



**MasterCard
International**

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Minutes of Meeting of the
Board of Directors of
MasterCard International Incorporated

St. Louis, Missouri, USA
June 8, 1989

A meeting of the Board of Directors of MasterCard International Incorporated (the "Corporation") was held, commencing at 9:00 A.M., CDT, on Thursday, June 8, 1989, at the Sheraton Plaza Hotel, St. Louis, Missouri. The following directors were present: Messrs. Brewer, Brooks, Daiger, Farrell, Grether, Hart, Herrick, Jeffs, Lee, Lehmann, McIntyre, McNally, Sandalls, Scherpenhuijsen Rom, Sugiura, Tice, Zuentd and Zwick, thereby constituting a quorum. Messrs. Almash, Brangaccio, Brode, Dimsey, Robert and Verdi, of staff, were present for portions of the meeting. Mr. Zuentd, Chairman of the Board, chaired the meeting and Mr. Norton, Secretary of the Corporation, kept the Minutes thereof.

Mr. Zuentd advised the Board that the topics would be addressed in the order set forth in the revised agenda distributed to the directors on their arrival.

Minutes

The first item of business was the approval of the Minutes of the March 17, 1989 Board meeting. Mr. Zuentd advised the Board that Mr. Sugiura had requested the following change on page 20 of the Minutes which was distributed to the directors on their arrival.

Regional Associations and Regional Board Bylaws

"Mr. Grether advised the Board that the members of the IAC had recommended that action on the Regional Bylaws, as set forth in Agenda Item D, Exhibit 7, be postponed to the next Board meeting. The international members suggested that the proposed bylaws be distributed to the regions for their comments, with the final bylaws being prepared and submitted to the Board in June. It was also suggested that the final bylaws should be the same for all regions. Mr. Sugiura

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stated that the Japanese members are in favor of regional associations and bylaws and that the *** same bylaws for all regions would be ideal; but, if necessary, bylaws must differ from those of each region when ideas of each region are different. The Japanese members accept the proposed bylaws as a draft with premises to be largely changed. The Japanese members will be prepared to have their comments ready in time for the bylaws to be approved by the Board at the June meeting."

Mr. Grether suggested that the word "must" in the first full line of the changed portion should be replaced with "could" to reflect that the bylaws could be different for each region but do not have to be. Mr. Sugiura agreed with this change.

Upon motion duly made and seconded, the Minutes, as amended, were approved.

Executive Committee Action

Mr. Zuendt advised the Board that since the last Board of Directors meeting in March, the Executive Committee held three meetings, a telephone conference call in April, a meeting in May in New York and yesterday's meeting. The major items addressed were as follows:

In April there was a review of the Senior Management Incentive Plan and Objectives. This proved to be an excellent attempt by management to get senior management's objectives written down and qualified. The Compensation Committee can use the objectives as a basis for review of the performance of the Corporation and its officers. The Executive Committee had a number of questions which have since been answered. The Plan involves many objectives designed to require management to work as a team. At the May meeting in New York, the Committee covered the individual senior officers' objectives in more detail. It was agreed that Mr. Hart will provide, on a monthly basis, the status of his particular objectives. Mr. Zuendt also commented that the Executive Committee is feeling very good about the progress of the Corporation and its management.

Another item of discussion at the April meeting was the establishment of a separate company for MasterCard Travelers Cheques. At the last meeting, the Board discussed the Corporation issuing MasterCard Travelers Cheques through agents and retaining the float. This would entail building a sales force and a facility to enable banks to sign up and sell MasterCard Travelers Cheques as agents. This concept was approved by the Executive Committee at the April meeting. At the May meeting, the means to accomplish this goal were discussed with the Executive Committee. At yesterday's meeting, the Committee was advised that a subsidiary has been established to implement the Agent Program.

At the May meeting, the Madison Consulting Group made a presentation on the merchant business. They proposed that the Corporation should be involved in all aspects of the merchant business, including processing and development of electronic cash register capability. This presentation was intended as a "straw man" to stimulate discussion on this issue. The Corporation's involvement in the merchant side of the business will be included in the strategic plan review.

At the May meeting, the Executive Committee approved a recommendation to retain a consultant to develop a strategic plan. The Corporation has begun the strategic study and has selected The MAC Group as its consultant.

Also at the May meeting, the strengths and weaknesses of interchange were discussed and whether it would be feasible to have market segmentation with respect to interchange. This is part of a U.S. interchange study as to what can be done from a business and legal perspective. At issue is the value of the franchise and how the Corporation should run the franchise.

In May, the Executive Committee received a report of another state program for Visa gold, reflecting Visa's clear attempt to leverage its superior volumes. The Executive Committee decided that this was an example of the type of activity for which Mr. Hart has been granted authority to instantly meet the Visa challenge in order to protect the brand. Mr. Hart was instructed to react immediately at the next such instance.

At the May meeting, we were advised that the National Association of State Attorneys General had provided the Corporation and Visa with a draft complaint regarding ENTREE. The complaint seeks injunctive relief against ENTREE and attacks the CIRRUS and Plus/Interlink affiliations with the two associations. The Executive Committee had suggested that the ENTREE Management Committee be asked to fund the lawsuit but Visa did not agree. This issue will be discussed later in this meeting.

At yesterday's Executive Committee meeting, the Committee was advised that MAPP will generate a positive cash flow in June or July and will be at breakeven for the year 1989. In 1990, MAPP expects to show a \$1.9 to \$2 million profit. Confidence levels regarding forecasts for MAPP are now significantly higher than was previously the case.

Yesterday, the Executive Committee discussed the recurring issue of the liability to the Corporation from the action of members using the brand and, in particular, the liability when processors do not satisfy their obligations. We have many members whose transaction float is many times higher than their net worth. Unlike Visa, we also treat association members differently in that we license an association and its members but do not individually evaluate the financial condition

of an association's affiliate members. We also hold the association liable as the principal member and the association requires its members to maintain reserves at the association for potential liability. This results in a disadvantage to the association member when compared to the third party processor which does not require reserves as the member itself is responsible. Staff is now reviewing the best way to treat these association members in the future.

Audit Committee Meeting

Mr. Sandalls reported on the Audit Committee meeting held prior to the Board meeting. At the meeting were Mr. Martin Baumann, Engagement Executive, and Mr. Christopher Sullivan, Senior Engagement Manager, of Price Waterhouse. The Audit Committee discussed how we will proceed in the future. It is very early in the process for them. Price Waterhouse has been directed to look carefully at the internal controls and to make sure that management is aware that all internal controls are being reviewed. They are going through the organization to set themselves up for the audit.

Mr. Sandalls also advised that an Executive Session of the Audit Committee was held. During the Executive Session, the Audit Committee concluded that Mr. Kozma, of staff, should have direct access to the Audit Committee. It is the consensus of the Audit Committee that we are on the right track and that the Corporation is headed in the right direction regarding internal controls.

Mr. Hart commented that the Board meetings will not be as costly as in the past - too orchestrated - but they will be more informative.

President's Report

Mr. Hart stated that we are the guardians of a worldwide brand; however, in certain parts of the world there is very low brand awareness. We must create enthusiasm, review costs and service levels and improve member communications. There is a tremendous amount of work to do. For 1989, we are within the proposed objective and will continue to be. The budget is adequate to get the job done this year while staying within the current boundaries, barring no major disruptions in the short term. By and large, we are doing pretty well. We are improving communications across departmental lines. We have very good will from the membership which wants us to thrive.

Regarding our core products, Mr. Hart advised that Gold is doing very well, Red & Ochre ("R&O") is a little fractured and BusinessCard is off to a good start. The Travelers Cheques product is doing well; however, the Agent Program is a little behind schedule. We are doing well against Amex in travelers cheques and the day is coming when no one will want to sell the Amex product. Several directors commented on Amex's

scare tactics that if you drop Amex, you lose volume. These directors' experience has been the opposite; MasterCard Travelers Cheques have served them well. Mr. Hart indicated that Travelers Cheques will have a negative \$1.5 million this year which will grow to about \$4.7 million over the next three years as the float pool for the Agent Program is established. From that point forward, the float should generate sufficient earnings to return MasterCard Travelers Cheques to a positive net worth. Mr. Hart thanked Dave Brangaccio and Jack Wright for a job well done. K

Mr. Hart advised the Board that MAPP is under good control and we have a strong sense of what we want to accomplish with MAPP. MAPP is on budget for the year. He also stated that the Board's advice and support may be sought in the Fall on investments for MAPP relating to the development of new opportunities.

In the other operations areas, the good news is that there is a high degree of professionalism and quality work. By the same token, there is no such thing as a new card system; it was a project that was nothing but an apparition. From an operations standpoint, Card Products is in good shape for the next three years but we will have to evaluate the Corporation's electronic needs for the mid-1990's and thereafter. ||

We do not currently have a disaster backup for St. Louis. The New York Data Center cannot provide this backup. We are in the process of moving the New York Data Center to Lake Success. This new facility will stabilize existing operations and will eventually be capable of serving as the backup facility to St. Louis.] 11

Mr. Hart indicated that Debit Card is moving along fairly well with several new issuers. The product will be accepted at merchants; however, interchange could come under pressure. One of the major strategic issues we have to examine during the course of the next few months is the debit card relative to broader strategies. ENTREE is going nowhere. Nothing has developed to make ENTREE happen. ENTREE is very anemic at this moment.

