



Operating Procedures

Merchant**Service**
G R O U P

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Preface

These Operating Procedures describe the procedures and methods for submitting credit Card transactions for payment, obtaining authorizations, responding to Chargebacks and Media Retrieval requests, and other aspects of our services. You are required to comply with these Operating Procedures as part of your Merchant Agreement.

We are a full-service financial transaction processor dedicated, among other processing services, to facilitating the passage of your Sales Drafts back to the thousands of institutions who issue the MasterCard® and Visa® Cards carried by your customers, as well as to the independent Card Issuers of American Express®, Optima®, Discover®, and JCB®. These Operating Procedures focus primarily on the MasterCard and Visa Associations' operating rules and regulations, and seek to provide you with the principles for a sound Card program. They are designed to help you decrease your Chargeback liability and train your employees. (In the event we provide authorization, processing or settlement of transactions involving Cards other than MasterCard and Visa, you should also consult those independent Card Issuers' proprietary rules and regulations.)

The requirements set forth in these Operating Procedures will apply unless prohibited by law. You are responsible for following any additional or conflicting requirements imposed by your state or local jurisdiction.

1. MasterCard and Visa Acceptance

1.1. Card Descriptions. At the point of sale, the Card must be carefully examined to determine whether it is a legitimate and valid Card. The name of the Card (e.g., Visa or MasterCard) and Card Issuer (e.g., XYZ Bank, etc.) should appear in bold letters on the Card. The following is a description of the authorized Visa and MasterCard Card designs:

- Visa Cards have the Visa symbol on the right-hand side of the Card. Above the Visa symbol is the three-dimensional hologram of the Visa Dove design. The expiration date must

be followed by one (1) space and the symbol "V". Visa Cards contain a 16-digit account number embossed across the middle of the Cards and the first digit is always a four (4). In addition, the Classic and Preferred Cards have the first four (4) digits of the account number printed directly below the embossed number. You must always check these numbers carefully to ensure that they are the same. Only Visa Cards fitting this description may be accepted.

- MasterCard Cards are issued under the following names: MasterCard, EuroCard, Access, Union, Million and Diamond. The MasterCard symbol appears on the front or back of the Card. MasterCard and the Globe designs appear in a 3-dimensional hologram above the symbol. In addition, the words Classic, Preferred, Gold or Business may appear. MasterCard account numbers are sixteen (16) digits, and the first digit is always a five (5). The first four (4) digits of the account must be printed directly below the embossed number. Only MasterCard Cards fitting this description may be accepted. Diner's Club International Cards that are issued outside the U.S. and Canada will be re-issued with the MasterCard brand on the back of the Card. These Cards will have account numbers that are fourteen (14) digits, and the first two (2) digits are always thirty-six (36). When these Cards are used within the United States and Canada, they will be processed as MasterCard transactions.

1.2. Effective/Expiration Dates. At the point of sale, the Card should be carefully examined for the effective (valid from) (if present) and expiration (valid to) dates which are located on the face of the Card. The sale date must fall on or between these dates.

Do not accept a Card prior to the effective date or after the expiration date. Otherwise, you are subject to a Chargeback and could be debited for the transaction.

1.3. Valid Signature. Check the back of the Card. Make sure that the signature panel has not been disfigured or tampered with in any fashion (an altered signature panel may appear discolored, glued or painted, or show erasure marks on the surface). The signature on the back of the Card must compare favorably with the signature on the Sales Draft. The Sales Draft must be signed in the same format as the signature panel on the Card; e.g., Harry E. Jones should not be signed H.E. Jones. The signature panel of both Visa and MasterCard now have a 3-digit number (CVV2/CVC2) printed on the panel.

- a. Visa: If the signature panel on the Card is blank, in addition to requesting an Authorization, you must do all the following:
 - Review positive identification bearing the Cardholder's signature (such as a passport or driver's license that has not expired) to validate the Cardholder's identity.
 - Indicate the positive identification, including any serial number and expiration date, on the transaction receipt.
 - Require the Cardholder to sign the signature panel of the Card prior to completing the transaction.
- b. MasterCard: If the Card is not signed and the Cardholder refuses to sign the Card, do not accept it for a transaction. If the Cardholder is willing to sign the Card in your presence, request two (2) pieces of valid and current identification (e.g., driver's license, another bank Card, etc.).

1.4. Users Other Than Cardholders. A Cardholder may not authorize

another individual to use his/her Card for purchases. Be sure the signature on the Card matches with the one on the Sales Draft. Furthermore, any Card having two (2) signatures on the back panel is invalid and any sale made with this Card can result in a Chargeback. For Cards bearing a photograph of the Cardholder, ensure that the Cardholder appears to be the person depicted in the picture which appears on the Card. If you have any questions, call the Voice Authorization Center and request to speak to a Code 10 operator.

1.5. Special Terms. If you limit refund/exchange terms or impose other specific conditions for Card sales, the words "No Exchange, No Refund," etc. must be clearly printed (in 1/4" letters) on the Sales Draft near or above the Cardholder's signature. The Cardholder's copy, as well as your copy, must clearly show this information. Never give cash, check or in-store Credit refunds for Card sales.

Note: A disclosure does not eliminate your liability for a Chargeback. Consumer protection laws and Association Rules frequently allow the Cardholder to dispute these items notwithstanding such disclosures.

1.6. Delayed Delivery or Deposit Balance. In a delayed delivery transaction where a Cardholder makes a deposit toward the full amount of the sale, you should execute two (2) separate Sales Drafts (each completed fully as described in Section 3.1), the first for a deposit and the second for payment of the balance upon delivery of the merchandise or the performance of the services.

- For Visa transactions, you must obtain separate authorizations for each of the two (2) Sales Drafts. You must assign the separate authorization numbers to each Sales Draft, respectively. You must note on such Sales Drafts the words "delayed delivery," "deposit" or "balance," as appropriate, and the

authorization dates and approval codes.

- For MasterCard transactions, you must obtain one (1) authorization. You must note on both Sales Drafts the words "delayed delivery," "deposit" or "balance," as appropriate, and the authorization date and approval code.

Note: If delivery is more than twenty-five (25) days after the original transaction date (and the initial authorization request), you should re-authorize the unprocessed portion of the transaction prior to delivery. If the transaction is declined, contact the Cardholder and request another form of payment. For example: On January 1, a Cardholder orders \$2,200 worth of furniture and you receive an authorization for the full amount; however, only a \$200 deposit is processed. The above procedures are followed, with a \$2,000 balance remaining on the furniture; the \$2,000 transaction balance should be re-authorized.

1.7. Recurring Transaction and Pre-authorized Order Regulations. If you process recurring transactions and charge a Cardholder's account periodically for recurring goods or services (e.g., monthly insurance premiums, yearly subscriptions, annual membership fees, etc.), the Cardholder shall complete and deliver to you a written request for such goods or services to be charged to his/her account. The written request must at least specify the transaction amounts, the frequency of recurring charges and the duration of time for which the Cardholder's permission is granted.

If the recurring transaction is renewed, the Cardholder must complete and deliver to you a subsequent written request for the continuation of such goods or services to be charged to the Cardholder's account. You may not complete a recurring transaction after receiving a cancellation notice from the Cardholder or Issuing Bank or

after a request for authorization has been denied.

You must obtain an authorization for each transaction and write "Recurring Transaction" (or "P.O." for MasterCard transactions) on the Sales Draft in lieu of the Cardholder's signature.

A Recurring Transaction or Pre-authorized Order may not include partial payments for goods or services purchased in a single transaction.

You may not impose a finance charge in connection with a Recurring Transaction or Pre-authorized Order.

If you process recurring payment transactions, the Recurring Payment Indicator must be included in each Authorization request. Penalties can be assessed by the Associations for failure to use the Recurring Payment Indicator.

1.8. Honoring Cards. The following rules are requirements strictly enforced by Visa and MasterCard:

- You cannot establish minimum or maximum amounts as a condition for accepting a Card.
- You cannot impose a surcharge or fee for accepting a Card.
- You cannot establish any special conditions for accepting a Card.
- You cannot establish procedures that discourage, favor or discriminate against the use of any particular Card. However, you may choose not to accept either U.S. issued Debit Cards or U.S. issued credit Cards except as described in Sections 1.1 and 1.3 of your Merchant Agreement.
- You cannot require the Cardholder to supply any personal information (e.g., home or business telephone number; home or business address; or driver's license number) unless instructed by the Authorization Center. The exception to this is for a mail/telephone order or delivery-required transaction, and zip code for a Card-present key-entered transaction in order

to obtain an Address Verification (AVS).

- Any tax required to be collected must be included in the total transaction amount and not collected in cash.
- You cannot submit any transaction representing the refinance or transfer of an existing Cardholder obligation deemed uncollectible.
- You cannot submit a transaction or sale that has been previously charged back.
- You must deliver at least one (1) copy of the Sales Draft or Credit Draft to the Cardholder.
- You cannot submit a transaction or sale to cover a dishonored check.

Failure to comply with any of the Association Rules may result in fines or penalties.

1.9. Deposits of Principals. You are prohibited from depositing transactions originating from Cards of owners, partners or officers of your business establishment except for transactions that are routine in type, size and frequency for your business and that represent actual sales of goods or services. Submission of sales transactions on Cards in order to obtain a cash advance is strictly prohibited and may result in immediate cancellation of your account.

1.10. Lodging Services Programs. In the event you are a lodging merchant and wish to participate in Visa's and/or MasterCard's lodging services programs, please contact your sales representative for details and the appropriate MasterCard and Visa requirements.

1.11. Displays and Advertising. You must display appropriate Visa, MasterCard and, if applicable, other Association decals and program marks on promotional materials as required by Association Rules. You may not indicate that Visa, MasterCard or any other Association endorses your goods or services.

1.12. Cash Payments by and Cash Disbursements to Cardholders.

You must not accept any direct payments from Cardholders for charges of merchandise or services which have been included on a Sales Draft; it is the right of the Card Issuing Bank to receive such payments. You may not make any cash disbursements to a Cardholder as part of a Card transaction except to the extent expressly authorized by the Agreement or the Association Rules.

2. Suspect Transactions

If the appearance of the Card being presented or the behavior of the person presenting the Card is suspicious in nature, you must immediately call the Voice Authorization Center and ask to speak to a Code 10 operator. Answer all their questions and follow their instructions. While not proof that a transaction is fraudulent, the following are some suggestions to assist you in preventing fraud transactions that could result in a Chargeback:

Ask yourself, does the Customer:

- appear nervous/agitated/hurried?
- appear to be making indiscriminate purchases (e.g., does not care how much an item costs, the size, etc.)?
- make purchases substantially greater than your usual customer (e.g., your average transaction is \$60, but this transaction is for \$360)?
- insist on taking the merchandise immediately (e.g., no matter how difficult it is to handle, is not interested in free delivery, alterations, etc.)?
- appear to be purchasing an unusual amount of expensive items?
- take an unusual amount of time to sign the Sales Draft, or look at the back of the Card as he signs?
- talk fast or carry on a conversation to distract you from checking the signature?

