STATE OF CALIFORNIA
STANDARD AGREEMENT
STD. 213 (NEW 02/98)

	AGREEMENT NUMBER
	DGS MSA DISC

1. This Agreement is entered into between the State Agency and the Contractor named below
STATE AGENCY'S NAME
Department of General Services
CONTRACTOR'S NAME
Discover Financial Services, Inc.

2. The term of this Agreement is: May 1, 2002 through April 30, 2005

3. The maximum amount of this Agreement is: $ 0

4. The State of California, Department of General Services (DGS) is the agency awarding this MSA. Discover Financial Services, Inc. is the contractor that will support Discover credit card processing which includes: authorization, settlement, billing cardmember payments, reconciliation, and handling cardmember disputes and chargebacks. Discover Financial Services, Inc. is responsible for settling Discover Card transactions to a bank account designated by the State.

5. This MSA shall be for a three year term beginning May 1, 2002 through April 30, 2005. In addition DGS reserves the right, at the conclusion of the contract term, to renew the contract for two additional one-year periods. A written and approved amendment to extend the contract is required for each extension.

6. This agreement includes "General Terms and Conditions (GTC 201)," which are incorporated by reference from the Internet at: www.dgs.ca.gov/contracts.

7. Contractor Certification Clauses contain standardized language and conditions that will apply to any contract awarded by the State. (For your reference these clauses are accessible on the Internet at www.dgs.ca.gov/contracts. Please complete and sign the first page of CCC 201, which acknowledges your understanding of the terms and conditions, and return the clauses with your signed contract.

Continued on next page

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR

CONTRACTOR'S NAME *(If other than an individual, state whether a corporation, partnership, etc.)*
Discover Financial Services, Inc.

BY *(Authorized Signature)* — DATE SIGNED *(Do not type)*: 3/7/02
PRINTED NAME AND TITLE OF PERSON SIGNING: GERARD J. WAGNER VP MAJOR MARKETS

ADDRESS
2500 Lake Cook Road, BB2E
Riverwoods, IL 60015

STATE OF CALIFORNIA

AGENCY NAME
Department of General Services / Office of Fleet Administration

BY (Authorized Signature) — DATE SIGNED *(Do not type)*:
PRINTED NAME AND TITLE OF PERSON SIGNING:

ADDRESS
802 Q Street, Sacramento, CA 95814

CALIFORNIA Department of General Services Use Only

bjb

APPROVED
MAR 2 2 2002
DEPT OF GENERAL SERVICES

☐ Exempt per _____

8. **Incorporated Documents**
Discover Governmental Entity/Utility Merchant Services Agreement and Exhibit A - Discover Business Merchant Operating Regulations are incorporated into this agreement.

9. **Changes**
The contractor may add materials, new features to the services, or offer new electronic information services and payment technologies. Any changes in terms and conditions established by contractor for new materials, features, or electronic information services and payment technologies must be approved by DGS in writing.

10. **Subscription Agreements**
Under the MSA, individual subscribers should establish subscription agreements with the contractor in accordance with their specific requirements. The contractor will be able to provide solutions to the particular requirements of subscribers regarding accounting practices, information requirements associated with some payments, and recovery of costs associated with card acceptance. The subscription agreements executed between the contractor and the subscribing agency shall incorporate the MSA. Subscribing agencies should complete the Standard Agreement, Form 213 or appropriate equivalent contract form.

To better meet the specific needs of the subscribing agency, a subscription agreement may contain a particular set of terms and conditions, as mutually agreed, provided that:

- They comply with, and meet all requirements of the codes and regulations of the State of California,

- There are no conflicts with the terms and conditions of the MSA.

In the event of a conflict between the MSA language and any subscription agreement, the terms and conditions of the MSA take precedence.

11. **Fees, Costs, and Surcharges**
The discount rate for Discover Card acceptance is:

Card Present 1.69%
Card Not Present 1.85%
Internet 1.95%

If an agency accepts Discover Card only and chooses to set up an Internet and/or an Interactive Voice Response phone service and pass the discount rate on to the cardholder than Exhibit B Discover Surcharge Fees apply, which are attached hereto and incorporated herein by reference.