Mr. Hart indicated CIRRUS is doing well. MasterCard as an ATM sharing mark is proliferating. CIRRUS volume is well ahead of plan and CIRRUS is favorable against the budget. Next year, MasterCard will address the possibility of a sinking fund for the CIRRUS debt. ||

With respect to international, the Eurocard relationship continues to have a high level of flux on local issues. Eurocard and EPSS continue to be very important for the support of the MasterCard brand in Europe. We are encouraged by the people at Eurocard and the involvement of the substantial banks.

Regarding international brand awareness, no clear strategy exists as to how to elevate the MasterCard brand and mark. Japan is in a state of flux, with duality having markedly changed the situation. In the U.K., members are facing duality. Our Access partners and the MasterCard brand have suffered. The security of MasterCard's position in the U.K. is unclear.

A strategic review of the Corporation's business has been initiated. A consulting firm, The MAC Group, has been retained to assist with a strategic plan and we are estimating the cost of this project will be about \$.5 million. We will come back to the Board at the September meeting with what we think are the key issues and priorities. Some Board members and some of your people will be called upon to participate in portions of the strategic review process.

Regarding the Visa relationship, we must look at Visa as a competitor. Visa's primary concern is capturing market share through pricing which is the philosophy of Bain & Co., Visa's consultant. We should not make market share our sole criteria of investment. We believe the Corporation must foster its members' interest and maximize their profitability. Projects like Issuers Clearinghouse and Address Verification Services are important because they add value to our members' MasterCard products and enhance the image and value of these products.

First Quarter Card and Volume Results

Mr. Almash made a presentation on the first quarter Card Products' performance which presentation had been distributed as part of the President's Report. He indicated U.S. dollar volume is essentially on target. More specifically, the U.S. rate of volume growth, 11.9%, is consistent with the 12% plan for the year. With respect to new cards added, Gold was ahead of plan, R&O slightly behind. With respect to the first quarter volumes, R&O was ahead of full year plan, 8.7% to 5.4%, and Gold Card volume was behind plan, 25.4% to 28.3%.

Outside of the U.S., volume and card growth are slowing down. The stronger dollar this year cost MasterCard 6% to 7% in growth. A number of events in Japan also impacted growth: the advent of duality and the startup of MasterCard Japan. In net, volume outside of the U.S. was below the plan objective of a 40% increase.

Mr. Lee asked what factors were used for the conversion into dollars. Mr. Almash responded that currencies in six countries were looked at; i.e., the U.K., Japan, Canada, France, Germany and Australia. The conversion rates at the end of the fourth quarter 1988 and the first quarter 1989 were used. The increase in the dollar against foreign currencies cost about 6% to 7% growth in dollar volume. Mr. Grether asked if the inflation of each country was considered or just the rate of exchange. Mr. Almash responded that inflation was not considered. Mr. Grether stated that inflation should be

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considered, particularly in Latin America, because of the extreme inflation rates.

Awareness Study

Messrs. Almash and Dimsey made a presentation on MasterCard brand awareness worldwide. The following countries were studied: the U.K., Germany, France, Mexico, Argentina, Brazil, Japan, Australia, and the U.S. Worldwide, MasterCard does not have a strong awareness of its marks. Relative to Amex, Visa and local cards, MasterCard does not lead in any country. MasterCard's awareness, compared to its local affiliate cards, is significantly lower. Mr. Lehmann asked how many cardholders were surveyed. Mr. Almash responded that 300 cardholders were surveyed in each country; 2700 around the world. Mr. Dimsey stated that the purpose of the study was to try to deal with the issue of what we should be doing internationally to build brand name. He indicated the Corporation will be doing several things in 1989. Staff believes there is misuse of our marks across our products. Furthermore, in the hologram, the MasterCard logo has been lost and is not known around the world. This is significant, particularly when we are trying to break through in various markets. He also stated that the issue of corporate signage needs to be addressed. The feeling is we should have consistency throughout on the MasterCard logo.

As a first step, the Corporation will evaluate how to build awareness in three markets. The Corporation will make a commitment to awareness dollars with the local members in Canada, Japan and the U.K. We will propose local solutions with local support. Mr. Robert stated that the MasterCard interchange volume coming from the U.K. is 30%, Japan 22% and Canada 16%, reflecting the importance of these markets. Presently, in the U.K. and Japan, MasterCard's association with local brands has not helped MasterCard's brand awareness. The proposed awareness campaign should help.

Mr. Hart felt that the MasterCard brand image has the potential to be very strong. Looking at Europe, Eurocard is the best known brand. The question is, how do we promote our interest to maximize value of these notable local marks? We will review this issue country by country, region by region, on investments we have made and future investments.

South Africa

Mr. Robert made a presentation regarding South Africa, including a review of the present state of U.S. law regarding South Africa. Regarding the U.S. Comprehensive Anti-Apartheid Act of 1986, it is clear that MasterCard's activities do not violate this U.S. law. Mr. Robert also reviewed the credit and employment policies of one of our South African members, Standard Bank of South Africa. The report indicated that a large percentage of Blacks (60%) are employed at the bankcard center and 14% of the cardholder base is non-white. Mr. Sandalls stated

that this report is very helpful. He said this is a particularly important business issue. For each new applicant, the Board must examine their policy on credit and employment. He also stated we need this type of information on an ongoing basis to be prepared to respond if our presence in South Africa becomes a public relations issue.

Mr. Robert next made a presentation regarding MasterCard membership eligibility requirements. As part of his presentation, Mr. Robert identified the non-banks presently participating as members of MasterCard in the various regions of the world. He stated that non-banks which are proposed for membership are introduced to MasterCard by one or more of the larger banks within a region.

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Mr. Scherpenhuijsen Rom stated that many banks might consider MasterCard as an organization for banks since the banks have invested a great deal of money in the card system. These new applicants do not pay an entrance fee large enough to compensate for the investment of prior members.

→ At this point, there was extended discussion about what entities should be allowed to participate in the future. For example, should AT&T be allowed to participate? If the MasterCard enterprise is viewed as a club, membership might be limited for the benefit of club members. If viewed as a franchise, then we would want the most cards and business and should let in only those who will do the most to further the increase of the Corporation's volume and business. A key element of a franchise business is to control the use and quality of services. In this environment, not everyone is allowed to participate, only those who increase the value of the franchise.

Mr. Hart concluded the discussion by stating that the issue of who should participate and the elements of control we need to protect the franchise are core issues which we are now addressing. For example, can we throw out those who are not adding any value to the system? MasterCard has an excellent communications network and trademark which we allow new members to take advantage of for a very small fee. He stated that perhaps we should reevaluate what will be required to join and participate in the future.

Financials

Mr. Brode made a presentation on the first quarter 1989 financials, the second quarter forecast and full year outlook. In the first quarter, revenues exceeded expenses by \$8.5 million, which was favorable against budget by \$2.5 million. The revenues were slightly off against budget in the first quarter but were made up by reduced expenses. Revenues in May were back on budget. Mr. Brode stated we continue to take appropriate precautions to cover reduced revenue growth. Absent surprises, we fully expect to meet our overall full year earnings objective. We are also building some flexibility to initially

fund developments from our strategy review. Mr. Jeffs asked if for the full year we expect a favorable variance to budget. Mr. Brode responded that this was correct. There are some concerns about revenue projections but we will reduce expenses to come in at our bottom line budget. We are anticipating a \$3 to \$4 million positive shift in the net worth position by year end, at which time we expect to have a contingency fund of approximately \$3.5 million. In response to a question, Mr. Brode stated we have just filed an amended 1986 return for the 1988 tax loss which has resulted in the recapture of the remaining taxes paid in 1986. He concluded by stating that the Corporation will be in a positive cash position for the year.

Licensing Matters

Mr. Zuendt advised the Board that the Executive Committee had recommended approval of Exhibits 2 and 3, subject to a favorable report by Mr. Robert on Saambou Bank Limited of South Africa. Mr. Robert explained this is a new bank which was formerly a building society. Today, the number of people employed are 25% non-white, 75% white. The number of Blacks employed is growing rapidly. Eventually, the non-white employment level in the bankcard center is expected to approximate the percentage of Standard Bank, i.e., 60% non-white. The bank intends to adopt a non-discrimination policy for the issuance of cards similar to Standard Bank, which will do its credit scoring and processing. Saambou will also be very much involved in the financing of housing and business for non-whites.

After discussion, upon motion duly made and seconded, the Board unanimously approved the following actions regarding licensing of U.S. organizations.

Membership and Licensing of U.S. Organizations

New Principal Card Association Member

The Board of Directors elected Card Services for Credit Unions, Inc., Tampa, Florida, to card association membership. The MasterCard Committee granted it a license. The election to membership and grant of license are effective March 15, 1989.

New Principal Card Members

The Board of Directors elected the following to principal card membership and the MasterCard Committee granted each a license. The elections to membership and grants of license are effective on the dates indicated.

