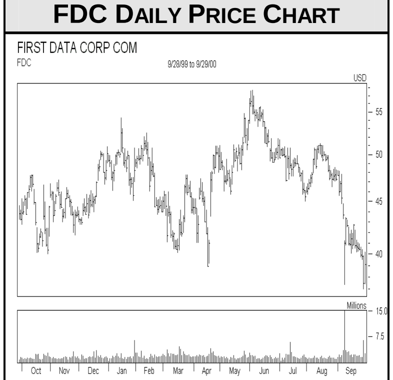
FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**$2.38**	**$6,375**
2000E	**$2.07**	**$5,695**
Q1A	$0.40	
Q2A	$0.52	
Q3E	$0.54	
Q4E	$0.62	
1999A	**$1.76**	**$5,540**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	405.4
Market Cap. (MM):	**$15,836**
Float (MM):	405.4
Average DailyVolume(000s):	1,759
Institutional Ownership:	96%
Officers/Directors Hold:	2%

BALANCE SHEET SUMMARY	
Cash andEquivalents(MM):	$532.7
Total Assets (MM):	$15,799.0
Total Liabilities (MM):	$11,982.8
LT Debt/Total Capital:	None
Book Value Per Share:	$9.31

FDC DAILY PRICE CHART



COMPANY DESCRIPTION

First Data Corporation is a provider of payment instruments, card issuer services, and merchant processing services. The Company's Payment Instruments segment includes Western Union, Integrated Payment Systems, and Orlandi Valuta Companies and is a provider of non-bank money transfer and payment services to consumers and commercial entities that include money transfer, official check, and money order services. Card Issuer Services encompass domestic and international card processing. This segment provides a comprehensive line of processing and related services to financial institutions issuing credit and debit cards and to issuers of oil and private label credit cards, including information-based products for enhanced decision making and marketing. Merchant Processing Services is comprised of First Data Merchant Services, TeleCheck, the Company's check and bankcard collections business and First Data Financial Services.

IMPORTANT INFORMATION

Western Union launches P2P payment service. On September 7, 2000, Western Union, a subsidiary of First Data, launched its Internet person-to-person (P2P) payment service, Western Union MoneyZap. This service would consumers to send, receive, and request payments over the Internet from anyone with an email address and a checking account or credit card.

CheckFree completes acquisition of TransPoint. On September 5, CKFR completed its acquisition of TransPoint, a joint venture between Microsoft, First Data, and Citibank. The original TransPoint investors now own approximately 23% of CheckFree, and Microsoft and First Data both received seats on CheckFree's board of directors.

First Data and Entrust Technologies form secure payment company. At the end of May, First Data and Entrust Technologies formed a new company, PaymentWave, which is to focus on delivering a payment platform and related products for B2B exchanges to facilitate safe, secure, authenticated payments for businesses buying and selling through e-markets. Each company invested $10 million in cash and committed employees to start the joint venture.

PAYMENT PROCESSORS

TOWNE SERVICES, INC. • TWNE
www.towneservices.com

SHARE PRICE	
9/29/00	**$0.97**
52-Week Range:	$5.13 - $0.59

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**($0.05)**	**$54.4**
2000E	**($0.23)**	**$35.1**
Q1A	($0.12)	
Q2A	($0.07)	
Q3E	($0.05)	
Q4E	($0.01)	
1999A	**($0.64)**	**$29.8**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	27.5
Market Capitalization (MM):	**$27**
Float (MM):	19.9
Average Daily Volume (000s):	136
Institutional Ownership:	20%
Officers/Directors Hold:	22%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$16.0
Total Assets (MM):	$57.7
Total Liabilities (MM):	$7.0
LT Debt/Total Capital:	2%
Book Value Per Share:	$1.60

TWNE DAILY PRICE CHART

COMPANY DESCRIPTION

Suwanee, Georgia-based Towne Services, Inc. provides services and products that process sales and payment information and related financing transactions for small businesses and banks in the United States. The primary business capabilities the Company offers include a virtual credit card system and merchandise forecasting system. The virtual credit card system processes the in-house credit transactions for small businesses and includes an automated receivables management system that allows banks to quickly finance the working capital needs of their small business customers. Towne Services' merchandise forecasting system, RMSA Forecast, processes sales and inventory transactions of retailers, giving them greater control over inventory levels and the ability to make better inventory purchase decisions, improve cash flow and improve operating margins.

IMPORTANT INFORMATION

Towne signs exclusive agreement with Nexity Bank. Towne funded its first customer transaction through an agreement with Internet-based Nexity Bank to market Towne's electronic processing products and services to Nexity's business customers nationwide. The Internet-based bank offers a full complement of consumer and commercial banking services via the Internet to over 3,000 customers. Nexity Bank is the only Internet-based bank with exclusive rights to market Towne's products and services.

Towne forms agreement with Universal Electronics & Computer. The Company formed a strategic marketing agreement with Universal Electronics and Computer, Inc. to market the Company's Collection Works! Product to international bank customers located in Taiwan. Collection Works! Is a software system specifically developed to manage all collections operations for banks' management of delinquent accounts.

PAYMENT ENABLERS

PAYMENT ENABLERS

BANKSERV, INC. ♦ PRIVATE
www.bankserv.com

MANAGEMENT
Dave Kvederis, President & CEO
Doyle Arnold, CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
AT&T
Hewlett-Packard
Magnet Communications, Inc.
Microsoft
National Automated Clearing House Association (NACHA)
Oracle
Thomson Financial Services
Customers:
AgFirst Farm Credit Bank
Amarillo National Bank
BancFirst Corp.
Guaranty Bank
Mercantile Safe Deposit and Trust Co.
North Island Federal Credit Union
PFF Bank & Trust Co.
Potential Competitors:
eCash Technologies
E-Charge
GlobeSet
X.com

INVESTORS
Thomson Financial Services

COMPANY DESCRIPTION

San Francisco, California-based BankServ offers a variety of electronic check conversion, domestic and international wire transfer, credit card processing and business-to-business bill presentment & invoicing services. Founded in 1996 by CEO David Kvederis, a former senior executive of Wells Fargo & Company, BankServ is a provider of services to merchants who wish to convert checks into electronic funds transfers. The Company's new Internet payments division offers payment applications for both business-to-business exchanges and business-to-consumer settlements, as well as funding and reporting services for businesses on the Internet. BankServ maintains offices in Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; New York, New York; Las Vegas, Nevada; and Lafayette, Louisiana.