12. **Subscribers**
The below referenced State of California departments, agencies, and political subdivisions of the State may request services from Discover Financial Services:

- The Executive Branch
- The Legislative Branch
- The Judicial Branch
- Constitutional Officers
- California State Universities
- University of California
- Community Colleges
- Political subdivisions of the State, such as city and county governments and special districts.

13. Financial Liability

Each subscriber should complete a subscription agreement for services and is responsible for payment for those services, (subject to appropriations of their controlling body. The State does not accept liability of non state subscribers (cities, county, local governments, and political subdivision).

14. MSA Official Contact Persons

Reports and notices required under the MSA shall be in writing and delivered to the appropriate address(es) below. Each party shall notify the other of any change in name and address.

James Sapnaro
DGS / Office of Fleet Administration
802 Q Street
Sacramento, CA 95814

E-mail: james.sapnaro@dgs.ca.gov
Phone: (916) 322-9017
Fax: (916) 327-1159

Trudy Crawford
Discover Financial Services
2500 Lake Cook Road, 2W
Riverwoods, IL 60015

E-mail: trudycrawford@discover financial.com
Phone: (800) 229-0058
Fax: (909) 899-3451

15. Severability

If any provisions of this MSA is held by a court of competent jurisdiction to be void or unenforceable, the remainder of this MSA shall remain in full force and effect.

16. Invoicing

Each subscriber shall provide billing information (mailing address, contact person, etc.) as requested by the contractor. The contractor shall bill each subscriber monthly for services and equipment, if applicable. The invoice shall reference the MSA number, subscriber's subscription agreement contract number, and month of billing period. The contractor will provide a telephone number, fax number, and address to each subscriber for billing comments or inquiries.

17. Use of Employee Names

Discover Financial Services, Inc. agrees not to use the names and/or addresses of state, city, county, school, or other public employees for any purpose not directly related to the final contract.

18. News Releases

News releases pertaining to any award from this contract may not be made by either party without the prior written approval of the Department of General Services, Office of Fleet Administration or the contractor, as appropriate.

19. Confidentiality

Each party shall keep confidential and not disclose to any third party the terms of this agreement and information it receives from the other party that is not publicly available. We will not enter into any discussions or agreements with a third party concerning the provisions of this agreement without first obtaining written permissions form the affected participating agency. Names, addresses and account numbers of cardmembers are the sole property of Discover Financial Services, Inc. and the cardmember. Cardmember's name, address or account number must not be disclosed for any reason not related to this contract.

20. Alternative Dispute Resolution

In the event a dispute arises with respect to the interpretation or performance of, or the relationship created by, all or any part this contract, the parties will attempt in good faith to resolve the dispute. If such efforts prove unsuccessful, each party agrees to consider the use of mediation, mini-trial, arbitration or other alternative dispute resolution techniques prior to resorting

to litigation. If mediation, mini-trial, arbitration or other alternative dispute resolution techniques are utilized by the parties, each party agrees that no award or decision resulting therefrom shall include punitive damages.

DISCOVER
BUSINESS SERVICES

GOVERNMENTAL ENTITY/UTILITY MERCHANT SERVICES AGREEMENT

Governmental Entity/Utility					Surcharge Approved
State of California					XX Yes ☐ No
Address	City		State	Zip Code	

Discover Business Services Merchant Fee	Discover Business Services Per-Transaction Fee	MasterCard Processing Fee	VISA Processing Fee	AMEX Processing Fee
N/A %	N/A cents	N/A %	N/A %	N/A cents

Discover Business Services Transaction Fee: For Surecharge particulars see Exhibit B attached hereto and incorporated herein by reference.