Monogram Bank, USA, Cincinnati, Ohio, effective
March 15, 1989.

Rockwell Federal Credit Union, Downey, California,
effective May 1, 1989.

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Sovran Bank/Delaware, Dover, Delaware, effective
May 1, 1989.

Transfer from Affiliate Card Membership
to Principal Card Membership

The Board of Directors elected the following
members, formerly affiliates of the principal members indicated,
to principal card membership. The elections to principal
membership will be effective on the dates indicated.

American National Bank, Omaha, Nebraska, formerly
affiliated with MidAmerica Bankcard Association
(ICA #1088), effective June 8, 1989.

Asheville Federal Savings & Loan Association,
Asheville, North Carolina, formerly affiliated with
Atlantic States Bankcard Association (ICA #1066),
effective June 8, 1989.

Bank of Baltimore, Baltimore, Maryland, formerly
affiliated with Atlantic States Bankcard Association
(ICA #1066), effective June 8, 1989.

Branch Banking and Trust Company, Wilson, North
Carolina, formerly affiliated with Atlantic States
Bankcard Association (ICA #1066), effective
June 8, 1989.

Charter Federal Savings Bank, Bristol, Virginia,
formerly affiliated with Atlantic States Bankcard
Association (ICA #1066), effective June 8, 1989.

Chevy Chase, FSB, Bethesda, Maryland, formerly
affiliated with Atlantic States Bankcard Association
(ICA #1066), effective June 8, 1989.

Chittenden Bank, Rutland, Vermont, formerly affiliated
with New England Bankcard Association, Inc.
(ICA #1060), effective June 8, 1989.

Citizens Bank and Trust Company of Maryland, Riverdale,
Maryland, formerly affiliated with Atlantic States
Bankcard Association (ICA #1066), effective
June 8, 1989.

Georgia Federal Bank, Atlanta, Georgia, formerly
affiliated with Hibernia National Bank (ICA #1212),
effective June 8, 1989.

National Bank of Commerce of Charleston, Charleston,
West Virginia, formerly affiliated with Atlantic States
Bankcard Association (ICA #1066), effective
June 8, 1989.

National Bank of South Carolina, Sumter, South Carolina, formerly affiliated with Atlantic States Bankcard Association (ICA #1066), effective June 8, 1989.

Planters National Bank and Trust Company, Rocky Mount, North Carolina, formerly affiliated with Atlantic States Bankcard Association (ICA #1066), effective June 8, 1989.

Provident Bank of Maryland, Baltimore, Maryland, formerly affiliated with Atlantic States Bankcard Association (ICA #1066), effective June 8, 1989.

Rock Hill National Bank, Rock Hill, South Carolina, formerly affiliated with Atlantic States Bankcard Association (ICA #1066), effective June 8, 1989.

Southern National Bank of North Carolina, Lumberton, South Carolina, formerly affiliated with Atlantic States Bankcard Association (ICA #1066), effective June 8, 1989.

State Employees' Credit Union, Raleigh, North Carolina, formerly affiliated with Atlantic States Bankcard Association (ICA #1066), effective June 8, 1989.

Suburban National Bank, Somerville, New Jersey, formerly affiliated with New Era Bank (ICA #2012), effective June 8, 1989.

United Carolina Bank, Whiteville, North Carolina, formerly affiliated with Atlantic States Bankcard Association (ICA #1066), effective June 8, 1989.

United Postal Savings Association, St. Louis, Missouri, formerly affiliated with Indiana National Bank (ICA #1370), effective April 1, 1989.

The MasterCard Committee granted variances to the following members to have cards outstanding with their former ICA numbers through the dates indicated.

Franklin Mint Federal Credit Union through August 1991
General Foods Credit Union through May 1990
Global Federal Credit Union through February 1991
Indiana Federal Credit Union through February 1990
Jax Navy Federal Credit Union through June 1991
Mare Island Federal Credit Union through September 1990
Naval Air Federal Credit Union through November 1991

Transfer from Principal Card Membership
to Affiliate Card Membership

The Board of Directors accepted the resignation from principal card membership of each of the following members and approved their transfer in membership status to affiliate member.

AmeriFirst Bank, Miami, Florida, transferring to an affiliate of Southeast Bank (ICA #1046), effective October 31, 1988.

National Industrial Bank, Meriden, Connecticut, transferring to an affiliate of Bank One, Lafayette, N.A. (ICA #1025), effective March 31, 1989.

Seabrook Bank and Trust Company, Seabrook, New Hampshire, transferring to an affiliate of Maryland Bank, N.A. (ICA #1017), effective June 8, 1989.

Valley Bank-Madison, Madison, Wisconsin, transferring to an affiliate of Valley Bancard, Inc. (ICA #1210), effective March 24, 1988.

Name Changes

The Board of Directors recognized the name changes of the following members, which were both effective on April 1, 1989.

<u>ICA NUMBER</u>	<u>FORMER NAME</u>	<u>NEW NAME</u>
1206 1370 & 1824	Indiana National Bank Indianapolis, IN	INB National Bank
1825	CommerceAmerica Banking Company Jeffersonville, IN	INB Banking Co.

Termination

The Board of Directors recognized the voluntary termination in membership of Sunrise Federal Savings and Loan Association, Farmingdale, New York, an affiliate of Chemical Bank. The MasterCard Committee terminated their license. The termination of membership and license was effective May 1, 1989.

Master Checking Licensees

The MasterCard Committee granted a Master Checking License to each of the following members:

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Bank of The North Shore, Northbrook, Illinois
Citizens National Bank of Darlington, Darlington,
Wisconsin

The above institutions are affiliate members of
First Wisconsin National Bank of Milwaukee (ICA #1005).

MasterCard Affiliate Card Membership Applications

One hundred and eighteen applications for
affiliate membership and a MasterCard card license were submitted
for interim licenses and were approved by the MasterCard
Committee. They are attached to these Minutes as Appendix A.

After discussion, upon motion duly made and
seconded, the Board unanimously approved the following actions
regarding licensing of non-U.S. organizations.

Membership and Licensing of Non-U.S. Organizations

New Principal Card Members

The Board elected Post Office Bank Ltd.,
Wellington, New Zealand, to principal card membership and the
MasterCard Committee granted it a license. The license covers
New Zealand. The election to membership and grant of license are
subject to the execution of a formal license agreement.

The Board also elected Bangkok Metropolitan Bank
Limited, Bangkok, Thailand, to principal card membership and the
MasterCard Committee granted it a license. The license covers
Thailand. The election to membership and grant of license are
subject to the execution of a formal license agreement.

The Board also elected Bank of Ayudhya Ltd.,
Bangkok, Thailand, to principal card membership and the
MasterCard Committee granted it a license. The license covers
Thailand. The election to membership and grant of license are
subject to the execution of a formal license agreement.

The Board also elected JCG Finance Company,
Limited, Hong Kong, to principal card membership and the
MasterCard Committee granted it a license. The license covers
Hong Kong. The election to membership and grant of license are
subject to the execution of a formal license agreement.

The Board also elected PT Bank Pertiagaan
Indonesia, Jakarta, Indonesia, to principal card membership and
the MasterCard Committee granted it a license. The license
covers Indonesia. The election to membership and grant of
license are subject to the execution of a formal license
agreement.

The Board also elected Union Internationale de
Banques, Tunis, Tunisia, to principal membership and the

MasterCard Committee granted it a license. The license covers Tunisia. The election to membership and grant of license are subject to the execution of a formal license agreement.

Extension of Area of Use

The Board of Directors elected Malayan Banking Berhad to principal card membership on July 28, 1988. Their present license covers Malaysia. The Board extended their area of use, on a non-exclusive basis, to include Singapore and Brunei.

MasterCard International/Eurocard International

Pursuant to the agreement with Eurocard International, the following financial institutions were elected as principal members of MasterCard at the Eurocard Board of Directors meeting held on March 18, 1989. Accordingly, each was granted a MasterCard license as a principal member of MasterCard International, such election and grant of license being subject to the execution of a formal license agreement.

Ireland and United Kingdom

National Australia Finance (U.K.) Ltd.

United Kingdom

Allied Irish Bank
Girobank PLC

Italy

Banca D'America and D'Italia

Hungary

Hungarian Foreign Trade Bank

The area of use for National Westminster in the United Kingdom was extended to include Ireland. Their license was amended accordingly.

Turkiye Halk Bankasi, A.S., was elected as a principal member in July 1988. The Board recognized their transfer to an affiliate member.

The following financial institutions were also elected as affiliate members of MasterCard International at the Eurocard Board of Directors meeting held on March 18, 1989. Accordingly, each was granted a MasterCard license as an affiliate member of MasterCard International.

United Kingdom

Isle of Man Bank Ltd.

Turkey

Egebank A.S.

Greece

National Westminster Bank

New Affiliate Card Members and MasterCard Licensees

The Board of Directors elected the following financial institutions as affiliate card members of the principal members indicated. The MasterCard Committee granted each a license.

ICA #1046 Southeast Bank, N.A.

