

## TechMall.com's REVENUES

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### TechMall.com's Revenues<sup>1</sup>

As Sheri walked back to her office from the morning's meeting, she was painfully aware that the other executives and managers were splitting up into lunch groups and leaving the office, and she was without an invitation. However, she wasn't surprised. After the report she had just presented to them, they had a lot to think about. The report was difficult for some to accept. First, the news wasn't good. Second, she wasn't able to answer a number of penetrating questions as to the exact reason that revenue was flat this last year for TechMall, nor could Sheri provide a rational plan for what needed to happen this upcoming year to reenergize the revenue line and improve profits. However, given the fact that her finance team had worked hard just to close the books and get the numbers to Sheri in time for the meeting, there had simply not been time to perform a thorough analysis of the unexpected results. At the end of the meeting, Doug Liddle, the CEO, announced that the group would reconvene in exactly one week to receive from Sheri a more complete analysis and her recommendations. Sheri knew that there would be a lot of tough questions at that next meeting, and the TechMall management certainly had a right to expect that their CFO would return with some good answers. She had a lot of work to do this week. The challenge for Sheri was that this analysis needed to focus on revenues. However, her accounting background, like that of most accounting professionals, has been focused much more on cost analysis rather than revenue analysis. As she closed her office door and settled back into her chair, Sheri was thinking about her past education and experience with managing cost drivers. She mused to herself, "Just like costs, there are certainly specific forces that determine revenue for every company. So the process of planning, controlling, and evaluating revenue is really a matter of identifying the revenue drivers, right?" With that thought, Sheri buzzed her secretary to order in lunch (again), and then she turned to a fairly detailed report on a number of metrics that her controller had just placed on her desk.

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<sup>1</sup> All characters, events, companies, and business structures presented in this case are entirely fictional.

## Background

TechMall.com, the brainchild of three ambitious professionals, is a classic Internet startup company in Madison, Wisconsin. Doug Liddle, a seasoned entrepreneur, identified the early growth potential of Internet companies like Netscape, Yahoo, and Amazon.com. Eager to be a “first mover,” Doug contacted his friend, Steve Tambasco, who was heavily involved in sales and distribution of electronics and related equipment. Doug was certain his vision of the Internet future could somehow be merged with Steve’s excellent understanding of and connections within the electronics distribution industry. After a lot of research, both Doug and Steve were confident that an Internet channel of electronics merchants, essentially a virtual mall of “cyber stores,” could be successfully established and achieve early profits. They felt that electronics merchants and their customers would be some of the early denizens of e-commerce. Many of these merchants were focusing on the Internet, but they were not sure how to proceed to integrate the Internet with their businesses.

Doug and Steve identified two critical needs of these merchants. First, they needed a complete e-commerce solution that provided hosting, website development, registration in a key search engine, inventory management and fulfillment/shipping, and the ability to process customer payments. Second, these hopeful Internet merchants needed this complete e-commerce solution to be easy, stable, and relatively inexpensive.

Doug and Steve realized at this point that they needed to recruit individuals with Internet technical ability. Fortunately, as a result of some past business dealings, Doug had come to know a number of sharp software and database engineers. The brightest was a woman currently working as a project supervisor for a large local networking company in Madison—Kristi Smith-Meyers. Doug made the lunch appointment. It turned out to be an obvious match. Kristi was anxious to move on with her career. Doug and Steve were also quite pleased to discover that Kristi had a lot of ideas about how the technology should work. Further, she was confident that she could assemble the necessary engineers for their new company.

With Kristi on board, they were ready to officially launch their Internet portal company or IPC. TechMall.com, Inc. was formed with Doug as CEO, Kristi as Chief Technology Officer or CTO, and Steve as Vice-President of Marketing. Kristi began establishing a server and building a host site. One by one, engineers were recruited from other companies and assigned the tasks of building websites, customizing a search engine package, and integrating the web store sites with the fledgling payment processing technologies coming on to the market. The biggest challenge turned out to be creating an inventory system that allowed merchants to build and maintain a unique mix of product and prices while seamlessly providing receiving and shipping capability from both the merchant’s own physical warehouse, as well as from key electronic parts distributors. Typical of many IPCs, TechMall initially offered its portal services free of charge to merchants during its beta test period. Merchants understood that the service they received in the TechMall portal during the beta period were subject to downtimes and other technical difficulties while the technology was being developed, and that there would eventually be service charges put in place once the technology was proven.