In this Agreement, the words "you" and "your" mean the government entity/utility specified above; the words "we", "our", "us" and "Discover Business Services" refer to Discover Financial Services, Inc.; "Card" means a valid credit, charge or other card bearing a Discover Card or NOVUS logo, service mark or trademark identified in the Discover Business Services Merchant Operating Regulations "Operating Regulations" or as otherwise approved in writing by us; "Cardmember" means a person to whom a Card has been issued and/or any authorized user of a Card; and "Sales Data" means evidence of Card transactions, whether in paper, or electronic form, that is received by us in the form and format that we specify. Unless the context clearly indicates otherwise, words used in the singular include the plural, and words used in the plural include the singular.

This Agreement governs the acceptance of Cards issued by any authorized Card issuer (the "Bank"), by the governmental entity/utility specified above. It supersedes any other agreements concerning the Cards. Please read it carefully. You must follow all of its terms.

1. **Acceptance of Cards.** You agree to accept Cards at your locations in payment for purchases of goods and services from all Cardmembers who want to use Cards at your establishment. You agree to follow the procedures in this Agreement and in our Operating Regulations concerning acceptance of Cards and the preparation of sales slips. Please refer to your Operating Regulations for specific details regarding how you may accept Card sales. If specified above, we agree that you may impose a surcharge, levy or fee of a similar kind for any transaction where a Cardmember desires to use the card for any payment of amounts owed you. However, such surcharge, levy or fee may be only in the amount shown above and you agree that you will not add any additional markup to such amounts. You agree that you will not require that any Cardmember must make a minimum dollar payment in order to use the Card, and you will not limit the maximum amount that a Cardmember may spend when using the Card. You further agree that you will not insitute or adopt any practice that discriminates or provides unequal treatment for the Card versus any other credit or charge card.

2. **Operating Regulations.** Our Operating Regulations are incorporated into this Agreement as Exhibit A. The Operating Regulations are an intregal part of this Agreement and contain procedures which you must follow in connection with acceptance of a Card. We may change the Operating Regulations from time to time by sending you written notice 30 days in advance. However, certain changes may become effective immediately for security reasons. If there is any conflict between this Agreement and the Operating Regulations, the terms of this Agreement will govern.

3. **Authorization.** For each individual Card sale, you must obtain authorization from us prior to making the Card sale. Please refer to the Operating Regulations for specific information on obtaining authorization

4. **Card Not Present Card Sales.** For each Card sale made by mail or telephone you shall complete a mutually acceptable sales form on which you shall record the following:

(a) The date of Card Sale;

(b) A brief description of the purchased goods or service;

(c) The total amount of the Card sale, including any tax;

(d) The Cardmember's Account number;

(e) The expiration date of the Card;

(f) The Authorization number or code; and

(g) Your merchant number.

The Cardmember's signature is not required with respect to mail/telephone order Card sales, provided that you identify each sure Card sale as "Mail Order" or "Telephone Order". If a Cardmember asserts that he or she has not authorized a mail/telephone order Card sale or otherwise denies the validity of the card sale, such Card sale shall be subject to chargeback pursuant to section 9 below.

5. **Card Present Card Sales.** It is anticipated that most of the Card sales transacted by you will be mail/telephone order Card sales. However, to the extent that you generate Card sales at your office or other sites of operation ("Office"), if any, you shall prepare a sales slip using a form supplied by us or such other form that is mutually acceptable. Each sales slip must be legible and fully completed with the same information required for mail/telephone order Card sales. Each sales slip relating to a Card transaction made at an Office shall be imprinted to obtain a clear imprint of the Card, provided that in the case of sales slips that are electronically produced by you, and which are identifiable as electronically produced, you are not required to obtain an imprint of the Card. You shall include all payments made in a single transaction on one sales slip, except for customer deposits or partial payments. You may not split a Card sale to avoid obtaining authorization. **For your Office Card sales, if any, the Cardmember or authorized user of the Card must sign the sales slip in your presence and the signature must be reasonably similar to the signature appearing on the signature panel of the Card.**

6. **Cardmember Refunds and Credits.** You may establish your own policy concerning refunds, and you agree to advise Cardmembers, in advance of any Card sale, of this policy. Consult the Operating Regulations regarding the procedures you must follow in order for us to honor your return policy.