- take the Card from a pocket instead of a wallet?
- repeatedly come back, in a short amount of time, to make additional purchases?
- cause an unusual, sudden increase in the number and average sales transactions over a one- to three-day period?
- tell you he has been having some problems with his Card Issuer and request that you call a number (that he provides) for a "special" handling or authorization?

Does the Card:

- have embossed characters the same size, height, style and all within alignment?
- appear to be re-embossed (the original numbers or letters may be detected on the back of the Card)?
- have a damaged hologram?
- have a Magnetic Stripe on the back on the Card?
- have an altered signature panel (e.g., appear discolored, glued or painted, or show erasure marks on the surface)?
- have "valid from" (effective) and "valid thru" (expiration) dates consistent with the sale date?

If you use an electronic terminal and swipe the Card, make sure the account number displayed on the terminal and/or the Sales Draft matches the embossed number on the Card. If you cannot or do not verify the account number and accept the sale, you are subject to a Chargeback and could be debited for the amount of the transaction. IF THE NUMBERS DO NOT MATCH, DO NOT ACCEPT THE CARD AS A FORM OF PAYMENT, EVEN THOUGH AN AUTHORIZATION CODE FOR THE MAGNETICALLY SWIPED CARD NUMBER MAY BE RECEIVED.

Fraud-Prone Merchandise Tips:

- Jewelry, video, stereo, computer and camera equipment, shoes and men's clothing are typically

fraud-prone because they can easily be resold.

- Be suspicious of high dollar amounts and transactions with more than one fraud-prone item, e.g., two VCRs, three gold chains, etc.

If you suspect fraud:

- Call the Voice Authorization Center and ask to speak to a Code 10 operator.

If the terminal does not display the Card number, call the POS Help Desk for terminal assistance.

Remember: An authorization code only indicates the availability of a Cardholder's credit at the time of the transaction. It does not warrant that the person presenting the Card is the rightful Cardholder. If proper procedures are not followed at the time of the transaction, you are subject to a Chargeback and your account may be debited for the amount of the transaction.

3. Completion of Sales and Credit Drafts

3.1. Information Required. All of the following information must be contained on a single page document constituting a Sales Draft:

- Cardholder's account number. The complete account number must appear on the merchant copy of a Sales or credit Draft. On the Cardholder's copy of the Sales or credit Draft, the Cardholder's account number may be masked so that only the last four (4) digits appear, known as "PAN Truncation." You are responsible to determine if PAN Truncation is required in your jurisdiction. (Contact your state legislature to find out if truncation laws apply to your state.)
- Clear imprint of the Card. Whenever the term "imprint" is used it refers to the process of using a manual imprinting machine to make an impression of the Card on a Sales Draft; it does not include the printout from a printer attached to an electronic device. If you use an

electronic device (e.g., authorization/draft capture terminal, cash register, etc.) and swipe the Card to read and capture the Card information via the Magnetic Stripe, you do not have to imprint the Card.

HOWEVER, IF THE TERMINAL FAILS TO READ THE MAGNETIC STRIPE OR IF YOU ARE REQUIRED TO OBTAIN A VOICE AUTHORIZATION, THEN YOU MUST IMPRINT THE CARD. IN ADDITION, THE SALES DRAFT MUST HAVE THE CARDHOLDER'S SIGNATURE. FAILURE TO FOLLOW THESE PROCEDURES WILL PREVENT YOU FROM DEFENDING A TRANSACTION IN THE EVENT THAT IT IS CHARGED BACK UNDER A CLAIM THAT THE RIGHTFUL CARDHOLDER DID NOT AUTHORIZE THE PURCHASE. ENTERING INFORMATION INTO A TERMINAL MANUALLY WILL NOT PREVENT THIS TYPE OF CHARGEBACK. FOR MAIL/TELEPHONE/INTERNET ORDERS SEE SECTION 3.2.

- Cardholder's signature. Eligible merchants participating in Visa's Express Payment Service, MasterCard's Quick Payment Service Program, Visa's Small Ticket and/or MasterCard's Small Ticket are not required to obtain the Cardholder's signature under certain conditions set forth by each program.
- Date of the transaction
- Amount of the transaction
- Expiration date
- Description of the goods and/or services involved in the transaction (if there are too many items, combine them into one description; e.g., "clothing" instead of "one pair of pants, one shirt"). Do not carry information onto a second Sales Draft.

- A valid authorization code
- Merchant's Doing Business As (DBA) name and location (city and state required)

When imprinting Sales Drafts, do not alter the Cardholder account number, circle or underline any information on the Sales Draft or alter a Sales Draft in any way after the transaction has been completed and signed. Stray marks and other alterations on a Sales Draft may render it electronically unscannable, unreadable or illegible. This may result in a Chargeback or Summary Adjustment to your account.

A copy of the completed Sales Draft must be given to the Cardholder at the time of the transaction. Eligible merchants participating in Express Payment Service, Quick Payment Service and/or Small Ticket are only required to provide the Cardholder with the completed Sales Draft when requested by the Cardholder.

- 3.2. Mail/Telephone/Internet (E-commerce) Orders.** You may only engage in mail/telephone/Internet orders provided they do not exceed the percentage of your total bank Card volume reflected on your Merchant Application and Agreement.
- Failure to adhere to this requirement may result in cancellation of your Merchant Agreement, or we may hold your funds and/or interrupt or terminate Services.** Merchants conducting Internet transactions must have special codes (an "Electronic Commerce Indicator") added to their authorization and settlement records. Failure to register as a merchant conducting Internet transactions can result in fines imposed by the Associations.

Mail/Telephone/Internet transactions have a substantially higher risk of Chargeback. Since you will not have an imprinted or magnetically swiped transaction and you will not have the Cardholder's signature on the Sales Draft as you would in a face-to-face transaction, you will assume all risk associated with accepting a

mail/telephone/Internet order transaction.

The following procedures, while they will not eliminate Chargebacks, are useful in reducing them:

- Obtain the expiration date of Card.
- On the Sales Draft, clearly print the Cardholder's account number; effective and expiration dates; date of transaction; description of the goods and services; amount of the transaction (including shipping, handling, insurance, etc.); Cardholder's name, billing address and shipping address; authorization code; and merchant's name and address (city and state required).
- For mail orders, write "MO"; for telephone orders, write "TO" on the Cardholder's signature line.
- If feasible, obtain and keep a copy of the Cardholder's signature on file on a form authorizing you to submit telephone and mail order transactions.
- Utilize the Address Verification Service (see note below).
- For telephone orders, it is recommended that written verification of the sale be requested from the Cardholder (sent by mail or fax).
- You may not submit a transaction for processing until after the merchandise has been shipped or the service has been provided to the customer. (Visa will permit the immediate billing of merchandise manufactured to the customer's specifications [i.e., special/custom orders] provided the Cardholder has been advised of the billing details.)
- Notify the Cardholder of delivery time frames, special handling or of a cancellation policy. Merchandise shipping dates must be within seven (7) days of the date authorization was

obtained. If, after the order has been taken, additional delays will be incurred (e.g., out of stock), notify the Cardholder and re-authorize the transaction.

- You may not require a Cardholder to complete a postcard or other document that displays the Cardholder's account number in clear view when mailed.
- If you accept orders via the Internet, your Web site must include all the following information in a prominent manner:
 - Complete description of the goods or services offered
 - Merchandise return and refund policy
 - Customer service contact, including email address and/or telephone number
 - Transaction currency (U.S. dollars, unless permission is otherwise received from us)
 - Any applicable export or legal restrictions
 - Delivery policy
 - Consumer data privacy policy
 - A description of the transaction security used on your Web site
 - The sale or disclosure of databases containing Cardholder account numbers, personal information, or other Card transaction information to third parties is prohibited.

Note: If you are interested in our Address Verification Service (AVS), please contact Customer Service for details. This service does not guarantee against Chargebacks, but used properly, it assists you in reducing the risk of fraud by confirming whether certain elements of the billing address provided by your customer match the billing address maintained by the Issuing Bank. AVS

may also help you avoid incurring additional interchange expenses. Note that AVS is a separate process from obtaining an authorization and will provide a separate response. A transaction may not match addresses when submitted for AVS and still receive an authorization. It is your responsibility to monitor the AVS responses and use the information provided to avoid high-risk transactions.

3.3. Customer Service Telephone Numbers. For non-bank Cards, contact the following:

American Express/Optima
1-800-528-5200

Discover/NOVUS
1-800-347-2000

JCB, International
1-800-366-4522

TeleCheck
1-800-366-1054

4. Data Security

FOLLOWING IS IMPORTANT INFORMATION REGARDING THE PROTECTION OF CARDHOLDER DATA. PLEASE REVIEW CAREFULLY AS FAILURE TO COMPLY CAN RESULT IN SUBSTANTIAL FINES.

- 4.1.** You may be subject to an audit to verify your compliance with security procedures.
- 4.2.** For Internet transactions, copies of the transaction records may be delivered to Cardholders in either electronic or paper format.
- 4.3.** You may not transmit Cardholder account numbers to Cardholders for Internet transactions.
- 4.4.** You cannot store or retain Card Validation Codes (3-digit values printed in the signature panel of most Cards, and a 4-digit code printed on the front of an American Express Card).
- 4.5.** You cannot store or retain Magnetic Stripe data, PIN data or AVS data.
- 4.6.** Destroy or purge all Media containing obsolete transaction data with Cardholder information.
- 4.7.** In the event that transaction data is accessed or retrieved by any

unauthorized person or entity, contact us immediately.

4.8. Visa's Cardholder Information Security Program (CISP). Visa

implemented CISP to protect Cardholder data. CISP applies to anyone who stores, processes or transmits Cardholder data. You must comply with the twelve (12) basic CISP requirements shown below:

- Install and maintain a working network firewall to protect data accessible via the Internet.
- Keep security patches up-to-date.
- Encrypt stored data.
- Encrypt data sent across networks.
- Use and regularly update anti-virus software.
- Restrict access to data by business "need to know."
- Assign a unique ID to each person with computer access to data.
- Don't use vendor-supplied defaults for system passwords and other security parameters.
- Track access to data by unique ID.
- Regularly test security systems and processes.
- Maintain a policy that addresses information security for employees and contractors.
- Restrict physical access to Cardholder information.

You should complete the CISP Self-Assessment Questionnaire, a copy of which can be obtained from Visa's CISP Web site:

http://usa.visa.com/business/accepting_visa/ops_risk_management/cisp.html.