While Kristi focused on the technology, Doug began identifying investors in anticipation of their first formal round of funding. However, most of Doug’s time was spent working with Steve on marketing. Steve’s connections in the electronics wholesale and retail industry, which were deep and wide, turned out to be a critical component of the company’s eventual success. Steve understood that for TechMall.com to successfully orchestrate a first-mover strategy, it would need to identify and quickly bring large blocks of electronics merchants into its virtual mall. The process he followed was one of creating partnerships with “merchant aggregators,” defined as any organization that had already established business relations with significant numbers of electronics parts and products retailers. The potential merchant aggregators for TechMall included manufacturers, wholesalers/distributors, and industry organizations and associations. Even magazines and other consumer electronic trade publications were possible partners who could sell space in the TechMall virtual mall to their subscriber base. Steve scheduled meetings with key individuals at the various organizations where he presented TechMall’s business plan, technology, and revenue sharing model. He knew exactly what issues were key to creating excitement in these organizations, and much of that excitement centered on the TechMall model of revenue residual splits, i.e., sharing revenue from merchant clients with the organizations that brought those clients into the TechMall portal.

Exhibit 1 depicts the structure of TechMall’s relationships with its merchant clients and its merchant aggregators. In this relationship, the merchant aggregator establishes a partnership with TechMall to sell space in the TechMall virtual mall to its own collection of merchants. Once set up in the TechMall channel, the merchant client sells electronic goods and services to its own customers within the TechMall channel. TechMall’s virtual mall technology facilitates delivery to the customer and, in a manner similar to the function of a traditional credit card processor, collects the sales price and remits the sales prices, less all transaction fees, back to the merchant client. In

addition to the initial setup fee gathered from the merchant, TechMall also collects a fixed monthly maintenance fee (also called a Statement Fee) and a fee on each sales transaction (which is variable based on the dollar volume of the merchant's transactions). All three types of fees are remitted directly to TechMall, which then splits these revenues with the appropriate merchant aggregator using a predetermined revenue split ratio.

Doug, Steve, and Kristi all agreed that TechMall would roll out service charges to merchant clients once the technology was stable and there was a critical mass of at least 500 merchants registered in the TechMall system. As the first year of operations wound down, it was clear that the company would be able to start collecting revenues beginning with January of the following year. The price list was prepared based on market analyses and feedback from merchants already in the system. Steve essentially was in charge of developing the standard price list, though it is important to note that he and his marketing team retain the ability to amend fees and the partner split as needed in the process of negotiations with TechMall's partners. TechMall's partners (i.e., the merchant aggregators) use these negotiated fees in the process of selling merchant clients into TechMall's portal system. The TechMall revenue model is listed below.

#### Standard Pricing Schedule

Nonrefundable Setup Fee:	\$750 (merchants set up in beta test period were not charged this fee)
Monthly Statement Fee:	\$50 (no charge for initial setup month)
Transaction Fee:	2% of total sales dollars (\$200 maximum fee per sale transaction)
Partner Split:	70:30 (i.e., 30 percent of all merchant fees are remitted by TechMall to the merchant aggregator partner)

Both Steve and Doug felt that the strength of this surprisingly simple model was the potential to create revenue and cash in both the early stage and the mature stage of TechMall's life cycle. As partners (merchant aggregators) worked to sell and set up their Internet-hopeful electronics merchants into the TechMall system, large setup fees were immediately generated. Later, as these merchants' new e-commerce businesses grew and became successful, TechMall and its partners were positioned to grow and become successful with merchants by sharing two percent of the total sales value of each customer transaction. One important aspect of this revenue model is that TechMall is motivated to help merchant clients grow their businesses. Further, even if merchants with virtual stores within the portal struggled to grow their e-commerce business, TechMall expected to generate a decent ongoing revenue stream via the monthly statement fee. The initial financial results of this revenue model were impressive. Unlike many e-commerce companies, TechMall began generating significant operating profits and positive cash flows soon after starting operations.