Bahamas

Bank of The Bahamas Limited, Nassau

ICA #1062 DC Card Co., Ltd.

Japan

Chibagin DC Card Co., Ltd., Chiba

ICA #1109 Argencard, S.A.

Argentina

Banco Caudal, S.A., San Rafael
Banco del NorOeste Cooperativo Limitad, Salta
Banco Israelita de Cordoba, S.A., Buenos Aires
Banco Union Comercial e Industrial Coop. Ltda., Mendoza

ICA #1247 Credimatico T.D.C., C.A.

Venezuela

Fondo Comun Entidad de Ahorro y Prestamo, Caracas

ICA #1260 Union Credit Co., Ltd.

Japan

Fukugin Credit Co., Ltd., Fukuoka
Higashi Nippon Bank, Ltd., Tokyo
Hokuriku Credit Service Co., Ltd., Toyama
Ninami Nippon Bank, Ltd., Kago Shima
Sendai Bank, Ltd., The, Miyagi

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ICA #1264 Standard Bank of South Africa Limited

Transvall

Saambou Bank Limited, Johannesburg

ICA #1376 BAC Financial Corporation

Grand Cayman

BAC International Bank, Georgetown

ICA #1383 CU Electronic Transaction Services, Inc.

Ontario

AMCU Credit Union Inc., Scarsborough
Oshawa Community Credit Union, Oshawa

Exhibits 4 through 13

Mr. Zuendt advised the Board of the action by the Executive Committee on Exhibits 4 through 13. Regarding Exhibit 4, he indicated that the rule only applies to non-member card registration companies. He also advised that the Executive Committee directed staff to discuss these rules with Visa to see if it is feasible to develop an industry standard.

Regarding Exhibit 10, the Executive Committee changed the rate to those who underpay fees as a result of not paying on time from prime plus 1% to 2% per month or, if unlawful, the highest rate permitted by law.

Regarding Exhibit 13, the Japanese members have difficulty with the 30 day time period for presentment at this time. Mr. Sugiura has advised that transactions in Japan will not be settled that quickly. Regarding Japan, the rule will not be mandatory at this time. A variance will be granted to Japan for one year.

After discussion, upon motion duly made and seconded, the action of the Executive Committee was unanimously ratified.

MasterCard ATM Sharing Network

The Board was asked to approve the creation of a limited MasterCard membership for the sole purpose of participation by a network and its members as acquirers in the MasterCard ATM Sharing Network. See Agenda Item B, Exhibit 14.

Mr. Zuendt advised the Board that it was the recommendation of the Executive Committee that this item needs further study and should be withdrawn. Among the issues considered by the Executive Committee were the issues of who

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should be allowed to participate in the franchise and how to protect against potential liability resulting from these limited licensees' activities. The Executive Committee was also concerned with maintenance of the quality of services in the MasterCard ATM network. After discussion, upon motion duly made and seconded, the proposal was tabled indefinitely pending further study of the issue.

Regional Bylaws

The Board was asked to approve the Regional Bylaws for the Latin America and Middle East/Africa regions. See Agenda Item B, Exhibit 15.

Mr. Grether discussed the Board's action in March to defer action on the Regional Bylaws pending member comment. He feels that, from the first draft we had in March, we now have a better document which satisfies the two regions, Latin America and the Middle East. He advised the Board that Asia Pacific is studying the possibility of some differences and, therefore, approval of the Asia Pacific bylaws has been deferred to the September Board. Mr. Grether is very satisfied with the bylaws as proposed and recommends approval which would permit the two regions to operate under these bylaws.

After discussion, upon motion duly made and seconded, the following resolutions were unanimously approved and adopted.

RESOLUTIONS OF THE BOARD OF DIRECTORS:

RESOLVED, that, the Regional Board Bylaws, as set forth in the attached Appendix B, be, and hereby are, approved and adopted and staff is hereby authorized and directed to implement the establishment of the Regional Associations and Regional Boards in the Latin America and Middle East/Africa regions, as contemplated therein; and

RESOLVED FURTHER, that, staff be, and hereby is, authorized and directed to amend the Bylaws, Rules and/or regulations and implement procedures deemed necessary or appropriate to effectuate the foregoing.

MasterCard Association of Canada

A revised Agenda Item B, Exhibit 16 was distributed to the Board prior to the meeting. This proposal would, among other things, authorize MasterCard Association of Canada ("MAC") to approve license applications in Canada, subject to subsequent Board action. Also proposed in this exhibit is the adoption of a non-duality policy for Canada.

Mr. Hart discussed the present situation in Canada, including the fact that the Canadian market is a mature one. He also explained that MasterCard is extremely pleased with our Canadian members' performance. For this reason, the Corporation has decided that parity in three years might be a less appropriate goal in the Canadian marketplace than would be a continuing, substantial progression towards parity by our Canadian members. The Statement of Principles, set forth in Appendix C, has been amended to reflect this new goal.

In recognition of the great strides made by our Canadian members over the last three years in the present non-duality environment, it was proposed that the Board adopt a non-duality policy for the Canadian market. Adoption of this policy evidences the Board's recognition of the substantial investment our Canadian members will have to make in the MasterCard brand to meet the goal of substantial progression towards parity.

Mr. McNally stated that the Canadian members are very enthusiastic about this proposal. It has been worked out in such a way as to give the Canadian members the foundation to vigorously compete against Visa.

Upon motion duly made and seconded, the following resolutions were unanimously approved and adopted.

RESOLUTIONS OF THE BOARD OF DIRECTORS:

RESOLVED, that, the Statement of Principles, attached as Appendix C hereto, be, and hereby is, approved and staff is instructed to prepare and negotiate an agreement between MasterCard and MAC substantially incorporating the Statement of Principles; and

RESOLVED FURTHER, that, the MasterCard Board hereby adopts a policy for Canada that duality of membership in Canada at this time is not in the best interest of MasterCard and such policy will be reflected in the agreement with MAC in the manner contemplated in Appendix C; and

RESOLVED FURTHER, that, the Executive Committee shall have authority to approve the final agreement between MasterCard and MAC.

Interchange

Mr. Hart advised the Board that Visa will announce new interchange rates today. He did not know what they would be but expected they will reflect some differential in interchange rates to provide special treatment to the T&E industry. We will have a great deal more to say about interchange at the September Board meeting. Any inquiry regarding interchange should be answered with a statement that the entire issue of interchange is

under review at MasterCard and will be addressed by the Board in September for possible implementation in April 1990.

Assessments

Mr. Brode made a presentation regarding assessments. He explained that staff is evaluating the possibility of modifying the present method of assessments from one component into three, namely, a fixed fee, possibly a charge on outstandings and a cardholder sales volume component, thereby avoiding the disincentive in the current assessment structure. On the domestic issuing side, we are concerned that larger MasterCard members are treated different than Visa, whose assessment formula favors the larger volume card issuers. Assessed revenue is a significant portion of our overall revenue source. Our current rate of \$.90 per \$1,000 is a disincentive to our larger issuers when compared to the Visa rate of \$.31 per \$1,000 at the margin for larger issuers. The highest Visa rate is \$.78 per \$1,000, descending to a low of \$.31 per \$1,000 at the most favorable volume tiered rate. Mr. Zuendt asked what the blended rate for Visa's top 10 would be; Mr. Brode responded about \$.38 per \$1,000.

Mr. Hart indicated that the Corporation did an analysis several years ago which concluded there is really no difference in our costs compared to Visa's. Although Visa's prices have since decreased, they were less expensive than MasterCard then and are less expensive now. Mr. Hart feels the assessment needs to be restructured and tied to member value. Going forward, we may implement multiple assessments. Any changes which might be adopted would be phased in over a period of several years. The primary objective of any such action would be to reduce the disincentive to issuing MasterCard cards at the margin.

There followed a lengthy discussion of the impact of the Corporation's pricing. It was pointed out that we would lose a significant amount of revenue if we matched Visa's pricing to the larger members. It was suggested that the Corporation's pricing to new members was perhaps too low for the benefit of access to the system. These new members are achieving immediate benefit while contributing insignificant revenue to cover the fixed cost of the system.

Regarding the proposal to assess outstandings, it was pointed out that the affinity cards (such as airline cards) which have produced a large part of the transaction growth, would not pay as much in assessments because outstandings are lower on these types of cards. This may not be in the best interest of the business. It was also pointed out that Visa does not assess outstandings.

Regarding the possibility of a fixed fee, this might be appropriate as a minimum fee which a member would overcome as its volume grows:

It was agreed that staff will have to further study the impact of changing the assessment structure. It was further agreed that staff should factor into its analysis the present 80/20 situation, i.e., 80% of the assessment is being paid by 20% of the members. This should be evaluated in terms of the possibility of a fixed fee and some form of outstandings component to compensate the larger issuers to incent their support of the MasterCard brand.

Mr. Hart concluded that whatever adjustments we make may still deplete the treasury more than we would like. This will be an important factor in whatever recommendation is presented by staff.