7. **Settlement of Transactions.** You agree to promptly, but at least once each week, send to us at the address we specify, all sales slips and credit slips pertaining to Card transactions generated at your retail outlets, if any. If you

See Reverse Side For Continuation of This Agreement

_____

_____

Title: _____

Date: _____

Discover Financial Services, Inc.

By: _____

Title: _____

Date: _____

transmit Sales Data by electronic means, you agree to transmit your Sales Data each business day to the location that we specify. With respect to mail/telephone order Card sales, you will transmit the required Sales Data to us each business day electronically or by magnetic tape in our form and format. If you fail to send us Card transaction data within 60 days of the date of the Card sale, we will not be required to reimburse you for them.

You agree to follow the instructions in the Operating Regulations regarding information which must be sent with the transaction data. We will reimburse you for each Card sale you submit to us which results from a payment made by a Cardmember to you with the Card, minus the amounts of any Credits you have issued to Cardmembers or adjustments we make to reconcile or correct errors in the settlement data. We call this procedure "Settlement". We will use our best efforts to initiate the appropriate credit to an account that you designate at a financial institution (called the "Settlement Account") through the Automated Clearinghouse Network ("ACH Network") within two (2) business days after we receive your transaction data in a form and format acceptable to us. You authorize us to credit the Settlement Account, as specified in this Agreement and in accordance with the rules and procedures of the applicable clearing house association and settlement institution(s). This authority remains in effect until five (5) business days after we receive written notice of your cancellation of such authorization. We are not liable for any delays in receipt of funds or errors in credit entries caused by third parties, including, without limitation, a clearing house or your financial institution or agent. If there are insufficient funds in your Settlement Account to pay us for amounts you owe us , we may offset amounts owed from money we may subsequently owe you, or you agree to immediately send us such amount upon demand.

You are responsible for reviewing all Settlement amounts you receive to confirm that the payment you received correctly matches your Sales Data submissions. If you believe you have received an underpayment, you must notify us immediately so that we may pay you any additional amounts owed. If you fail to notify us within 90 days of the date funds have been settled, and we are unable to recover any misposted funds that should have been paid to you, we will not be required to pay you the amount of any such funds. If you have received an overpayment or a payment is mistakenly sent to you, you agree to immediately notify us and remit the overpayment to us. You may not spend any overpayment, and if an overpayment is in the Settlement Account, you may not withdraw it. You agree that we may debit the Settlement Account for the amount of the overpayment.

8. **Fees.** In consideration for your participation in the Card program, you agree to pay us a fee ("Fee") in the amount specified above, which will be either a percentage of your Net Sales, Gross Sales, or a per transaction amount as defined in the Operating Regulations. The Operating Regulations fully explain how the Fee is calculated and paid.See Page 2, Section 11

9. **Chargeback Rights.** Under certain circumstances, we may return a Card sale to you unpaid, or we may return a previously paid Card sale to you for repayment to us. These returned charges are called "Chargebacks". If you do not follow all the terms of this Agreement and the Operating Regulations when making a transaction with a Card, or if a Card sale which is the subject of a billing dispute is subject to Chargeback as specified in this Agreement, we may refuse to pay you for the Card sale or the disputed portion of it. Refer to your Operating Regulations for complete terms and conditions with respect to Chargebacks.

10. **Billing Inquiries.** You agree to follow the procedures set forth in the Operating Regulations with respect to Cardmember disputes and billing inquiries from us.

11. **Cardmember Disputes.** You agree to act in good faith to attempt to resolve disputes with Cardmembers. If the Cardmember refuses to pay the Bank for charges made due to a billing error alleged by the Cardmember, we may process a chargeback for the charge or the disputed portion of it. If we or the Bank are involved in a lawsuit with a Cardmember relating to a Card transaction made at your establishment, you agree to cooperate with us or the Bank and provide us or it with all assistance we or it may reasonably require.

