

Discover<sup>®</sup>  
Network  
Program  
Agreement

## PREFACE

Processor (sometimes referred to as “we” or “us”) and DFS Services LLC (“Discover® Network”) have initiated a program (the “Program”) to allow Processor to provide merchant processing services for Discover Network Card transactions. These Terms and Conditions including the Supplemental Discover Network Merchant Processing Operating Procedures contained herein (sometimes referred to as the “Operating Regulations” [collectively, the “Discover Network Program Agreement” or “Agreement”]), comprise an agreement between Processor and you governing your acceptance of Discover Network Cards, and Processor’s provision of merchant services to you in connection with Discover Network transactions. By accepting Discover Network Cards, you agree to be bound by this Discover Network Program Agreement. Capitalized terms used but not otherwise defined in this Discover Network Program Agreement have the meanings given them in the agreement among Processor, you and the Bank identified in the Merchant Application and Agreement and the Schedules thereto, and the documents incorporated therein, each as amended from time to time, which collectively constitute the agreement among such parties concerning Credit Card transaction processing and related matters (the “MAA”). Processor will provide Services to you in connection with your acceptance of Discover Network Cards as provided in this Discover Network Program Agreement.

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# TERMS AND CONDITIONS FOR CARD ACCEPTANCE

## 1. Incorporation of MAA

The terms and conditions of the MAA, as amended from time to time, are incorporated into this Discover Network Program Agreement by reference and are hereby made a part of this Discover Network Program Agreement. Except and to the extent provided below in this Discover Network Program Agreement, the terms and conditions of the MAA (which we may amend from time to time as provided in the MAA) shall govern your acceptance of Discover Network Cards, and Processor's provision of Services to you in connection with Discover Network Card transactions. This Discover Network Program Agreement applies solely to your acceptance of Discover Network Cards, and shall not amend the terms of the MAA in any respect except as specifically set forth herein with respect to Discover Network Cards, and not with respect to any other Credit Cards.

## 2. Acceptance of Discover Network Cards

Except as provided in this Discover Network Program Agreement, the terms and conditions governing your acceptance of Discover Network Cards are as specified in the MAA.

You agree to accept Discover Network Cards at all of your establishments in payment for purchases of goods and services from all Discover Network Cardholders who want to use Discover Network Cards at your establishment. You agree to follow the procedures in this Agreement and in the Operating Regulations concerning your acceptance of Discover Network Cards and the preparation and submission of Sales Drafts.

## 3. Submission of Sales Drafts

Except as provided in this Discover Network Program Agreement, the terms and conditions governing your submission of Sales Drafts and Credit Drafts using the Discover Network Card are as specified in the MAA. You agree to transmit Sales Drafts to us each business day in the format directed by us and by the transmission deadline. Additional requirements for Discover Network Card Sales by mail, telephone and Internet are described in the Operating Regulations and MAA.

## 4. Telephone, Mail Order and Internet Discover Network Card Sales

Except as provided in this Discover Network Program Agreement, the terms and conditions governing your processing of telephone, mail order and Internet Discover Network Card sales using the Discover Network Card are as specified in the MAA. You agree to obtain our prior approval before accepting any Discover Network Cards Sales over the Internet. You agree to comply with our data security and encryption requirements in the Operating Regulations and MAA, including our procedures for Discover Network Card transactions over the Internet and Discover Network Card transactions on your web site.

## 5. Settlement of Transactions

Except as provided in this Discover Network Program Agreement, the terms and conditions governing Settlement for your transactions using Discover Network Card are as specified in the MAA. As used in this Agreement, the term "Settlement" means the procedure by which we will reimburse you for the amount of each valid Discover Network Card sale for which you submit Sales Drafts to us that represent a purchase from your establishment with a Discover Network Card, minus an amount equal to the sum of any Chargebacks, any credits to Discover Network Cardholders that you submit to us, and the fees due to us and plus or minus adjustments that we make to reconcile or correct errors in your Sales Drafts. The timing for your Settlement payments is described in the Operating Regulations and MAA, unless otherwise indicated by us in writing. We may, at our discretion, change the timing of your Settlement payment upon five (5) calendar days' advance written notice if required by Discover Network. Your terminals or point-of-sale devices must be programmed with the Merchant Account Number that we assigned to you if you are to receive Settlement for Discover Network Card sales. You are responsible for the programming of your terminals to accept Discover Network Card sales. If a third party programs your terminals, you are responsible for such third party's acts and omissions in connection therewith, including, without limitation, any payment of your Settlement amounts to the incorrect party. Promptly following the completion of programming services, you agree to confirm receipt in your Settlement Account Settlement amounts for Discover Network Card sales accepted by you. If you do not receive Settlement amounts for Discover Network Card sales in accordance with the Agreement and Operating Regulations, you must contact us immediately or risk non-payment for such Discover Network Card sales. You must comply with each of the terms and conditions in this Agreement.

## 6. Transaction Fee and Other Fees

**a.** Your service fees are indicated in the Service Fee Schedule of your Program Application (the "Service Fee Schedule") or otherwise provided to you in writing by us. Those fees are based upon assumptions associated with the anticipated annual volume and average transaction size for all Services as set forth in this Discover Network Program Agreement and your method of doing business. If the actual volume or average transaction size are not as expected or if you significantly alter your method of doing business, we may without prior notice adjust your fees, or change any other amount we charge you for accepting Discover Network Cards. In addition, we may from time to time increase our fees or charge you additional fees for any other reason by delivering to you written notice of such increased or additional fees thirty (30) days prior to the effective date of any such increase or addition of fees. If we provide notice to you of an increase in the fees or an addition of fees for Services, you may terminate this Discover Network Program Agreement without further cause or penalty by providing to us thirty (30) days advance written notice of termination. However, your continued use of our Services after the effective date of any increase shall be deemed acceptance of the increased fees for Services, throughout the term of this Agreement. Charges for which you have not obtained Authorization or that are not submitted electronically are subject to supplemental fees.

**b.** You must notify us in writing of any error or omission in respect of your Service fees or other fees or payments for Charges or Credits within sixty (60) days of the date of the statement containing such error or omission. If you do not do so, the statement will be conclusively settled as complete and correct in respect of such amounts, provided that, if we determine at any time that we have paid you in error, we may effect a Chargeback to recover such erroneous payment.

## 7. Downgrades; Surcharges

Except as provided in this Discover Network Program Agreement, the terms and conditions governing the fees payable by you to us for the provision of Services related to your acceptance of Discover Network Card are as specified in the MAA. The following terms and conditions govern certain of the fees payable by you to us for the provision of Services related to your acceptance of Discover Network Card:

You shall be charged fees for the Services, which shall be calculated and payable pursuant to this Discover Network Program Agreement and any additional pricing supplements. You acknowledge that the fees agreed to are based on the assumption that your transactions will qualify at certain Discover Network fee levels (your "Anticipated Fee Levels"). Each Anticipated Fee Level has an associated fee that is established by Discover Network. If a transaction fails to qualify for your Anticipated Fee Levels, then Discover Network will downgrade the transaction and process it at a more costly fee level for which it does qualify. This type of transaction is often referred to as a "Non-Qualified Transaction." We will be required to pay any additional costs and fees associated with such Non-Qualifying Transaction, and those additional costs and fees will be passed on to you. For processing each Non-Qualified Transaction, you will be assessed the Discount Rate and an additional fee. The additional fee is made up of two components:

1. The "Non-Qualified Program Fee," which is the difference between the Discover Network fee associated with the Anticipated Fee Level and the Discover Network fee associated with the fee level at which the transaction actually is processed; plus
2. The "Non-Qualified Surcharge," which is a surcharge fee the amount of which is set forth on your Service Fee Schedule contained in the Application.

The Non-Qualified Program Fee and the Non-Qualified Surcharge may be adjusted by us from time to time, including to reflect (i) any increases or decreases in the assessment or other portion of the fees; (ii) the appropriate fee level as is consistent with the qualifying criteria of each transaction submitted by you; (iii) increases in any applicable sales or telecommunications charges or taxes levied by any state, federal or local authority related to the delivery of the services provided by Processor when such costs are included in the Service or other fixed fees.

## 8. Retention of Records

You agree to keep an original copy of all Sales Drafts, mail/telephone order forms, documentation required in the Operating Regulations and other related document(s), e.g. shipping invoices, for no less than three hundred and sixty five (365) days from the Discover Network Card transaction date, or one hundred and eighty (180) days from the date of submission of Sales Drafts, whichever is later. You also agree to keep microfilm or other copies of Sales Drafts for no less than three (3) years from the date of the Discover Network Card transaction. You agree to provide us with a copy of any Sales Drafts, mail/telephone order forms and the documentation required in the Operating Regulations within ten (10) calendar days of our request.