You may have additional requirements based on your transaction volume. These additional requirements may include, without limitation, (i) an annual onsite review and an Annual Report on Compliance, performed by a Qualified CISP Security Assessor and in

accordance with the CISP Security Audit Procedures and Reporting document; and (ii) a System Perimeter Scan performed on your external-facing IP addresses, by a Qualified CISP Scan Vendor. For more information about the applicability of these additional requirements, for more information about applicability of these additional requirements, visit the CISP Web site.

Visa may impose fines or penalties, or restrict you from participating in Visa programs if it is determined that you are not compliant with the applicable CISP requirements.

4.9. MasterCard's Site Data Protection (SDP) Program.

MasterCard implemented the SDP Program to help e-commerce merchants to adequately safeguard data. A copy of the MasterCard Security Standard Applicable to merchants can be found at MasterCard's SDP Program Web site: <https://sdp.mastercardintl.com>. You should complete the MasterCard Security Self-Assessment, a copy of which can be obtained from the SDP Program Web site.

You may have additional requirements based on the volume of your e-commerce transactions and other factors. These additional requirements may include, without limitation, a Network Security Scan performed by a vendor that meets the requirements of the MasterCard Security Standard Applicable to Vendors. For more information about the applicability of these additional requirements, visit the SDP Web site.

MasterCard may impose fines or penalties, or restrict you from participating in MasterCard programs if it is determined that you are not compliant with the SDP Program.

4.10. Third Party Service Providers.

The data security standards set forth above, along with applicable CISP and/or SDP Program requirements, also apply to any agent or third party provider that you may use to store, process or transmit Cardholder data to us. In addition, such agents or third party providers must be registered

with the applicable Association. Therefore, you must:

- Notify us of any agent or third party processor that engages in, or proposes to engage in, the storing, processing or transmitting of Cardholder data on your behalf, regardless of the manner or duration of such activities.
- Ensure that all such agents or third party processors are (i) registered with the applicable Association; and (ii) comply with all applicable data security standards, including, without limitation, CISP and SDP Program requirements.

Your failure to comply with the above, or the failure of your agent or third party processor to register and/or comply with applicable data security requirements, may result in fines, penalties, or other fees for which you are liable.

5. Authorizations

You must obtain an Authorization Approval Code from us (or as provided in Section 2.6 of your Merchant Agreement or Section 5.3 of these Operating Procedures) for all transactions. Failure to obtain an Authorization Approval Code for a sales transaction may result in a Chargeback and/or the termination of your Agreement. Authorization Approval Codes can be obtained through your POS Terminal or a Voice Response Unit (VRU). Any fees related to authorizations will be charged for a request for an Authorization Approval Code, whether or not the transaction is approved.

Do not attempt to obtain an Authorization Approval Code provided by someone other than us except as described in Section 2.6 of your Merchant Agreement or Section 5.3 of these Operating Procedures. If a Cardholder or another service provider provides you with either an authorization number or with a telephone number for obtaining authorizations, the Authorization Approval Code you receive may not be valid. Even if the transaction is initially processed and funded, it may be charged back at a later date. Also, if you receive a purported Authorization Approval Code

from someone other than us, we will not have the supporting records and will be unable to verify that you received the authorization if that is later questioned in a Chargeback.

An Authorization Approval Code only indicates the availability of credit on an account at the time the authorization is requested. It does not warrant that the person presenting the Card is the rightful Cardholder, nor is it a promise or guarantee that you will not be subject to a Chargeback.

If you obtain Address Verification, you must review the AVS response separately from the authorization response and make your own decision about whether to accept the transaction. A transaction can receive an Authorization Approval Code from the bank issuing the Card even if AVS is unavailable or reflects that the address provided to you does not match the billing address on file at the Issuer. If the authorized Cardholder disputes such a transaction, you will be responsible for the resulting Chargeback.

If you receive a Referral response to an attempted authorization, you may not submit the transaction without calling for and receiving a voice authorization. After receiving a Referral response you may not attempt another authorization on the same Card through your POS Terminal.

If you fail to obtain an Authorization Approval Code or if you submit a Card transaction after receiving a decline (even if a subsequent authorization attempt results in an Authorization Approval Code), your transaction may be assessed fines or fees by the Card Associations for which you will be responsible. These currently range from \$25 per transaction to \$150. To avoid these costs, always obtain an Authorization Approval Code directly from your terminal before submitting a transaction for settlement.

For Cards other than MasterCard and Visa (e.g., American Express, Discover, JCB, etc.) or for check acceptance, you must follow the procedures for authorization and acceptance for each.

You may not attempt to obtain multiple authorizations for a single transaction. If a sale is declined, do not take alternative measures with the same Card to obtain an

approval of the sale from other authorization sources. Instead, request another form of payment. If you accept and process a transaction that was declined, or attempt multi-transactions and/or multi-authorizations, you are subject to a Chargeback, Association fines and/or cancellation of your Agreement.

5.1. Authorization via Telephone (Other Than Terminal/Electronic Device Users)

- Call your designated voice authorization toll free number and enter the authorization information into the VRU using a touch tone telephone or hold for an authorization representative.
- If advised to pick up a Card, use reasonable and peaceful means to do so. Forward the Card to: Attn: Rewards Department, P.O. Box 5019, Hagerstown, MD 21740. You may be paid a reward for the return of the Card.
- On occasion, the Authorization Center will ask you to obtain identification from the Cardholder before issuing an approval code. If you are instructed to do so, clearly write the appropriate identification source and numbers in the space provided on the Sales Draft unless otherwise prohibited by law.
- If the sale is declined, please remember that our operators are only relaying a message from the bank that issued the Card. The fact that a sale has been declined should not be interpreted as a reflection of the Cardholder's credit worthiness. The Cardholder should be instructed to call the bank that issued the credit Card.

5.2. Authorization via Electronic Devices

- If you use an electronic terminal to obtain an Authorization Approval Code, all sales should be authorized through this equipment. Authorizations through other methods will result in additional charges to you.

- If your terminal malfunctions, refer to your Quick Reference Guide, if necessary, or call the POS Help Desk. The problem will either be corrected promptly or may require terminal programming or replacement. During the period in which your terminal is not functioning, remember to check it periodically since most terminal problems are temporary in nature and are quickly corrected.
- If a terminal is moved or if wires are disconnected, causing malfunction, call the POS Help Desk immediately and follow their instructions. You may be responsible for any service charges incurred for reactivation of the terminal.
- Until the terminal becomes operable, you must call your designated voice authorization toll free number and enter authorization information into the VRU using a touchtone phone. During this time, each transaction must be imprinted using a manual Imprinter machine. Failure to obtain an Authorization Approval Code and to imprint these transactions could result in a Chargeback to your account.

5.3. Third Party Authorization System.

If you have contracted with another authorization network to obtain credit Card authorization, (i.e., your terminal can Split Dial), liability resulting from discrepancies with that network must be resolved between you and that network. We will not research Chargebacks resulting from Authorization Approval Codes obtained from another authorization service organization. Such Chargebacks will be passed through to you for resolution. If an authorization provided by a third party authorization system is challenged in a Chargeback, you must obtain proof (e.g., third party authorization logs) from the authorization source and submit it to us within the time frame

specified on the Chargeback documentation.

IF YOU CONTRACTED TO USE ONE OF OUR AUTHORIZATION SERVICES, DO NOT USE ANOTHER THIRD PARTY SYSTEM WITHOUT NOTIFYING CUSTOMER SERVICE. OTHERWISE, WE WILL BE UNABLE TO SUCCESSFULLY RESEARCH AND DEFEND ANY AUTHORIZATION RELATED CHARGEBACKS ON YOUR BEHALF. THIS DELAY WILL SIGNIFICANTLY DECREASE YOUR TIME TO RESEARCH AND PROVIDE PROOF OF AUTHORIZATION, THUS REDUCING YOUR OPPORTUNITY TO REVERSE A CHARGEBACK.

If you utilize another authorization network, you will be responsible for the downgrade of any transactions to a higher cost interchange that result from a mismatch of information to our systems and those of third party authorization networks (see your Merchant Agreement).

If you use a third party authorization network, you must also comply with Section 4.10.

5.4. Electronic Data Capture (EDC). For merchants utilizing the Electronic Data Capture service, all transactions must be entered into the terminal for Authorization and capture. Should the terminal become inoperable, call the POS Help Desk. If a "referral" or "call center" message is received, call the Voice Authorization Response Unit. Call your designated voice Authorization 800 number and enter Authorization information into the VRU using a touch-tone telephone.

Call the following for these card types:

MasterCard/Visa
(800) 228-1122

American Express/Optima
(800) 528-2121

Discover/NOVUS
(800) 347-1111

JCB, International
(800) 522-8788

**TeleCheck
(800) 366-5010**

**Available 24 hours/day; 7
days/week**

All approved sales authorized in this manner must be entered manually as “post-Authorization” transactions into the terminal, once the terminal becomes operational. All Credit transactions must be entered into the terminal for data capture. You may be subject to a Chargeback if you receive a referral and subsequently receive an approval. To reduce the risk of such a Chargeback, the Card should be imprinted using a manual imprinter machine. If the terminal malfunctions for more than twenty-four (24) hours, contact Customer Service for further instructions on processing your transactions.

5.5. Pre-Authorization for T&E (Travel & Entertainment) and Restaurant Merchants. If you are a business engaged in providing travel and/or entertainment services (e.g., car rentals, hotels, motels, etc.) or a restaurant business, and engage in the practice of “pre-authorization”:

- A hotel, motel, or car rental merchant may obtain an estimated Visa or MasterCard authorization at the time of check-in. A restaurant may obtain a pre-authorization for an amount which would include anticipated gratuities.
- You must notify the Cardholder of the dollar amount you intend to “Pre-Authorize.”
- If the final amount charged to the Cardholder exceeds the original estimate by more than 15% above the pre-authorization, you must authorize any additional amounts. All incremental authorization codes must be written in the authorization area along with the date of each authorization and the amounts authorized each time. This information will assist us, on your behalf, in case of an authorization-related Chargeback.

- If the customer decides to use another form of payment (e.g., cash, check, etc.) you must promptly call the Voice Authorization Response Unit to delete the authorization hold. Provide the Cardholder's account number, original dollar amount and date of the transaction, and the authorization code. If a new transaction takes place, a new imprinted and signed Sales Draft for the exact amount and a new authorization code for that amount must be obtained.
- If you receive a decline on a transaction, you must wait twenty-four (24) hours before attempting to re-authorize. If you re-authorize prior to this time frame and receive an approval, you may be subject to a Chargeback and a fine imposed by the Associations.
- Restaurants are allowed up to a 20% (instead of 15%) variance above the amount authorized. If the final amount exceeds the amount “pre-authorized” by more than 20%, you must authorize the additional amount.
- Vehicle Rental providers may not include potential vehicle damage or insurance deductibles in any pre-authorizations.