IMPORTANT INFORMATION

BankServ and Netik.com announce strategic alliance. In mid-September, BankServ began distributing Netik.com's xNetik TurboSwift software, which enables BankServ to offer financial institutions a single source for both domestic and international funds transfers. Netik.com will also have access to all of BankServ's payment solutions resources.

BankServ signs six new customers. In late June, BankServ announced that it had contracted six new customers for its wire transfer business. These six companies, AgFirst Farm Credit Bank, BancFirst Corp., Guaranty Bank, Mercantile Safe Deposit and Trust, North Island Federal Credit Union, and PFF Bank & Trust, comprise 59 subsidiaries, bringing BankServ's wire transfer customer total at the time of this announcement to 109.

BankServ partners with eCredit.com. In late May, Bankserv formed a strategic partnership with eCredit.com, which is a provider of real-time, financing and receivables solutions for B2B and B2C e-commerce. The partnership calls for the companies to integrate their services into a one-stop suite of real-time online payment and financing options for B2B exchanges and B2C merchants.

BOTTOMLINE TECHNOLOGIES ♦ EPAY
www.bottomline.com

PAYMENT ENABLERS

SHARE PRICE	
9/29/00	**$37.31**
52-Week Range:	$54.88 - $13.75

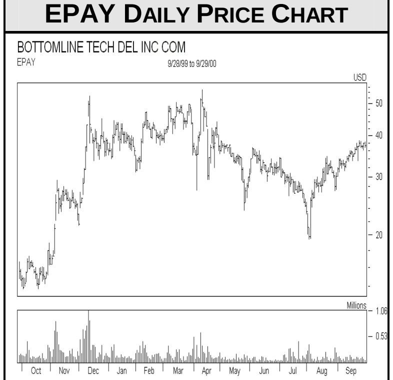
FINANCIAL METRICS*		
(FY 6/30)	**EPS**	**Rev. (MM)**
2001E	**($0.01)**	**$88.9**
Q1E	($0.13)	
Q2E	($0.04)	
Q3E	$0.05	
Q4E	$0.08	
2000A	**$0.13**	**$49.1**
1999A	**$0.43**	**$39.3**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	10.9
Market Capitalization(MM):	**$407**
Float (MM):	8.7
Average Daily Volume (000s):	106
Institutional Ownership:	25%
Officers/Directors Hold:	36%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$18.4
Total Assets (MM):	$57.0
Total Liabilities (MM):	$10.6
LT Debt/Total Capital:	None
Book Value Per Share:	$4.24

EPAY DAILY PRICE CHART



COMPANY DESCRIPTION

Portsmouth, New Hampshire-based Bottomline Technologies provides Web-enabled billing, payment, and electronic banking solutions targeted at the business-to-business (B2B) market. The Company was started eleven years ago in the impact printing business and today derives most of its revenues from its payment automation software product, PayBase. The Company's NetTransact software product is a B2B electronic payment solution that it acquired from Northern Trust Company in July 1999. Bottomline has installed over 2,500 payment systems in the United States and abroad. The Company's client roster includes Fortune 500 companies such as Aetna, Bestfoods, Johnson & Johnson, Hertz, Marathon Oil, Procter & Gamble, and Westinghouse. Financial-related clients include the Federal Reserve, American Express, Bank of New York, Merrill Lynch, Fidelity Investments and Wells Fargo. Competitors include PaySys International, InvoiceLink, Payment Wave, and FinancialSettlementMatrix.com.

IMPORTANT INFORMATION

Bottomline acquires Checkpoint Holdings, Ltd. And Flashpoint, Inc. On August 28, 2000, Bottomline acquired Checkpoint, which provides e-commerce and electronic payments software in the United Kingdom, and Flashpoint, which is a Web-based software development company located in Boston, Massachusetts. The Company believes these two acquisitions should significantly increase its growth as well as expand its software offering.

Bottomline expands relationship with Citibank. Under the companies' original relationship, EPAY provided its NetTransact product to enable Citibank's B2B initiative for EBPP. The expanded relationship would offer Citibank the option to take an equity stake in the Company. Citibank was issued a three-year warrant that carries the right to purchase up to 324,000 shares of common stock, or almost three percent ownership in the Company.

Bottomline and Paylinx form strategic alliance. In mid-April, Bottomline and Paylinx, now CyberSource, announced a strategic co-marketing alliance allowing each company to cross-sell their individual offerings and jointly deliver a full-scale, flexible payment offering for enterprise-wide transactions. Under the terms of the agreement, Bottomline's Universal Payment Engine (UPE) would be integrated with Paylinx's enterprise payment server, EnterpriZ Engine, to offer customers the ability to initiate electronic payments and other automated debits and credits through the Federal Reserve's automated clearinghouse (ACH) system.

CYBERCASH ♦ CYCH
www.cybercash.com

PAYMENT ENABLERS

SHARE PRICE	
9/29/00	**$3.25**
52-Week Range:	$16.00 - $3.06

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**($1.20)**	**$50.4**
2000E	**($1.31)**	**$27.3**
Q1A	($0.35)	
Q2A	($0.33)	
Q3E	($0.33)	
Q4E	($0.35)	
1999A	**($2.02)**	**$19.8**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	25.9
Market Capitalization (MM):	**$96**
Float (MM):	21.0
Average Daily Volume (000s):	165
Institutional Ownership:	9%
Officers/Directors Hold:	21%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$15.6
Total Assets (MM):	$100.4
Total Liabilities (MM):	$6.6
LT Debt/Total Capital:	None
Book Value Per Share:	$3.80

CYCH DAILY PRICE CHART

COMPANY DESCRIPTION

CyberCash is provides payment software products and services that allow merchants, billers, financial institutions, and consumers to conduct electronic commerce in either the physical world or the virtual world of the Internet. Its solutions cover all payment options including credit, cash, check, debit, purchase cards, smart cards, and alternative payment types. Its products include ICVerify, PCVerify, NetVerify, CashRegister, PayNow, and InstaBuy.

IMPORTANT INFORMATION

CyberCash provides online payment and fraud detection for the Microsoft Commerce Server 2000. On August 1, 2000, CyberCash began offering integrated online payment and fraud detection support for MSFT's Commerce Server 2000. Merchants using this server can configure their Internet storefronts with real-time payment processing and Internet fraud detection service through CyberCash.

CyberCash launched fraud detection service. On July 26, CyberCash released FraudPatrol, the Company's new Internet fraud detection service.

CyberCash signs up its 25,000th merchant. On June 30, CyberCash announced the signing of its 25,000th CashRegister Internet payment service merchant. Additionally, the Company stated that more than 145,000 copies of CyberCash software products have been shipped.