## 9. Term and Termination

**a. Termination.** We may terminate this Agreement at any time and for any reason by giving you thirty (30) days prior written notice. We may terminate immediately and without such notice if you have materially breached this Agreement or due to an Event of Default as outlined in the MAA, or if the Discover Network Card sales conducted by you, the goods or services sold by you or your business practices violate any U.S., federal, state or local laws, statute or regulation. Furthermore, you acknowledge that the Discover Network Operating Rules give Discover Network certain rights to require termination or modification of this Agreement with respect to transactions involving Discover Network Cards and the Discover Network Card system and to investigate you.

**b. Effect of Termination; Survival.** You agree to accept Discover Network Cards and follow the terms of this Agreement until termination is effective. The terms in this Agreement governing the acceptance of Discover Network Cards, transmissions and processing of Sales Drafts and mail/telephone order forms and Settlement will continue to apply even after termination of this Agreement, until all Discover Network Card transactions made prior to such termination are settled or resolved. Upon termination of this Agreement, you agree to immediately send us all Sales Drafts, mail/telephone order forms and documentation required, but not previously submitted to us for any Discover Network Card sales made up to the date of termination. We are not liable to you for any direct or consequential damages that you may suffer as a result of our termination in accordance with this Agreement. Termination of your acceptance of Discover Network Cards or termination of this Agreement will not prejudice any claim either party may have under this Agreement that arises prior to the effective date of such termination, and notwithstanding any such termination, this Section 9 will survive as an independent obligation.

**c. Indemnification and Limitation of Liability.**

- (i) You agree to indemnify and hold us harmless from and against all losses, liabilities, damages and expenses resulting from any breach of any warranty, covenant or agreement or any misrepresentation by you under this Agreement, or arising out of any gross negligence or willful misconduct of you or your employees, in connection with your performance under this Agreement or otherwise arising from your provision of goods and services to Discover Network Cardholders.
- (ii) **THIS DISCOVER NETWORK AGREEMENT IS A SERVICE AGREEMENT AND WE DISCLAIM ALL REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, MADE TO YOU OR ANY OTHER PERSON, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE OF ANY SERVICES OR ANY GOODS PROVIDED INCIDENTAL TO THE SERVICES PROVIDED UNDER THIS AGREEMENT.**
- (iii) **NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL ANY PARTY, THEIR RESPECTIVE AFFILIATES OR ANY OF THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR SUBCONTRACTORS, BE LIABLE UNDER ANY THEORY OF TORT, CONTRACT, STRICT LIABILITY OR OTHER LEGAL THEORY FOR LOST PROFITS, LOST REVENUES, LOST BUSINESS OPPORTUNITIES, EXEMPLARY, PUNITIVE, SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES, REGARDLESS OF WHETHER SUCH DAMAGES WERE FORESEEABLE OR WHETHER ANY PARTY OR ANY ENTITY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**
- (iv) **NOTWITHSTANDING ANYTHING IN THIS AGREEMENT TO THE CONTRARY, THE CUMULATIVE LIABILITY OF PROCESSOR FOR ALL LOSSES, CLAIMS, SUITS, CONTROVERSIES, BREACHES, OR DAMAGES FOR ANY CAUSE WHATSOEVER (INCLUDING, BUT NOT LIMITED TO, THOSE ARISING OUT OF OR RELATED TO THIS AGREEMENT) AND REGARDLESS OF THE FORM OF ACTION OR LEGAL THEORY SHALL NOT EXCEED, (I) \$50,000; OR (II) THE AMOUNT OF FEES RECEIVED BY PROCESSOR PURSUANT TO THIS AGREEMENT FOR SERVICES PERFORMED IN THE IMMEDIATELY PRECEDING 12 MONTHS, WHICHEVER IS LESS.**

## 10. Factoring

You agree that you will not factor any Discover Network Card sales. See Operating Regulations for complete details regarding what constitutes factoring and the liability you incur if you factor any Discover Network Card sales.

## 11. Other Obligations

**a. Confidentiality.** You must keep confidential and not disclose to any third party the terms of this Agreement and any information that you receive from us that is not publicly available. Without limiting the foregoing, you must not use, store or disclose any such information or any Discover Network Cardholder or Discover Network Card transaction information other than as necessary to complete a Discover Network Card transaction, including any retention or storage of lists of Discover Network Card numbers or Discover Network Card transaction information and any use of or access to Discover Network Cardholders' personal information for marketing and/or other purposes.

**b. Non-Discrimination.** You must not adopt any practice that discriminates against or provides for unequal treatment of any person who elects to pay using a Discover Network Card versus any other credit, charge, debit, stored value or other payment Discover Network Card accepted by you, except with respect to your proprietary Discover Network Cards (e.g., private label and loyalty cards) and gift cards.

**c. Contact with Discover Network Cardholders.** You may not contact any Discover Network Cardholder with respect to any matter arising under this Agreement, including any disputes, except as required under the Operating Regulations for acceptance of Discover Network Card transactions.

**d. Minimum/Maximum Dollar Limits and Other Limits.** You must not require that any Discover Network Cardholder make a minimum purchase in order to use a Discover Network Card, nor may you limit the maximum amount that a Discover Network Cardholder may spend when using a Discover Network Card, except when the Issuer has not provided a positive Authorization response for a Discover Network Card transaction.

**e. Entire Agreement.** This Discover Network Program Agreement is the entire agreement between you and us and supersedes any previous agreements, understandings, or courses of dealing regarding the subject matter hereof. The terms and conditions of the MAA remain in effect except as provided in this Discover Network Program Agreement solely with respect to our processing of Discover Network Card transactions.

**f. Contacts.** Any provision contained in the MAA which directs you to contact Discover Network for customer service or for any other inquiry or purpose is modified hereby to provide that you are to contact Processor for customer service or in relation to such inquiry or purpose.

**g. References to Discover Network Procedures.** Any provision contained in the MAA which refers to Cards other than Visa or MasterCard shall be construed so as not to apply to Discover Network Cards, and any provision which refers you specifically to procedures or terms and conditions of Discover Network (but not references to Association Rules) will be disregarded.

**h. Settlement Obligations.** We will settle Discover Network Card transactions in substantially the same manner that we settle Card transactions for other Card types. All settlements for Discover Network Card transactions will be net of Credits / refunds, adjustments, applicable discount fees when due, Chargebacks and any other amounts then due from you.

## SUPPLEMENTAL DISCOVER MERCHANT PROCESSING OPERATING PROCEDURES

In addition to the provisions of Section 1-11 of this Discover Network Program Agreement, the following Supplemental Discover Network Merchant Processing Operating Procedures (“Operating Regulations”) describe certain procedures and methods for submitting Discover Network Card transactions for payment, obtaining authorizations, responding to Disputes, and other aspects of our services relating to Discover Network Cards. Unless prohibited by law, you are required to comply with these Operating Regulations and the MAA (as described above) as part of your Discover Network Program Agreement, and you are also responsible for following any additional or conflicting requirements imposed by your state or local jurisdiction. **Capitalized terms used in these Operating Regulations but not defined herein have the meanings given to them in the Discover Network Program Agreement.**

**\*\*NOTE: You must refer to both the Operating Procedures contained in the MAA and this document whenever you are determining relevant Discover Network policies or procedures.\*\***

- **The methods, procedures and requirements described in these Operating Regulations will apply to all aspects of your acceptance of, and our services relating to, Discover Network Cards.**
- **If, and to the extent, these Operating Regulations do not directly conflict with the language contained in the MAA, both the MAA and the Operating Regulations will apply to your acceptance of, and our services relating to, Discover Network Cards.**

### 12. Sublicense to Use Program Marks

**12.1. Sublicense.** You are granted a limited sublicense to use the Program Marks, solely in connection with your acceptance of Discover Network Cards, and subject to this Agreement. “Program Marks” means the brands, emblems, trademarks and/or logos that identify Discover Network Cards. Additionally, you shall not use the Program Marks other than to display decals, signage, advertising and other forms depicting the Program Marks that are provided to you by us or otherwise approved in advance in writing by us.

**12.2. Display of Program Marks.** You must prominently display, at each of your locations, in catalogs and websites, signage or logos showing the Program Marks in such manner and with such frequency as accorded any other third-party credit, charge, debit, stored value or other payment Discover Network Card accepted by you.

**12.3. Restriction on Use of Program Marks.** You are prohibited from using the Program Marks other than as expressly authorized in writing by us. You may use the Program Marks only to promote the services covered by the Program Marks by using them on decals, indoor and outdoor signs, advertising materials and marketing materials; provided that all such uses by you must be approved in advance by us in writing. You shall not use the Program Marks in such a way that customers could believe that the products or services offered by you are sponsored or guaranteed by the owners of the Program Marks. You recognize that you have no ownership rights in the Program Marks. You shall not assign to any third party any of the rights to use the Program Marks.