6. Submission/Deposit of Sales and Credit Drafts

6.1. Submission of Sales for Merchants Other Than Your Business. You may present for payment only valid charges that arise from a transaction between a bona fide Cardholder and your establishment. If you deposit or attempt to deposit transactions that arise from sales between Cardholders and a different business than the one approved by us in our agreement with you, then the transaction may be charged back, we may suspend or debit funds associated with all such transactions, and we may immediately terminate your account and the Agreement.

6.2. Timeliness. In order to qualify for the lowest interchange Discount Rate, all Sales and credit Drafts must be properly completed and submitted daily. **Late Submission of Sales or credit Drafts may result in a Chargeback to you.** If you have not received payment for submitted Sales Drafts after one (1) week from your normal payment date, contact Customer Service. **Late Submission of Sales or credit Drafts may result in increased interchange rates or fees.**

6.3. Electronic Merchants: Daily Batching Requirements & Media Submission. If you deposit via magnetic tape, electronic transmissions, or electronic data capture terminal (EDC), and have contracted to send the actual Sales and credit Drafts to us for microfilming and Retrieval, the Sales and credit Drafts (Media) must be Batched daily by register/terminal following the procedures below. Failure to do so may result in a processing fee and/or a Chargeback due to our inability to retrieve the Media as requested by the Card Issuer.

- A register/terminal Batch header form must be filled out for each Batch of Media.
- The Batch header must be imprinted with your Merchant Identification Card, and all areas completed properly (i.e., Batch number, date, amount, number of items, etc.).
- The Batch/deposit total must match to the settled/reconciled amount displayed on the terminal upon closing the Batch.
- Any discrepancies between the actual Media and electronic display must be reconciled and corrected before storing the Media (for merchants who contract to hold their Media) or before sending us the copies of the deposit. Otherwise, transactions may appear to be a new Submission and may be manually keyed (causing

duplicate billing to Cardholders and resulting in Chargebacks) or we may not be able to retrieve an item when requested by the Card Issuer.

- It is your responsibility to ensure that the actual Media is Batched correctly and, depending on the terms of your Agreement, either stored at your location or sent to Processor. (In some cases, the actual Media is sent daily to your head office, and forwarded to Processor for microfilming.)
- **You must confirm that your equipment has transmitted its Batches to us at least once daily.** Even if your equipment is designed or programmed to close and submit Batches without your intervention, it is ultimately your responsibility to confirm that the Batches have been transmitted to us for processing.

7. Settlement

After you submit Sales and credit Drafts, you will receive settlement funds through Automated Clearing House (ACH) Credit. We will initiate a transfer of such applicable settlement funds through ACH to your Settlement Account. Settlement by ACH Credit generally will take place the second banking day after we process the applicable Card transactions. Settlement funds will be net of discount and all other amounts then due from you.

8. Refunds/Exchanges (Credits)

8.1. Refunds

- You must promptly complete and submit a credit draft (with your name, city, state and Merchant Account Number) for the total amount of the refund due a Cardholder.
- Full refunds must be for the exact dollar amount of the original transaction including tax, handling charges, etc. (You must identify the shipping and handling charges incurred.)
- A description of the goods or services is required.

- The transaction date of the Credit must appear on the draft.
- All dollar amounts and other handwritten information must be clearly written. (Stray marks on the credit draft will render it unscannable/illegible.)
- Do not circle or underline any information on the credit draft.
- Imprint the draft with the same Card used by the Cardholder to make the original purchase. Never give cash, check or in-store Credit refunds for credit Card sales. You should not Credit an account that differs from the account used for the original transaction.
- Have the Cardholder sign the credit draft, give the Cardholder the appropriate copy, and deposit the credit draft immediately. Failure to process a Credit within five (5) calendar days may result in a Chargeback.
- Authorization is not required for refunds.
- You cannot intentionally submit a sale and an offsetting Credit at a later date solely for the purpose of debiting and Crediting your own or a customer's account.
- You are responsible for paying all refunds submitted to us on your merchant account. We assume no responsibility for verifying any Credits or refunds.
- You are responsible to secure your terminals and to institute appropriate controls to prevent employees or others from submitting refunds that do not reflect bona fide returns or reimbursements of prior transactions.
- For an uneven exchange, complete a credit draft (follow the procedures outlined in Section 8.1) for the total amount of only the merchandise returned. The Cardholder's account will be Credited for that amount. Then, complete a new Sales Draft for any new merchandise purchased.

9. Retention of Records for Retrievals and Chargebacks

9.1. Retain Legible Copies. You must retain legible copies of all Sales and credit drafts or any other transaction records for a period of eighteen (18) months from the date of each transaction.

9.2. Provide Sales and Credit Drafts. You must provide all Sales and credit Drafts or other transaction records requested by us within the shortest time limits established by Association Rules. You are responsible for any deficiencies in Card transaction data transmitted or otherwise delivered to us.

9.3. Ensure Proper Retrieval Fulfillment. To ensure proper Retrieval fulfillments and/or Chargeback processing, Sales and credit drafts must contain the full 16-digit account number and expiration date. Failure to retain this information could result in a future Chargeback to your account.

10. Chargebacks and Other Debits

10.1. Chargebacks. You are responsible for all Chargebacks and related costs arising from your transactions. Your Settlement Account may also be debited in the event we are required to pay Association fees, charges, fines, penalties or other assessments as a consequence of your sales activities. Such debits shall not be subject to the limitations of time specified elsewhere in the Merchant Agreement. In the event you maintain a Settlement Account with Bank, we may cause your Settlement Account to be debited for the actual or contingent Chargeback amount owed to us, pursuant to the Merchant Agreement. If an account is not

8.2. Exchanges.

- No additional paperwork is necessary for an even exchange. Just follow your standard company policy.

maintained with Bank, we may debit the actual or contingent Chargeback amount from your settlement, or from any other account accessible to us pursuant to the Merchant Agreement and your authorization that we may debit the Settlement Account, as indicated in your Merchant Application and Agreement.

If we reasonably believe that a Chargeback may occur with respect to any Transaction Record which has been accepted and forwarded to Cardholder's Issuing Bank for payment, we may withhold from payments due you under the Merchant Agreement the Transaction Record amount less any discount until such time that the Bank is itself charged back by the Issuing Bank for the transaction, the period of time by which a Cardholder must dispute the Transaction Record and the Issuing Bank exercises its Chargeback rights against Bank have expired, or we otherwise determine to our exclusive satisfaction that a Chargeback on the Transaction Record will not occur.

Upon termination of the Merchant Agreement, we may withhold payment to you for such period of time reasonably determined by us as necessary to establish a reserve to cover any Chargebacks, credit drafts and uncollected discounts or fees, including, but not limited to, costs for accounting, investigation and account management, which may result from transactions previously processed and appearing after the termination date.

10.2. Generally. Both the Cardholder and the Card Issuer have the right to question or dispute a transaction. If such questions or disputes are not resolved, a Chargeback may occur. A Chargeback is a Card transaction that is returned to us by the Card Issuer. As a result, we will debit your Settlement Account or settlement funds for the amount of the Chargeback. It is strongly recommended that, whenever possible, you contact the Cardholder directly to resolve a disputed transaction or Chargeback. You are

responsible for all Chargebacks and related costs arising from your transactions.

10.3. Transaction Documentation

Requests. In some cases, before a Chargeback is initiated, the Card Issuer will request a copy of the Sales Draft, via a request for transaction documentation. We will forward the request to you. **You must respond to the request within the time frame and manner set forth in the request. We will then forward your response to the Card Issuer. If you fail to timely respond, we will so notify the Card Issuer and a Chargeback may result.** Upon receipt of a transaction documentation request, immediately retrieve the requested Sales Draft(s) using the following guidelines:

- Make a legible copy, centered on 8 ½ x 11-inch paper (only one (1) Sales Draft per page).
- Write the "case number" from the request for transaction documentation on each copy.
- If applicable, make copies of a hotel folio, car rental agreement, or mail/phone order form.
- If a Credit transaction has been processed, a copy of the credit draft is also required.
- Letters are not acceptable substitutes for Sales Drafts.
- Fax or mail legible copies of the Sales Draft(s) to the fax number or mail address provided on the request form.
- If you fax your response, please set your fax machine to print your fax number and name on the documents that you send. We can use this information to help know immediately where the documentation received originated from and to know whom to contact in the event the transmission is not clear or complete.
- Additionally, please set the scan resolution on your fax machine to the highest setting. The higher resolution setting improves the

clarity of characters and graphics on the Sales Drafts transmitted and helps reduce the number of illegible fulfillments and/or Chargebacks.

If we do not receive a clear, legible and complete copy of the Sales Draft within the timeframe specified on the request, you may be subject to a Chargeback.

A handling fee may be charged by the Issuing Bank and will be debited from your Settlement Account or settlement funds if a transaction documentation request results from a difference in the following information on the Sales Draft and the transmitted record: merchant name or an incorrect city, state, foreign country and/or transaction date.

You need to respond to all transaction documentation requests within the specified timeframe indicated on the request, or you may be without recourse of a Chargeback. You must respond to all requests related to fraud investigations. Subsequent Chargebacks for "non receipt of requested item relating to a transaction for fraud request" cannot be contested or represented.

10.4. Chargeback Process. Regardless of whether you respond to a transaction documentation request, a Chargeback may be debited to your Settlement Account for numerous reasons (see below). If the Card Issuer submits a Chargeback, we will send you a Chargeback notification, which may also include a request for transaction documentation. **Due to the short time requirements imposed by MasterCard and Visa, it is extremely important that you respond to a Chargeback notification and transaction documentation request within the time frame set forth in the notification.** Do not process a Credit transaction once a Chargeback is received; the Card Issuer will Credit the Cardholder's account (unless the Chargeback is reversed).

If the information you provide is both timely and, in our sole discretion, sufficient to warrant a representation

of the transaction and/or reversal of the Chargeback, we will do so on your behalf. However, representation and/or reversal is ultimately contingent upon the Card Issuer and/or Cardholder accepting the transaction under applicable Association guidelines.

Representation or reversal is not a guarantee that the Chargeback has been resolved in your favor.

For Visa Chargebacks, if we reverse the Chargeback and represent the transaction to the Card Issuer, the Card Issuer, at its sole discretion, may elect to submit the matter for arbitration before Visa. Visa charges a \$150 filing fee and a \$250 review fee. If a decision is made in favor of the Cardholder and/or Card Issuer, and the Chargeback is upheld, you will be responsible for all such fees and any other applicable fees and penalties imposed by Visa; such fees and penalties will be debited from your Settlement Account or settlement funds, in addition to the Chargeback.

If MasterCard refuses to accept our representation, it may resubmit the Chargeback. In such event, we will debit your Settlement Account or settlement funds for the Chargeback. However, if you feel strongly that it is an invalid Chargeback, we may, on your behalf and at your request, submit the matter for arbitration before MasterCard. MasterCard charges a \$150 filing fee and a \$250 review fee. If a decision is made in favor of the Cardholder and/or Card Issuer, and the Chargeback is upheld, you will be responsible for all such fees and any other penalties imposed by MasterCard; such fees and penalties will be debited from your Settlement Account or settlement funds, in addition to the Chargeback.