CyberSource®

CYBERSOURCE CORPORATION ♦ CYBS
www.cybersource.com

PAYMENT ENABLERS

SHARE PRICE	
9/29/00	**$11.31**
52-Week Range:	$70.50 - $6.69

FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**($0.71)**	**$68.6**
2000E	**($1.44)**	**$33.2**
Q1A	($0.31)	
Q2A	($0.40)	
Q3E	($0.40)	
Q4E	($0.32)	
1999A	**($1.25)**	**$12.9**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	26.0
Market Capitalization(MM):	**$294**
Float (M):	17.0
Average Daily Volume (000s):	361
Institutional Ownership:	36%
Officers/Directors Hold:	19%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$41.1
Total Assets (MM):	$138.7
Total Liabilities (MM):	$8.8
LT Debt/Total Capital:	None
Book Value Per Share:	$4.99

CYBS DAILY PRICE CHART

COMPANY DESCRIPTION

CyberSource Corporation, based in Mountain View, California, is a leading developer and provider of real-time, e-commerce transaction services. Through its Internet Commerce Suite, the Company offers services to online merchants for global payment processing, fraud prevention, tax calculation, export compliance, territory management, delivery address verification, fulfillment management, and stored value. The Company's services enable online merchants to focus their resources on areas where they can differentiate themselves, such as marketing, Web site content, merchandising, and customer support. More than 1,700 merchants have chosen to use the Company's services including Amazon.com, Beyond.com, BUY.COM, Compaq Computer, Egghead.com, Fawcette Publications, Priceline, Remedy, and Shopping.com. The Company has also entered into strategic relationships with General Electric Capital Corp. and Visa International to penetrate new e-commerce markets.

IMPORTANT INFORMATION

CyberSource completes acquisition of PaylinX. In mid-September, CyberSource completed its acquisition of PaylinX Corporation, which was a privately held enterprise payment software provider. PaylinX shareholders received 8.5 million shares of CyberSource common stock.

CyberSource and Art Technology Group sign agreement. On August 8, CyberSource and Art Technology signed a product integration and marketing agreement that extended their relationship and forms an integrated Internet commerce solution for both B2B and B2C customers. The agreement calls for the integration of CyberSource's Internet Commerce Suite and Art Technology's Dynamo e-Business Platform.

CyberSource and OrderTrust form strategic alliance. At the beginning of August, CyberSource and OrderTrust formed a strategic alliance to focus on the needs online businesses have for order fulfillment and real-time product availability and tracking. Under the agreement, CyberSource will resell OrderTrust's order management services and OrderTrust will resell CyberSource's transaction services.

PAYMENT ENABLERS

DIGITAL COURIER TECHNOLOGIES, INC. ♦ DCTI

www.dcti.com

SHARE PRICE

9/29/00	**$1.81**
52-Week Range:	$14.50 - $1.75

FINANCIAL METRICS*

(FY 6/30)	EPS	Rev. (MM)
2001E	**NE**	**NE**
Q1E	NE	
Q2E	NE	
Q3E	NE	
Q4E	NE	
2000A	**NA**	**NA**
1999A	**($1.63)**	**$4.0**

**IBES estimates*

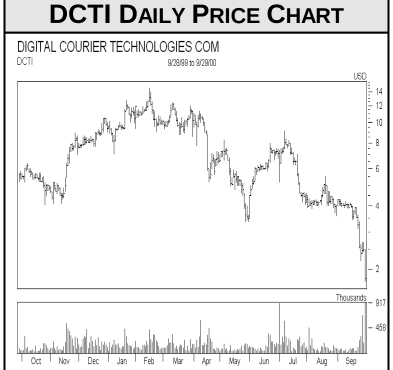
TRADING DATA

Shares Outstanding (MM):	47.7
Market Capitalization (MM):	**$86**
Float (MM):	47.7
Average Daily Volume (000s):	129
Institutional Ownership:	6%
Officers/Directors Hold:	19%

BALANCE SHEET SUMMARY

Cash and Equivalents (MM):	$18.1
Total Assets (MM):	$254.5
Total Liabilities (MM):	$24.9
LT Debt/Total Capital:	None
Book Value Per Share:	$4.74

DCTI DAILY PRICE CHART



COMPANY DESCRIPTION

Park City, Utah-based Digital Courier Technologies, Inc. currently manages over $70 million of credit card transaction each month for merchant banks and Internet-based merchants. Fraud control software makes these credit card transactions safe and secure from card authorization to transaction settlement.

As a result of the Company's hardware and software infrastructure, Digital Courier's services reduce the merchant¹s cost of doing business by limiting incremental merchant discounts and bank reserve increases. The Company also offers risk control services, payment authorization, merchant acquisition, and settlement.

Digital Courier's basic payment services allow merchants to accept credit cards as payment for goods and services on their Web sites, view transaction data in real time, and modify or change a transaction. As an authorized merchant acquirer, Digital Courier also facilitates merchant activation and transaction authorization in-house with direct links to the credit card networks.

Digital Courier's risk management tools facilitate comprehensive transaction monitoring and intervention throughout the transaction cycle—from consumer to issuing bank to merchant bank. The Company's real-time data feeds, portfolio management, and transaction intervention can be fully automated for around-the-clock fraud control.

IMPORTANT INFORMATION

Digital Courier expands offering to include mobile devices. In mid-September, 2000, Digital Courier announced it had enhanced its e-payment services to support mobile commerce. This would allow merchants to transmit transactions via wireless devices and process them through Digital Courier.

Telefonica Moviles and Banco Bilbao Vizcaya Argentaria choose Digital Courier. On August 2, ACI Worldwide, as subsidiary of Transaction Systems Architects, signed agreements with Banco Bilbao Vizcaya Argentaria SA and Telefonica Moviles SA of Spain to provide wireless payment processing services using Digital Courier's technology.

Transaction System Architects exercised warrants to purchase Digital Courier common stock. On July 27, Transaction System Architects exercised warrants to purchase one million shares of Digital Courier common stock at $5.20 per share. Transaction System Architects received these warrants on June 14, 1999, when the Company made an equity investment in Digital Courier with the purchase of 1.25 million shares.

