Heartland
PAYMENT SYSTEMS™
The Highest Standards The Most Trusted Transactions

Charles Kallenbach
General Counsel and
Chief Legal Officer

February 4, 2009

William H. Sorrell, Attorney General
Vermont Attorney General
109 State Street
Montpelier, VT 05609

Dear Attorney General Sorrell:

We are writing to advise you that Heartland Payment Systems, Inc. ("Heartland") recently discovered a security breach of its computer system that occurred during some portion of 2008. The breach involved use of malicious software that may have been used to access in-transit, unencrypted payment card data while it was being processed by Heartland's card authorization system.

Heartland discovered evidence of the intrusion on January 12, 2009. The company immediately alerted law enforcement authorities and is continuing to cooperate closely with the United States Secret Service and Department of Justice in their criminal investigation of the breach. The company believes the intrusion is contained and has taken a number of measures to enhance further the security of its computer systems.

Heartland also is continuing its investigation into the incident, with the assistance of outside experts in data security and computer forensics. Based on the investigation to date, which is still underway, it appears that intruder(s) may have gained access to payment card account numbers and certain other information from the magnetic stripe on the back of the payment card (including, in some cases, the cardholder's name). No unencrypted personal identification numbers (PINs) appear to have been at risk of being accessed. At this stage of the investigation, we do not know precisely what information was accessed, or which or how many cardholders may have had their information potentially placed at risk of compromise.

As a payment processor, Heartland does not have mailing or email addresses for (nor, in most cases, the names of) the cardholders whose transactions it processes. Upon discovering the breach, Heartland promptly notified payment card companies of this incident. Heartland understands that Visa and MasterCard, in turn, have notified their issuing banks of those card accounts that they consider to have been placed at risk of compromise in the breach. Those issuing banks are in a position to take such action as may be appropriate to protect cardholders potentially placed at risk against possible counterfeit use of their card numbers. We are not aware of any identity theft resulting from this incident.

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Heartland also disclosed the breach to cardholders and others more broadly by issuing press releases dated January 20 and 23, 2009, and by creating a website, www.2008breach.com, that addresses the breach and provides information to assist cardholders in protecting against potential misuse of their information. The website, which is linked to Heartland's home page, includes resources for cardholders and merchants, answers to frequently asked questions, background information about the company, and a letter from Heartland's Chairman and CEO, among other information.

We are continuing to investigate this matter and to work with law enforcement authorities, as well as with card associations and issuers, in order to protect consumers.

To the extent that applicable state law may require Heartland to provide written notification of the matters described above to your office, this letter is intended to constitute any such required notice.

Please contact me at 866-360-7644 if you have any questions.

Sincerely,

Charles Kallenbach
General Counsel and Chief Legal Officer