**12.4. Termination of Sublicense.** Your sublicense to use the Program Marks shall terminate upon the earlier of (i) the termination of this Agreement, (ii) delivery of notice by us or by Discover Network to you of the termination of the sublicense, or (iii) termination of the license of the Program Marks by Discover Network to us. You must immediately discontinue use or display of the Program Marks, upon termination of the License.

### 13. Requirements Applicable to All Authorization Requests

Each Authorization request you submit to us must fully comply with the applicable provisions of this Agreement. Submission of an Authorization Request that does not fully comply with the applicable provisions of this Agreement may result in assessment of additional fees to you, a declined Authorization response or a Chargeback to you of the Discover Network Card Sale.

**13.1. Discover Network Cardholder Verification and Discover Network Card Retrieval.** Occasionally in response to an Authorization request, we may direct you to obtain certain information from the Discover Network Card presenter to verify the Discover Network Card presenter’s identity. Also, in response to an Authorization request, we may direct you to take and retain a Discover Network Card from the Discover Network Card presenter. If we direct you to retain a Discover Network Card, you must call our Authorization Center and follow the instructions we provide. Do not use any force or effort if the Discover Network Card presenter refuses to give up the Discover Network Card, and do not take any action that will alarm or embarrass

the Discover Network Card presenter. You will bear all responsibility for claims, liabilities, costs and expenses as a result of any failure by you, your employees, vendors or agents, that attempt to retain a Discover Network Card without the Issuer’s direct request or that fail to use reasonable, lawful means in retaining or attempting to retain a Discover Network Card.

**13.2. Request for Cancellation of Authorization.** If a Discover Network Card Sale is cancelled or the amount of the Discover Network Card Sale changes following your receipt of Authorization for the Discover Network Card Sale, you must call us and request a cancellation of the Authorization. An Authorization may be cancelled at any time within eight (8) days of your receipt of the Authorization but must be cancelled before Sales Drafts relating to the Discover Network Card Sale has been submitted to us. Once Sales Drafts relating to the Discover Network Card Sale have been submitted to Discover Network, the Authorization cannot be changed. You must provide the following information to us, in this order:

1. The Discover Network Card Account Number (16 digits);
2. The expiration date on the Discover Network Card being presented (4 digits, mmyy);
3. A brief reason the Authorization is being cancelled;
4. The Card Number;
5. The original amount of the Authorization;
6. The new amount of the total transaction; and
7. The original Authorization Code for the Authorization being cancelled.

### 14. Discover Network Card Identification Data (CID)

You must obtain the three-digit CID in all Discover Network Card Not Present Card Sales. The CID must be included in all Authorization requests you send to us for an Authorization response with respect to Discover Network Card Not Present Card Sales. Failure to include the CID in an Authorization request for a Discover Network Card Not Present Card Sale may result in a Chargeback to you. You are strictly prohibited from retaining, archiving or otherwise storing the CID in any form or format for any reason, including the recording of the CID on Transaction Receipts or Sales Drafts.

### 15. Merchant Creation of Sales Drafts, Transaction Receipts and Sales Drafts

You must prepare a Sales Draft for each Discover Network Card transaction and provide a Transaction Receipt or a copy of the Sales Draft to the Discover Network Cardholder at the time of completion of the Discover Network Card transaction, in each case in accordance with these Operating Regulations. Prior to completing the Sales Draft, you must verify the Discover Network Card has not expired and has been signed by the Discover Network Cardholder as described in this Agreement and Operating Regulations.

You shall ensure that the Sales Draft for each Discover Network Card transaction, whether electronically generated or manually printed on paper, is legible and contains all of the following information prior to transmission to us:

1. Date of Discover Network Card transaction;
2. Total amount of Discover Network Card transaction, including tax;
3. Discover Network Card account number (imprinted for Sales Drafts if Discover Network Card is not read electronically);
4. Expiration date of the Discover Network Card;
5. Authorization Code, when applicable;
6. Merchant’s “doing-business-as” name and physical address (city/town and country);
7. Valid Discover Network Cardholder signature (for Discover Network Card Sales); and
8. If manually imprinted, ensure the Discover Network scripted “D” is clearly legible on the imprint.

**15.1. Signature on Discover Network Card.** You must verify that there is a signature on the signature panel on the back of the Discover Network Card and verify that the name on the back of the Discover Network Card is reasonably similar to the name embossed on the front of the Discover Network Card.

**15.2. Unsigned Discover Network Cards.** If a Discover Network Card presented to you is not signed, you must request two pieces of identification, one of which is a government-issued picture identification. When you have confirmed that the person presenting the Discover Network Card is the Discover Network Cardholder, you must require the Discover Network Cardholder to sign the back of the Discover Network Card. If you are unable to positively identify the Discover Network Card presenter as the Discover Network Cardholder, or if you have reason to suspect fraud, you should contact us.

**15.3. Verification of Discover Network Card Expiration Date.** For each Discover Network Card Sale, you must check or obtain the expiration date on the Discover Network Card and confirm that the Discover Network Card is not expired prior to completing the Discover Network Card Sale. The Discover Network Card is valid through the last day of the month embossed on the Discover Network Card. If the Discover Network Card has expired, you must not accept it for a Discover Network Card Sale. If you are suspicious that the Discover Network Card presenter is not an authorized user of the Discover Network Card, you should call us at the telephone number we provide to you.

## 16. Your Submission of Sales Drafts to Us

You shall collect all Sales Drafts and transmit the Sales Drafts to us. We are NOT required to reimburse you for Discover Network Card Sales if we do not receive Sales Drafts within fifty (50) days of the transaction date. For Discover Network Card Sales and Credits, the transaction date is the date that you conduct the Discover Network Card Sale or issue the Credit to the Discover Network Cardholder. Except for Discover Network Cardholder deposits for purchases, you may not send us Sales Drafts for goods or services ordered by a Discover Network Cardholder until the goods or services have been delivered or furnished to the Discover Network Cardholder. Sales Drafts submitted to us for Settlement more than sixty (60) days after the transaction date may be rejected or, if accepted and processed, are subject to Chargeback to you.

**16.1. Preparation and Transmission of Sales Drafts.** You must ensure you include all merchandise and/or services purchased at one time and at one cash register on one Sales Draft, or in a single transmission of Sales Drafts, and you must transmit the Sales Drafts relating to merchandise and/or services purchased at one time and at a single cash register in a single electronic transmission of Sales Drafts unless otherwise approved by us in writing. Notwithstanding the foregoing, you may use separate Sales Drafts or use multiple transmissions to submit Sales Drafts to us.

**16.2. Sales Draft Requirements.** If your Merchant Agreement allows you to submit paper Sales Drafts to us, you must fully complete each Sales Draft as described above. After imprinting the Discover Network Card, you should ensure your business name, address and corresponding Discover Network Merchant Number are legibly printed on the Sales Draft. In addition, you should fill in the information described below, as applicable, and ensure that all printed and written information is clearly readable on all copies.

**16.3. Credits for Returns.** In disputes involving returns, we will honor your return policy as long as it complies with all federal, state and local laws and is clearly posted or otherwise made known to the Discover Network Cardholder at the time of the Discover Network Card Sale. We may request a copy of your return policy from you at any time. If a Discover Network Cardholder returns goods or services purchased with a Discover Network Card in accordance with your return policy, you must give a Credit to the Discover Network Card Account by completing a Credit Draft. If a Discover Network Cardholder receives merchandise or services that are defective or not as agreed upon at the time of the Discover Network Card Sale, you must give the Discover Network Cardholder a Credit, if requested by the Discover Network Cardholder. If you do not give a Discover Network Cardholder a requested Credit in the above circumstances, the Discover Network Card Sale may be subject to Chargeback to you. For each refund, you shall electronically submit the Sales Drafts for the Credit to us within ten (10) calendar days after you have issued the Credit to the Discover Network Cardholder or we may process a Chargeback to you for the original Discover Network Card Sale. You must give written evidence of the Credit to the Discover Network Cardholder.

**16.4. Credit Transaction Receipt and Credit Drafts Requirements.** You must ensure that all Transaction Receipts and Sales Drafts created as a result of a Credit, whether generated by electronic means or completed manually on paper, include the following information:

1. Discover Network Card Account Number (imprinted, if possible);
2. Discover Network Cardholder's name;
3. Discover Network Card expiration date;
4. Merchant's name, location (city/town and country) and Discover Network Merchant Number;
5. Quantity and brief description of merchandise or service returned/refunded;

6. Date of the Credit issuance;
7. Total amount of the Credit, including taxes, and the name of the currency used; and
8. Signature of an authorized representative of the Merchant.