The early months of TechMall's history were full of excitement and hard work. Once the revenue model was put in place in January of the second year of operations, there was little time to consider how well key internal aspects of the company were performing. Steve's growing sales team was consumed with contracting new merchant aggregator partners while Kristi and her team put in 80-hour workweeks fueled by pizza and caffeine. Doug, as CEO, exhausted himself managing the growth as new employees were hired and new office locations were acquired. By the end of the second year there were more than 3,200 merchants set up in the TechMall portal. This number more than doubled to over 8,000 merchants by the end of the third year. TechMall soon began getting attention from big companies and investors in the e-commerce industry.

Sometime late in the third year of TechMall's operations, much of Doug's attention shifted from managing growth to discussions with attorneys who thought it might be time for TechMall to execute an IPO. In addition, inquiries were surfacing that indicated a merger or acquisition of TechMall could be on the horizon. Early in the fourth year, two large Internet portal companies contacted Doug within days of one another to invite him to consider selling or merging his company with theirs. Within 60 days of that first call, after surprisingly little serious due diligence on the part of the buying company, TechMall was acquired by Wahoo.com, a multifaceted Internet company out of Austin, Texas. On the day of its acquisition, TechMall was barely three and a half years old with a total of 42 employees. It had nearly 9,000 merchants in its virtual mall. The previous year, TechMall had reported revenues of \$5.15 million and net income of \$2.46 million. The total acquisition price was \$55.5 million in cash and stock.

Sheri Brinker, an aggressive and extremely competent CPA from a local firm, entered this enviable company shortly after the acquisition as TechMall's first CFO. Wahoo.com, TechMall's new "mother company," was a very well managed public company trading on the NASDAQ at a market cap of close to \$4 billion. None of the three founders had any experience with a public company and public reporting responsibilities. And, due to the rich cash flow of the business, TechMall had never needed a loan. That fact, coupled with its investors' enthusiastic faith in

the company and its founders, meant that no CPA had actually done anything more with TechMall than file quarterly tax returns. Hence, it was made clear to Doug by Wahoo that TechMall needed someone with strong accounting skills and good finance experience to help merge the company into the infrastructure of Wahoo's corporate reporting system. Although Sheri did not have much experience in accounting for e-commerce companies, she was the top candidate for the job.

There was a lot of work to do during the acquisition year to get a formal financial control and accounting system established and to prepare TechMall for its first audit. One thing that Sheri didn't have to worry about, though, was TechMall's core business. Through its fourth year of operations, merchant aggregators continued to bring more electronics merchants into the TechMall portal—and revenues, income, and cash continued to flow.

The fourth year (TechMall's first year as a Wahoo subsidiary) came to a close. As Sheri worked through January of the following year to close the books and prepare financial statements for the auditors, it was clear that TechMall's stellar financial growth was slowing. Concerned, Sheri prepared the following preliminary key performance indicators in preparation for the weekly executive team meeting (below).