Frankfurt Board Meeting

Mr. Hart commented that Germany is a key country for us at this point in time. MasterCard should grow in a very meaningful way there. The large commercial banks in the country will favor MasterCard. At the September Board meeting, there will be a dinner hosted by the German banks and GZS. We would like to have any director, who can do so, make calls on the key banks in Germany. We would like to target DG, Commerzbank, Deutsche Bank and Dresdner Bank for visits.

Mr. Robert stated that the German market is very much dedicated to Eurocard/MasterCard. Top level managers of the banks are very enthusiastic about MasterCard. At this time, they do not know a lot about the card business. They are, however, very much aware of the existence of MasterCard. Mr. Scherpenhuijsen Rom stated it is a very good idea to meet with the banks. He did state that visits should be made with someone from Eurocard. The banks started Eurocard brand 20 years ago and are very much involved and would like to see good cooperation with Eurocard. Mr. Hart indicated that Mr. Scherpenhuijsen Rom will be leaving the Board and his successor at Eurocard, Dr. R. B. J. van Eldik, will be joining the Board. Perhaps he will be able to accompany us on these visits in Frankfurt.

Mr. Brooks asked about security for the meeting. Mr. Hart stated he will review security procedures with Joel Lisker. Security should not be much of a concern since Frankfurt is a key entry point to Europe, with heavy security at airports. Also, the Hotel Gravenbruch is not downtown but in the outskirts of Frankfurt, about 15 minutes from the airport.

Mr. Lehmann suggested if the Board is going to make bank visits, it should be organized and Mr. Hart should draft members to go instead of leaving it up to the Board members. Mr. Hart stated that Mr. Robert will coordinate the process. Mr. Grether asked when the meetings would be held. Mr. Hart stated the meetings should be Wednesday morning. Since he is the Chairman of the German Argentinian Committee, Mr. Grether offered to participate in the meetings.

ENTREE

Mr. Norton made a presentation regarding the ENTREE investigation. After an investigation of 18 months by the Attorneys General of ten states, led by the State of New York, the Corporation and Visa were served with a draft complaint in April. The draft complaint alleges a violation of Secs. 1 and 2 of the Sherman Act and seeks the following relief: rescission of the ENTREE Agreement; no future joint (MasterCard and Visa) POS debit card program; sale of CIRRUS by MasterCard and Plus/Interlink by Visa and no acquisition by MasterCard or Visa of a regional debit card program for ten years. This draft complaint is supported by the Assistant Attorneys General through the National Association of Attorneys General ("NAAG Group").

Following receipt of the draft complaint, MasterCard and Visa met separately with several of the state Attorneys General. At this meeting, Mr. Constantine, Assistant Attorney General of New York, felt he had authority to file, and indicated he would do so, if others did not want to file. The Assistant Attorneys General present at the meeting agreed to defer filing until after the MasterCard and Visa Boards' meetings. In subsequent correspondence, they indicated they were prepared to settle on the following basis: agreement to terminate the ENTREE program by MasterCard and Visa; agreement not to conduct a joint POS debit card program in the future; agreement not to allow duality of MasterCard's and Visa's individual POS debit card programs in the future (possibly illegal) and agreement that MasterCard and Visa would provide 60 days notice to the NAAG Group of any proposed acquisition of a regional POS debit card program.

Mr. Norton explained the Corporation's options as follows: terminate ENTREE prior to filing by the NAAG Group; seek a negotiated settlement on more favorable terms than offered by the NAAG Group; refuse to settle and defend - until judgment or for some period and then attempt to settle. He explained that any action must be jointly agreed upon by MasterCard and Visa under the ENTREE agreement. Counsel for MasterCard and Visa, both in-house and outside, believe, if litigated, the NAAG Group would lose. Mr. Norton explained that, in his view, these Attorneys General believe we removed competition from the marketplace when MasterCard and Visa jointly agreed to do ENTREE.

Mr. Jeffs asked if we would be litigating in several states and Mr. Norton replied the case would be consolidated in New York.

Mr. Hart stated that the NAAG Group sees the retail industry as an open market and would not like to see us get together on this one. Mr. Hart expressed the view that ENTREE would set an unfortunate precedent if we just acquiesced to the NAAG Group's terms. He feels we should press further. We are prepared to tell them we are not going to back away from

ENTREE and the next move is theirs. The cost could be several million dollars over the next couple of years. Mr. Zwick commented that this involves the bigger issue of what rights MasterCard and Visa have to do joint projects in the future.

The Board supported Mr. Hart's proposal to reject the NAAG Group's settlement offer.

General Discussion

Mr. Hart advised the Board of proposals to build electronic draft capture links to both Amex and Sears/Discover for the purpose of making available to our members the ability to acquire these transactions through MAPP. These proposals are beneficial to our MAPP program in that they expand the services which MAPP can offer its participating members. We have been providing authorization services on these products for a number of years. We would propose to move forward on these two EDC links. We have a 7% presence in the total mix of transactions at the POS. Mr. Hart stated that this market is going to grow and we must retain some presence in that mix. Visa will do EDC for both. They have finalized an agreement with Sears; Amex is being held in abeyance for a while. Mr. Hart stated that, to make MAPP more competitive, these transactions should be completed.

Mr. Lee asked if the creation of these links would have implications outside of the U.S. Mr. Norton responded Amex agreement is U.S. only. Mr. Tice suggested that we must do this to improve the merchant side of business.

Mr. Zuentd advised the Board that Mr. Lee is resigning from the Board, effective the end of June. Mr. Derek Wanless, from National Westminster Bank, will be proposed to the Nominating Committee as his replacement. Mr. Zuentd extended his appreciation to Mr. Lee for his support of MasterCard.

Mr. Dimsey advised the Board that the Brand Awareness Project will be submitted to the November Board. The hologram, when introduced, was a good security device. It does not, however, show R&O even though it functions as a logo. Our corporate logo could be interpreted to represent AT&T symbols. R&O decals are on the merchants' doors but R&O does not appear on many of our present products, such as, Gold cards. We view this whole area as a project which we need to look at as a total ID across everything. We see a number of possible modifications. The MasterCard name is sacred; it is ranked number 14 in the U.S. We will review the value of the circles as R&O is a tie to the past. There are very good reasons to preserve some of that. We are planning to meet with the International Strategy and Marketing Committee and review this issue in detail. There will be representatives from the Marketing Committees, four international members and three domestic members, to help guide the process. The Corporation's goal is to have one clear ID brand through the year 2000..

Mr. Brooks requested an update on the ATM side of the business; where MasterTeller is today and how far we have come on CIRRUS. Mr. Hart responded that MasterTeller was cancelled in favor of CIRRUS. There are 30 million Visa cards with the CIRRUS brand; it certainly seems like we selected the right course for the future. There is a real need to have a MasterCard ATM network, particularly in the international areas which will not have CIRRUS on the MasterCard card. MasterCard as an ATM sharing mark is also doing well. It was implemented on June 1. CIRRUS is now in 26 countries and will be in 35 by year end. CIRRUS specifications are being converted to the higher security standards of MasterTeller.

Mr. Scherpenhuijsen Rom asked Mr. Hart where he saw potential for new markets. Mr. Hart responded that great potential exists in the government and medical sectors. Earlier this year, we attempted to find a partner to bid for a U.S. government procurement card. Bank of New York bid on behalf of MasterCard. The procurement volume would have provided us with a group benefit. Rocky Mountain Bankcard won with Visa. Mr. Herrick indicated that the annual volume of this program has decreased and is much lower than had been anticipated.

Mr. Hart also indicated that medical payments have to be part of our strategic consideration. Medical payments represent \$450 billion annually and bankcards get less than 1% of that amount. We have to take a look at the priority of developing this market against present priorities.

Mr. Grether advised the Board that there is a real enthusiasm to extend Gold Card enhancements to cards outside of the U.S. Mr. Robert stated that the IMPG is studying insurance programs in different countries. The available programs vary widely.

Mr. Herrick stated that this was a most candid meeting, in talking about what we are and what we would like to be. Mr. Herrick stated he assumed that the concern with AT&T is that AT&T will absorb MasterCard by chopping the business into individual pieces. Major issue has to be what role that organization will play in the future. How can you stop them from joining or at least participating through an affinity card arrangement? The arrival of AT&T on the scene really focuses on a major strategic issue for the Corporation, namely, who should be a member. Mr. Hart agreed completely. This is one aspect, of many, of our business which must be explored. The AT&T issue must be resolved within the next 60-90 days.

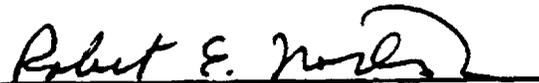
Mr. Lee said that he wished the Board members all the best in the challenges that face them. The changes which he has observed in MasterCard in the last six months have been staggering.

Board of Directors and
MasterCard Committee
St. Louis, Missouri
June 8, 1989

Minutes
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Adjournment

There being no further business to come before the meeting, upon motion duly made and seconded, the meeting was adjourned.



Robert E. Norton, Jr.
Corporate Secretary

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ICA #1001 Signet Bank/Virginia

Maryland

Bradford Federal Savings Bank, Baltimore

ICA #1003 Mellon Bank, N.A.