## 17. Discover Network Card Not Present Sales

**17.1. Mail and Telephone Order Discover Network Card Sales.** You may accept Discover Network Cards for telephone or mail order sales if you comply with the following procedures and the requirements in the Agreement. You must obtain an Authorization decision for each mail or telephone order Discover Network Card Sale as described in Section 13 and this Section 17.1. You must document the Discover Network Card Sale and send Sales Drafts to us as described below.

- (i) Obtaining Authorization.** For each mail or telephone order Discover Network Card sale, you must transmit the CID with the authorization request. If you accept a Discover Network Card Sale without receiving a prior authorization approval and without transmitting the CID in the authorization request, the Discover Network Card sale may be subject to Chargeback to you as described in the MAA.
- (ii) Address Verification Services (AVS).** For each Discover Network Card Not Present Discover Network Card Sale, you must verify the name and billing address of the Discover Network Cardholder conducting the Discover Network Card Sale using the electronic Address Verification procedures described herein, which are available through the Address Verification Service we provide to you.
- (iii) Electronic Address Verification Service.** Address Verification must be obtained from us by 11:59 p.m. Eastern Time on the same day that you send the Authorization Request regarding the Discover Network Card Sale to us, regardless of whether the Authorization Request is approved or declined. To obtain Address Verification for a Discover Network Card Sale, you must comply with the following procedures:

- a. Use an electronic terminal to request Address Verification; or
- b. If you do not have an electronic terminal or are unable to obtain Address Verification using your electronic terminal, you should call us, and you must provide the following information:
  1. Card Number;
  2. Numeric portion of the Discover Network Cardholder's billing address (5 digits); and
  3. ZIP code of the Discover Network Cardholder's billing address (5 or 9 digits).

We make our Address Verification Service available to you in order to reduce the risk of Disputes alleging fraud associated with Discover Network Card Not Present Card Sales. Completing an Address Verification is not a guarantee against possible Disputes, only a tool by which to reduce the risk or occurrence of fraudulent activity in Discover Network Card Not Present Card Sales. We will not provide you with any information about a Discover Network Cardholder or Discover Network Card Account in response to a request for Address Verification, but will only verify the Discover Network Cardholder information provided to us.

- (iv) Documentation of Discover Network Card Sales.** In addition to complying with the requirements for preparation of Sales Draft in Section 16, you must obtain the following information from the Discover Network Cardholder for each mail or telephone order Discover Network Card sale: Discover Network Cardholder name, Discover Network Card Account Number, Discover Network Card expiration date, billing address and shipping address, if different than the billing address. You must retain such information along with the shipping date for the document retention period in the Agreement. You shall provide the shipping date to the Discover Network Cardholder at the time of each telephone order Discover Network Card sale and upon request for each mail order Discover Network Card Sale.
- (v) Transmission of Sales Drafts.** For each mail or telephone order Discover Network Card Sale, you must transmit Sales Drafts to us each business day in our form and format. All Sales Drafts shall be transmitted to us using an electronic means of transmission. You must not transmit Sales Drafts to us for merchandise or services ordered by a Discover Network Cardholder until the merchandise or services have been shipped, delivered or furnished to the Discover Network Cardholder; except that you may accept a Discover Network Card for a deposit on a purchase of merchandise or services and you may transmit the Sales Drafts relating to such deposit prior to the time of shipment or delivery of the merchandise or services purchased in such Discover Network Card sale.

(vi) **Delivery Requirements.** At the time of delivery of merchandise or services ordered in a mail or telephone order Discover Network Card Sale, you must provide the Discover Network Cardholder with an invoice or other similar documentation that includes the information obtained from the Discover Network Cardholder in Section 16. You also must obtain the Discover Network Cardholder's signature as proof of delivery if delivery is made to the Discover Network Cardholder. If the Discover Network Cardholder requests delivery to a third party, you must obtain the signature of a party designated by the Discover Network Cardholder as proof of delivery. You must retain this proof of delivery for the document retention period as set forth in the Agreement. If a Discover Network Cardholder takes delivery of merchandise ordered by mail or telephone at your retail location, you must obtain an imprint of the Discover Network Card and the Discover Network Cardholder's signature on the Sales Drafts.

**17.2. Card Sales over the Internet.** You must obtain our prior approval before accepting any Discover Network Card transactions over the Internet and you must comply with the requirements in the Agreement and these Operating Regulations for each Discover Network Card Sale accepted over the Internet. Any Discover Network Card Sale that does not comply with the Agreement and these Operating Regulations is subject to Chargeback. For each Discover Network Card sale over the Internet, you must comply with the requirements of this section.

(i) **Protocol for Internet Discover Network Card Transactions.** Each Internet Discover Network Card transaction accepted by you and submitted to us shall comply with our standards, including, without limitation, our standards governing the formatting, transmission and encryption of data, referred to as our "designated protocol." You shall accept only those Internet Discover Network Card transactions that are encrypted in accordance with our designated protocol. As of the date of these Operating Regulations, our designated protocol for the encryption of data is Secure Socket Layer (SSL). We may, at our discretion, withhold Settlement until security standards can be verified. However, our designated protocol, including any specifications with respect to data encryption, may change at any time upon thirty (30) days advance written notice. You may not accept Discover Network Card Account Numbers through Electronic Mail over the Internet.

(ii) **Browser Support for Protocol.** You shall not accept any Internet Discover Network Card transactions unless the transaction is sent by means of a browser which supports our designated protocol. However, if you desire to accept a Discover Network Card transaction from a Discover Network Cardholder whose browser does not support our designated protocol, you may accept such a Discover Network Card transaction by means other than the Internet, such as mail, telephone or facsimile.

(iii) **Authorization and Submission Requirements.** You shall not accept any Internet Discover Network Card transactions except in compliance with the Agreement and these Operating Regulations. Additionally, you shall comply with the following requirements for each Internet Discover Network Card transaction:

1. You must obtain an authorization decision for the Discover Network Card Sale as described in Section 16 using an electronic means of transmission that is approved by us.
2. You must submit the CID to us. If you do not submit the CID to us, the Discover Network Card Sale may be subject to Chargeback as described in Section 17.1 and this Section.
3. You must obtain address verification for the Discover Network Card Sale from us using the procedures described in Section 17.1 and this Section.
4. You must submit Sales Drafts using an electronic means of transmission and you must comply with other requirements in Section 16. You may not submit Sales Drafts to us using non-electronic means.
5. You must not submit Sales Drafts to us until the merchandise or services ordered are delivered to the Discover Network Cardholder.

(iv) **Chargeback for Noncompliance.** Any Discover Network Card transaction over the Internet that fails to comply with the Agreement or these Operating Regulations is subject to immediate Chargeback. We may collect any amounts owed by you with respect to Chargebacks on the Internet Discover Network Card transactions from the proceeds of Settlement amounts otherwise payable for any Card transactions. We may, at our discretion, terminate the Agreement immediately if you fail to comply with these terms.

recurring billing or installment sales transactions with Discover Network Cardholders please refer to the Operating Regulations and MAA for detailed requirements for these transactions, including the format for authorization requests. If you are a merchant in the lodging industry, please refer to us for procedures for guaranteed reservations, advance deposits and priority checkouts.

**18.1. Card Acceptance during Store Closings or Liquidation** You must comply with the following requirements during the liquidation and/or closure of any of your outlets, locations and/or entire business:

1. Post signs visible to customers stating "All Sales Are Final";
2. Stamp receipts or print Sales Drafts with notice that "All Sales Are Final"; and
3. Contact us to advise of the closure of locations and/or liquidation of your establishment.

**18.2. Policies for Merchants in the Lodging Industry.**

(i) **Overview.** Provided below are our requirements for Merchants in the lodging industry, who take reservations and require Discover Network Cardholders to pay advance deposits. If you do not comply with the procedures in Section 18.2(ii) for guaranteed reservations and Section 18.2(iii) for advance deposits, any Discover Network Card sales accepted by you for guaranteed reservations and advanced deposits are subject to Chargeback. Please note that for all Discover Network Card transactions that are not swiped through your terminal or POS device you must follow the procedures described in Section 17.

(ii) **Requirements for Guaranteed Reservations.** You may accept Discover Network Cardholders' reservations for accommodations and guarantee rooms for late arrival after the normal 6:00 p.m. (local time) check-in deadline if you follow the procedures in this Section. If the check-in deadline passes without a cancellation of the reservation by the Discover Network Cardholder, you may bill the Discover Network Cardholder for one night's lodging (plus applicable taxes); if you have complied with all of your obligations in this Section.

**a. Notice to Discover Network Cardholder of Rights and Obligations.**

At the time of reservation, you must verify that the Discover Network Cardholder plans to guarantee their reservation. If a guarantee is requested, you must advise the Discover Network Cardholder of the rights and obligations set forth below and you must comply with these requirements. You must inform the Discover Network Cardholder of the room rate and reservation confirmation number and you should advise the Discover Network Cardholder to retain this information.