#### Key Performance Indicators

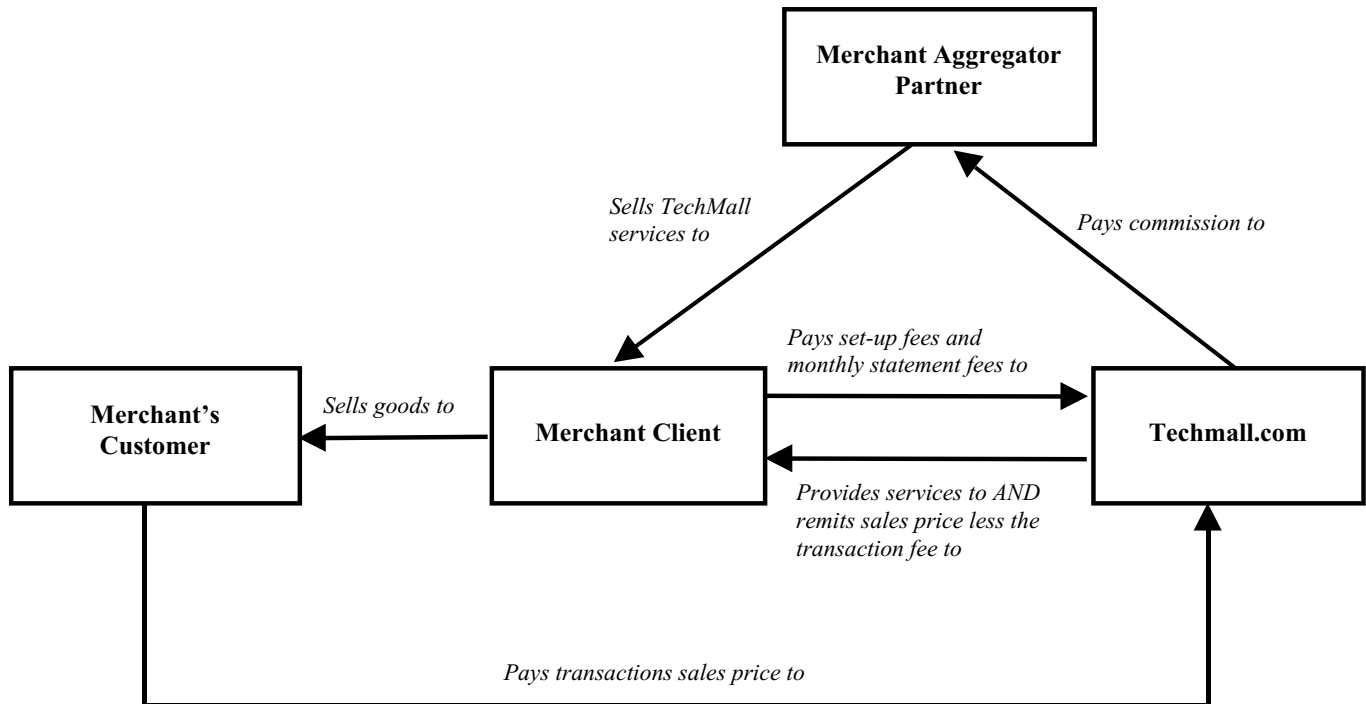
	Fourth Year	Third Year
Number of New Merchants Added	4,883	4,751
Total Number of Merchant Sales Transactions	1,494,547	315,450
Total Merchant Sales Dollars Processed	\$87,470,566	\$12,616,436
Average Ratio of Transacting Merchants to Total Merchants	45.5%	37.7%

On one hand, these performance indicators suggested to Sheri that TechMall's financial progress was continuing, at least in terms of merchants actively transacting within the TechMall system. This progress appeared to be underscored by an improving balance sheet and a strong cash flow statement (see Exhibits 2 and 3).

On the other hand, growth in new merchants coming into the system was clearly flat, at best. And, despite the apparent strength of the balance sheet and cash flow statement, net income had declined sharply from the previous year (see Exhibit 4). Sheri noted that costs were increasing very fast. This increase was not particularly surprising to her given the fact that TechMall was transitioning from a small entrepreneur shop into a large company and a major player in the e-commerce industry. The infrastructure of the company was naturally growing as more employees were hired, technology was purchased, and facilities were expanded—all of these costs apparently necessary to support TechMall's fast growth. However, Sheri was concerned that there may be fundamental weaknesses developing within the revenue stream that could have much more serious effect on both income and cash flow than the growing costs. Sheri received a lot of training as an accounting major at her university in cost analysis and management. However, she now found it ironic that there had been very little discussion of revenue management and analysis. So, without much direct benefit from her accounting texts, Sheri prepared to begin an analysis of TechMall's revenues. Still, perhaps there were one or two concepts she might be able to use from her old economics classes. As she reviewed her controller's extended report on monthly performance metrics for the last three years (Exhibit 5), Sheri tried to recall the concept of marginal decreasing returns and economies (or diseconomies) of scale. She wondered if TechMall's dramatic cost increases were economically justified. Perhaps more important, it appeared that as the company continued to add more merchants to its system, the marginal value of merchants in terms of revenue was decreasing.