If the Chargeback is not disputed within the applicable time limits set forth by MasterCard and Visa regulations, reversal rights are lost. Our only alternative, on your behalf, is to attempt a "good faith collection" from the Card Issuer. This process can take from 30 to 100 days. Good

faith collections must meet the Card Issuer's criteria (e.g., above a set dollar amount, usually \$100.00; within a specified time limit; etc.). Sometimes Card Issuers will only accept good faith collections after assessing collection fees. A good faith collection is not a guarantee that any funds will be collected on your behalf. If the good faith collection case is accepted by the Card Issuer, you will receive the amount that we are able to recover from the Card Issuer (which may be reduced by fees Card Issuers sometimes impose for accepting good faith collection claims).

Association Rules and regulations require that a merchant must make a good faith attempt and be willing and able to resolve any disputes directly with the Cardholder. Due to Association Rules, you may not re-bill a Cardholder after a Chargeback is received for that transaction, even with Cardholder authorization.

We strongly recommend that you include a detailed rebuttal letter along with all pertinent documents when responding to a transaction request or a Chargeback notification (e.g., rental agreement, imprinted portion of the invoice or Sales Draft; the portion signed by the Cardholder; and the area where the authorization codes, with amounts and dates, are located).

Due to the short time frames and the supporting documentation necessary to successfully (and permanently) reverse a Chargeback in your favor, we strongly recommend the following:

- Avoid Chargebacks by adhering to the guidelines and procedures outlined in these Operating Procedures.
- If you do receive a Chargeback, investigate, and if you dispute the Chargeback, submit the appropriate documentation within the required time frame.
- Whenever possible, contact the Cardholder directly to resolve the dispute.
- If you have any questions, call Customer Service.

10.5. Chargeback Reasons. The following section outlines the most common types of Chargebacks. This list is not exhaustive. For ease of understanding, we have combined like Chargebacks into seven groupings. We have included recommendations on how to reduce the risk of Chargebacks within each group. These are recommendations only, and do not guarantee that you will be able to prevent Chargebacks.

a. Authorization Issues. The following scenarios could cause an authorization related Chargeback to occur.

- No account number verification (for transactions below the floor limit)
- Negative account number verification
- Full authorization not obtained
- Fraudulent transaction – no authorization
- Fraudulent transaction prior to embossed valid date
- Authorization request declined
- Expired card
- Early warning bulletin
- Non-matching account number
- Mail order transaction on expired or never issued account number

To reduce your risk of receiving an authorization related Chargeback:

- Authorize all transactions and use the proper method of authorization.
- A valid approval authorization response indicates the Card is valid and can be accepted for payment. An approval code is usually a 4- to 6-digit number, along with an authorization response of "approval."

- A decline authorization response indicates the Card should not be accepted for payment. Request a different form of payment from the Cardholder or do not release the merchandise.
- "Pick-up" authorization response from the Issuer indicates the credit Card account number is lost or stolen. The credit Card should not be accepted for payment. Additionally, you can choose to retain the credit Card and return it to the Acquirer for a reward.
- Referral authorization response prompts you to call the Voice Authorization Center for further instructions.
- If you used a third party to authorize, you must contact them immediately for proof of authorization and submit such proof to us.

b. Cancellations and Returns.
The following scenarios could cause a cancellation and return related Chargeback to occur:

- Credit transaction not processed
- Cancelled recurring transaction
- Cancelled guaranteed reservation
- Advance deposit service
- Cardholder not aware of your cancellation/return policies

To reduce your risk of receiving a cancellation and return related Chargeback:

- For recurring transactions – ensure your customers are fully aware of the conditions of this type of transaction.
- Process Credits daily.

- All Credits must be applied to the account to which the debit originally posted.
- Pre-notify the Cardholder of billing within ten (10) days (domestic) and fifteen (15) days (international) prior to billing, allowing the Cardholder time to cancel the transaction.
- Do not continue to bill after proper cancellation or after receipt of Chargeback.
- Ensure proper disclosure of your refund policy is on the Sales Draft, the words "No Exchange, No REFUND," etc. must be clearly printed (in 1/4" letters) on the Sales Draft (or electronic equivalent, i.e., the receipt printed when a Card is swiped through a terminal) near or above the Cardholder's signature.
- Do not issue Credit in the form of a check.
- Do not issue in-store or merchandise Credit.
- For Travel and Entertainment transactions, provide the cancellation policy at the time of reservation.
- For Internet transactions ensure that there is an area on the Web page where the Cardholder must acknowledge an understanding of the cancellation policy prior to completing the transaction.

c. Fraud. The following scenarios could cause a fraud related Chargeback to occur:

- Unauthorized or fictitious account number
- Unauthorized ATM transaction
- Fraudulent processing of a transaction
- Fraudulent mail/phone order transaction

- Counterfeit transaction
- Fraudulent transaction – no imprint obtained
- Fraudulent transaction – no signature obtained
- Risk identification service
- Advance deposit service

To reduce your risk of receiving a fraud related Chargeback:

For Face to Face Transactions:

- If you are an electronic merchant, swipe the Card through the electronic authorization device to capture Cardholder information and ensure the displayed Card number matches the number on the Card.
- If you are unable to swipe a Card through an electronic authorization device to capture the Cardholder's information via the Magnetic Stripe, you must imprint the Card to prove the Cardholder was present at the time of transaction. Do not alter the imprint on the draft in any way. Manually entering the information into the terminal does not protect you from this type of Chargeback. All pertinent information relating to the transaction must be written on the manually imprinted ticket (date, dollar amount, authorization code, and merchandise description). This information ties the imprinted ticket to the transaction. Carefully examine the front and back of the Card at the time of transaction, check the signature and compare it to the signature on the draft.
- If you swipe the transaction and receive a Referral response and a subsequent

voice authorization, you must manually imprint the Cardholder's credit Card to prove Card presence.

- Do not imprint the Cardholder's credit Card on the back of the transaction receipt or a separate document unless all transaction elements are present.

For Mail/Telephone Orders:

- Follow recommended procedures – use Verified by Visa (VbV) for Internet transactions, CVV2/CVC2, Secure Code, and/or AVS. While transactions utilizing the AVS may still be disputed, the service may alert you to certain fraudulent transactions.
- Obtain the Cardholder's account number, name and address with city and state. At time of transaction advise the Cardholder of any extra cost that they are responsible for (shipping, handling, insurance etc.).
- Confirm the account number provided by the customer by repeating the number back to the customer.
- Required Data Elements on the folio/registration documentation for a GNS (Guaranteed No Show) Transaction:
 - Account number with expiration date
 - Cardholder name, address, phone number
 - Transaction amount (1 night's lodging + tax)
 - Authorization Approval Code
 - Merchant name, address

- Scheduled check in date
- Reservation confirmation code
- “Guaranteed No Show” Billing

d. Non Receipt of Goods and Services. The following scenarios could cause a Non Receipt of Goods and Services related Chargeback to occur:

- Services not rendered
- Services not rendered at ATM
- Non receipt of merchandise
- Advance deposit service

To reduce your risk of receiving a Non Receipt of Goods and Services related Chargeback:

- Do not process a transaction until the merchandise is shipped.
- Do not process any credit Card transaction where the Cardholder has already paid for the goods or services using another method of payment.
- Inform the Cardholder of any specific cancellation policies or Advance Deposits.

e. Processing Errors. The following scenarios could cause a processing error related Chargeback to occur:

- Late presentment of Sales Draft
- Services or merchandise paid by other means
- Addition or transposition error
- Altered amount
- Incorrect account number, code or amount
- Duplicate processing
- Transaction exceeds limited amount

- Services not rendered
- Unauthorized ATM transaction
- Credit posted as Debit
- Incorrect transaction amount
- Transaction amount changed
- Merchandise paid by other means

To reduce your risk of receiving a processing error related Chargeback:

- Settle and reconcile your Batches on your terminal/register daily. Ensure that the total amount settled and submitted (displayed on terminal) balances with, and match to, the credit Card receipts of the transactions.
- Obtain Card imprint (or swipe the Card through electronic authorization device to capture Cardholder information) and Cardholder signature.
- If you are a paper merchant or the Card cannot be magnetically stripe read, please clearly imprint the Card using the Imprinter machine and do not alter in any way.
- If you are an electronic merchant, swipe the Card through the electronic authorization device and ensure the displayed Card number matches the number on the Card. The Card must be imprinted if the Magnetic Stripe cannot be read or the electronic equipment is inoperable.
- Carefully examine the front and back of the Card at the time of transaction.
- Compare the signature on the back of the credit Card

with the signature on the Sales Draft.

- Telephone orders – confirm the account number provided by the customer by repeating the number back to the customer.
- Properly authorize all transactions.
- If you used a third party to authorize, you must contact them immediately for proof of authorization and submit to us.
- If the terminal does not display the Card number, call the POS Help Desk for a terminal upgrade.

f. Quality of Goods and Services. The following scenarios could cause a Quality of Goods and Services related Chargeback to occur:

- Defective merchandise
- Not as described

To reduce your risk of receiving a Quality of Goods and Services related Chargeback:

- Ensure all merchandise is shipped properly.
- Ensure all return policies are properly disclosed to the Cardholder at the time of sale.

g. Non Receipt of Information. The following scenarios could cause a Non Receipt of Information related Chargeback to occur:

- Transaction receipt not received
- Copy illegible
- Cardholder does not recognize transaction
- T&E document not fulfilled

To reduce your risk of receiving a Non Receipt of Information related Chargeback:

- Prepare clean, legible Sales Drafts at the point of sale and send in your Media daily and/or respond to Media Retrieval requests within the required time frame (failure to properly respond to a fraud related Media Retrieval request eliminates any opportunity for a Chargeback reversal).
- Retain copies of transaction documents for a minimum of eighteen (18) months from the original sales/post date.
- Ensure that the most recognizable merchant name, location, and/or customer service phone number is provided on all transaction documentation.
- Timely respond to all notifications and requests.

10.6. Other Debits. We may also debit your Settlement Account or your settlement funds in the event we are required to pay Association fees, charges, fines, penalties or other assessments as a consequence of your sales activities. Such debits shall not be subject to any limitations of time specified elsewhere in the Agreement. The following is a list of reasons for other debits. We may add to or delete from this list as changes occur in the Association Rules or our operational requirements:

- Association fees, charges, fines, penalties, registration fees, or other assessments including any fees levied against us or any amount for which you are obligated to indemnify us.
- Currency conversion was incorrectly calculated.
- Discount not previously charged.
- Reversal of deposit posted to your account in error.
- Debit for Summary Adjustment not previously posted.