12. **Retention of Records.** You agree to keep an original copy of ea sales slip and each credit slip for no less than 210 days from the transaction da If you deliver or transmit Sales Data to us in electronic form, you also agree keep microfilm or other copies of each sales slip and each credit slip for no l than 3 years from the date of the transaction. You agree to provide us with copy of any sales slip or credit slip within 15 business days of our request.

13. **Assignment.** You may not assign or transfer this Agreem any other party without our prior written approval. If you sell all or a substant part of your business or materially change the nature of your business, or by a means cause or permit a new entity to own a substantial part of your busines you agree to notify us in advance, or, at our option, we may terminate th Agreement as provided below. We may assign this Agreement and our righ and obligations under it, in whole or in part, to any company which is a direct indirect parent, subsidiary or affiliate of ours. We will notify you of any suc assignment. This Agreement will be binding upon and inure to the benefit the parties and their respective successors and assigns.

14. **Changing This Agreement.** We may change this Agreement a any time by giving you written notice at least 30 days in advance of the change If you do not accept such a change, you may terminate this Agreement b notifying us within that 30 day period. If you make any Card sales after th effective date of a change in terms, this means that you have consented to th new terms.

15. **Term and Termination.** This Agreement will become effective when it is signed by each of us and approved at our home office. It remains in full force and effect until terminated as provided in this paragraph. Either party may terminate this Agreement at any time by giving the other thirty (30) days prior written notice. We may terminate this Agreement without such notice if you have materially breached this Agreement or, if in our sole discretion, Card sales transacted by you are irregular, you have had, or, in our opinion, you may have, an unusual or inappropriate number of Cardmember inquiries, credit requests or chargebacks during a relevant period, we have security concerns regarding your Card sales, or your financial condition or other conditions or security concerns warrant earlier termination. You agree to accept the Card and follow the terms of this Agreement until the termination becomes effective. The provisions governing processing of sales slips, mail/telephone order forms and credit slips and Settlement will continue to apply even after the termir until all Card transactions made prior to the termination are settled or res Upon termination you agree to immediately send us all previously unsubmitted sales slips, mail/telephone order forms and credit slips for Card sales made up to the date of termination. We are not liable to you for any direct or consequential damages you may suffer as a result of our termination of this Agreement.

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

17. **Performance of Duties.** Neither party shall be liable for its failure to perform under this Agreement if such failure arises out of causes beyond the control and without the fault or negligence of such party. Such causes may include, but are not limited to, acts of God, fire, wars or strikes.

18. **Miscellaneous.** If any part of this Agreement is not enforceable the remaining provisions still remain valid and enforceable. We have not waived any of our rights under this Agreement unless we agree in writing to do so. Each party agrees to comply with all applicable laws and regulations in connection with the Card plan and this Agreement. The captions used in this Agreement are for reference only and will not be interpreted to limit or define the text of this Agreement.

19. **Notice.** You agree that you will send any notice to us that is required by this Agreement or by the Operating Regulations to the address specified in the Operating Regulations. We agree that we will send any notice to you that is required by this Agreement or the Operating Regulations to your address as specified above.

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1.0 INTRODUCTION TO DISCOVER® BUSINESS SERVICES

1.1 Discover Business Services: Introduction

Discover Business Services provides network support and other types of services for Merchants who accept Discover Card transactions. Discover Business Services is one of the largest financial service providers in the world. We bring extensive resources and expertise to the Discover Card plan and can assure participating Merchants of a streamlined system of authorization, processing and settlement.

1.2 What Discover Business Services Means to You

Discover Business Services brings a long list of benefits to Merchants. The Discover Cardmember base consists of consumers who are active purchasers, high spenders and active credit users. Discover Business Services is committed to delivering network services with the best possible value to Merchants, including:

- Competitive Merchant Fees
- Professionally staffed Merchant Service Centers
- A local representative assigned to work with you
- A streamlined system for settlement, with a variety of options for transmission of funds and associated reports
- Authorization centers with 24-hour service, 7 days a week
- An equitable Chargeback policy

These Operating Regulations provide information on all operational aspects of the Merchant relationship supported by us. Please make sure that all of your employees are familiar with the procedures for identifying all Discover Cards, obtaining authorization, and handling Card sales and return transactions. If you have any questions or concerns, contact our Merchant Service Center at 1-800-347-2000.