New Jersey

Tinton Falls State Bank, Tinton Falls

Pennsylvania

First Bank, National Association, Uniontown

ICA #1005 First Wisconsin National Bank of Milwaukee

Illinois

Brown County State Bank, Mount Sterling
First National Bank in Paxton, Paxton

Minnesota

First State Bank of Alexandria-Carlos, Alexandria
Franklin National Bank of Minneapolis, Minneapolis

South Dakota

First Western Bank Sturgis, Sturgis

Wisconsin

Debco Credit Union, Milwaukee
Industrial Credit Union, Medford
Tri City Soo Line Employees Credit Union, Menasha
U.S. Paper Mills Credit Union, Menasha

ICA #1009 Payment Systems for Credit Unions, Inc.

Massachusetts

Taupia Lithuanian Federal Credit Union, South Boston

ICA #1017 Maryland Bank, N.A.

Maryland

Bank of Bowie, Bowie

ICA #1030 SouthTrust Bank of Alabama, N.A.

Florida

SouthTrust Bank of Sarasota County, Sarasota

ICA #1030 SouthTrust Bank of Alabama, N.A. (Continued)

South Carolina

SouthTrust Bank of Charleston, N.A., Charleston

ICA #1038 National Bank of Commerce

Tennessee

Cordova Bank & Trust Co., Memphis

ICA #1041 First American National Bank

Tennessee

Union Bank, Jamestown

ICA #1045 Southwestern States Bankcard Association

Texas

Anahuac National Bank, Anahuac
Auto Parts Employees Credit Union, Fort Worth
Commercial State Bank of Palmer, Palmer
Cooperative Teachers Credit Union, Tyler
Midland Teachers Credit Union, Midland
Pantex Federal Credit Union, Borger
Pineland State Bank, Pineland
Security State Bank, Abilene
Walburg State Bank, Georgetown

ICA #1046 Southeast Bank, N.A.

Florida

Great Southern Bank, Lantana

ICA #1050 Fleet National Bank

New Hampshire

Bow Mills Bank & Trust, Bow

ICA #1055 AmSouth Bank N.A.

Alabama

Highland Bank, Birmingham

ICA #1058 Deposit Guaranty Omaha, N.A.

Mississippi

Great American Federal Savings & Loan, Corinth

ICA #1064 Southeast Bankcard Association

Georgia

Bank of Jefferson Co., Louisville

ICA #1066 Atlantic States Bankcard Association

North Carolina

Enterprise Bank, Raleigh

South Carolina

Bank of Walterboro, Walterboro

West Virginia

The Bank of Oceana, Oceana

ICA #1067 First Florida Bank, N.A.

Florida

American Bank of Bradenton, Bradenton
Enterprise Bank of Sarasota, N.A., Sarasota
Northside Bank of Tampa, Tampa
Port St. Lucie National Bank, Port St. Lucie
Southern Exchange Bank, Tampa

ICA #1069 American National Bank & Trust Company of Chattanooga

Alabama

Bankers Trust, Madison

ICA #1070 Credit Systems, Incorporated

Arkansas

First Exchange Bank of Little Rock, N.A., Little Rock

Illinois

Midland Community Bank, Kincaid

Missouri

Boone National Savings & Loan Association, Columbia

ICA #1085 First National Bank of Commerce

Alabama

Sterling Bank, Montgomery

ICA #1085 First National Bank of Commerce (Continued)

Mississippi

Inter-City Federal Savings Bank, Louisville

ICA #1088 MidAmerica Bankcard Association

Nebraska

Gering State Bank, Gering

ICA #1095 Bank of New York (Delaware)

New York

Irving Trust Company, New York

ICA #1124 Bank IV Wichita, N.A.

Kansas

State Bank of Atwood, Atwood
The Peoples Exchange Bank, Elmdale

ICA #1126 Commercial National Bank of Peoria

Illinois

Ayars State Bank, Moweaqua

ICA #1127 First Security National Bank & Trust Company

Kentucky

Farmers & Traders Bank, Campton

ICA #1130 Bank One, Columbus, N.A.

Ohio

Diamond Savings and Loan Company, Findlay

ICA #1135 Liberty National Bank & Trust Company of Louisville

Kentucky

Louisville Federal Credit Union, Louisville

ICA #1147 Citizens Fidelity Bank and Trust Company

New York

The Oneida Savings Bank, Oneida

ICA #1162 Service Center, Incorporated

Maine

Gardiner Savings Institution, FSB, Gardiner

Ohio

Chase Bank of Ohio, Columbus

ICA #1191 U.S. Bank of Washington, N.A.

Washington

First Olympic Bank, Olympia

ICA #1195 Third National Bank in Nashville

Tennessee

Macon Bank and Trust Company, Lafayette

ICA #1196 First National Bank of Atlanta

Georgia

First National Bank, St. Marys

ICA #1219 Sun Bank, N.A.

Florida

Commerce Bank of Central Florida, Winter Haven

ICA #1226 BancSystems Association, Inc.

California

North County Bank, Escondido

Illinois

Exchange State Bank, Lanark

Minnesota

Lake Crystal National Bank, Lake Crystal
Peoples State Bank of Slayton, Slayton

Ohio

The Citizens Bank of Ashville, Ashville

ICA #1227 Central Trust Company N.A.

Ohio

First Safety Bank, Cincinnati

ICA #1229 Financial Transaction Systems, Inc.

Florida

Island Bank of Collier County, Marco Island

ICA #1231 Key Bank of Central Maine

Massachusetts

Peoples Savings Bank, Worcester

ICA #1239 Computer Communications of America

Ohio

Standing Stone National Bank, Lancaster

ICA #1241 Bank One Wisconsin

Illinois

Mt. Zion State Bank and Trust, Mt. Zion

ICA #1284 Rocky Mountain Bankcard System, Inc.

South Dakota

The Peoples Bank, Aberdeen

ICA #1340 The Fifth Third Bank

Ohio

Franklin Savings and Loan Company, Cincinnati

ICA #1344 First Capital Bank, N.A.

New Hampshire

Concord Savings Bank, Concord

ICA #1377 Key Bank of Puget Sound

Washington

Redmond National Bank, Redmond

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ICA #1403 First Interstate Bancard Co.

California

Bank of Hayward, Hayward
First Network Savings Bank and Tahoe Savings,
a Division of First Network Savings Bank,
Los Angeles
Santa Barbara Savings and Loan Association,
Santa Barbara

ICA #1458 State Street Bank & Trust Company

Massachusetts

Everett Savings Bank, Everett
Hudson Savings Bank, Hudson
Northampton Co-operative Bank, Northampton

ICA #1494 First Security Bank of Utah, N.A.

California

Sierra Central Credit Union, Yuba City

Utah

Mountain America Credit Union, Salt Lake City

ICA #1538 Credit Union Card Services Inc.

Illinois

Curtiss Employees Federal Credit Union, Franklin Park

New York

Sidney Federal Credit Union, Sidney

ICA #1570 First Federal Savings & Loan Association

Minnesota

First Federal Banking & Savings, Bemidji

Missouri

Home Building and Loan Association, Mountain Grove

South Dakota

First Savings and Loan Association, Aberdeen

ICA #1664 South Carolina National Bank

South Carolina

Carolina Southern Bank, Spartanburg
Lowcountry Savings Bank, Inc., Mt. Pleasant

North Carolina

Bank of Mecklenburg, Charlotte
New East Bancorp, Raleigh

ICA #1685 Washington Trust Bank

Washington

Security Bank of Washington, Wenatchee

ICA #1711 Lomas Bank, USA

Texas

First Bank-Edna, Edna

ICA #1775 IBAA Bancard, Inc.

California

Goleta National Bank, Goleta

Connecticut

Bank of South Windsor, South Windsor

Florida

First National Bank of Naples, Naples
Mizner Bank, Boca Raton

Georgia

First Columbus Community Bank & Trust Company, Columbus

Iowa

Farmers Savings Bank & Trust-Vinton, Vinton

Michigan

Republic Bank S.E., Bloomfield Hills

Missouri

Bank 10, Drexel

ICA #1775 IBAA Bancard, Inc. (Continued)

New York

Great Eastern Bank, Flushing

North Dakota

Farmers and Merchants Bank in Cooperstown, Cooperstown
State Bank of Oliver County, Center

Washington

First National Bank of Port Orchard, Port Orchard

ICA #1786 Citizens Fidelity Bank & Trust Company

Kentucky

Corinth Deposit National Bank, Corinth

ICA #1885 Davenport Bank & Trust Company

Iowa

State Savings Bank, Cantril
Washington Federal Savings & Loan Association,
Washington

ICA #1888 U.S. League Financial Services, Inc.