- Reversal of Credit for deposit previously posted.
- Debit for Chargeback never posted to your account.
- Debit for EDC Batch error fee.
- Association Merchant Chargeback Monitoring Fee – Excessive Chargeback Handling Fee.
- Failure of transaction to meet Member Controller Authorization Service (MCAS) – Cardholder account number on exception file.
- Original transaction currency (foreign) not provided.
- Travel voucher exceeds maximum value.
- Debit and/or fee for investigation and/or Chargeback costs related to our termination of the Agreement for cause, or for costs related to our collection activities.
- Costs arising from replacement or damage to equipment rented.
- Payment of current or past due amounts for any equipment purchase, rental or lease.
- Incorrect merchant descriptor (name and/or city, state) submitted.
- Incorrect transaction date submitted.
- Shipping and handling interchange fees.
- Costs or expenses associated with responding to any subpoena, garnishment, levy or other legal process associated with your account.

10.7. Summary (Deposit)

Adjustments/Electronic Rejects.

Occasionally, it is necessary to adjust the dollar amount of your summaries/Submissions (deposits) and Credit or debit your Settlement Account or settlement funds accordingly. The following is a list of the most frequent reasons for Summary (Deposit) Adjustments/Electronic Rejects:

- Your summary reflected an arithmetic error.
- Submitted sales not included in your Agreement (e.g., American Express, Discover).
- The dollar amount is unreadable/illegible.
- The Cardholder's account number is unreadable/illegible.
- Duplicate Sales Draft submitted.
- Credit Card number is incorrect/incomplete.
- Summary indicated credits, but no credits were submitted.

10.8. Disputing Other Debits and Summary Adjustments.

In order to quickly resolve disputed debits and Summary Adjustments, it is extremely important that the items listed in this section be faxed or sent to the address listed on the notification.

If the Summary Adjustment is for unreadable or incorrect Cardholder number, resubmit the corrected Sales Draft with your next deposit. Also, if the transaction is over thirty (30) calendar days old, you must re-authorize and obtain a valid authorization code.

A clear and legible copy of the Sales Draft containing the following should be obtained from your files:

- Date of sale/Credit.
- Cardholder's account number, name and signature.
- Total amount of the sale and description of goods and services.
- Date and Authorization Approval Code.

A dated cover letter detailing the reasons for requesting a review of the debit or Summary Adjustment and documentation to support your dispute. (You should retain a copy of the correspondence and all documentation for your files.) If the inquiry is related to prior correspondence, be sure to include the control number we previously used.

Immediately fax or mail the Sales or credit Drafts to the fax number or address provided on your notification letter.

If you have any questions, please call Customer Service. If a Customer Service Representative informs you that additional documentation is required in order to fully review the item, please immediately submit your rebuttal and transaction documentation to the fax number or address listed on the debit notification.

11. Account Maintenance

11.1. Change of Settlement Account Number.

If you change your Settlement Account number, the business owner or signer of the Merchant Application and Agreement must notify us in writing immediately. If you accept payment types other than MasterCard and Visa (such as the American Express Card, Discover Card and TeleCheck check services), you are also responsible for contacting the Associations or companies governing those Cards to notify them of this change. You will be charged a Checking Account Change Fee as set forth in the Merchant Application and Agreement for all changes to your Settlement Account.

11.2. Change in Legal Name or Structure.

If the legal name or structure of your business changes, the business owner or signer of the Merchant Application and Agreement must notify us in writing and request a new Merchant Agreement.

11.3. Change in Company DBA Name, Address or Telephone/Facsimile Number.

To change your company DBA name, address or telephone/facsimile number, the business owner or signer of the Merchant Application and Agreement should send the request in writing to the address on your statement.

12. Association Compliance

MasterCard and Visa have established guidelines, merchant monitoring programs and reports to track merchant activity such as, but not limited to excessive Credits and Chargebacks, and increased deposit

activity. In the event you exceed the guidelines or submit suspicious transactions as identified by an Association or any related program or reports, you may be subject to: (i) operating procedure requirement modifications; (ii) incremental Chargebacks and/or fees; (iii) settlement delay or withholding; (iv) termination of your Agreement; or (v) audit and imposition of fines.

13. Supplies

13.1. Placing Orders

- To order additional supplies, call Customer Service.
- You are responsible for unauthorized use of sales/Credit and summary media. We recommended that you store all supplies in a safe location.
- You may be charged for supplies and applicable shipping and handling charges as well as applicable sales tax.

14. Special Provisions Regarding Non-Bank Cards

14.1. You authorize us to share information from your Application with Discover, American Express, JCB or any other Non-Bank Card Association.

14.2. You understand that Discover and American Express transactions are processed, authorized and funded by Discover or American Express. Discover and American Express will each provide you with their own agreements that govern those transactions. You understand and agree that we are not responsible and assume absolutely no liability with regard to any such transactions, including but not limited to the funding and settlement of Discover or American Express transactions, and that Discover and American Express will charge additional fees for the services they provide.

14.3. If you accept JCB Cards, you must retain original JCB Sales Drafts and JCB credit drafts for a period of at least 120 days from the date of the JCB Card transaction, and you must retain microfilm or legible copies of JCB Sales Drafts and JCB credit

drafts for a period of at least three (3) years following the date of the transaction.

- 14.4.** If you accept JCB Cards, you agree to be bound by JCB rules. You also agree to be bound by all other provisions of the Merchant Agreement and these Operating Procedures that are applicable to JCB.

15. Special Provisions for PIN Debit Transactions

The special provisions outlined in this Section 15 apply only to those PIN Debit Transactions that are processed by a Cardholder entering a Personal Identification Number (PIN) in a terminal. These provisions do not apply to Debit Card transactions that do not involve entry of a PIN, such as a "Check Card" or a Signature Debit Transaction.

15.1. PIN Debit Card Acceptance. Most, but not all, ATM Cards (PIN Debit Cards) can be accepted at the point of sale at participating locations. Examine the back of the PIN Debit Card to determine if the Card participates in a network that you are authorized to accept. The network mark(s) will be printed on the back of the PIN Debit Card. If the PIN Debit Card is valid and issued by a participating network, you must comply with the following general requirements for all participating networks:

- You must honor all valid PIN Debit Cards when presented that bear authorized network marks.
- You must treat transactions by Cardholders from all Issuing Banks in the same manner.
- You may not establish a minimum or maximum transaction amount for PIN Debit Card acceptance.
- You may not require additional information, besides the Personal Identification Number, for the completion of the transaction unless the circumstances appear suspicious. A signature is not required for PIN Debit.

- You shall not disclose transaction-related information to any party other than your agent, a network or an issuing institution and then only for the purpose of settlement or error resolution.
- You may not process a Credit transaction in order to provide a refund on a PIN Debit Transaction.

15.2. Transaction Processing. The following general requirements apply to all PIN Debit Transactions:

- All debit transactions must be authorized and processed electronically. There is no Voice Authorization or Imprinter procedure for PIN Debit Transactions.
- You may not complete a PIN Debit Transaction that has not been authorized. If you cannot obtain an Authorization, you should request another form of payment from the customer. The Cardholder should be instructed to contact the Issuing Bank to find out why a transaction has been declined.
- You may not complete a PIN Debit Transaction without entry of the Personal Identification Number (PIN) by the Cardholder.
- The PIN must be entered into the PIN pad only by the Cardholder. You cannot accept the PIN from the Cardholder verbally or in written form.
- You must issue a receipt to the Cardholder upon successful completion of a transaction. The Cardholder account number will be masked so that only the last four (4) digits will appear. The masked digits will appear as a nonnumeric character, such as an asterisk. This is referred to as PAN truncation.
- You may not manually enter the account number. The account number must be read electronically from the magnetic

stripe. If the magnetic stripe is unreadable, you should request another form of payment from the customer.

- Any applicable tax must be included in the total transaction amount for which Authorization is requested. Tax may not be collected separately in cash.
- **YOU ARE RESPONSIBLE TO SECURE YOUR TERMINALS AND TO INSTITUTE APPROPRIATE CONTROLS TO PREVENT EMPLOYEES OR OTHERS FROM SUBMITTING REFUNDS AND VOIDS THAT DO NOT REFLECT BONA FIDE RETURNS OR REIMBURSEMENTS OF PRIOR TRANSACTIONS.**

15.3. Cash Back from Purchase. You have the option of offering cash back to your customers when they make a PIN Debit Card purchase. You may set a minimum and maximum amount of cash back that you will allow. If you are not now offering this service, your terminal may require additional programming to begin offering cash back.

15.4. Settlement. Within one (1) business day of the original transaction, you must balance each store to the system for each business day that each store is open.

15.5. Adjustments. An adjustment is a transaction that is initiated to correct a PIN Debit Transaction that has been processed in error. You will be responsible for all applicable adjustment fees that may be charged by a Debit Card network. Some networks may have established minimum amounts for adjustments.

There are several reasons for adjustments being initiated:

- The Cardholder was charged an incorrect amount, either too little or too much.
- The Cardholder was charged more than once for the same transaction.

- A processing error may have occurred that caused the Cardholder to be charged even though the transaction did not complete normally at the point of sale.

All parties involved in processing adjustments are regulated by time frames that are specified in the operating rules of the applicable Debit Card network, The Electronic Funds Transfer Act, Regulation E and other applicable laws.

16. Special Provisions Regarding Electronic Benefit Transfer (EBT)

If you elect to engage in EBT transactions, the terms and conditions of this Section 16 shall apply.

If you have agreed to issue Cash Benefits and will provide cash back or cash only transactions, you agree to maintain adequate cash on hand to issue confirmed Cash Benefits and will issue Cash Benefits to EBT customers in the same manner and to the same extent cash is provided to your other customers. You may not require that any EBT customers purchase goods or services as a condition to receiving Cash Benefits, unless such condition applies to other customers as well. You may not designate special checkout lanes restricted to use by EBT customers unless you also designate special checkout lanes for Debit or credit Cards and/or other payment methods.

16.1. Issuance of Benefits. You agree to issue benefits to EBT customers in accordance with the procedures specified in all documentation provided to you by us, as amended from time-to-time and pursuant to applicable law. You must provide each EBT customer a receipt for each EBT transaction.

You will issue EBT benefits to EBT customers, in accordance with our then current procedures, in the amount authorized through a point-of-sale terminal, with Personal Identification Number pad and printer. In the event of an equipment failure, you must comply with applicable procedures regarding Authorization.

You must also comply with the procedures set forth in the Quest Operating Rules, as amended from time-to-time, issued by the National Automated Clearing House Association and approved by the Financial Management Service of the U.S. Treasury Department, and any additional procedures specified by any additional state or federal government or agency regarding lost EBT Cards, forgotten PINs, discrepancies in benefits authorized and similar matters by providing EBT customers with information such as telephone numbers and addresses of the appropriate state agencies.