1.3 Definitions

Terms used in these Operating Regulations shall have the meanings given to such terms in your Merchant Services Agreement, unless otherwise defined herein. The following definitions supplement and amend the definitions in the Agreement: "Card" means (i) a valid credit, charge or other Card bearing a Discover Card or Novus logo, service mark or trademark identified in these Operating Regulations or as otherwise approved in writing by us; or (ii) the Card Account if the Cardmember is not present at a physical location; "Card Account" means the credit account represented by the unique sixteen digit account number assigned by the issuer which the Cardmember may use as permitted by the issuer.

1.4 Reference to Merchant Services Agreement

These Operating Regulations are referenced as Exhibit A in the Merchant Services Agreement between you and us that provides the terms and conditions governing your acceptance of Discover Cards.

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2.0 DISCOVER® CARD SECURITY FEATURES

2.1 Discover Card Security Features

You must verify that each Discover Card presented to you is valid prior to initiating the Card transaction. You may verify this by examining the Card to confirm it includes the features described below.

A. Distinctive Discover Card logo.

B. The word NOVUS will appear in ultraviolet ink on the front of the Card when it is held under an ultraviolet light.

C. The Discover hologram has 4 distinct images:
   1) Discover Financial Services Coin
   2) Single, large company logo
   3) Multiple, smaller company logos
   4) Word NOVUS printed repeatedly

D. The embossed Cardmember name.

E. Account numbers on all Discover Cards are made up of 4 groups of 4 digits totaling 16 numbers and always start with 6011. The embossed numbers should be clear and uniform in size and spacing and should extend into the hologram.

F. The "valid thru" date indicates the last month in which the card is valid.

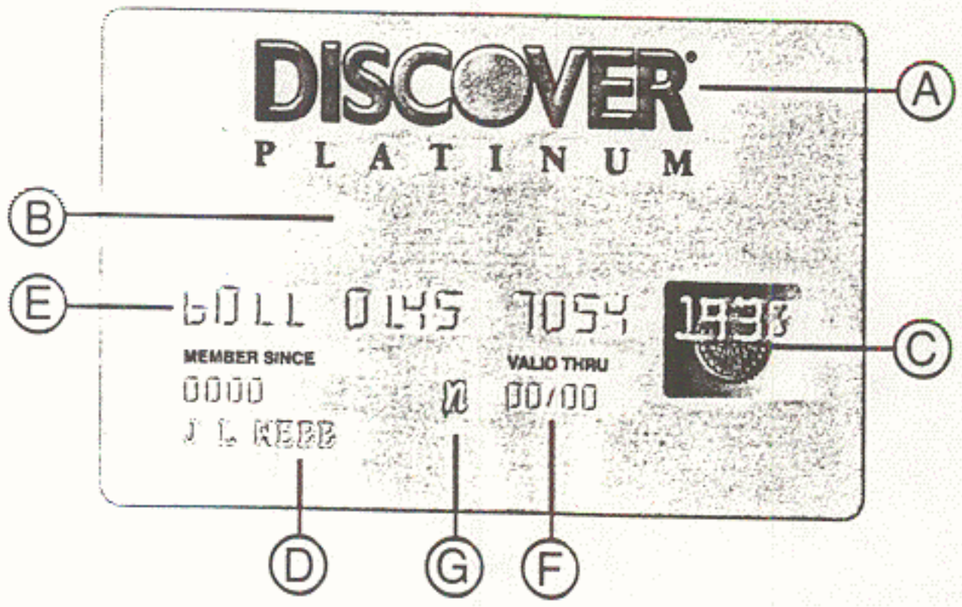
G. The special embossed **n** appears on the same line as "Member Since" and "Valid Thru."