1. Accommodations of the type requested by the Discover Network Cardholder will be held by you until checkout time on the day following the scheduled arrival date.
2. If the Discover Network Cardholder seeks to cancel the reservation, the Discover Network Cardholder must do so before 6:00 p.m. (local time) on the scheduled arrival date. Resorts may move the 6:00 p.m. (local time) deadline back no more than three hours to 3:00 p.m. (local time), if the Discover Network Cardholder has been informed of the date and time the cancellation privileges expire.
3. At the time of the reservation, you shall provide the Discover Network Cardholder with a telephone number to call for cancellations and instructions to retain a record of it.
4. If the reservation is not cancelled within the allowed time frame and the Discover Network Cardholder does not use the accommodation and you do not rent the room to another guest, you may bill the Discover Network Cardholder for a no-show charge equal to one night's lodging (plus applicable taxes).

**b. Record of Guaranteed Reservations.** You must preserve a record of the following information for each guaranteed reservation:

1. Discover Network Cardholder's name as it is embossed on the Discover Network Card;
2. Card account number and Discover Network Card expiration date;
3. Anticipated arrival date and length of stay;
4. The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire; and
5. Any other pertinent details related to the reserved accommodations.

**c. Written Confirmation of Guaranteed Reservations.** You must provide Discover Network Cardholders with written confirmation of each guaranteed reservation. The confirmation must contain:

## 18. Special Circumstances

Except as provided in this Discover Network Program Agreement, the terms and conditions governing your processing of special industry sales using the Discover Network Card are as specified in the MAA. If you accept Discover Network Card sales for



1. Discover Network Cardholder's name as it is embossed on the Discover Network Card;
2. Card Account number and Discover Network Card expiration date;
3. Reservation confirmation number;
4. Anticipated arrival date and length of stay;
5. The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges with expire; and
6. Any other pertinent details related to the reserved accommodations.

**d. Cancellation of Guaranteed Reservations.** If a Discover Network Cardholder seeks to cancel a reservation in accordance with your cancellation policy and specified time frames, you must provide the Discover Network Cardholder with a cancellation number and instructions to retain a record of it. You shall forward written confirmation of the cancellation of each guaranteed reservation within three Business Days of Discover Network Cardholder's request for written confirmation. This cancellation confirmation must contain:

1. Discover Network Cardholder's reference that charges were placed on the Discover Network Card, if applicable;
2. Discover Network Cardholder's name as it is embossed on the Discover Network Card;
3. Card Account number and Discover Network Card expiration date;
4. Reservation cancellation number; and
5. Any other pertinent information related to the reserved accommodations.

**e. Sales Drafts for "No-Show" Charges.** If the Discover Network Cardholder does not cancel a reservation in accordance with your cancellation policy and specified time frames and the Discover Network Cardholder does not use the accommodations and you do not rent the room to another guest, you may charge the Discover Network Cardholder for a "No-show" charge by preparing and transmitting Sales Drafts with the following information:

1. Discover Network Cardholder's name as it is embossed on the Discover Network Card;
2. Card Account number and Discover Network Card expiration date;
3. Hotel name and location (imprinted);
4. Room rate (quoted when reservation was made including applicable taxes);
5. Transaction date;
6. Authorization approval code;
7. Employees initials; and
8. The words "No-Show" printed on the Discover Network Cardholder's signature line.

**(iii) Advance Deposit.** You may require Discover Network Cardholders to pay a deposit at the time of a reservation, if you comply with the requirements in this Section. The amount of the deposit cannot exceed the cost of seven nights lodging (plus applicable tax) and the deposit must be applied to the entire bill. When you require an advance deposit, you must provide Discover Network Cardholders with the information required below. **NOTE:** Discover Network Cardholders may NOT be charged a "No-show" penalty in addition to a forfeited advance deposit.

**a. Obligations with Advance Deposits.** If you make advance deposits for reservations, you must comply with the following requirements:

1. Hold reserved accommodations until checkout time following the last day covered by an advance deposit.
2. A specified reservation cancellation time frame including the date and time when cancellation privileges expire.
3. Full reimbursement of advance deposits when the Discover Network Cardholder cancels a reservation within the specified time frame.
4. A disclosure informing Discover Network Cardholders of their rights and obligations that failure to cancel a reservation within the specified time frame may result in forfeiture of all or part of an advance deposit. **NOTE:** Discover Network Cardholders may NOT be charged a no-show penalty in addition to a forfeited advance deposit under this policy.

**b. Sales Drafts Requirements for Advance Deposits/Folio.** For each advance deposit taken by you, you shall prepare Sales Drafts in the amount of the advance deposit and transmit it to us immediately after taking the reservation for the advance deposit. Sales Drafts must contain the following information:

1. Discover Network Cardholder's name as it is embossed on the Discover Network Card;
2. Card Account Number and expiration date;
3. Discover Network Cardholder's complete mailing address and phone number;
4. Transaction date;
5. Anticipated arrival date and length of stay;
6. Reservation confirmation number;
7. Authorization approval code;
8. Advance deposit amount (including applicable taxes); and
9. Words "Advance Deposit" on the Discover Network Cardholder signature line.

**c. Written Confirmation.** You must provide the Discover Network Cardholder with written confirmation of an advance deposit that contains the following information:

1. A copy of the Sales Drafts that you prepared and transmitted for the advance deposit;
2. Reference that charges were placed on the Discover Network Card;
3. Discover Network Cardholder's name as it is embossed on the Discover Network Card;
4. Card Account Number and expiration date;
5. Reservation confirmation number;
6. Anticipated arrival date;
7. The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire; and
8. Any other pertinent details related to the reserved accommodations.

**d. Cancellation of Reservations with Advance Deposits.** If the Discover Network Cardholder requests a cancellation of a reservation in accordance with your cancellation policy and time frames, you must issue a Credit to the Discover Network Cardholder's Discover Network Card Account for the full amount of the advance deposit charged to the account within ten (10) days of the Discover Network Cardholder's request. In addition, you must:

1. Provide a cancellation number to the Discover Network Cardholder and instructions to retain a record of the number; and
2. Prepare Sales Drafts for the Credit as described in this Section 18 and transmit the Sales Drafts to us within the time frames prescribed by the Operating Regulations.

**e. Sales Drafts Required for Cancellation of Reservations with Advanced Deposits.** You must prepare and transmit Sales Drafts to us for each cancellation that includes the following information and you must send a copy of the Sales Drafts documenting the Credit to the Discover Network Cardholder within the time frames prescribed by the Operating Regulations:

1. Discover Network Cardholder's name as it is embossed on the Discover Network Card;
2. Card Account Number and expiration date;
3. Discover Network Cardholder's complete mailing address and phone number;
4. Transaction date;
5. Reservation Cancellation Number;
6. Advance deposit amount; and
7. Words "Advance Deposit" on the Merchant's signature line.

**(iv) Overbookings.** If the accommodations reserved by a Discover Network Cardholder pursuant to a guaranteed reservation or with an advance deposit are unavailable upon arrival you must at your own expense, provide the Discover Network Cardholder with the following:

1. Comparable accommodations for one night at a similar Merchant location (including applicable taxes);
2. Transportation to the alternate Merchant location; and
3. Forwarding of all calls and messages to the alternate Merchant location.

**(v) Priority Check-out Service.** If you offer priority checkout services, you must comply with the following requirements:

1. Require the Discover Network Cardholder to sign the registration card at the time of check-in acknowledging responsibility for all charges. Obtain an authorization decision for the estimated amount of the accommodations at check-in by swiping the Discover Network Card through your terminal or POS device.
2. Complete Sales Drafts at checkout by entering the total amount of charges incurred during the stay including: restaurant, telephone and miscellaneous expenses.
3. Write the words "Priority Check-out" on the signature line of the Sales Drafts.
4. Obtain a final Authorization approval code for any additional amounts from the check-in estimate to equal the total amount to be billed to the Discover Network Cardholder.
5. Mail the Discover Network Cardholder (at the address shown on the registration Discover Network Card) a copy of the Sales Drafts and itemized lodging bill.
6. Transmit completed Sales Drafts to us within the applicable time frame.

**(vi) Estimated Authorization.** If you seek to obtain an authorization decision for the estimated amount of charges to be billed to a Discover Network Cardholder, you shall comply with the following procedures. At the beginning of the Discover Network Cardholder's stay and on a periodic basis thereafter, you may obtain an authorization decision as set forth in herein for an amount equal to the estimated total of a Discover Network Cardholder's charges based on his/her length of stay and other criteria. You must follow the procedures in Section 13 and this Section 18 to obtain an Authorization decision for the amount of the estimated charges expected during the length of a Discover Network Cardholder's stay and to obtain additional Authorization decisions for the actual charges that exceed the amount originally estimated by you for which you obtained Authorization decision.