You may not accept any EBT Card for any purpose other than the issuance of benefits, including without limitation acceptance of any EBT Card as security for repayment of any customer obligation. In the event of any violation of this provision, you will be obligated to reimburse the applicable state or us for any benefits unlawfully received.

16.2. Issuance Records. You must retain all EBT-related records (including but not limited to manual Sales Drafts) for three (3) years following benefit issuance, or for such additional period as may be required by law.

You must make all EBT-related records available for audit upon request to representatives of any applicable state or its EBT service provider, or other authorized state or federal government agency during normal business hours.

To assure compliance with this Section 16.2, a state, its EBT service provider, or another authorized state or federal government agency, will at all times, upon advance notice, except in the case of suspected fraud or other similar activity, have the right to enter, during normal business hours, your premises to inspect or evaluate any work performed under this Agreement, or to obtain any other information required to be provided by you or otherwise related to your EBT transactions.

16.3. Required Licenses. If you issue benefits under this Agreement, you represent and warrant to us that you are properly authorized to enter such transactions and are not currently disqualified or withdrawn from redeeming food stamp coupons or otherwise disqualified or withdrawn by any applicable agency. You agree to secure and maintain at your own expense all necessary licenses, permits, franchises, or other authorities required to lawfully affect the issuance and distribution of benefits under this Agreement, including without limitation, any applicable franchise tax certificate and non-governmental contractor's certificate, and covenant that you will not issue benefits at any time during which you are not in compliance with the requirements of any applicable law.

16.4. Term and Termination. If you are disqualified or withdrawn from the food stamp program, your authority to issue benefits will be terminated contemporaneously therewith. Such disqualification or withdrawal will be deemed a breach of this Agreement with respect to your authority to issue Cash Benefits and, in the event of such disqualification; we shall have the right to immediately terminate the provision of service under this Section 16.4 or the Agreement in its entirety.

With respect to the issuance of Cash Benefits only, your authority to issue Cash Benefits may be suspended or terminated immediately at the sole discretion of us, the state or its EBT service provider, effective upon delivery of a notice of suspension or termination specifying the reasons for such suspension or termination if there shall be (i) any suspension, injunction, cessation, or termination of the EBT service provider's authority to provide EBT services to the state; (ii) failure by you, upon not less than thirty (30) days prior written notice, to cure any breach by you of the provisions of these terms and conditions, including without limitation, your failure to support the issuance of benefits during your

normal business hours consistent with your normal business practices, your failure to comply with issuance procedures, impermissible acceptance of an EBT Card, or your disqualification or withdrawal from the food stamp program; or (iii) based on a state's or its EBT service provider's investigation of the relevant facts, evidence that you or any of your agents or employees are committing, participating in, or have knowledge of fraud or theft in connection with the dispensing of benefits. In the event you fail to cure any breach as set forth above, you may appeal such suspension of termination to the applicable state for determination in its sole discretion.

In the event that your authority to issue benefits is suspended or terminated by a state or its EBT service provider, and you successfully appeal such suspension or termination to the state or its EBT service provider, we shall be under no obligation to reinstate the services previously provided.

The provision of services under this Section 16.4 shall terminate automatically in the event that our Agreement or our service provider's agreement with any applicable state's EBT service provider terminates for any reason.

16.5. Confidentiality of EBT System Information. All information related to EBT recipients and/or the issuance of benefits shall be considered confidential information.

Individually identifiable information relating to a benefit recipient or applicant for benefits will be held confidential and will not be disclosed by you or your directors, officers, employees or agents, without prior written approval of the applicable state.

The use of information obtained by you in the performance of your duties under this Section 16.5 will be limited to purposes directly connected with such duties.

16.6. EBT Service Marks. You will adequately display any applicable state's service marks or other licensed marks, including the Quest mark, and other materials supplied by us, collectively the "Protected Marks," in accordance with the standards set by the applicable state. You will use the Protected Marks only to indicate that benefits are issued at your location(s) and will not indicate that we, any state or its EBT service provider endorses your goods or services. Your right to use such Protected Marks pursuant to this Agreement will continue only so long as this Agreement remains in effect or until you are notified by us, any state or its EBT service provider to cease their use or display.

16.7. Miscellaneous

16.7.1. Amendments. If any of these terms and conditions are found to conflict with federal or state law, regulation or policy of the rules, these terms and conditions are subject to reasonable amendment by a state or its EBT service provider to address such conflict upon thirty (30) days written notice to you provided that you may, upon written notice, terminate your obligation under this Section 16 upon receipt of notice of such amendment.

16.7.2. State Action. Nothing contained herein shall preclude a state from commencing appropriate administrative or legal action against you or for making any referral for such action to any appropriate federal, state, or local agency.

17. Special Provisions Regarding Wireless Service

Any Wireless Services that you purchase from us are subject to the following provisions. The Wireless Services are not being sold to you for home or personal use. Sales of Wireless Services are made by Processor and, for the purposes of this section, the words "we" and "us" refer only to the Processor and not the Bank.

Through our affiliates, we have acquired the right to sublicense certain wireless data communication services using radio base

stations and switching (the Wireless Services) in order to allow you to capture and transmit to us certain wireless credit Card and Debit Card Authorization transactions or to transmit other communications.

You acknowledge that one or more independent third party vendors [Vendor(s)] has developed and provided Wireless Services to us through our affiliates under separate agreement(s).

17.1. Purchase of Wireless Services. If you purchase Wireless Services, you will obtain sublicenses to use any Software (as defined in paragraph 17.2) associated therewith. The prices that you will pay for the Wireless Services are set forth in your Merchant Application and Agreement.

- **Licenses.** You agree to obtain any and all licenses, permits or other authorizations required by the Federal Communications Commission (FCC) or any other regulatory authority, if any, for the lawful operation of terminal equipment used by you in connection with your receipt of Wireless Services. You will promptly provide us with all such information as we may reasonably request with respect to matters relating to the rules and regulations of the FCC.
- **Improvements/General Administration.** We reserve the right to make changes, from time-to-time, in the configuration of the Wireless Services, rules of operation, accessibility periods, identification procedures, type and location of equipment, allocation and quantity of resources utilized, programming languages, administrative and operational algorithms and designation of the control center serving you at the particular address. In addition, we reserve the right to schedule, from time-to-time, interruptions of service for maintenance activities.

17.2. Software Licenses. We hereby grant to you a non-exclusive, non-transferable limited sublicense to use

any Software (as defined in this Section 17.2.) solely in connection with your purchase and use of the Wireless Services. As used in this Section 17, Software means all software used in, for or in connection with the Equipment, the Wireless Services or the access thereto in whatever form, including without limitation source code, object code and microcode, including any computer programs and any documentation relating to or describing the software. You acknowledge that the only right you obtain to the Software is the right to use the Software in accordance with the terms in this section.

17.3. Limitation on Liability. Our liability arising out of, or in any way connected with, this Wireless Services Agreement shall not exceed your direct damages, if any, resulting solely from loss or damage caused by partial or total failure, delay or nonperformance of the Wireless Services or relating to or arising from your use of or inability to use the Wireless Services (including without limitation any third party's unauthorized access to Client's data transmitted through either the Equipment or Wireless Services), regardless of the form of action (whether in contract, tort (including negligence), strict liability or otherwise), and will not exceed the amount paid by you under this Wireless Services Agreement for the particular Wireless Services during the period of failure, delay or nonperformance. In no event shall we, Bank, Vendor(s) or our respective affiliates be liable for any indirect incidental, special or consequential damages. The remedies available to you under this Wireless Services Agreement will be your sole and exclusive remedies.

17.4. Indemnification. In addition to any other indemnifications as set forth in the Agreement, you will indemnify and hold Bank, Vendor(s) and us and our respective officers, directors, employees, and affiliates harmless from and against any and all losses,

claims, liabilities, damages, costs or expenses arising from or related to: (a) the purchase, delivery, acceptance, rejection, ownership, possession, use condition, liens against, or return of the Wireless Services; (b) your negligent acts or omissions; or (c) any breach by you of any of your obligations hereunder, except to the extent any losses, liabilities, damages or expenses result from our gross negligence or willful misconduct.

17.5. Confidentiality. All information or materials which could reasonably be considered confidential or competitively sensitive that you access from or relate to either Vendor(s) or us related to the subject matter of this Wireless Services Agreement will be considered confidential information. You will safeguard our confidential information with at least the same degree of care and security that you use for your confidential information, but not less than reasonable care.

17.6. Termination. In addition to any other provision in the Merchant Agreement, this Wireless Services Agreement may terminate:

- a. Immediately upon termination of the agreement between us (or our affiliates) and Vendor(s), provided that we will notify you promptly upon our notice or knowledge of termination of such agreement, provided further that if Vendor(s) loses its authority to operate less than all of the Wireless Services or if the suspension of any authority or non-renewal of any license relates to less than all of the Wireless Services, then this Wireless Services Agreement will terminate only as to the portion of the Wireless Services affected by such loss of authority, suspension or non-renewal; or
- b. Immediately if either we (or our affiliates) or Vendor(s) are prevented from providing the Wireless Services by any law,

regulation, requirement, ruling or notice issued in any form whatsoever by judicial or governmental authority (including without limitation the FCC).

17.7. Effect of Termination. Upon termination of this Wireless Services Agreement for any reason, you will immediately pay to us all fees due and owing to us hereunder. If this Wireless Services Agreement terminates due to a termination of the agreement between us or our affiliates and Vendor(s), then we may, in our sole discretion, continue to provide the Wireless Services through Vendor(s) to you for a period of time to be determined as long as you continue to make timely payment of fees due under this Wireless Services Agreement.

17.8. Third Party Beneficiaries. Our affiliates and Vendor(s) are third party beneficiaries of this Wireless Services Agreement and may enforce its provisions as if a party hereto.

17.9. Other Applicable Provisions. You also agree to be bound by all other terms and conditions of the Agreement which are applicable to the provision of Wireless Services.

18. Specifications License

18.1. In the event that you receive specifications documents from us (the Specifications), we grant to you a nontransferable, nonexclusive, limited license to use the Specifications for the sole purpose of developing an interface to our systems in order to process transactions.

18.2. We reserve all rights in the Specifications not expressly granted in the Merchant Agreement. Except as otherwise provided herein: (i) You shall not copy, nor allow others to copy, any of the Specifications, (ii) You shall not sell, assign, pledge, lease, deliver or otherwise transfer the Specifications or any part thereof to any third party, (iii) You shall not disclose to any third party or permit any third party to have access to or use the Specifications or any part

thereof, (iv) You shall not modify, alter or change the Specifications or any part thereof, or develop any diagram, drawing or other documentation based on the Specifications or the information contained therein, (v) You shall not use the Specifications to develop, manufacture, modify or reproduce any other product or service that competes with any product or service manufactured and/or distributed by or for us, and (vi) You may not reverse engineer the Specifications. Notwithstanding the foregoing, you may disclose the Specifications to a third party subcontractor for the sole purpose of allowing such third party to write an interface into our systems. Said third party must agree in writing to be bound by the provisions of this Section 18.