**Questions:** Analyze TechMall's financial statements and monthly performance indicators and answer the following questions.

- 1) Identify what seem to be the important trends in TechMall's financial statements. Are these trends consistent with TechMall's strategy and the economics of a growing company?
- 2) Prepare a diagram for the next executive meeting that illustrates what factors determine or drive TechMall's revenue. Use the monthly revenue data and performance metrics in Exhibit 5 to assess important trends in these revenue drivers. What does or should TechMall do to manage these drivers. For example, the number of merchants set up each month, combined with the average setup fee, drives TechMall's setup fee revenue each month. What then can TechMall realistically do to effectively manage these two revenue drivers (i.e., the volume of merchant setups or the size of the setup fee)?
- 3) What important points does Sheri need to communicate to her colleagues on the executive committee? In light of TechMall's strategy, what can the CFO office do to better support the company in pursuit of a strong revenue model? Be sure to consider the realistic impact of competition and customer demands on the effort to effectively manage revenue at TechMall.

**Exhibit 1****Relationship Structure between TechMall.com and its Merchant Clients and Merchant Aggregator Partners****Note:**

To clearly understand how TechMall currently recognizes revenue, it is important to visualize the money flow in a typical merchant transaction in the TechMall portal. If a TechMall merchant sells a hard drive, for example, to a customer for \$200, the TechMall Internet technology handles both the payment processing and the inventory management aspects of the sale. When the transaction is completed and all payment events have settled, TechMall will have deposited \$196 in the merchant's bank account and retained \$4 as the transaction fee ( $\$200 \times 2\%$ ). TechMall will then split the \$4 revenue residual 70:30 by depositing \$1.20 ( $\$4 \times 30\%$ ) into the partner's bank account. Currently, in this case, TechMall will book the \$4 as revenue and recognize \$1.20 in commission expense. The \$196 deposited into the merchant's bank account is *never* considered by TechMall to be a source of revenue.

**Exhibit 2**

<b>TechMall.com, Inc.</b>				
<b>Comparative Balance Sheets as of December 31</b>				
	<b>Year 4</b>	<b>Year 3</b>	<b>Year 2</b>	<b>Year 1</b>
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash (non-restricted operating)	\$4,216,600	\$2,360,990	\$1,013,004	\$ 3,215
Cash (restricted non-operating)	2,236,730	748,270	361,561	
<i>Total cash</i>	<i>\$6,453,330</i>	<i>\$3,109,260</i>	<i>\$1,374,565</i>	<i>\$ 3,215</i>
Accounts receivable, gross	2,405,598	1,016,468	376,235	
Allowance for uncollectible A/R	(672,586)	(279,774)	(44,600)	
<i>Accounts receivable, net</i>	<i>\$1,733,012</i>	<i>\$ 736,694</i>	<i>\$ 331,635</i>	
Note receivable		928,725	220,000	
<b>Total Current Assets</b>	<b>\$8,186,342</b>	<b>\$4,774,679</b>	<b>\$1,926,200</b>	<b>\$ 3,215</b>
<b>Long Term Assets:</b>				
PPE	\$1,141,435	\$ 730,243	\$ 317,108	\$27,233
Accumulated depreciation	(297,275)	(90,665)	(34,589)	(9,251)
<i>Net Fixed Assets</i>	<i>\$ 844,160</i>	<i>\$ 639,578</i>	<i>\$ 282,519</i>	<i>\$17,982</i>
Other long term assets	6,868	4,353	2,847	1,548
<b>Total Assets</b>	<b>\$9,037,370</b>	<b>\$5,418,610</b>	<b>\$2,211,566</b>	<b>\$22,745</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 67,684	\$ 31,477	\$ 6,132	\$ 1,258
Deferred revenue	817,175	466,837	162,351	
Trust fund (on behalf of merchants)	2,236,730	748,270	361,561	
Accrued state tax liability	85,841	43,117	15,256	
<b>Total Liabilities</b>	<b>\$3,207,430</b>	<b>\$1,289,701</b>	<b>\$ 545,300</b>	<b>\$ 1,258</b>
<b>Shareholders Equity</b>				
Retained earnings	5,629,940	3,928,909	1,466,266	(78,513)
Stockholder's equity	200,000	200,000	200,000	100,000
<b>Total Liabilities and Equity</b>	<b>\$9,037,370</b>	<b>\$ 5,418,610</b>	<b>\$2,211,566</b>	<b>\$22,745</b>

