

MERCHANTS'
ANTITRUST CASE
AGAINST
MASTERCARD
AND VISA

FOR IMMEDIATE RELEASE

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Statement from Constantine & Partners, Merchants' Lead Counsel in
VisaCheck/MasterMoney Antitrust Litigation

**Notice of Class Action Settlement to Merchants in the Visa/MasterCard Merchants'
Antitrust Litigation Completed At Same Time That Visa and MasterCard Begin to Comply
With the Settlement Terms and Lower Interchange Rates Charged to Merchants**

NEW YORK, August 4, 2003 – The first stage of implementing an historic and landmark settlement, the largest ever in an antitrust case, has been completed. 8,148,276 notices to the merchants and other entities who are class members in the lawsuit against Visa U.S.A. Inc. and MasterCard International, Inc. have been mailed, and notice by publication of summary notices in national publications and trade press have been completed; a copy of the summary notice by publication is attached to this release. The second stage of implementation began on Friday, August 1, 2003, as Visa and MasterCard reduced the interchange fees charged to merchants for their point of sale debit card transactions (primarily off-line signature debit card transactions) by approximately one-third. This price reduction is expected to provide up to \$1 billion in cost savings to US merchants this year alone, which is in addition to the \$3.05 billion damages award to be paid by Visa and MasterCard, the largest amount ever paid in the settlement of a antitrust case. The third stage of the settlement will begin on January 1, 2004, when merchants will be free, for the first time in history, to accept Visa and/or MasterCard credit card transactions but refuse to accept off-line signature debit transactions or vice versa.

Case Background

More than six years ago, in October of 1996, the merchants filed suit against MasterCard and Visa because they were attempting to monopolize the debit card market just as they have monopolized the credit card market. The merchants also challenged Visa and MasterCard's enforcement of their "Honor All Cards" tying rule, which illegally forced merchants who accept their credit cards also to accept their slow, fraud-prone, excessively priced and deceptively designed debit cards. The case was certified as a class action in February of 2000, and the trial was set to commence on April 28, 2003, following the defendants' unsuccessful appeals of the class certification decision and supplementation of summary judgment motions.

After the jury was empanelled, the parties agreed to the settlements. Final settlement agreements were signed on June 4, 2003 and the federal judge overseeing the case, Hon. John

Gleeson, granted preliminary approval to the settlements and the notice plan on June 13, 2003. Any objections to the terms of the settlements and plan of allocation are due to be filed by September 5, 2003, and a fairness hearing will take place on September 25, 2003, in U.S. District Court for the Eastern District of New York before Judge John Gleeson.

Settlement Terms

Despite the fact that final court approval will not occur until after the September 25, 2003 fairness hearing, certain events arising from the settlements are starting to occur.

The settlements required Visa and MasterCard to significantly lower the interchange rates which apply to off-line signature debit card transactions on August 1, 2003. These lowered rates will be in effect until the end of this year, saving merchants as much as \$1 billion for the remainder of this year. These rate reductions are intended to benefit merchants. According to Lloyd Constantine, a principle in the New York firm Constantine & Partners, the lead counsel for the merchants, "It is important for each merchant to ask the firm that processes its Visa and MasterCard debit transactions about these reductions in the interchange rates, which are part of the discount rate that each merchant pays for these debit transactions."

The settlements also provide that on January 1, 2004 all merchants will, for the first time, be free to accept Visa and MasterCard credit card transactions but refuse to accept off-line signature debit transactions or vice versa. The debit and credit products will be "untied." Each merchant has an individual decision to make about whether or not to continue accepting the debit and credit products when they are untied next January. Under the settlements, the merchants are receiving notice of their right to discontinue acceptance of the Visa and/or MasterCard debit products on at least a monthly basis from the financial institutions through which they accept and settle Visa/MasterCard transactions. A merchant may continue to accept the PIN debit products (including Visa's Interlink and MasterCard's Maestro) if it decides to stop accepting the other, signature authorized debit products. Any merchant that chooses to stop accepting the Visa and/or MasterCard debit products must give 30 days notice of its intent to do so. A copy of Constantine's open letter to merchants is attached to this release.

Under the settlements, Visa is set to pay \$2.025 billion to merchants over the next 10 years and MasterCard is set to pay \$1.025 billion over the same period. By December 22, 2003, Visa and MasterCard must pay \$350 million to the settlement fund and then pay \$300 million every year for the next nine years. According to the American Bar Association, the \$3.05 billion total settlement is the largest ever in an antitrust case. Constantine says that, "In the long run, this settlement offers more choice and more competitive pricing for merchants and consumers."