18.3. You acknowledge and agree that all right, title and interest in and to the Specifications and all patents, copyrights, trademarks, trade names, trade secrets and other proprietary rights related to or residing in the Specifications, and all copies of all or any part thereof in any form whatsoever, shall remain with us. You understand and agree that the Specifications contain trade secrets that must be kept confidential. You shall promptly notify us of any actual or threatened misappropriation or infringement of our proprietary rights which may come to your attention.

18.4. You shall not remove from the Specifications, or alter, any trademarks, trade names, logos, patent or copyright notices, or other notices or markings, or add any other notices or markings, without our prior written consent. You must duplicate all such proprietary rights notices on each copy of the Specifications permitted to be made under the provisions of this Section 18.

18.5. The Specifications and all related documentation, drawings, designs, and information are and shall remain our confidential and proprietary information (collectively, the Confidential Information). You shall not disclose the Confidential

Information, and shall treat the Confidential Information as strictly confidential. You shall use Confidential Information only for the purpose set forth in this section. Except as expressly permitted by this section, you shall not copy any Confidential Information without our prior written consent.

18.6. THE SPECIFICATIONS ARE LICENSED AND PROVIDED TO YOU "AS IS," "WITH ALL FAULTS," WITHOUT ANY WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

18.7. All of your obligations relating to the Specifications shall survive termination of the Merchant Agreement. Upon termination, you shall, at our option, (a) return the Specifications, including all copies; or (b) destroy all Specifications, including all copies. In either case, you shall erase from all computers, electronic or other storage devices or otherwise destroy all images and copies of the Specifications, and all portions thereof, and deliver to us a signed acknowledgment that your obligations under this Section 18 have been fully satisfied.

18.8. You may only use the Specifications in the United States.

19 GLOSSARY. As used in the Merchant Application and Agreement, the terms below will have the following meanings:

ACH Fee. A fee charged each time a Merchant's bank account is either debited or credited funds through the ACH Settlement process.

Address Verification Service (AVS). A service provided through which the Merchant verifies the Cardholder's address. Primarily used by mail order/telephone order Merchants. Not a guarantee that a transaction is valid.

Association. Any entity formed to administer and promote Cards, including, without limitation, MasterCard International, Inc.; VISA

U.S.A., Inc.; and VISA International, Inc.

Association Rules. The rules, regulations, releases, interpretations and other requirements (whether contractual or otherwise) imposed or adopted by any Association.

Authorization. Approval by, or on behalf of, the Card Issuing Bank to validate a transaction for a Merchant or another affiliate bank. An Authorization indicates only the availability of the Cardholder's credit limit at the time the Authorization is requested.

Authorization Fee (Auth Fee). A Merchant is charged an Authorization Fee each time communication is made via the POS terminal, software or gateway.

Bank. Member of MasterCard and Visa that clears transactions for these Associations. The Bank is Wells Fargo Bank, N.A., MACA0347-023 Montego Way, Walnut Creek, CA, 94598, or such other member of MasterCard and Visa that may subsequently be assigned.

Card. A valid credit Card or Debit Card bearing the service mark of Visa or MasterCard and, to the extent that you have signed up for such services, the marks of any other Association.

Cardholder. The individual whose name is embossed on a Card (or Debit Card, as applicable) and any authorized user of such Card.

Chargeback. The procedure by which a Sales Draft or other indicator of a Card transaction (or disputed portion thereof) is returned to Bank or the Issuing Bank, the liability for which is the Merchant's responsibility.

Chargeback Fee. A fee incurred each time a transaction is charged back to you.

Credit. A refund or price adjustment given for a previous purchase transaction.

Debit Card. A Card used at a Merchant location bearing a MasterCard or Visa logo and/or the marks of ATM networks (such as MAC, NYCE, Star) where the Issuing Bank is not extending credit to the Cardholder,

but where the Card is connected to either a deposit account, a prepaid account or a prepaid benefit account.

Debit Network Processing Fees.

Fees charged by PIN Debit networks for processing PIN Debit Transactions. In addition to any Debit Network Processing Fees, Merchant will also pay the Debit Card/ATM transaction fee as indicated in the Merchant Application and Agreement. Debit Network Processing Fees are subject to change without notice.

Decline Fee. A fee charged each time the Merchant processes a transaction which does not receive authorization or is otherwise declined.

Dial-Up Terminal. An Authorization device which, like a telephone, dials an Authorization center for validation of transactions.

Discount Rate. An amount charged for processing credit Card transactions or Signature Debit Transactions. Discount Rates are charged on all sales and refunds. The discount rates for Rate 2 and Rate 3 transactions are higher as described in Section 7.3 and the "Schedule of Charges (Fees)" section of the Merchant Application and Agreement.

Downgrade Fee. An additional fee applied per settled item for transactions that are charged a Rate 2 Discount Rate or Rate 3 Discount Rate.

Early Cancellation Fee. A fee in the amount of three hundred dollars (\$300.00), charged in the event that (a) you elect to cancel the Merchant Application and Agreement prior to the expiration of the initial thirty-six (36) month term of the Merchant Application and Agreement, or (b) the Merchant Application and Agreement is terminated prior to the expiration of the initial thirty-six (36) month term due to an Event of Default, except as provided in Section 15.1 of your Merchant Application and Agreement.

Electronic Benefit Transfer (EBT).

An electronic system that allows a government benefit recipient to authorize the transfer of his/her benefits from a Federal, State or local

government account to a Merchant account to pay for products and services received.

Excessive Chargebacks. (a) Chargebacks or Retrieval Requests in excess of MasterCard or Visa rules as they may exist from time to time, (b) Chargebacks relating to a Merchant's transactions processed by Bank in excess of one percent (1%) of the average monthly dollar amount of such transactions, (c) Chargebacks relating to a Merchant's transactions processed by Bank in excess of one and a half percent (1.5%) of the total number of transactions processed by the Merchant for a particular month or, (d) Retrieval Requests in excess of three percent (3%) of the total number of transactions processed.

Imprinter. A manual or electric machine used to physically imprint the Merchant's name and ID number as well as the Cardholder's name and Card number on a Sales Draft.

Issuing Bank. The bank that has issued a Card.

Magnetic Stripe. A stripe of magnetic information affixed to the back of a plastic Credit or Debit Card. The magnetic stripe contains essential Cardholder and account information.

Merchant. The party identified as "Merchant" on the Merchant Application and Agreement. The words "you" and "your" refer to Merchant.

Merchant Agreement. The agreement among Merchant, Processor and Bank contained in the Merchant Application and Agreement, any attachments, addenda, schedules thereto, each as amended from time to time, all of which collectively constitute the agreement among the parties.

Merchant Club Fee. A recurring monthly fee, as indicated in your Merchant Application and Agreement, for the Merchant Club.

Provided Merchant is current on his/her Merchant Club fees as stated in the Merchant Application and Agreement and not otherwise in breach of the Merchant Application and Agreement, should the Merchant's printer, pin pad or terminal become

defective as a result of normal business usage and through no fault of Merchant or any third party, CTS Holdings, LLC shall facilitate the exchange of said processing equipment, whether or not the device at issue is under a manufacturer's warranty, for a refurbished device (same in model, form, features, and function as the defective device) at no charge within 24 to 48 hours. If a defective terminal is obsolete, not compatible with industry required software applications or otherwise unavailable, a similar terminal (similar in form, features, and function as the defective terminal) will be exchanged. YOU ARE REQUIRED TO RETURN THE DEFECTIVE DEVICE AS DIRECTED BY PROCESSOR. YOU SHALL BE CHARGED FOR ANY EQUIPMENT SENT TO YOU IF THE DEFECTIVE DEVICE IS NOT RETURNED AS DIRECTED BY PROCESSOR. In addition, Merchant shall be entitled to the following supplies at no charge: six rolls of printer paper and 400 Sales Drafts per month; four printer ribbons and two imprinter plates per year (ink cartridges are not included).

The initial term of the Merchant Club is thirty-six (36) months, continuing month to month thereafter.

Termination of the Merchant Application and Agreement terminates the Merchant Club.

Monthly Minimum Discount Fee. A fee, as indicated in the Merchant Application and Agreement, less the net Discount Rates, if any, for your MasterCard/Visa transactions during the month.

Operating Procedures. The then-current manual prepared by Processor, containing operating procedures, instructions and other directives relating to Card transactions. If you process Card transactions, you must comply with the Operating Procedures.

PIN Debit Transaction. A transaction in which a Debit Card is used at a Merchant location by means of a Cardholder-entered Personal Identification Number (PIN) in the Merchant PIN Pad. PIN Debit Cards

bear the marks of ATM networks (such as MAC, NYCE, STAR).

Pre-Authorization Fee. A fee charged when a Merchant completes a pre-authorization on a transaction.

Processor. CTS Holdings, LLC or any successor, transferee, assignee or delegate thereof.

Referral. The message received from an Issuing Bank when an attempt for Authorization requires a call to the Voice Authorization Center or Voice Response Unit (VRU).

Reserve Account. A fund established and managed by us to protect against actual or contingent liability arising from Chargebacks, adjustments, fees and other charges.

Retrieval Request/Transaction

Documentation Request: A request for documentation related to a Card transaction such as a copy of a Sales Draft or other transaction source documents.

Sales Draft. Evidence of a purchase of goods or services by a Cardholder from Merchant using a Card, regardless of whether the form of such evidence is in paper, electronic or otherwise, all of which must conform to Association Rules.

Services. The activities undertaken by Processor and Bank to authorize, process and settle all United States Dollar-denominated MasterCard and Visa Card transactions undertaken by Cardholders at Merchant's location(s) in the United States, and all other activities necessary for Processor and Bank to perform the functions required by the Merchant Application and Agreement for all other Cards covered by the Merchant Application and Agreement.

Settlement Account. An account at a financial institution designated by Merchant as the account to be debited and credited by Processor or Bank for Card transactions, fees, Chargebacks and other amounts due under the Merchant Application and Agreement or in connection with the Merchant Application and Agreement.

Signature Debit Transaction. A transaction in which a Debit Card is used at a Merchant location bearing a MasterCard or Visa logo, but where the Cardholder does not enter a PIN.

Submission. The process of sending batch deposits to us for processing. This may be done electronically or by mail.

Us. Bank and Processor collectively.

Vital Fee. A fee charged for each transaction processed through the Vital Front-End processor.

Voice Authorization Fee. This is a fee charged when the Merchant contacts an authorization representative to process their transaction.

Voice Response Unit Fee: This fee is charged when the Merchant calls into the 800 number to authorize a transaction.

We. Bank and Processor collectively.

You, your. See Merchant.