**Notes to Balance Sheet:**

TechMall temporarily holds in trust significant levels of cash (restricted) that represent settled merchant transactions yet to be transferred to merchant accounts.

TechMall had a close relationship with one of its key merchant aggregators in Years 2 and 3 that involved significant short-term loans from TechMall (i.e., the note receivable in Year 2 and Year 3). The merchant aggregator repaid all loans in Year 4.

Other long-term assets include deposits made for rental real estate.

Deferred revenue represents unamortized merchant setup fees. TechMall.com capitalizes and amortizes merchant setup fee revenue in accordance with SAB 101

Trust fund represents transactions funds that have not yet been released to merchants.

**Exhibit 3**

<b>TechMall.com, Inc.</b>				
<b>Comparative Statement of Cash Flows as of December 31</b>				
	<b>Year 4</b>	<b>Year 3</b>	<b>Year 2</b>	<b>Year 1</b>
<b>Net Income</b>	<b>\$1,701,031</b>	<b>\$2,462,642</b>	<b>\$1,544,779</b>	<b>\$(78,513)</b>
<b>Operating Activities</b>				
Adjustment to Operating Activities:				
Depreciation and Amortization	206,610	56,076	25,338	9,251
Bad Debt Expense	392,812	235,174	44,600	
(Increase)/Decrease in Accounts Receivable	(1,389,130)	(640,233)	(376,235)	
Increase/(Decrease) in Accounts Payable	36,207	25,345	4,874	1,258
Increase/(Decrease) in Deferred Revenue	350,338	304,486	162,351	
Increase/(Decrease) in Merchant Trust Fund	1,488,460	386,709	361,561	
Increase/(Decrease) in Tax Liabilities	42,724	27,861	15,256	
<b>Cash from Operating Activities</b>	<b>\$2,829,052</b>	<b>\$2,858,060</b>	<b>\$1,782,524</b>	<b>\$(68,004)</b>
<b>Investing Activities</b>				
(Increase)/Decrease in Note Receivable	928,725	(708,725)	(220,000)	
Cash paid for Property, Plant, & Equipment	\$ (411,192)	\$ (413,135)	\$ (289,875)	\$(27,233)
Cash paid for Other Assets	(2,515)	(1,506)	(1,299)	(1,548)
<b>Cash from Investing Activities</b>	<b>\$ 515,018</b>	<b>\$(1,123,366)</b>	<b>\$ (511,174)</b>	<b>\$(28,781)</b>
<b>Financing Activities</b>				
Issuance of stock			\$ 100,000	\$ 99,999
<b>Cash from Financing Activities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 100,000</b>	<b>\$ 99,999</b>
Cash and Cash Equivalents at the Beginning of the Period	\$3,109,260	\$1,374,565	\$ 3,215	
Add Total Change in Cash	3,344,070	1,734,694	1,271,350	\$(96,785)
<b>Cash and Cash Equivalents at the End of the Period</b>	<b>\$6,453,330</b>	<b>\$3,109,259</b>	<b>\$1,374,565</b>	<b>\$ 3,214</b>