H. The magnetic stripe.

I. The signature panel must be signed by the Cardmember or authorized user in order to validate the Card. The account number on the signature panel should match the number embossed on the front of the card and appears here in reverse indent printing. On all cards, the Card Account number is followed by a 3-digit Cardmember Identifier (CID).

J. Depending on the issue date of the card, you will see an overprint pattern on the signature panel that either reads NOVUS or the name of the card, i.e., Discover, Discover Platinum, etc., and an underprint of "void."

K. The Discover/NOVUS or Green NOVUS mark appears on the back of the card.



Note: The Discover Cards pictured here are used to highlight the general security features of all Discover Card types.

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3.0 DISCOVER CARD TRANSACTIONS - GENERAL REQUIREMENTS

3.1 Surcharges

Unless otherwise agreed upon by us in writing, you may not impose any surcharge, levy or fee of any kind for any transaction where a Cardmember desires to use a Card for any purchase of goods or services.

3.2 Test Cards

If we have issued you a test Card or test account in order to test Card acceptance at your locations, you are liable for any improper or fraudulent use of such Card or Card Account by any of your employees. You agree to use reasonable efforts to safeguard such Card or Card Account in a secure place.

3.3 Cash Advances

You may not accept a Card in exchange for advancing cash to a Cardmember, unless you have executed a separate agreement with us. If you dispense cash in connection with the presentation of a Card without our permission, such a Card transaction is subject to Chargeback to you as described in Section 8.2.

3.4 Discover Checks

You may accept Card checks which have been issued to Cardmembers. You should handle these like any other check. Questions should be addressed with your provider of services for processing checks or your bank.

3.5 Employee Purchases

Your owners, officers or employees may not process cash advances, sales or returns for goods or services from you using any personal Card, except for *bona fide* purchases in the ordinary course of business. You are responsible for the actions and omissions of your employees and agents in connection with your acceptance of Cards and your obligations under the Agreement and these Operating Regulations.

3.6 Minimum/Maximum Dollar Limits and Other Limits

You may not require that any Cardmember make a minimum dollar purchase in order to use a Card and, other than when we have not authorized a Cardmember's transaction, you may not limit the maximum amount that a Cardmember may spend when using a Card.

3.7 Equal Treatment of Card Sales Versus Other Cards

You may not institute or adopt any practice that discriminates or provides unequal treatment for users of a Card versus any other credit or charge card that you accept.

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4.0 ACCEPTANCE OF CARD TRANSACTIONS

4.1 Card Acceptance Requirements

You must perform each of the following functions for each Card sale that you accept.

4.1.1 Card Expiration Date

Check the expiration date on the Card. The Card is valid through the last day of the month embossed on the Card. If the Card has expired, you cannot accept it for a transaction and you should call our Authorization Center at 1-800-347-1111.

4.1.2 Signature on Card

Verify that there is a signature on the signature line on the back of the Card and verify that the name on the back of the Card matches the name embossed on the front of the Card.

4.1.2.1 Unsigned Cards

If a Card presented to you is not signed, request two pieces of identification, one of which is a picture identification. When you have confirmed that the person presenting the Card is the Cardmember, have the Cardmember sign the back of the Card.

4.1.3 Obtain Authorization

Obtain an authorization for the Card sale as described in Section 4.4.

4.1.4 Prepare and Transmit Sales Data

Prepare Sales Data documenting the Card sale as described in Section 4.2 and transmit Sales Data to us as described in Section 7.1 of these Operating Regulations.

4.2 Preparing Sales Data Documenting Card Sales

4.2.1 General

You must include all merchandise and/or services purchased at one time and at one cash register on one Sales slip, except that you may use a separate Sales slip for *bona fide* deposits and partial payments. You must prepare and fully complete Sales Data for each Card transaction as described below. You must provide the Cardmember with a completed copy of the Sales Data at the time of each completed Card transaction.