ECASH TECHNOLOGIES, INC. ♦ PRIVATE
www.ecashtechnologies.com

PAYMENT ENABLERS

MANAGEMENT
Walt Ruloff, CEO & Co-Founder
John Filby, President & Co-Founder
Matt Champagne, COO

INDUSTRY LANDSCAPE
Sponsors/Partners:
Deutsche Bank
Exodus Communications
Sun Microsystems
Customers:
Bank of Austria
Credit Suisse
Deutsche Bank
Sakura Bank
St. George
Total: >100
Potential Competitors:
BankServ
E-Charge
Globeset
X.com

INVESTORS
Applied Technology
August Capital
Gilde-IT Fund
Ruloff Capital

COMPANY DESCRIPTION

Bothell, Washington-based eCash Technologies, Inc. develops, markets, and supports the eCash software suite, a solution for electronic cash transactions on the Internet. ECash Technologies owns and uses the patented blind signature encryption technology, which the Company acquired from DigiCash, Inc. in August 1999.

ECash products and services are provided to consumers and merchants through financial institutions. ECash is an open, nonexclusive system, available for implementation by any financial institution and usable by any customer or merchant. ECash is currently issued by financial institutions and used by consumers and merchants around the world.

IMPORTANT INFORMATION

Deutsche Bank and eCash expand payment solutions in Europe. In mid-September, Deutsche Bank and eCash announced they would expand the offering of payments enabled by the eCash payment engine in Europe. This product expansion resulted from European payment preferences not including credit cards.

ECash offers P2P payment service. In mid-March, eCash Technologies released its person-to-person (P2P) email payment service in early March. The eCash P2P solution is an easy-to-implement payment product that can be installed directly at financial institutions or accessed seamlessly through a hosted service. ECash P2P payments have been in use for over five years through the Company's global pilot programs. Consumers can fund eCash accounts online or offline by transferring funds between accounts, making credit card payments, writing paper checks, or via eCash deposits.

ECash becomes member of WAP Forum. On March 1, eCash became a member of the Wireless Application Protocol (WAP) Forum, which is an organization developing global standards for the secure delivery of information and services through wireless devices, such as mobile phones, pagers, and personal digital assistants (PDAs). The development of a wireless standard allows eCash account holders to use eCash currency through a variety of mobile wireless devices to purchase goods and services over the Internet, make P2P payments, or make real-world purchases with other eCash-enabled devices like vending machines or parking meters.

GLOBESET ♦ PRIVATE
www.globeset.com

PAYMENT ENABLERS

MANAGEMENT
Jack M. Antonini, Chairman & CEO
William Archibald, Founder & CTO
Tony Reed, COO

INDUSTRY LANDSCAPE
Sponsors/Partners:
Bank of America
Chase Manhattan Bank
Citibank
Ford
JC Penney
MasterCard
Sears
Visa
Customers:
Family Dollar Stores
FMS Inc.
VISANET Brazil
Potential Competitors:
BankServ
eCash Technologies
E-Charge
X.com

INVESTORS
NA

COMPANY DESCRIPTION

Austin, Texas-based Globeset is a global supplier of secure e-payments infrastructure services and products for buyers, sellers and financial-service providers. The Company's services and products are delivered to customers through resellers and system integration partners serving financial-service providers, corporations, and electronic marketplaces. Globeset also provides partner and customer support, including application-hosting services, application training, service consultation, service/product customization and product maintenance.

IMPORTANT INFORMATION

Banksys selects Globeset and Element as technology partners. In mid-July, Banksys selected Globeset and Belgium-based Element as technology partners to create an Internet payment architecture offering secure transactions on any user card.

Globeset and VeriFone form partnership. In mid-May, VeriFone, a division of Hewlett-Packard, joined Globeset's channel partner program. The agreement allows HP to distribute Globeset's ServerWallet to credit card issuers worldwide through its VeriFone division. Globeset offers VeriFone's financial customers a secure online transaction network that complements their existing e-commerce solutions. The ServerWallet combines financial transaction security in a re-brandable package. Globeset's partner program allows companies to integrate Globeset services and products into their existing e-commerce solution packages. VeriFone markets Globeset's ServerWallet to its international customers requiring a wallet solution that uses the Secure Electronic Transaction (SET) protocol. ServerWallet offers retailers, communication companies, Internet providers, and financial institutions an automated, secure payment process to help attract and retain customers.

INVOICELINK CORPORATION ♦ PRIVATE
www.invoicelink.com

PAYMENT ENABLERS

MANAGEMENT
R. Alan Neely, President, CEO & Chairman of the Board
William O. (Bill) Green, CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
answer*think*
DMR Consulting Group
NaviSite Inc.
Wachovia Corp.
Customers:
DMR Consulting Group
Wachovia Corp.
Potential Competitors:
Bottomline Technologies
Fin'lSettlementMatrix.com
PaySys International
PaymentWave

INVESTORS
BCE Emergis

COMPANY DESCRIPTION

Greensboro, N.C.-based InvoiceLink Corporation is a provider of Internet-based electronic invoice presentment and payment (EIPP) solutions for business-to-business (B2B) applications. InvoiceLink was founded in 1997 to offer major corporations, digital marketplaces, and their trading partners a quick, secure, low-cost and fully integrated solution that eliminates the need for traditional, paper-based invoicing transactions. On September 20, 2000, BCE Emergis completed its acquisition of InvoiceLink for $88.3 million. BCE Emergis plans to integrate this B2B EIPP application with its other solutions, including electronic procurement and security, as well as electronic claims processing in the healthcare area.

IMPORTANT INFORMATION

Microsoft Licensing Inc. selects InvoiceLink. On August 31, Microsoft Licensing, Inc., a wholly owned subsidiary of Microsoft Corp., announced that it had selected InvoiceLink to post and view invoice data via the Web. Microsoft Licensing will implement this e-presentment solution for invoicing requirements with its trading partners.

InvoiceLink and answer*think* form strategic alliance. On July 10, InvoiceLink and answer*think* formed a strategic alliance to provide answer*think's* customers with Web-based B2B invoicing and payment solutions, including consulting, integration, and implementation services. ANSR provides comprehensive e-business strategy, marketing and technology-enabled solutions focused on the emerging Internet-driven marketplace.

InvoiceLink receives patent for its invoicing and payment system. The U.S. Patent and Trademark Office issued InvoiceLink a patent for its invoicing payment system, ensuring the Company's technology is protected. InvoiceLink's technology allows the Company to brand its bills, provide one-to-one marketing opportunities, facilitate multiple payment techniques to customers while maintaining relationships with their existing financial institutions, and provide a complete audit trail of customer and trading partner communications.