Will consumer choice be affected by the Settlements?

"This settlement will expand consumers' payment choices. For more than a decade Visa, MasterCard and their member/owner banks have suppressed the faster, safer and less expensive online PIN debit transactions," Constantine said. "Once the terms of the settlements

have been fully approved and implemented, consumers will be able to freely choose the way they pay without economic coercion, which Visa and MasterCard have used against consumers and merchants.”

How will the Settlement Funds be allocated among Millions of Class Members?

While the terms of the settlements call for payments over ten years, both Visa and MasterCard have agreed to cooperate in an effort to secure financing to allow all payments to be made to merchants over the next year.“ This process would save a significant amount in administrative costs, upwards of \$100 million, so we expect that the total of the payments that merchants would receive during the next year would be worth more than the total that they would have received in ten checks over nine years,” said Constantine.

“The payout to merchants will be easy, fair, and equitable. The payment amount will be based on a merchant’s volume of debit and credit card transactions between October 25, 1992 and July 31, 2003, the day before the new off-line debit pricing went into effect,” said Constantine. Visa and MasterCard have agreed to make their transaction database available so that notice and the allocation of payments to merchants will be completed quickly, cost effectively, and accurately. “In effect, this will mean most merchants will be able to receive a claim with minimal paperwork, and need to do nothing until they receive a claim form in the mail after final approval,” said Constantine. “If a merchant questions the payment they will be able to complete a more detailed form to ensure that they receive the proper payment.” The final plan of allocation will be filed with the Court and posted on the case website (*InReVisaCheck-MasterMoneyAntitrustLitigation.com*) by August 18, 2003.

Who is a member of the class and what are their rights?

The certified class consists of all persons and business entities that have accepted Visa and/or MasterCard credit cards and therefore have been required to accept Visa and/or MasterCard offline signature debit transactions from October 25, 1992 to the present.

Members of the class were given notice of pendency and an opportunity to opt-out of the case in September, October and November of 2002. New Merchants – *i.e.*, those who first began accepting Visa and/or MasterCard credit and debit cards for payment after June 21, 2002 -- have the right to exclude themselves from the class by filing a request for exclusion by September 5, 2003. Any class members has the right to object to the settlements by September 5, 2003 and to appear at the fairness hearing on September 25, 2003.

Any person or entity that received a copy of the Notice of Settlement through the mail in July is already registered on the Class Member List and need do nothing at this time. Any merchant or other entity that has accepted Visa or MasterCard credit cards and debit cards dating back to October 25, 1992 that did not receive a notice by first class mail should request a copy of the full notice and register with the administrator, either by sending an e-mail to admin@InReVisaCheck-MasterMoneyAntitrustLitigation.com, or by calling 1-888-641-4437, or

by writing The Garden City Group, Inc., PO Box 9000-6014, Merrick, NY 11566.; attn. In Re Visa Check/MasterMoney Antitrust Litigation.

How were class members notified?

More than 8.1 million notices of class action settlement were mailed on or before July 3, 2003 to members of the class. The mailing list was developed from merchant data provided by Visa, MasterCard and the 80 largest merchant acquirers/processors, as augmented with the names of potential class members who registered with the Administrator since Notice of Pendency was given in September and October of 2002. Summary notice also appeared in major national publications and merchant trade press between June 20 and August 4, 2003 and has been posted on the case website: *InReVisaCheck-MasterMoneyAntitrustLitigation.com*.

Constantine & Partners of New York City is the designated merchants' lead counsel for this case. The named plaintiffs include: The Limited, Inc., Sears, Roebuck and Co., Safeway Inc., Wal-Mart Stores, Inc., Circuit City Stores, Inc., National Retail Federation, Food Marketing Institute, International Mass Retail Association, Bernie's Army-Navy Store, Auto-Lab of Farmington Hills, Burlington Coat Factory Warehouse Corporation, Sportstop, Inc., Payless ShoeSource, Inc., Shoes, Etc., Inc., The Coffee Stop, Inc., UCC Kwik Doc, Inc., Computer Supplies Unlimited, Denture Specialists, Inc., Geneva White, D.M.D., and Scrub Shop, Inc.

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