**a. Check-in Estimate.** At check-in, you may estimate the Discover Network Cardholder's total charges based on the below requirements and obtain an authorization decision for the amount of that estimate:

1. Intended length of stay;
2. Room rate;
3. Applicable taxes;
4. Applicable service charges; and
5. Any miscellaneous charges, as dictated by experience.

**(vii) Changes to Estimated Charges.** You must monitor the charges made during the course of a Discover Network Cardholder's stay to ensure that the actual charges do not exceed the amount indicated in the estimated authorization. The following conditions apply:

1. If the actual charge activity exceeds the amount of the estimated Authorization, then you must secure a positive Authorization decision or approval for the amount in excess of the estimated Authorization. **NOTE:** Such amounts should not be cumulative and each additional Authorization decision should cover a separate portion of the total amount. If an Authorization request is declined, no charges occurring after that date will be accepted by us for that Discover Network Cardholder.
2. A final (or additional) Authorization decision is not required if the final amount (total sum) of the Discover Network Cardholder's charges does not exceed the sum of the previously authorized charges, plus a twenty percent (20%) tolerance.
3. The dates, authorized amounts, and their respective Authorization approval codes must be individually recorded on the Sales Drafts.

**18.3. Customer Activated Terminals ("CAT Terminals").** If you sell petroleum-related products and use Customer Activated Terminals ("CAT Terminals") to accept Discover Network Cards, you must comply with the following requirements:

**(i)** You must contact the sales representative assigned to your account to obtain a unique Merchant Account Number for use exclusively with Discover Network

Card transactions on CAT Terminals ("CAT Merchant number"). If you are unable to contact our sales representative assigned to your account, please contact Processor.

**(ii)** You agree to use the Unique CAT Merchant number (not any other Merchant number) for all Discover Network Card transactions on CAT Terminals. You shall use the CAT Merchant number for the sole and exclusive purpose of Discover Network Card transactions on CAT Terminals.

**(iii)** If you comply with the procedures in this Section and the procedures for obtaining Authorization decisions in Section 13, the Discover Network Card transactions that you accept on CAT Terminals will not be subject to Chargeback up to the maximum amount of your Floor Limit for the reasons: (a) Missing Signature (IS) and (b) No Imprint on Sales Draft (SI). You may be subject to Chargeback for other reasons, including, without limitation, the failure to comply with the procedures in this Section and Section 13.

**18.4. Overview of Requirements for Automatic Payment Plans.** You must comply with the Authorization requirements herein, as supplemented by this Section, with respect to each amount billed to a Discover Network Card account pursuant to an Automatic Payment Plan. If you fail to comply with any of the requirements in this Agreement or Operating Regulations with respect to an Automatic Payment Plan, or if a Discover Network Cardholder initiates a Dispute at any time with respect to (i) a Discover Network Card sale involving an Automatic Payment Plan or (ii) the goods or services that you agreed to provide pursuant to an Automatic Payment Plan, a Dispute may be initiated against you of any Automatic Payment Discover Network Card Sale, in addition to any payments that were previously submitted to and settled by us.

**18.5. Authorization Requirements for Automatic Payment Plans.** If you engage in Automatic Payment Discover Network Card Sales, you must obtain a separate, current Authorization Response for each Automatic Payment Discover Network Card Sale at the time each Automatic Payment Discover Network Card Sale becomes due. If we or you have terminated your Merchant Agreement, you may not submit Authorization Requests for Automatic Payment Discover Network Card Sales that are due after the termination date of your Merchant Agreement. If the Discover Network Card Account of the Discover Network Cardholder who agreed to the Automatic Payment Plan is terminated, the Issuer will respond with a negative Authorization Response to any subsequent Authorization Requests, including Authorization Requests related to Automatic Payment Plan initiated prior to the termination of the Discover Network Card Account. An Issuer's positive Authorization Response for one Automatic Payments Discover Network Card Sale is not a guarantee that any future Automatic Payment Authorization Request will be approved or paid. If Discover Network Card Acceptance by you is suspended or terminated for any reason, you may not submit any Authorization Requests for your Automatic Payment Plans during the suspension or after the Discover Network Card Acceptance Termination Date. If you submit Sales Drafts to us for an Automatic Payment Discover Network Card Sale that has not received a positive Authorization Response, the Automatic Payment Discover Network Card Sale may be subject to Dispute and/or you may pay higher Interchange and Fees. If a Discover Network Cardholder disputes any Automatic Payment Discover Network Card Sale or your performance of your obligations in connection with the Automatic Payment Plan, a Dispute may be initiated with respect to the disputed Automatic Payment Discover Network Card Sales and any prior Automatic Payment Discover Network Card Sales for which you have received Settlement.

**18.6. Discover Network Cardholder's Approval.** You must obtain the Discover Network Cardholder's written approval to charge amounts to the Discover Network Cardholder's Discover Network Card Account in accordance with an Automatic Payment Plan. If you use the Internet or another electronic process to receive a Discover Network Cardholder application for an Automatic Payment Plan, you must retain all electronic evidence of the Discover Network Cardholder's approval of the Automatic Payment Plan. The Discover Network Cardholder's approval, whether written or electronic, must include all of the following information:

- (i)** Discover Network Cardholder's name, address and Discover Network Card Number;
- (ii)** Amount of each Automatic Payment Discover Network Card Sale;
- (iii)** Timing or frequency of payments;
- (iv)** Length of time over which the Discover Network Cardholder permits the Merchant to bill Automatic Payments to the Discover Network Card Account;
- (v)** Merchant's Discover Network Merchant Number;
- (vi)** Card expiration date; and
- (vii)** Total amount of Automatic Payments to be billed to Discover Network Card Account, including taxes and tip(s).

**18.7. Delayed Delivery Sales.** For delayed delivery sales in which you charge a deposit, you may prepare two separate Transaction Receipts or Sales Drafts — one Transaction Receipt/Sales Draft labeled “Deposit” and one labeled “Balance.” You may not submit Sales Drafts (either manually or electronically) to us, relating to the Transaction Receipt/Sales Draft labeled “Balance” until the merchandise or service is completely delivered to the Discover Network Cardholder. For delayed delivery sales, you must obtain the “Deposit” Authorization before you submit Sales Drafts to us for the “Deposit” or “Balance” Discover Network Card Sale. Any Authorization for delayed delivery of merchandise or services will be valid for ninety (90) calendar days. If delivery of the merchandise or service purchased will occur more than ninety (90) calendar days after the “Deposit” Authorization, you must obtain a subsequent Authorization for the “Balance.” In addition, you must complete Address Verification at the time of the “Balance” Authorization and must obtain proof of delivery upon delivery of the service or merchandise. Any delayed delivery Discover Network Card Sale that is not conducted in accordance with the foregoing requirements may result in assessment of Fees or fines by the association, to you and/or may be subject to Dispute.

## 19. Cash Over

You may issue Cash Over in connection with Discover Network Card Sales, provided that you comply with the Operating Regulations for each Discover Network Card Sale and with the following additional requirements applicable to each Discover Network Card Sale involving Cash Over:

- (i) You must deliver to us a single Authorization request for the aggregate total of the goods/services purchase amount and the Cash Over amount of the Discover Network Card Sale. You may not submit separate Authorization requests to us for the goods/services purchase amount and the Cash Over amount.
- (ii) The Sales Drafts you submit to us in connection with a Discover Network Card Sale involving Cash Over must include both the purchase amount and the Cash Over amount of the Discover Network Card Sale. You may not submit separate Sales Drafts to us for the purchase amount and the Cash Over amount.
- (iii) No minimum purchase is required for you to issue Cash Over to a Discover Network Cardholder, provided that some portion of the total Discover Network Card Sale amount must be attributable to the purchase of goods or services by the Discover Network Cardholder. You must not issue Cash Over as a stand-alone transaction.
- (iv) The maximum amount of cash that you may issue to a Discover Network Cardholder as Cash Over in connection with a Discover Network Card Sale is \$100.00.
- (v) Any Authorization Requests and Sales Drafts you submit to us in connection with a Discover Network Card Sale involving Cash Over must comply with all requirements of these Operating Regulations.

## 20. No Signature Required Discover Network Card Sales

Card Sales conducted by Merchants operating in certain MCCs, will not be subject to Chargeback to you for your failure to obtain the Discover Network Cardholder’s signature on the Transaction Receipt if (i) the full Track Data is transmitted to us with the Authorization Request, and (ii) the Discover Network Card Sale amount is USD \$25.00 or less. No Signature Required Discover Network Card Sales conducted in accordance with the foregoing requirement may be subject to Dispute for other reasons specified in these Operating Regulations and the Dispute Rules.