OFFICIAL PAYMENTS CORPORATION ♦ OPAY
www.officialpayments.com

PAYMENT ENABLERS

SHARE PRICE	
9/29/00	**$8.11**
52-Week Range:	$57.38 - $3.81

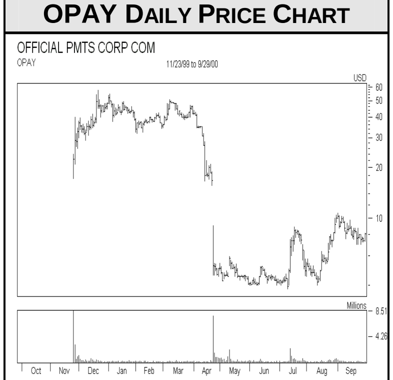
FINANCIAL METRICS*		
(FY 12/31)	**EPS**	**Rev. (MM)**
2001E	**NE**	**NE**
2000E	**NE**	**NE**
Q1A	($0.42)	
Q2A	($0.22)	
Q3E	NE	
Q4E	NE	
1999A	**($0.66)**	**$8.6**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	21.5
Market Capitalization(MM):	**$174**
Float (MM):	13.3
Average Daily Volume (000s):	303
Institutional Ownership:	7%
Officers/Directors Hold:	29%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$74.4
Total Assets (MM):	$81.0
Total Liabilities (MM):	$6.3
LT Debt/Total Capital:	None
Book Value Per Share:	$3.47

OPAY DAILY PRICE CHART



COMPANY DESCRIPTION

Official Payments Corp., formerly U.S. Audiotex, has been processing government payments electronically since 1996, when it began accepting property tax payments in California. Since then, the Company has signed many new government clients including the United States Internal Revenue Service, seven states, and more than 450 counties and municipalities.

For the Company's current clients, Official Paments processes a variety of payments, including estimated, extension, balance-due and past-due personal income taxes; sales and use taxes; real estate, personal property and school district taxes; fines for speeding and other traffic rule violations; fines for parking rule violations; and water, electricity and gas bills.

Initially, citizens made their payments via the Company's Interactive Voice Response (IVR) toll-free telephone payment system. In 1999, Official Paments added an Internet capability, allowing citizens to make payments and gain customer service information over its Web site. As a partner of both consumers and government, Official Payments is committed to making all types of payments to the government go fast, smart, and safe.

IMPORTANT INFORMATION

Official Payments signs Ohio as its twelfth state client. On September 19, 2000, Official Payments announced that it had signed Ohio as its twelfth state client to accept Internet and telephone tax payments by credit card. The Company's other state clients include Alabama, Arkansas, California, Connecticut, the District of Columbia, Illinois, New Jersey, Maryland, Minnesota, Oklahoma, and Washington.

Official Payments signs 500th client. On May 18, the Company signed Hamilton County, OH, representing the Company's 500th client. The Company enables county residents to make real-estate tax payments with their credit cards, via the Internet or telephone. In addition to announcing Hamilton County as its 500th client, Official Payments also announced the signing of twelve other counties and municipalities.

PAYSYS INTERNATIONAL INC. ♦ PRIVATE
www.paysys.com

PAYMENT ENABLERS

MANAGEMENT
Stephen B. Grubb, Chairman, President & CEO
Harvey Wagner, Executive Vice President, Finance & CFO

INDUSTRY LANDSCAPE
Sponsors/Partners:
ALLTEL
American Express
Compaq
Electronic Data Systems
Experian
Fair, Isaac
Finity
Fiserv
M&I Data Services
Sun Microsystems
Customers:
American Express
Barclaycard
Citibank
Sears, Roebuck and Co.
Taishin International Bank
Total: >60
Potential Competitors:
Electronic Data Systems
Equifax
Fin'lSettlementMatrix.com
Hogan Systems
InvoiceLink
PaymentWave
Sema Group
Total Systems Services
Virtual Purchase Card

INVESTORS
Advent International
Capital Resource Partners
GE Capital
Intelligent Systems Corp.
Oak Investments

COMPANY DESCRIPTION

Founded in 1981, Norcross, Georgia-based PaySys International, Inc. is a provider of credit card management software. Garnering 70% of the market, its CardPac, VISION21, and Vision*PLUS* solutions handle retail, bankcard, and consumer loans all via one system. The latest release of Vision*PLUS* provides new account processing; merchant acquisition; cardholder billing and management; promotions and co-branding; MasterCard, Visa and Europay compliance; and customer service. PaySys' newest product, the Commercial Payment System, is a Web-enabled, end-to-end payment solution for commercial cards, and any form of electronic business-to-business payment. It provides a core infrastructure that enables commerce through the automation of payment and data transaction processes. It improves efficiencies, competitiveness and profitability by leveraging the Internet to automate currently cumbersome and paper-bound commerce processes.

PaySys has clients in over 35 countries on six continents. The Company has offices in the United States, United Kingdom, Singapore, China, Costa Rica, and Australia.

IMPORTANT INFORMATION

Barclaycard chooses PaySys. On September 18, 2000, Barclaycard, the largest credit card issuer in Europe, chose PaySys' Commercial Card application to provide a Web-enabled payment solution for its commercial card processing and customer management operations. The new system would be rolled out in two phases. The first phase, expected in November, would provide Internet-enabled customer service and customer self-service; the second phase, expected in Q4:01, would completely replace Barclaycard's existing commercial card system.

Taishin International Bank signs pact with PaySys. On July 22, Taishin International Bank, the second largest credit card issuer in Taiwan, signed a pact with PaySys and Taiwan-based CyberSoft Digital Services to set up its plastic money payments system. Taishin has approximately 1.5 million credit cards in circulation.

PaySys signs agreement with Sears. In early June, PaySys signed a licensing agreement with Sears, Roebuck and Co. for the use of its Transaction Routing and Management System (TRAMS) transaction processing software, which is part of the Company's VisionPLUS card management system. Sears utilizes the PaySys software to process point-of-sale transactions for its approximately 3,000 domestic stores. TRAMS provides a multi-purpose, front-end data collection, processing, and routing system that can process transactions from a variety of different sources.

