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**Supplement to
AOR 1995-9**

TO: Rosie Smith, Esq.

FX: 219-3923

FR: Matt Dorsey

DA: 3/24/95

RE: FEC Advisory Opinion for NewtWatch (ID Number C00301184)

This is in response to our discussion today. Please find accompanying this a copy of information on First Virtual's Internet payment mechanism. Please know that payment for First Virtual's services will be made in full and reported as an operating expenditure by the PAC.

Also, as we discussed, this is to inform you per our discussion today that the record-keeping mechanism for all contributions made via the Internet is a CGI (Common Gateway Interface) script which writes all the data entered by the contributor to a data log on the server. Our feeling in developing this is that the data-keeping mechanism is both more reliable and lends itself better to manipulation for our reporting requirements than an e-mail based interface as you discussed.

Should you have any further questions, please don't hesitate to contact me at (202) 328-6288 or by e-mail at m@dorsey.com.

Thanks!

How to Sell Information with a First Virtual Account

Selling information is easy! If you have any knowledge you would like to share, and you think people would pay for it, you can make it available for sale to a global audience of millions just by getting a First Virtual account.

Before You Start

Before you can sell information using First Virtual, you must get a First Virtual account. (The same account is used for buying and for selling information, so if you already have an account for buying information, you're all set.) Almost anyone is eligible for an account, and you can sign up anytime, day or night, just by following a few simple signup steps.

In order to be paid for the information you sell, you also need to give us information about your checking account, which is where we will deposit the proceeds from any sales you make. (By next year, other ways of paying you will be supported, but for now, you must have a checking account in a United States bank in order to be paid for the information you sell.)

To give us your checking account information, once you have your First Virtual account identifier, you'll need to send us a check for US $10.00 (ten dollars) drawn on the checking account you wish us to use to pay you. Write your "application number" in the memo space of your check; this is the same number that you used to give your credit-card number to our automated telephone answering machine.

We use the information on your check to record your account information; the $10 pays part of the cost of processing your new account. (When you set up your account, one of the email messages you'll receive will tell you the postal address where you should send your check.)

Once we've processed your $10 check, your First Virtual account is all ready -- you can make information available for sale over the Internet, and receive payment for what you sell!

If you only want to sell information, just don't call the phone number we supply. Send a check without giving us your credit card number, and your account cannot be used to make purchases.

What It Costs

Other than the nominal fees we charge you when you first establish your account, First Virtual does not charge you any fee to be a seller unless you actually make a sale. And we never charge

any fees to buyers -- the price you set for your information is the price that your buyers pay.

If you do make a sale, we charge you a modest transaction fee of US $0.29 plus 2% of the value of the transaction. This fee is deducted from the sale price (the price you established, which was paid by the buyer) at the time that we deposit the remainder in your checking account. Finally, at the time that we settle with you, we deduct an additional charge of $1.00 for the cost of processing your payment and depositing the funds in your bank account. There are no other transaction fees charged to either the buyer or the seller. This means that:

- When you sell something for $1.00, we charge you $0.31 and credit you with $0.69.
- When you sell something for $10.00, we charge you $0.49 and credit you with $9.51.
- When you sell something for $100.00, we charge you $2.29 and credit you with $97.71.

If the above three transactions were the only sales you made before your next settlement date, we would total your net credits ($107.91), deduct the $1.00 processing fee, and credit $106.91 in your checking account.

Using the Infohaus (TM)

If you use the Infohaus (see below), we charge you a nominal storage fee of US $1.50 per month per megabyte of storage space you use (minimum $1.50 per month), in addition to the transaction fees noted above. (A megabyte is the equivalent of about 600 typed double-spaced pages of text.) The storage fee is deducted from the proceeds of

sales, or charged to your credit card if it is not covered by sales. We also charge an additional 8% of the sale price of each transaction we handle for you.

An Excellent Value

If you're operating your own server and your transactions are reasonably large, First Virtual's fee approaches 2%, out of which we pay all fees associated with the financial networks. There are no hidden charges. If you're using the Infohaus, the fees are more like 10%, but you don't even need your own computer, and you can go skiing while we sell your information for you.

Considering that right now you probably can't sell information over the Internet at all, we think that charging you these nominal fees to cover our costs is extremely fair. Fees like these are in line with the commissions you'd have to pay if you accepted credit cards for payment, and it's much, much easier to sell information using First Virtual than it is to get a credit card merchant account.

The Selling Process

Generally speaking, the steps in a sale are the same whether you're using your own server, using the Infohaus, or contacting potential buyers directly:

Using Your Own Server

It's easy to make your own server compatible with First Virtual, so that buyers will be required to enter their First Virtual account identifiers before they can download your information. If you're running a First Virtual-compatible server, here are the steps in a sale:

1   You make an information product available for sale, by placing it on your First Virtual-compatible FTP, World Wide Web, or email server. You set your own price, and, if possible, post a description along with the item so that potential buyers know what they're getting.