## 21. Cash Reimbursement

The Cash Reimbursement you earn for each Cash Advance transacted in accordance with these Operating Regulations are set forth in the Acquirer Interchange and Assessment Manual.

**21.1. Cash Advances and Cash Equivalents.** You may not accept a Discover Network Card in exchange for advancing cash or cash equivalents (i.e., value on the Internet for e-commerce transactions) to a Discover Network Cardholder, unless you and we have agreed in writing. If you dispense cash or cash equivalents in connection with the presentation of a Discover Network Card without our permission in the form of a written agreement, such a Discover Network Card transaction is subject to Chargeback to you, regardless of whether your agreement with the Discover Network Cardholder describes a cash advance or cash equivalent as a sale of goods or services.

**21.2. Fees to Discover Network Cardholders.** Notwithstanding anything herein to the contrary, you are prohibited from assessing or otherwise imposing a fee or surcharge on a Cash Advance transaction. The amount of the Cash Advance transaction reflected in Cash Advance Sales Drafts submitted by you to us for Settlement must be the amount of cash disbursed to the Discover Network Cardholder. If any fees were assessed to the Discover Network Cardholder by you in connection with a Cash Advance, including, a fee paid in cash after the transaction was completed, the entire amount of the Cash Advance transaction is subject to Dispute.

## 22. Discover Network Card Security Features

All Discover Network Cards contain common characteristics and distinctive features. Security features common to all Discover Network Cards include:

- (i) Distinctive Discover Network/NOVUS or Discover Network Acceptance Mark, depending on the date of issuance of the Discover Network Card.
- (ii) The Discover Network Card Number on Discover Network Cards is made up of at least 16 digits.
- (iii) The embossed digits of the Discover Network Card Number are clear and uniform in size and spacing.
- (iv) The embossed expiration date, if present, appears in a MMY format below the title “Valid Thru” and indicates the last month in which the Discover Network Card is valid.
- (v) The Discover Network Card contains a magnetic stripe, which may be a holographic magnetic stripe bearing a security hologram, depending on the issue date of the Discover Network Card.
- (vi) An underprint of the word “VOID” on the signature panel becomes visible if erasure of the signature is attempted.
- (vii) Depending on the issue date of the Discover Network Card, the words DISCOVER or DISCOVER NETWORK appear in ultraviolet ink on the front of the Discover Network Card and become visible when the Discover Network Card is held under an ultraviolet light.

**22.1. Distinctive Security Features – Standard Credit, Debit and Stored Value Discover Network Cards.** In addition to the common security features for all Discover Network Cards listed above, most standard, rectangular plastic Discover Network Cards accepted on the Discover Network include the following distinctive features:

- (i) Distinctive Discover Network Acceptance Mark positioned in the lower right corner on both sides of the Discover Network Card, Until October 2007, the Discover Network/NOVUS Acceptance Mark may appear only on the back of older Discover Network Cards.
- (ii) Discover Network Cardholder name is embossed on the front of the Discover Network Card, evenly spaced and aligned.
- (iii) The scripted D is embossed beneath the Discover Network Card Number on the front of the Discover Network Card and appears on the same line as the embossed year beneath the “Member Since” title and the embossed date beneath the “Valid Thru” title.
- (iv) Card Numbers on all Discover Network Cards are embossed, clear and uniform in size and spacing and should extend into the hologram on the front of the Discover Network Card, if a hologram is present on the front of the Discover Network Card, where the last four digits are within the hologram.
- (v) For Discover Network Cards issued before April 15, 2006 the distinct circulation (New Generation) or rectangular (Old Generation) three-dimensional hologram bearing a distinct pattern of a globe with an arrow through it.
- (vi) The Discover Network Card Number or the last four digits of the Discover Network Card Number on the signature panel are followed by a three-digit CID that must be included in certain Authorization requests.

Network Card Number appear in reverse indent printing on the signature panel and must match the last four digits of the Discover Network Card Number embossed on the front of the Discover Network Card.

**22.2. Exceptions to Standard Security Features.** Standard, rectangular plastic, stored value Discover Network Cards are not required to bear the Discover Network Cardholder Name. In addition, standard, rectangular plastic stored value gift Discover Network Cards accepted at a limited, specific list of merchants are not required to include the three-dimensional hologram patterned as a globe with an arrow through it and are not required to bear the Discover Network Acceptance Mark on the front of the Discover Network Card.

Valid Discover Network Cards may not always be rectangular in shape (e.g., Discover Network 2GOTM Discover Network Card), may not bear all or may bear different security features than those described in this Section and may not be printed in English.

## 23. Reminders for Preventing Fraudulent Discover Network Card Usage

In addition to complying with Authorization requirements as stated in your Agreement, you shall pay careful attention to both the Discover Network Card presenter and the Discover Network Card presented. In particular, you should:

- a. Verify that the signature on the Transaction Documentation is reasonably similar to the signature on the back of the Discover Network Card.
- b. Check the signature panel for signs of erasure or alteration. You should not accept the Discover Network Card if the word "VOID" appears in the signature panel.
- c. Check the Discover Network Card expiration date and do not accept any expired Discover Network Card.
- d. Examine the Discover Network Card for signs of alteration.
- e. If you have any doubts about the validity of the Discover Network Card or the Discover Network Card presenter, you may request additional identification from the Discover Network Card presenter and/or utilize procedures outlined in your Agreement.
- f. When using a POS Device and printer to process Discover Network Card transactions, the Merchant must verify that the Discover Network Card Number printed on the Transaction Receipt matches the Discover Network Card Number embossed on the front of the Discover Network Card.
- g. Follow procedures for Address Verification if the Discover Network Card Sale is a Discover Network Card Not Present transaction.
- h. Enter the CID for all Authorization Requests in all Discover Network Card Not Present transactions.

## 24. Data Security

- a. **Security Requirements.** At all times during the term of this Agreement you must comply with PCI Data Security Standard and the other obligations with respect to data security in this Agreement ("Security Requirements") as may be amended from time to time. We may impose restrictions, fines, or prohibit you from accepting Cards if we determine that you are not in compliance with the Security Requirements. You must be in compliance with the Security Requirements as well as comply with general security procedures. You understand and acknowledge that it is solely your responsibility to maintain compliance with the Security Requirements and to pay any and all fines levied by the applicable association or network for your non-compliance. You also understand and acknowledge that you are solely responsible for the compliance of any and all third parties that are given access by you, to Discover Network Cardholder data, and for any third party POS VAR ("Value Added Reseller") software that you may use.
- b. **Termination; Indemnification.** We may in our sole discretion, suspend or terminate Discover Network Card processing services under the Agreement for any actual or suspected data security compromise. Notwithstanding anything in this Agreement to the contrary, you agree to indemnify and hold us harmless from and against all losses, liabilities, damages and expenses resulting from your failure to comply with the Security Requirements.
- c. **Notice of Data Security Breach.** You must notify us as soon as reasonably practicable and in no event more than 24 hours after becoming aware of (i) any suspected or actual data security breach in any of your systems or databases used to conduct or in any way process Discover Network Card transactions or to store Discover Network Cardholder information, including websites or electronic links used to conduct Discover Network Card transactions, and (ii) any noncompliance by you with the Security Requirements. Such breaches shall include third party incursions that could in any way result in access to Discover Network Card transaction information, Discover Network Card account information or Discover Network Cardholder information.
- d. **Investigation.** You must, at your expense (i) perform or cause to be performed an independent investigation (including a forensics analysis) of any data security breach, (ii) perform or cause to be performed any remedial actions recommended by any such independent investigation, and (iii) cooperate with us in the investigation and resolution of any data security breach.
- e. **Information Provided.** You must provide us or Discover Network as requested, with the following information concerning any suspected or actual data security breach: (i) the date of such breach, (ii) details concerning the data compromised (e.g., Discover Network Card numbers and expiration dates, Discover Network Cardholder names and addresses), (iii) the method of such breach, (iv) your security personnel contacts, (v) the name of any Person (including any law enforcement agency) assisting you with your investigation of such breach, and (vi) any other information which we reasonably request from you concerning such breach, including any forensics report(s). You will provide the information listed in (i)-(vi) as soon as is reasonably practicable and the information listed in (i)-(v) shall in any event be provided to us within 48 hours of your initial notification to us of such breach. You must provide us or Discover Network as requested, with copies of any reports concerning such breach as soon as practicable. You must not issue any press release or other public announcement concerning such breach until after you have provided us and Discover Network with the information requested in (i)-(v) above.