PAYMENT ENABLERS

TRINTECH GROUP PLC ♦ TTPA
www.trintech.com

SHARE PRICE	
9/29/00	**$20.13**
52-Week Range:	$75.44 - $6.00

FINANCIAL METRICS*		
(FY 1/31)	**EPS**	**Rev. (MM)**
2001E	**NE**	**NE**
Q1A	($0.13)	
Q2A	($0.09)	
Q3E	NE	
Q4E	NE	
2000A	**($0.31)**	**$30.2**
1999A	**($0.21)**	**$21.0**

**IBES estimates*

TRADING DATA	
Shares Outstanding (MM):	54.3
Market Cap. (MM):	**$1,093**
Float (MM):	46.6
Average Daily Volume (000s):	148
Institutional Ownership:	17%
Officers/Directors Hold:	43%

BALANCE SHEET SUMMARY	
Cash and Equivalents (MM):	$13.8
Total Assets (MM):	$163.9
Total Liabilities (MM):	$13.2
LT Debt/Total Capital:	1%
Book Value Per Share:	$0.24

TTPA DAILY PRICE CHART

COMPANY DESCRIPTION

Founded in 1987, Dublin, Ireland-based Trintech Group PLC is provides secure electronic payment solutions to the world's Banking, Technology, and Retail organizations. Whether electronic payments take place in a physical environment or over the Internet, Trintech supplies open and vendor neutral solutions that ensure consumers, merchants and institutions can buy and sell with confidence and security.

IMPORTANT INFORMATION

Trintech to acquire Sursoft. On September 13, 2000, Trintech announced it had signed a definitive agreement to acquire Sursoft, a privately held Latin American card management software company, for approximately $10.7 million.

Trintech acquires Checkline. At the end of August, Trintech announced it had acquired Checkline PLC for approximately $44 million. Checkline, based in the United Kingdom, is focused on transaction processing and electronic card payment. We believe this acquisition strengthens Trintech's position in the European market.

Trintech and Planet Payment form alliance. Trintech and Planet Payment, a provider of multi-currency Internet payment solutions, formed an alliance to deliver secure Internet payment processing capabilities to banks and Internet merchants worldwide. To start, Planet Payment implemented a secure multi-currency Internet Payment transaction solution based on Trintech's PayWare eAcquirer technology, allowing the more than 100 banks in the Trintech and Planet Payment network to offer secure multi-currency Internet processing services to their merchants. Planet Payment currently processes transactions for merchants in more than 25 countries, and its merchant base is expected to include over 100 by year-end. The two companies have agreed on a joint marketing program with a special emphasis on the Asia-Pacific marketplace.

XIGN INC. ♦ PRIVATE
www.xign.com

PAYMENT ENABLERS

MANAGEMENT
Thomas Glassanos, President & CEO
Peter Forde, eCheck Product Manager
Jim Akister, eCheck Services Manager

INDUSTRY LANDSCAPE
Sponsors/Partners:
Certicom
FTSC Electronic Check Project
IBM
Potential Competitors:
Official Payments

INVESTORS
RDM Corporation

COMPANY DESCRIPTION

Pleasanton, California-based Xign Corporation provides electronic payment solutions that use digitally signed electronic check technology. Xign's *eCheck* is a business-to-business payment instrument offering a secure, reliable, and cost-effective way to settle payments via electronic mail. Xign's technology is based on the Electronic Check Project of the Financial Services Technology Consortium—a four-year joint research project involving banks, technology partners, and initial users. Xign's payment software is the first e-check solution used by the United States government, where it has been used to successfully transmit millions of dollars of payments via electronic mail.

Xign is a spin-off of RDM Corporation of Toronto, Canada, which developed the initial payer and payee software used by the FSTC Electronic Check Project.

IMPORTANT INFORMATION

Charles R. Schwab provides financing and joins board. In mid-June, 2000, Charles Schwab purchased 2.83 million convertible preferred shares of Xign for $3 million. Each preferred share is convertible into one common share. Mr. Schwab also joined the Company's board of directors.

RDM creates Xign subsidiary. On June 1, RDM Corp., which develops software and hardware products for both Internet electronic commerce and paper payment processing, established Xign, Inc., a subsidiary that will focus on technologies that allow users to send and receive payments over the Internet.

APPENDIX

APPENDIX A: **WR HAMBRECHT + CO CONTACT INFORMATION**

William Hambrecht	Founder and Chairman
Bruce Mann	Head of Mergers and Acquisitions
Peter Rogers	Head of Equity Research
Erik Burke	Head of Institutional Sales
John Caruana	Head of Institutional Trading
Max Straube	Head of Investment Banking
Susan Valentine Baker	Investment Banking
Julie Cho	Investment Banking
Jeffery B. Baker	Vice President - Senior Research Analyst
Stephen A. Laws	Associate Research Analyst

APPENDIX B: GLOSSARY OF EFINANCE TERMINOLOGY

Activation – The process where a customer selects a biller account for bill presentment, agrees to biller terms and conditions, and establishes the account within the biller's and the customer service provider's systems.

Agent – An individual or business, other than the customer or biller, that receives and originates bills or notices on behalf of the customer or biller.

Aggregator – A customer service provider that aggregates bills and bill summaries from consolidators, biller service providers, and billers for viewing by the customer.

Authentication – A reliable process that determines the identity of a party.

Bill/Invoice – An electronic or paper document sent to a customer associated with a payment due.

Bill Consolidator – a bill service provider that consolidates bills from other bill service providers or billers and delivers them for presentment to the customer service provider.

Bill Detail – Information from a biller that provides invoice line level information to a customer. This may include specific billing event information such as credit card charges, telephone calls, or kilowatts used.

Bill Summary – The summary information from a biller that is essential to a customer to understand what is owed. Typical information may include the amount owed, the date due, and the biller's account number.

Bill Notification – A process whereby a customer is notified that an electronic bill is available for review and payment.

Biller – A company or organization that sends a bill or statement, usually a request for payment for a product or service, to a customer.

Biller Payment Provider (BPP) – An agent of the biller that accepts remittance information on behalf of the biller.

Biller Service Provider (BSP) – An agent of the biller that provides an electronic bill presentment and payment service for the biller.

Check & List – Multiple payments on one list with a single check attached for the total.

Commercially Reasonable Time Frame – A period of time generally considered acceptable for a process within a given industry, taking into consideration the circumstances of the parties to the transaction.

Commercial Relationship – An agreement between parties to do business together for the purpose of electronic bill presentment and bill payment. It may or may not include a contract.

Consolidator – A biller service provider that consolidates bills from other bill service providers or billers and delivers them for presentment to the customer service provider.

Credit Transaction – A payment transaction that pushes funds from the customer service provider or customer payment provider to the biller payment provider.

Customer – An individual or entity that receives goods or services which are subject to bills or statements. In other words, this is the receiver of a bill.

Customer Account Information – A detail field within remittance information, usually the account number assigned to that customer by the biller. This can also be used to mine the customer's billing name and address as well as any other information that the biller uses to identify the customer.

Customer Payment Provider (CPP) – An agent of the customer that originates payments on behalf of the customer.