California

Liberty Savings & Loan Association, Huntington Park

Florida

Haven Federal Savings & Loan Association, Winter Haven

Illinois

Sterling Federal Savings and Loan Association, Sterling

Massachusetts

Heritage Cooperative Bank, Salem
Medford Co-operative Bank, Medford

ICA #1937 First National Bank-Maryland

Maryland

Bank of Maryland-Carroll County, Westminster

Virginia

The George Washington National Bank, Alexandria

Board of Directors and
MasterCard Committee
St. Louis, Missouri
June 8, 1989

Appendix A to Minutes
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ICA #2008 Independent Bankers' Bank of Florida

Florida

Putnam State Bank, Palatka
The Enterprise Bank, N.A., Winter Park

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MASTERCARD ASSOCIATION OF (AREA)
BYLAWS
ARTICLE I
General

Sec. 1. Corporate Structure and Principal Place of Business

This organization is an unincorporated association of members of MasterCard International Incorporated ("MasterCard"), doing MasterCard business in the Region designated in Sec. 3 below and formed for the purposes set forth in Sec. 4 below. Its principal office shall be located in the MasterCard regional office in (NAME OF COUNTRY). This Regional Association shall continue in existence unless and until dissolved by a vote of three-fourths of the Principal Regional Association Members or otherwise pursuant to law.

Sec. 2. Name

The name of this association is "MasterCard Association of [Name of Area]" (hereinafter referred to as the "Regional Association"). Participants in the Regional Association are hereinafter referred to as "Regional Association Members."

Sec. 3. Region

The geographical area from which MasterCard members shall be eligible to participate in the Regional Association shall be that described in Appendix A to these Bylaws (such geographical area is referred to herein as the "Region").

Sec. 4. Purpose

The Regional Association has been formed for the following purposes:

- To develop and to oversee implementation of strategies to promote MasterCard in each of the Regional Association Members' respective geographic markets for the mutual benefit of MasterCard and the Regional Association Members.
- To address those issues which affect any or all of the Regional Association Members and to present the Regional Association's position regarding such issues to the MasterCard Board of Directors (the "MasterCard Board") through the Region Representative(s) (as defined in Article VII below) to the MasterCard Board.
- To develop proposals to enhance the Regional Association Members' MasterCard programs.
- Where requested by MasterCard, to comment through the Regional Association Board on any new MasterCard membership

application, or on an application for geographic extension of a license of an existing MasterCard member, to enable the applicant to conduct a MasterCard program in any country within the Region.

- To make any other decisions regarding those matters of interest to the Regional Association and its members.

Under no circumstances may any action be adopted or implemented by the Regional Association and/or the Regional Association Board which is inconsistent with the MasterCard Bylaws, Rules, regulations and/or policies. In addition, any action taken by the Regional Association and/or the Regional Association Board may be amended or rescinded by a vote of three-fourths of the entire Board of Directors of MasterCard.

ARTICLE II
Membership

Sec. 1. Eligibility to Participate

Each principal member and affiliate member of MasterCard (as defined in the MasterCard Bylaws) which is "engaged in MasterCard business within the Region" shall be a member of the Regional Association. A member shall be deemed to be engaged in MasterCard business in the region if its license would permit it to do so, it is either issuing cards to cardholders in the region and/or acquiring transactions from merchants within the Region and it has been assigned a MasterCard ICA number for its MasterCard business being conducted within the Region.

Sec. 2. Rights of Regional Association Members

Regional Association Members shall have the following rights:

- A. Regional Association Members which are principal members of MasterCard (hereinafter sometimes referred to as "Principal Regional Association Members") shall have the right to (i) vote in elections for directors of the Board of the Regional Association (the "Regional Association Board") (ii) under the circumstances described in Sec. 2.B. below, appoint a director to the Regional Association Board (iii) vote on any amendment to these Bylaws submitted to the Regional Association Members as provided in Article VIII below and (iv) vote on any proposed dissolution of the Regional Association as provided in Sec. 1 of Article I above. Affiliate members of MasterCard which are Regional Association Members (hereinafter sometimes referred to as "Affiliate Regional Association Members") shall not

have voting rights. In connection with any vote of Principal Regional Association Members, each Principal Regional Association Member shall be entitled to one vote for each US\$1,000.00 of Cardholder Volume (as defined in Article VII below) attributable to such such Principal Regional Association Member during the preceding calendar year.

- B. Any Principal Regional Association Member, whose Cardholder Volume equals or exceeds 5% of the total Cardholder Volume from all MasterCard members within the Region during the preceding calendar year, shall have the right to appoint one director to the Regional Association Board. If an officer of such a Principal Regional Association Member is a director of MasterCard and therefore a director of this Regional Association in accordance with Sec. 3 of Article III below, such officer shall be deemed to have been appointed by the Regional Association Member for purposes of this subparagraph 2.B.
- C. If, after appointment of directors to the Regional Association Board pursuant to subparagraph B. above, one or more positions on the Regional Association Board remain to be filled, the remaining directors shall be elected by a vote of the Principal Regional Association Members pursuant to Secs. 3 and 4 of Article III below. Under no circumstances may there be more than one director on the Regional Association Board from any one Regional Association Member. Each Regional
- D. Association Member shall have the right to request consideration by the Regional Association Board of any issue or proposal relating to the conduct of MasterCard business within the Region.
- E. Regional Association Members shall have such other rights as shall be established from time to time by a two-thirds vote of the directors present at a meeting of the Regional Association Board at which a quorum is present.

Sec. 3. Obligations of Members

Each Regional Association Member shall be responsible for all of its obligations as set forth in these Bylaws and/or as established by action of the Regional Association Board in accordance herewith; provided, that, no Regional Association Member may be required to take any action or omit to take any action which would violate any laws applicable thereto. One such obligation shall be that each Regional Association Member will use its best efforts to advance the purposes of the Regional Association as set forth in Sec. 4 of Article I.

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Sec. 4. Termination or Withdrawal of a Member

- A. In the event that any Regional Association Member fails to fulfill any obligation owed by it to the Regional Association, and such failure continues for thirty (30) days after notice of such failure from the Secretary of the Regional Association, then such member's right to participate as a Regional Association Member may be suspended indefinitely, or terminated, by action of the Regional Association Board.
- B. Any Regional Association Member which is involuntarily subjected, or voluntarily submits, to bankruptcy, insolvency, liquidation or dissolution proceedings, or any of their equivalents in any country of the Region, or has appointed a receiver, trustee or administrator or similar officer to protect the Regional Association Member's assets, then, in any such event, the Regional Association Member shall immediately and automatically cease to be a qualified member of the Regional Association without any further action by the Regional Association. To regain its status as a Regional Association Member, such organization shall have to reapply upon successful and final resolution of its financial problems.
- C. In the event that any Regional Association Member ceases to be a member of MasterCard, then such Member shall also automatically cease to be a member of the Regional Association without any further action by the Regional Association.
- D. Regional Association Members may withdraw from the Regional Association at any time by providing thirty (30) days prior written notice to the Regional Association Board.
- E. In the event of voluntary or involuntary termination of a Regional Association Member's membership status, such Regional Association Member shall continue to be responsible for all of its obligations to the Regional Association established on or prior to the date of such termination.
- F. A Regional Association Member which voluntarily withdraws or whose membership is terminated by action of the Regional Association Board or is otherwise terminated pursuant to these Bylaws, will only be readmitted to the Regional Association if the Regional Association Board approves its application for membership.

Sec. 5. Action by Members

Any action to be voted upon by the Regional Association Members may be adopted at a meeting of Regional Association Members called upon notice provided by the Secretary of the Regional Association in accordance with the provisions of Sec. 6 below. Except as otherwise provided herein, adoption of any action shall require the affirmative vote, cast in person or by proxy, of at least a majority of the total number of votes then eligible to be cast by all Principal Regional Association Members. See Sec. 2.A. of Article II for those matters on which Principal Regional Association Members shall have the right to vote and the formula for determination of the number of votes eligible to be cast by each Principal Regional Association Member.

Any action to be voted upon by the Regional Association Members may also be approved or adopted, without a meeting, by written consent of Principal Regional Association Members representing sufficient votes to adopt the proposed action.

Sec. 6. Meetings of Members

The Regional Association Board may establish a date each year for an Annual Meeting of Regional Association Members. Other meetings of Regional Association Members may be called by the Chairman of the Regional Association upon written request of at least one-half of the members of the Regional Association Board, or upon written request of Principal Regional Association Members representing at least twenty (20%) percent of the total number of votes eligible to be cast by all Principal Regional Association Members.

The Secretary shall provide written notice of any such meeting to the Principal Regional Association Members eligible to vote and shall set forth in such notice the issues to be addressed at the meeting. All such notices must be mailed at least twenty (20) days prior to the meeting or telefaxed, telegraphed or hand delivered at least ten (10) days prior to the meeting. A quorum at any meeting of the Regional Association Members shall be a number of Principal Regional Association Members present, either in person or by proxy, representing a majority of the total number of votes eligible to be cast by all Principal Regional Association Members. The Chairman of the Board or, in his absence, the Vice Chairman of the Board shall preside over all meetings of the Regional Association Members. The time and place of each meeting shall be established in the notice of the meeting.

Sec. 7 Adjournments

A meeting may be adjourned, with or without a date for reconvening, if a quorum is not present or if a majority of the

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Regional Association Members present at a meeting at which a quorum is present vote to adjourn.

ARTICLE III
Regional Association Board

Sec. 1. Powers

The affairs of this Regional Association shall be managed by the Regional Association Board. The Secretary of the Regional Association shall be one of the MasterCard Regional Vice Presidents as designated in writing by MasterCard. The Secretary of the Regional Association shall keep the minutes of the meetings and perform such other duties as shall be specified in these Bylaws and/or by the Regional Association Board.