**Exhibit 4**

<b>TechMall.com, Inc.</b>				
<b>Annual Income Statements</b>				
<b>for Years ending December 31</b>				
	<b>Year 4</b>	<b>Year 3</b>	<b>Year 2</b>	<b>Year 1</b>
Setup Fee Revenue	\$2,831,109	\$3,088,564	\$1,948,063	
Statement Fee Revenue	2,535,594	1,818,312	883,506	
Transaction Fee Revenue	1,577,520	248,632	15,397	
<b>Total Revenues</b>	<b>\$6,944,223</b>	<b>\$5,155,508</b>	<b>\$2,846,966</b>	
Cost of sales	790,890	174,672	73,410	\$ 5,111
<b>Gross Profit</b>	<b>\$6,153,333</b>	<b>\$4,980,836</b>	<b>\$2,773,556</b>	<b>\$ (5,111)</b>
<i>Operating Expenses:</i>				
Partner Commission	\$2,933,844	\$1,815,236	\$ 888,667	
General and Administrative	438,950	149,261	60,481	\$ 14,512
Research and Development	917,646	385,963	140,597	53,401
Sales and Marketing	395,721	160,091	60,353	5,489
<i>Total Operating Expenses</i>	<i>\$4,686,161</i>	<i>\$2,510,551</i>	<i>\$1,150,098</i>	<i>\$ 73,402</i>
<b>Operating Income</b>	<b>\$1,467,172</b>	<b>\$2,470,285</b>	<b>\$1,623,458</b>	<b>\$(78,513)</b>
Interest Income	361,894	177,718	37,595	
<i>Net Income before Taxes</i>	<i>\$1,829,066</i>	<i>\$2,648,003</i>	<i>\$1,661,053</i>	<i>\$(78,513)</i>
State Income Taxes	128,035	185,360	116,274	
<b>Net Income</b>	<b>\$1,701,031</b>	<b>\$2,462,642</b>	<b>\$1,544,779</b>	<b>\$(78,513)</b>

**Notes to Income Statements:**

Cost of sales is largely composed of dedicated leased line costs necessary support Internet transaction volumes in the TechMall portal.

All bad debt expense recognized by TechMall is included in General and Administrative Expense.