Customer Service Provider (CSP) – An agent of the customer that provides an interface directly to customers, businesses or others for bill presentment. A CSP enrolls customers, enables presentment and provides customer care, among other functions.

Debit Transaction – A payment transaction authorized by the customer and originated by the biller where funds are removed from the customer's account.

Demand Draft – A single payment check without a scannable remittance document attached. This draft may be drawn on the customer's account or the customer payment provider's account.

Electronic Bill Presentment and Payment (EBPP) – This refers to the process that allows a biller to create and present an electronic bill or financial statement on its own Web site or through a third party organization that makes the content available to end users who ultimately are able to view and pay the bill over the Internet.

Electronic Payment – Any non paper-based type of payment.

Email Address – A digital address usually belonging to the customer.

Enrollment – The process associated with a customer establishing a relationship with a customer service provider.

Interactive Financial Exchange (IFX) – A standard for the exchange of financial data and instructions independent of a particular network technology or computing platform. It builds on previous industry experience including OFX and GOLD, which are currently implemented by major financial institutions and service providers to enable the electronic exchange of financial data between their customers and themselves.

Open Financial Exchange (OFX) – A standard for the exchange of financial data and instructions independent of a particular network technology or computing platform. Major financial institutions and service providers, enabling the electronic exchange of financial data between their customers and themselves, are currently implement OFX.

Payment – A vehicle to affect the transfer of value. This is typically a transfer of funds from one bank depository to another, but may also include a transfer of funds to or from a debit instrument, such as a credit card. Also known as a funds transfer.

Payment Concentration – The process of taking payments from multiple banks and payment networks and concentrating them into a single format (e.g. lockbox, EDI, and ACH).

Payment Due Date – The date by which the biller requires payment from the customer.

Payment Instructions – The instructions for routing/posting the payment (i.e. into the bank account where the funds should be deposited).

Payment Instruments – The instruments required to initiate a payment (e.g. checks, credit cards, debit cards).

Payment Method – A method used to facilitate and process payments.

Payment Posted Date – The date by which a payment is posted to an account.

Payment Systems – A system or network used to process payments (e.g. ACH, debit card and credit card networks).

Personal Financial Management Software – Software used by a customer to manage his or her checking account, savings account, money market account, etc. The software often includes categorization, reporting, and graphing capabilities.

Registration – The process of a biller's establishing a relationship with a biller service provider.

Remittance Information – The information required by the biller to effectively post customer bill payments.

Remittance Method – The method used to deliver funds and remittance information.

Service Initiation – The overall term encompassing registration, enrollment and activation.

Statement/Notice – An electronic or paper document sent to a customer/agent that does not have a payment due associated with it.

Thick Consolidation – A type of third party consolidation where both the bill summary and bill detail are available on the consolidator's Web server.

Thin Consolidation – A type of third party consolidation where the bill summary is available at the consolidator's Web server and the bill detail is available at the biller's Web server.

Note: Many of these definitions courtesy of eBilling.org.

LEGAL NOTICES AND DISCLOSURES

COMPANIES REFERENCED

724 Solutions (SVNX, $45.25; Not Rated), ABN Amro (ABM, $23.81; Not Rated), Aether Systems (AETH, $90.00; Buy), Affiliated Computer Services (ACS, $49.13; Not Rated), Allaire (ALLR, $7.34; Not Rated), Alliance Capital (AC, $50.00; Not Rated), ALLTEL (AT, $53.94; Not Rated), Ameritrade (AMTD, $15.31; Not Rated), Amazon.com (AMZN, $36.00; Buy), AmSouth (ASO, $12.75; Not Rated), America Online (AOL, $58.65; Not Rated), American Express (AXP, $60.88; Not Rated), Answerthink (ANSR, $14.94; Buy), Ariba (ARBA, $129.77; Not Rated), Art Technology Group (ARTG, $67.70; Not Rated), AT&T (T, $29.75; Not Rated), Atlantic Data Services (ADSC, $4.06; Not Rated), BancFirst (BANF, $33.94; Not Rated), BancWest (BWE, $19.88; Not Rated), Bank of America (BAC, $52.75; Not Rated), Bank of Montreal (BMO, $46.25; Not Rated), Bank of New York (BK, $54.88; Not Rated), Bank One (ONE, $37.00; Not Rated), BB&T (BBT, $30.50; Not Rated), Be Free (BFRE, $3.94; Not Rated), Bell & Howell (BHW, $21.88; Not Rated), Bestfoods (BFO, $72.94; Not Rated), Beyond.com (BYND, $0.97; Not Rated), Billing Concepts (BILL, $3.06; Not Rated), billserv.com (BLLS, $7.75; Not Rated), BISYS (BSYS, $80.06; Not Rated), Bottomline Technologies (EPAY, $40.75; Not Rated), Broadvision (BVSN, $21.38; Not Rated), Buy.com (BUYX, $2.91; Not Rated), cavion.com (CAVN, $2.38; Not Rated), Centura Bank (CBC, $38.31; Not Rated), Certicom (CERT, $38.69; Not Rated), Charles Schwab (SCH, $33.63; Not Rated), Chase Manhattan (CMB, $45.56; Not Rated), CheckFree (CKFR, $38.19; Strong Buy), Cisco Systems (CSCO, $58.56; Not Rated), Citigroup (C, $54.75; Not Rated), Colonial Bancgroup (CNB, $10.19; Not Rated), Comerica (CMA, $60.06; Not Rated), Commerce One (CMRC, $66.25; Not Rated), Compaq (CPQ, $28.84; Not Rated), Concord EFS (CEFT, $35.00; Not Rated), Corillian (CORI, $9.75; Not Rated), Cotton States Life Insurance (CSLI, $9.56; Not Rated), CyberCash (CYCH, $3.00; Not Rated), CyberSource (CYBS, $10.75; Not Rated), Diamond Technology Partners (DTPI, $68.25; Buy), Digital Courier Technologies (DCTI, $1.94; Not Rated), Digital Insight (DGIN, $35.00; Not Rated), East West Bancorp (EWBC, $19.44; Not Rated), Egghead.com (EGGS, $2.16; Not Rated), EMC (EMC, $92.13; Not Rated), Enron (ENE, $83.06; Not Rated), Entrust Technologies (ENTU, $29.13; Not Rated), Equifax (EFX, $30.06; Not Rated), E*TRADE Group (EGRP, $15.25; Not Rated), Exodus Communications (EXDS, $45.00; Not Rated), Family Dollar Stores (FDO, $18.13; Not Rated), Finity (FNTY, $0.34; Not Rated), First Data (FDC, $38.25; Not Rated), First Midwest Bancorp (FMBI, $26.00; Not Rated), First Tennessee National (FTN, $21.63; Not Rated), First Union (FTU, $34.13; Not Rated), Fiserv (FISV, $56.75; Not Rated), FleetBoston Financial (FBF, $38.88; Not Rated), Ford Motor (F, $26.38; Not Rated), Fundtech (FNDT, $23.13; Not Rated), General Electric (GE, $58.88; Not Rated), Hertz (HRZ, $32.38; Not Rated), Hewlett-Packard (HWP, $95.63; Not Rated), Hibernia Bank (HIB,$12.88; Not Rated), Huntington Bancshares (HBAN, $14.94; Not Rated), insci-statements (INSI, $1.94; Not Rated), InteliData (INTD, $5.72; Not Rated), The InterCept Group (ICPT, $22.75; Strong Buy), International Business Machines (IBM, $114.38; Not Rated), Intuit (INTU, $53.63; Not Rated), Ireland Bank (IRE, $28.63; Not Rated), i2 Technologies (ITWO, $159.38; Not Rated), Jack Henry (JKHY, $43.94; Not Rated), JC Penney (JCP, $11.31; Not Rated), John H. Harland (JH, $14.94; Not Rated), JP Morgan (JPM, $164.00, Not Rated), Jupiter Media Metrix (JMXI, $11.63; Not Rated), Lehman Brothers (LEH, $140.63; Not Rated), M & T Bank (MTB, $518.40; Not Rated), Marshall & Ilsley (MI, $50.06; Not Rated), Merrill Lynch (MER, $65.50; Not Rated), Microsoft (MSFT, $55.44; Not Rated), Mobius (MOBI, $4.00; Not Rated), Morgan Stanley Dean Witter (MWD, $90.38; Not Rated), National City (NCC, $23.19; Not Rated), Navisite (NAVI, $24.44; Not Rated), NetBank (NTBK, $11.38; Buy), Netcentives (NCNT, $11.06; Not Rated), Netzee (NETZ, $4.00; Not Rated), NextCard (NXCD, $8.97; Strong Buy), Nova (NIS, $16.75; Not Rated), Official Payments (OPAY, $7.38; Not Rated), Old National (OLDB, $30.81; Not Rated), Online Resources (ORCC, $3.19; Not Rated), Oracle (ORCL, $68.13; Not Rated), Phoenix International (PHXXE, $3.08; Not Rated), Priceline.com (PCLN, $9.38; Not Rated), Procter & Gamble (PG, $70.13; Not Rated), Provident Bankshares (PBKS, $17.44; Not Rated), Remedy (RMDY, $17.25; Not Rated), Royal Bank of Canada (RY, $60.69; Not Rated), RSA Security (RSAS, $39.50; Not Rated), S1 (SONE, $10.50; Buy), Sanchez Computer (SCAI, $13.56; Not Rated), SBC Communications (SBC, $51.75; Not Rated), Sears Roebuck (S, $33.20; Not Rated), Sprint