2   If you like, you advertise the product, publicize it in appropriate areas on the Internet, or rely on word-of-mouth to get the information to prospective buyers.

3   A prospective buyer finds out about the information, connects to your server, learns the price, and attempts to download a copy.

4   Your server asks for the buyer's First Virtual account identifier, which (if you wish) you verify before allowing the buyer to download a copy of the item.

5   Your server sends First Virtual an email message describing the buyer and seller (and providing their First Virtual account identifiers), the item bought, and the price.

6   First Virtual sends an email message to the buyer, asking whether he or she agrees to pay for the item.

7   We let you know, via email, whether the buyer says "yes" or "no". (If necessary, we make repeated attempts to contact the buyer.)

8   If the buyer agrees to pay, your checking account is credited for the sales price (minus our modest transaction fee) as soon as payment is received from the buyer.

Using the First Virtual Infohaus

The Infohaus is our public-access information server, which anyone can use to sell information without having to go to the trouble of setting up and maintaining their own server and Internet connection — you simply upload your information to the Infohaus and let us take care of the rest.

If you use the Infohaus, here are the steps in a sale:

1   You make an information product available for sale, by uploading it to the Infohaus using simple software we provide you for free. You set your own price, and post a description along with the item so that potential buyers know what they're getting.

2   If you like, you advertise the product, publicize it in appropriate areas on the Internet, or rely on word-of-mouth to get the information to prospective buyers. Then you go to the beach, or go away to college, or go about your business, and let First Virtual take care of the details.

3   A prospective buyer sees the information on the Infohaus, and attempts to download a copy.

4   The Infohaus automatically verifies the prospective buyer's First Virtual account identifier, then allows the buyer to download a copy of the item.

5   The Infohaus automatically sends First Virtual an email message describing the buyer and seller (and providing their First Virtual account identifiers), the item bought, and the price.

6   First Virtual sends an email message to the buyer, asking whether he or she agrees to pay for the item.

7   We let you know, via email, whether the buyer says "yes" or "no". (If necessary, we make repeated attempts to contact the buyer.)

8   If the buyer agrees to pay, your checking account is credited for the sales price (minus our modest transaction fee and the nominal Infohaus storage fee, if applicable) as soon as payment is received from the buyer.

9   The Infohaus bills your First Virtual account periodically, based on disk space consumed and sales completed.

Contacting Buyers Directly

There is no requirement that you use an automated server to sell information via First Virtual, although virtually all sellers will. If you have an information product which you would like to sell to another First Virtual accountholder, you may communicate with our server manually (with email messages you compose yourself).

You might conceivably want to do this if you had an information product with a very limited audience of people you knew personally, and you didn't want to go even to the minimal trouble of uploading it to the Infohaus. We think using the Infohaus would be easier, but you're free to communicate with our server manually, as long as your messages conform to the formats understood by our server. This might also be the easiest way to distribute information to selected individuals, rather than to anyone who can contact our Infohaus.

Letting Buyers Try Before They Buy

Although we cannot enforce the require that you to let buyers download your information before making a commitment to pay, we feel strongly that it is in your interest, as well as theirs, to do so, and we strongly encourage you not to require payment in advance.

Partly, this is because what makes the Internet community so fascinating is its commitment to the open exchange of information, and requiring payment in advance goes against that very strong principle.

But there are practical considerations as well. You're free to set any terms of sale that you and your buyers can agree upon, but we think that the terms we suggest -- letting buyers examine your information before having to decide whether to pay for it -- will result in substantially more sales and higher revenues for you. If you require payment in advance, a very large proportion of your prospective buyers will simply disappear, and your revenues will drop accordingly. Most people will be unwilling to commit in advance to paying for something they haven't seen yet.

You should be reassured by the fact that under the economics of Internet commerce, you lose little or nothing if a few buyers examine your information and then decide not to pay for it, because it costs you nothing to "manufacture" another copy for the next buyer, and you don't have to pay for returned merchandise, repairs, or restocking, as you would if you were running a store in the real world.

Verifying a Buyer's Account Identifier

If you want, you can check a prospective buyer's First Virtual account identifier to make sure it is valid before you allow him or her to get information from your server. There are several ways you can do this, and we also make software available that makes it easy for your server to do it automatically.

Using Finger

If you have access to the common information utility known as Finger, you can use it to verify that a First Virtual account identifier is valid, by fingering the account on card.com. You should leave out any spaces, commas, and other non-alphanumeric characters in the account identifier when you type it.

For example, if a buyer claims to have the account identifier "Gold Finger #8", you can verify that it is valid by typing "finger goldfinger8@card.com" (or the equivalent command on your machine).

Using Telnet

If you have access to Telnet, you can use it to connect to telnet.card.com and view our menu. Select the appropriate menu choice to request an account inquiry, and enter the account identifier to learn the status of the account.

Using Email

You can also send an email message to inquiry@card.com, putting the account identifier you wish to verify into the Subject line of your message. Our server will reply to you via email with status information for the account.