**Exhibit 5**

TechMall.com

## Revenue Data and Performance Metrics

Date	Setup Fee	Statement	Transaction	Merchant	Total	System	Transacting	Total	Transaction
	Revenue	Revenue	Revenue	Setups	Merchants*	Merchants**	Merchants***	Transactions	Dollars
Jan-Y2	\$ 104,511	\$ 30,100	\$ 21	140	749	742	37	37	\$ 1,053
Feb-Y2	116,660	37,100	44	156	905	889	60	75	2,217
Mar-Y2	136,992	44,450	157	184	1,089	1,067	123	244	7,838
Apr-Y2	116,183	53,350	476	157	1,246	1,196	304	845	23,791
May-Y2	148,790	59,800	271	201	1,447	1,373	386	498	13,573
Jun-Y2	162,329	68,650	749	221	1,668	1,570	489	1,198	37,443
Jul-Y2	130,519	78,500	1,482	178	1,846	1,690	571	2,044	74,111
Aug-Y2	178,871	83,807	923	248	2,094	1,868	601	1,476	46,131
Sep-Y2	194,647	91,555	1,047	271	2,365	2,037	738	1,487	52,366
Oct-Y2	233,642	99,716	2,329	325	2,690	2,297	868	3,002	116,444
Nov-Y2	248,225	113,751	2,873	349	3,039	2,556	983	4,471	143,631
Dec-Y2	176,694	122,727	5,025	246	3,285	2,731	1,092	7,085	251,225
<b>Y2 Total</b>	<b>\$1,948,063</b>	<b>\$ 883,506</b>	<b>\$ 15,397</b>	<b>2,676</b>	<b>3,285</b>	<b>2,731</b>	<b>1,092</b>	<b>22,462</b>	<b>\$ 769,823</b>
Jan-Y3	\$ 71,220	\$ 129,687	\$ 3,382	101	3,386	2,782	1,113	5,220	\$ 169,431
Feb-Y3	146,873	129,597	4,964	213	3,599	2,966	1,223	7,436	249,463
Mar-Y3	244,570	130,961	6,180	359	3,958	3,245	1,379	9,074	309,654
Apr-Y3	233,708	136,799	7,148	346	4,304	3,505	1,533	11,479	358,765
May-Y3	269,444	139,842	8,697	411	4,715	3,840	1,728	12,398	436,977
Jun-Y3	279,083	142,081	11,897	426	5,141	4,154	1,921	16,527	599,178
Jul-Y3	259,749	149,596	15,054	399	5,540	4,432	2,105	20,776	757,451
Aug-Y3	265,158	151,644	16,029	408	5,948	4,752	2,317	22,470	808,650
Sep-Y3	315,042	165,831	21,130	489	6,437	5,106	2,553	27,011	1,066,583
Oct-Y3	330,669	171,499	36,279	523	6,960	5,533	2,836	44,094	1,833,649
Nov-Y3	364,213	178,246	49,773	578	7,538	5,969	3,134	59,922	2,536,199
Dec-Y3	308,835	192,529	68,099	498	8,036	6,295	3,384	79,043	3,490,436
<b>Y3 Total</b>	<b>\$3,088,564</b>	<b>\$1,818,312</b>	<b>\$ 248,632</b>	<b>4,751</b>	<b>8,036</b>	<b>6,295</b>	<b>3,384</b>	<b>315,450</b>	<b>\$12,616,436</b>

## Exhibit 5 continued

## TechMall.com

## Revenue Data and Performance Metrics

Date	Setup Fee Revenue	Statement Revenue	Transaction Revenue	Merchant Setups	Total Merchants*	System Merchants**	Transacting Merchants***	Number of Transactions	Transaction Dollars
Jan-Y4	\$ 143,939	\$ 201,575	\$ 39,721	234	8,270	6,324	3,478	47,256	\$ 2,044,049
Feb-Y4	196,727	203,159	60,097	321	8,591	6,561	3,691	68,594	3,104,427
Mar-Y4	242,843	206,833	69,688	398	8,989	6,748	3,880	74,709	3,610,372
Apr-Y4	243,877	208,506	84,689	403	9,392	6,970	4,095	85,945	4,405,094
May-Y4	261,419	210,179	88,509	445	9,837	7,320	4,392	84,396	4,663,630
Jun-Y4	248,221	216,295	102,946	421	10,258	7,539	4,618	102,591	5,462,540
Jul-Y4	228,948	215,509	124,022	389	10,647	7,865	4,916	119,107	6,671,481
Aug-Y4	253,831	206,187	146,968	433	11,080	8,086	5,155	136,777	8,008,020
Sep-Y4	288,211	210,337	168,227	502	11,582	8,360	5,434	160,232	9,334,796
Oct-Y4	292,462	213,095	193,390	512	12,094	8,702	5,765	179,959	11,016,334
Nov-Y4	258,316	218,819	217,210	489	12,583	9,004	6,078	195,253	12,546,645
Dec-Y4	172,315	225,100	282,053	336	12,919	9,125	6,273	239,728	16,603,178
<b>Y4 Total</b>	<b>\$2,831,109</b>	<b>\$2,535,504</b>	<b>\$1,577,520</b>	<b>4,883</b>	<b>12,919</b>	<b>9,125</b>	<b>6,273</b>	<b>1,494,547</b>	<b>\$87,470,566</b>

\* Includes all merchants, both inactive and active

\*\* System merchants are defined as those currently registered in the TechMall system and charged the monthly statement fee. Non-system merchants have either requested their account be deactivated or were deactivated due to nonpayment or noncompliance with TechMall policies.

\*\*\* Generated at least one merchant sale during the month