Sec. 2. Qualifications of Board Members

Except for the two directors appointed by MasterCard pursuant to Sec. 3 below, each nominee for election to the Regional Association Board must be an officer of a Regional Association Member at the time of his or her appointment or election. As a further qualification, all directors of the Regional Association Board must hold a position with the member as the decision-maker for the entity or be the decision-maker for all credit card business in which such entity is engaged.

An individual serving as (i) a member of a regional or other board of directors or similar governing body or a standing committee of a competitive international credit, debit or charge card program or (ii) as an employee or consultant of a company which owns and operates a competitive international credit, debit or charge card program shall be ineligible to serve as a member of the Regional Association Board.

Sec. 3. Number and Method of Nomination and Election

The Regional Association Board shall consist of no more than fifteen (15) directors, two of whom shall be appointed by MasterCard at the time of the annual election of directors. Additionally, any person or persons serving on the MasterCard Board as the Region Representative(s) shall automatically be a member of the Regional Association Board unless such individual declines to serve as a director. Directors elected pursuant to Sec. 2.C. of Article II shall be elected at an Annual Meeting each year or by written ballot circulated among the Regional Association Members eligible to vote. At the time of the election, directors shall also be appointed by Regional Association Members in the manner provided in Sec. 2.B. of Article II. Nominees for election pursuant to Sec. 2.C. of Article II shall be proposed by the Nominating Committee as provided in Sec. 8 of this Article III below.

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Sec. 4. Election of Directors; Chairman of the Board

- A. All directors elected by the Regional Association Members pursuant to Sec. 2.C. of Article II shall be elected by a plurality vote of all votes cast by Regional Association Members within the Region. A plurality vote means the individuals achieving the highest number of votes from among all nominees for the available directors seats shall be elected as directors of the Regional Association Board. All directors shall be elected or appointed for one year terms and shall serve until their successors have been duly elected and qualified, unless a director's term has been otherwise terminated pursuant to these Bylaws.
- B. The Chairman and the Vice Chairman of the Regional Association Board shall be elected from among the directors by the Regional Association Board annually and may be elected for up to two consecutive terms. Each such person shall only be eligible thereafter to serve in such office two years following his last term in that office.

Sec. 5. Termination of a Director's Term

Any director who ceases to be an officer of a Regional Association Member shall automatically be removed from the Regional Association Board, effective at the time his status changes. Any director's tenure on the Regional Association Board may be terminated for cause or for excessive absences from meetings by a majority vote of the other directors at a meeting at which a quorum is present. A vacancy created by the departure of a director appointed pursuant to Sec. 2.B. of Article II may be filled by the Regional Association Member which initially appointed the departing director. A vacancy created by the departure of one of the MasterCard directors shall be filled by MasterCard. Any other vacancy on the Regional Association Board shall be filled by a vote of a majority of the remaining directors of the Regional Association Board.

Sec. 6. Meetings of the Regional Association Board, etc.

The Regional Association Board may establish dates and times for regular meetings of the Regional Association Board by resolutions adopted from time to time. Special meetings of the Regional Association Board may be called by the Chairman or upon the written request of five members of the Regional Association Board. All Regional Association Board meetings shall be convened upon written notice from the Secretary of the Regional Association, as follows:

at least ten (10) days prior notice if delivered by mail; and

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at least two full business days' prior notice, if delivered by hand (courier, etc.) by telefax and/or telex.

Such meetings shall be held at such place and time as set forth in the Secretary's notice of the meeting and such notice shall set forth the issues to be discussed at the meetings.

Sec. 7. Voting

Except as specified elsewhere in these Bylaws, all action by the Board shall require a vote of a majority of those directors present at a meeting of the Regional Association Board at which a quorum is present. A quorum shall be present if a majority of the directors are present at such meeting. Action which may be taken at a meeting by the Regional Association Board may be adopted without a meeting by written consent of all of the directors. When determining the number of directors for quorum and/or voting purposes, any vacancy on the Regional Association Board shall be excluded from such calculation.

Sec. 8. Nominating Committee

- A. The Nominating Committee shall consist of three directors from among, and elected by, the Regional Association Board and the two MasterCard directors to the Regional Association Board.
- B. The Nominating Committee shall (i) establish the number of directors each year to be elected in accordance with Sec. 2.C. of Article II and (ii) nominate qualified candidates from among those directors presently serving on the Regional Association Board and candidates proposed by Regional Association Members. At least one nominee shall be from a Regional Association Member located in a country in the Region which did not have the right to appoint a director pursuant to Sec. 2.B. of Article II.
- C. Each year the Secretary shall solicit from the Principal Regional Association Members written recommendations for nominees to the Regional Association Board. These recommendations shall be provided to the Nominating Committee in connection with its deliberations regarding the slate of nominees to be proposed by the Nominating Committee for vote by the membership at the Annual Meeting. No individual may be elected as a director unless nominated by the Nominating Committee.

Sec. 9. Remuneration

Directors shall receive no remuneration solely for acting as a director of the Regional Association nor shall any of their travel expenses be reimbursed by the Regional Association unless authorized in the manner provided in Article IV below.

Sec. 10. Committees

The Regional Association Board may appoint any number of ad hoc or standing committees to assist it in the management of the Regional Association's affairs.

ARTICLE IV
Fees

Sec. 1. Basic Fees

In order to ensure maximum participation of MasterCard members in the Regional Association, the Regional Association shall not, without the specific authorization of the Regional Association Board as provided in Sec. 2 below, assess fees of Regional Association Members in excess of those fees necessary to purchase supplies, pay postage and otherwise conduct the ordinary and necessary affairs of the Regional Association, as contemplated in these Bylaws. This Sec. 2 approval requirement shall extend to retention of salaried employees.

Sec. 2. Additional Assessments

Any assessments in excess of the basic fees assessed as contemplated in Sec. 1 above shall only be made after authorization by at least three-fourths of the entire Regional Association Board, with at least one of the approving directors being one of the MasterCard directors on the Regional Association Board.

Sec. 3. Requirement to Pay

Each Regional Association Member shall be required to pay, by the due date therefor, all fees charged to it in accordance with this Article IV.

ARTICLE V
Liability and Indemnity

- A. Each Regional Association Member shall be jointly and severally liable, with full rights of contribution from the other Regional Association Members, for the obligations of the Regional Association. Furthermore, each Regional Association Member shall be fully responsible to, and hereby indemnifies, the Regional Association and its Members and/or MasterCard for any acts or omissions of such Regional Association Member, either in violation of, or inconsistent with, or not

contemplated by, these Bylaws, which acts or omissions result in liability or the threat thereof to any of them. Such indemnity obligation shall include, but not be limited to, any loss, cost, judgments, liabilities and/or expenses, including, without limitation, reasonable attorneys' fees.

- B. The Regional Association shall indemnify and hold harmless each member of the Regional Association Board from any liability or claims, made or alleged, arising from any good faith action or inaction by any director in connection with issues addressed or not addressed by the Regional Association Board. To the extent it may economically be available, the Regional Association Board shall secure directors insurance against claims made where the director has acted in good faith. The cost of such insurance shall be included under the fees in Sec. 1 of Article IV.

ARTICLE VI
Confidentiality

Each Regional Association Member and each director is hereby prohibited from disclosing to third parties any information which in any way could be deemed confidential or proprietary to the Regional Association or any Regional Association Member and that is made available to the Regional Association Member or director in connection with the Regional Association's conduct of its affairs, unless the disclosure of such information is expressly consented to by the party or parties affected thereby. Regarding the foregoing, it is understood that MasterCard shall not be deemed a third party for purposes of the restriction against disclosure to third parties. Each Regional Association Member shall take all necessary steps to ensure that its officers, employees and/or agents are made aware of and comply with this non-disclosure requirement. An intentional and knowing breach of this requirement by any entity or individual shall, at a minimum, constitute a basis for expulsion of the entity or individual from the Regional Association, as well as injunctive relief by a court of competent jurisdiction in favor of the Regional Association against such entity or individual.

ARTICLE VII
Definitions

Cardholder Volume - the total volume (expressed in U.S. dollars) of a Principal Regional Association Member and its affiliates' cardholder transactions, using MasterCard Cards issued by such members, at merchant locations both within and outside of such members' country, less the U.S. dollar amount of all cash advances obtained on such cards within the Members' country.

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MasterCard Card - a card bearing the official MasterCard logo on the face of such card, i.e., Red and Ochre, Gold and/or BusinessCard.

Region Representative(s) - those officers of Regional Association Members serving as directors on the MasterCard Board.

ARTICLE VIII
Amendment of these ByLaws

These Bylaws may be amended by the Regional Association Members by a vote satisfying the requirements of Sec. 5 of Article II. These Bylaws may also be amended by the Regional Association Board by a vote of three-fourths of the entire number of directors then constituting the Regional Association Board. No such amendment shall become effective, however, unless and until approved by the Executive Committee of the Board of Directors of MasterCard.

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