Using the FV-API

If you have the "fv" program installed (available from ftp.fv.com under pub/code/fv-api) you can use fv checkat card.com *account* to see the status of an account.

Submitting a Bill

Each time you make a sale, you need to submit a bill to First Virtual via email, so that we can forward it to the buyer and ask whether he or she agrees to pay for the item. If you are using the Infohaus, or your own First Virtual-compatible server, this will probably happen automatically each time information is downloaded by a prospective buyer, but you should know a little about how it works.

We use the term "bill" here because it's familiar, but technically the email message we're talking about is not really a bill; we call it a "transfer-request". A transfer-request isn't a bill because, under the terms of his or her First Virtual account, a buyer is not obligated to pay for any piece of information until he or she receives this transfer-request and responds "yes".

A transfer-request may be submitted via email to "transfer@card.com", or you may submit it interactively by connecting via Telnet to "telnet.card.com" and selecting the appropriate choice from the menu.

Your transfer-request must contain several pieces of information in order for our server to be able to interpret it and take the necessary action:

- It must contain a BUYER: field and a SELLER: field, indicating the First Virtual account identifiers for the buyer and the seller.
- It must contain an AMOUNT: field, which specifies the sales price.
- It must contain a CURRENCY: field, which specifies the currency that the sales price is expressed in. At present, the only supported CURRENCY: is United States dollars (abbreviated "USD"), but in 1995 First Virtual will begin supporting other currencies as well, automatically doing currency conversions for you.
- Finally, it must contain a DESCRIPTION: field, a short (40-character) description of the information purchased so that the buyer can identify it.

Here is a sample transfer-request describing the sale of a set of short stories for $5.00:

```
------------------------------------------------------
To:   transfer@card.com
From:  (seller's email address)
Subject:
Date:  September 15, 1994
BUYER: goldfinger #8
SELLER: Blue Tormented Intellectual
AMOUNT: 5.00
CURRENCY: USD
DESCRIPTION: The Ravioli Chronicles - short stories
```

There are also a number of optional fields you can supply:

- One is TRANSFER-TYPE:, which should be "info-sale", "cost-recovery", "donation", or "usage-fee". This field is currently ignored by First Virtual, but if you use it, it's passed along to the buyer.

- Another is TRANSFER-ID:, which is a short string between angle brackets that you can use to identify the transaction for your own records; you may use letters and numbers, periods, and one @-sign in it, like this: <bill.09.12.1994@my.computer>.

- A third optional field is DELIVERY-STATUS:, which should be either "pending" or "delivered." This, again, is ignored by First Virtual but is passed along to the buyer; it defaults to "delivered."

Finally, anything else you put in the body of a transfer-request will be delivered to the user as a "message from the seller." In here you can put a longer description of what you sold, or a plea to donate to a worthy cause, or a description of other products available from your server, or whatever else you'd like.

Getting Paid

Once First Virtual receives your transfer-request, we will generate a email message to the buyer, asking the buyer if the information was satisfactory. This message is called a transfer-query. It includes a code number that First Virtual generates, allowing us to match up queries with responses to them.

Eventually, one of four things will happen:

- If the buyer agrees to pay, you will receive email from First Virtual right away telling you so. Once the buyer has agreed to enough purchases that it makes sense to submit an actual credit-card charge, the buyer's credit card will be charged for all the purchases at once. Some time after that, once we know the buyer has paid his bill, we will depsosit the proceeds of the sale in your checking account, less our nominal transaction fee.

- If the buyer declines to pay, you will receive email from First Virtual right away telling you so.

- If the buyer never answers the transfer-query, in spite of repeated queries being sent, the buyer's account is automatically suspended. If enough time passes (i.e., months), you will eventually be told that the buyer declined the purchase.

- If the buyer replies that he or she believes the account identifier has been used without permission and charge is fraudulent, you will be notified by email; the account identifier will be invalidated and you will not receive payment. As a seller, you take all the risk that this may happen occasionally, although the risk is very low, since it costs you nothing to "manufacture" a new copy of your information for the next buyer.

Reconciling Your Account

Just as a buyer does not actually get billed until enough charges have accumulated, a seller does not get actually paid until enough credits have accumulated to make it worthwhile, or until a certain amount of time has passed. Once this happens, money will be deposited directly into your checking account, and an email message detailing the payments that went into that deposit will be sent to you.

For our protection, First Virtual "ages" (delays payment of) funds going to a seller. This is to prevent problems that might arise if buyers agreed to pay via email, and then refused to pay when their credit card bill arrived. Although this delay will not exceed a reasonable period necessary to protect us from legitimate risks, it is entirely at our discretion.

Chargebacks

Occasionally, it's possible that a buyer will decide to complain to a credit card company about a charge. If this happens, you will be sent an email message detailing what happened, and the portion of the buyer's credit-card charge that went to you will be deducted from your account again. (Incidentally, the buyer will also lose the ability to buy information in the future using First Virtual, because he or she was already given one chance to decline paying for the item, and nevertheless agreed to pay.)