(FON, $27.44; Not Rated), State Street Bank (STT, $127.49; Not Rated), Summit Bancorp (SUB, $38.38; Not Rated), Sun Microsystems (SUNW, $111.45; Not Rated), SunTrust Banks (STI, $50.63; Not Rated), Sybase (SYBS, $22.56; Not Rated), TD Waterhouse (TWE, $18.44; Not Rated), Toronto Dominion Bank (TD, $30.44; Not Rated), Towne Services (TWNE, $0.86; Not Rated), Transaction System Architects (TSAI, $13.94; Not Rated), Trintech Group (TTPA, $19.06; Not Rated), Ventro (VNTR, $9.75; Not Rated), VeriSign (VRSN, $183.56; Not Rated), Wachovia (WB, $57.13; Not Rated), Vignette (VIGN, $22.81; Not Rated), Washington Mutual (WM, $39.94; Not Rated), Wells Fargo (WFC, 47.13; Not Rated), Western Digital (WDC, $6.13; Not Rated), and Yahoo! (YHOO, $87.94; Buy).

STOCK RATING SYSTEM

WR Hambrecht + Co uses a six-tiered rating system, as follows:

Strong Buy	We anticipate the stock will outperform the S&P 500 in the next 6 months, with the potential for a near-term catalyst.
Buy	We anticipate the stock will outperform the S&P 500 over the next 12 months.
Arbitrage Positive	We are favorably attracted to the potential investment returns afforded by the announced transaction.
Market Neutral	We anticipate the stock will perform in-line with the S&P 500 over the next 12 months.
Market Underperform	We anticipate the stock will underperform the S&P 500 over the next 12 months.
Arbitrage Negative	We are not attracted to the potential investment returns afforded by the announced transaction.

IMPORTANT NOTE

WR Hambrecht + Co makes a market in the securities of Aether Systems (AETH), AmeriTrade Holdings Corp. (AMTD), Amazon.com (AMZN), answerthink (ANSR), About.com (BOUT), Broadvision (BVSN), CheckFree Corporation (CKFR), CyberCash (CYCH), eBay (EBAY), E-Loan (EELN), E Trade Group (EGRP), The InterCept Group (ICPT), Intuit (INTU), NetBank (NTBK), NextCard (NXCD), Priceline.com (PCLN), PeopleSoft (PSFT), S1 Corp. (SONE), Worldcom (WCOM), and Yahoo! (YHOO).

Analysts Jeffery B. Baker and Stephen A. Laws have investment positions in Netzee (NETZ).

The information contained herein is based on sources believed to be reliable but is neither all-inclusive nor guaranteed by WR Hambrecht + Co, LLC ("WRH+Co"). Opinions, if any, reflect our judgment at this time and are subject to change. WRH+Co does not undertake to advise you of changes in its opinion or information. In the course of our firm's regular business, we may be long or short in the securities mentioned and may make purchases and/or sales of them or options to purchase or sell them from time to time in the open market, as a market maker or otherwise, including purchases from or sales to customers on a principal basis. In addition, WRH+Co may perform or seek to perform investment banking services for the issuers of these securities. Most of the companies WRH+Co follows are emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies. The securities discussed in the reports included in WRH+Co Research may be unsuitable for investors depending on their specific investment objectives and financial situation and needs. No report included in WRH+Co Research is a recommendation that any particular investor should purchase or sell any particular security in any amount or at all, and is not a solicitation of any offer to purchase or sell from or to any particular investor. For additional information that may be available on the securities mentioned, please contact WRH+Co.

WR Hambrecht + Co research reports are available online at www.wrhambrecht.com.