## 25. Changes in Business

You must notify us immediately of any change to the information included in your Merchant Profile, including if you engage in, or in the future elects to engage in, any new lines or types of business activities not disclosed to us during your initial application process or if you change your business activities in any of the following ways:

1. Change of ownership;
2. Change in type or kind of business;
3. Change in Merchant Identity, including corporate/legal name or Address; or telephone numbers;
4. Closing or liquidating business entirely or any locations;
5. Change in processing method (i.e. Transaction Drafts to POS Device);
6. Voluntary or involuntary party in a bankruptcy case;
7. Entry into a loan or other agreement with a third party that seeks to affect the Merchant Agreement;
8. Change to the entity that is a party to the Merchant Agreement or entities listed in your records, including by merger or acquisition; and
9. Change to or from a business that conducts exclusively retail sales to one that accepts Discover Network Card Sales by mail, telephone order or Internet transactions.

## 26. Factoring

Factoring is the submission of Authorization Requests and/or Sales Drafts by a Merchant for Discover Network Card sales or Cash Advances transacted by another business. Factoring is considered fraud unless you are registered with us as a Payment Service Provider.

Factoring is expressly prohibited under your Merchant Agreement. This means a Merchant that submitted the Sales Drafts on behalf of another Person will suffer any losses associated with the Disputes of Discover Network Card Sales. Also if any fraud is involved, the Factoring Merchant could face criminal prosecution.

## 27. No Merchant Acquisition by Merchants

You may not enter into formal or informal agreements with other merchants for Discover Network Card Acceptance.

## 28. Audit Rights

You will allow us to conduct, or to engage a third party designated by us to conduct, annual examinations and audits of your compliance with the applicable provisions of these Operating Regulations and with applicable law.

## 29. Employee Purchases

You must not conduct Cash Advances, Discover Network Card Sales or returns for goods or services with your owners, officers or employees using such individuals' personal Discover Network Cards, except for bona fide Discover Network Card transactions in the ordinary course of business.

Except as provided in this Discover Network Program Agreement, the terms which are defined in the MAA's Glossary shall have the same meanings in this Discover Network Program Agreement. The terms below shall have the following meanings for all purposes under the Discover Network Program Agreement:

**Affiliate** means any entity that controls, is controlled by, or is under common control with a party, including its subsidiaries.

**Association** means the Discover Network or any entity formed to administer and promote Cards, including without limitation MasterCard International, Incorporated, Visa U.S.A., Inc. and Visa International, and any applicable Debit Networks.

**Automatic Payment Plan** means an obligation, either of a fixed or variable amount that is paid by a Discover Network Cardholder with a series of charges to an Account over a period time pursuant to an agreement between the Discover Network Cardholder and the Merchant.

**Authorization Center** means a department that electronically communicates a merchant's request for Authorization on Credit Discover Network Card transactions to Discover Network or the Discover Network Cardholder's bank, respectively, and transmits such Authorization to the merchant via electronic equipment or by voice Authorization.

**Card Account** means the records maintained by the Issuer of the respective Discover Network Card transactions, payments and available balance or credit line for a given Discover Network Card.

**Card Number** means the unique identifying number that is assigned by the Issuer at the time of Discover Network Card issuance.

**Card Issuer** means Discover Network or the bank that issues a Card to a person.

**Card Sale** means a sale of goods or services to a Discover Network Cardholder by a Merchant, either in a Discover Network Card Present environment or as a Discover Network Card Not Present transactions, either or which is conducted pursuant to a Merchant Agreement where the amount or such sale is applied to a Discover Network Card Account and considered an obligation of the Discover Network Cardholder.

**Card Not Present** refers to a Discover Network Card transaction that occurs where the Discover Network Card is not present at the point-of-sale, including Internet, mail order and telephone-order Discover Network Card Sales.

**Cash Advance** means the disbursement of currency, including foreign currency, to a Cardholder by a Cash Advance merchant in connection with the presentation of a Card at branch location, excluding an ATM. Cash Advance does not include convenience checks, balance transfers, cash back points, quasi-cash or Cash Over.

**Cash Advance Merchant** means a Merchant that is a financial institution that is permitted under these Operating Regulations and has been authorized by Acquirer to dispense Cash Advances.

**Cash Over** means dispensing of cash by a Merchant in connection with a Discover Network Card Sale for the purchase of goods or services.

**Chargeback** means the procedure by which a Sales Draft or other indicia of a Discover Network Card transaction (or disputed portion) is returned to Bank or the issuing bank. Merchant is responsible for reimbursing us for all Chargebacks.

**CID or Discover** Network Card Identification Data refers to the three digit number that follows the complete or truncated Discover Network Card Number in the signature panel on the back of each Discover Network Card.

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

**Credit Card** means a valid Discover Network Card or a valid Discover Network Card bearing the service mark of Visa or MasterCard and, to the extent the Schedules so provide, a valid Card issued by any other Association specified in such Schedules.

**Credit Limit** means the credit line set by the Discover Network Card Issuer for the Discover Network Cardholder's account.

**Dispute** means a ticket Retrieval Requests, Chargeback, request for representment of a Discover Network Card transaction, or Representment of a Discover Network Card transaction, as the context may require, by an Issuer, Acquirer or Discover Network, including supporting information and documentation provided by the Issuer or Acquirer in connection with any of the foregoing, and Discover Network's process of resolving or effecting any of the foregoing.

**MAA** means the agreements among Merchant, Processor and Bank contained in the Merchant Application and Agreement and the Schedules thereto and the documents incorporated therein, each as amended from time to time, which collectively constitute the agreement among such parties. References in the MAA to the "Agreement" are references to the MAA.

**Non-Qualified Program Fee** means the difference between the Discover Network fee associated with the Anticipated Fee Level and the Discover Network fee associated with the more costly fee level at which the transaction actually was processed.

**Non-Qualified Surcharge** means a surcharge applied to any Discover Network Card transaction that fails to qualify for the Anticipated Fee Level and is therefore downgraded to a more costly fee level. The Non-Qualified Surcharge (the amount of which is set forth in the Service Fee Schedule) is in addition to the Non-Qualified Program Fee, which is also your responsibility.

**Processor** means the entity identified on the Application which provides certain services under this Discover Network Program Agreement.

**Transaction Receipt** means a paper or electronic copy of transaction data generated at the point of sale when the Discover Network Card transaction is conducted using a POS Device, a copy of which is provided to the Discover Network Cardholder.

**We, our, and us** mean Processor.

**You and your** mean the entity accepting the Discover Network Card under this Discover Network Program Agreement and its Affiliates conducting business in the same industry.

Please read the **Discover Network Program Agreement** in its entirety. It describes the terms under which we will provide merchant processing services to you for the **Discover Card**.

From time to time you may have questions regarding the contents of your **Agreement** with us. The following information summarizes portions of your **Agreement** related to **Discover Card** processing services in order to assist you in answering some of the questions we are most commonly asked. For more detailed information, please consult your **Discover Network Program Agreement**.

1. **The fees you are currently charged** pursuant to your Merchant Application and Agreement with us will be the same for your Discover Network transactions, including but not limited to your Discount Rates and Authorization fees.
2. **Your discount rates are assessed** on transactions that qualify for certain reduced interchange rates imposed by the Discover Network. Any transactions that fail to qualify for these reduced rates will be charged an additional fee. Please see Section 7 of your Discover Network Program Agreement for more detail.
3. **We may debit your bank account** from time to time for amounts owed to us under the Discover Network Program Agreement.
4. **There are many reasons** why a Chargeback may occur. When they occur we will debit your settlement funds or settlement account.
5. **If you dispute any charge or funding**, you must notify us within sixty (60) days of the date of the statement where the charge or funding appears or should have appeared.
6. **The Agreement limits our liability to you.**
7. **We have assumed certain risks** by agreeing to provide you with Discover Card processing. Accordingly, we may take certain actions to mitigate our risk, including termination of the Agreement, and/or hold monies otherwise payable to you.
8. **For additional information on Chargebacks, Limits of Liability, Reserve Account, and Security Interest, please refer to your Discover Network Program Agreement and the MAA.**
9. **Important Merchant Responsibilities:**
  - (a) Ensure compliance with cardholder data security and storage requirements.
  - (b) Review and understand the terms of the Discover Network Program Agreement.
  - (c) Comply with Discover Network rules.

Print Merchant's Business Legal Name: \_\_\_\_\_

By its signature below, Merchant acknowledges that it received the complete Discover Network Program Agreement (Version Disc1112SPC) consisting of 14 pages (including this confirmation).

Merchant further acknowledges reading and agreeing to all terms in the Discover Network Program Agreement, which shall be incorporated into Merchant's MAA.

Upon receipt of a signed facsimile or original of this Confirmation Page by us, Merchant's Application will be processed.

**Merchant's Business Principal:**

Signature (Please sign below):

X \_\_\_\_\_

\_\_\_\_\_ Title

\_\_\_\_\_ Date

\_\_\_\_\_ Please Print Name of Signer

Please read the Discover Network Program Agreement in its entirety. It describes the terms under which we will provide merchant processing services to you for the Discover Card.

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\_\_\_\_\_  
Please Print Name of Signer