4.2.2 Electronic Data Capture

For transactions that are data-captured by electronically reading or scanning a Card using a point-of-sale (POS) terminal, you are generally not required to obtain a Card imprint on the Sales Data. However, if you are unable to capture Card data by swiping the Card through the point-of-sale terminal, you must obtain a clear imprint of the Card on the Sales Data. Examples include, but are not limited to, a corrupted magnetic strip or in-terminal card reader. You must include all of the following information on the Cardmember's copy of the Sales Data:

- The Card Account number.
- The Cardmember's name.
- The Card expiration date.
- The Merchant's name.
- A description of the merchandise or service purchase.
- The total amount of the Card transaction (including sales tax and/or tip).
- The transaction date.

If you electronically scan or read a Card, you must compare the Card Account number on the printed receipt to the number on the Card to confirm that they match. If they do not match, you may not accept the Card sale.

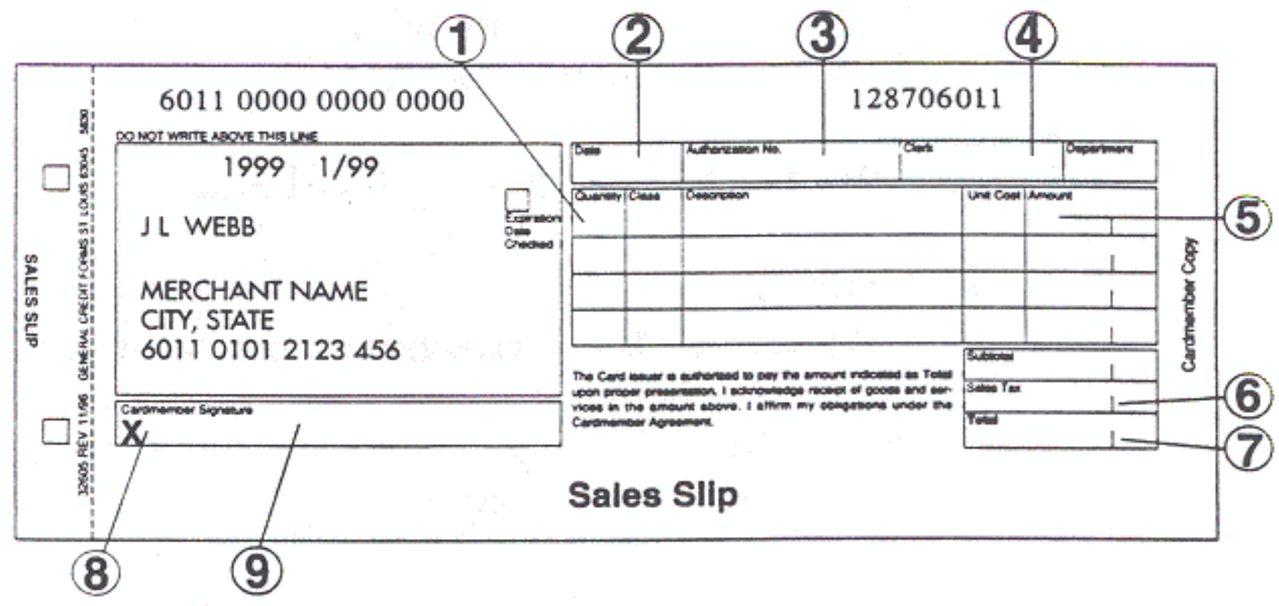
4.2.3 Paper Sales Data

Unless you use a POS terminal to electronically scan or read Cards, you must use a suitable imprinter to clearly imprint the embossed information from the Card on the Sales Data. You must fully complete the

Sales Data as described below. After imprinting the Sales Data, fill in the information described below and ensure that all printed and written information is clearly readable on all copies.

4.2.3.1 Sales Slip Data Requirements

1. Quantity and brief description of the merchandise or service.
2. Transaction date.
3. Authorization code provided by us or your authorization provider.
4. Employee initials.
5. Dollar amount of the transaction.
6. Sales tax.
7. Total dollar amount of the transaction including tax and tip (Note: Do not write outside of this box).
8. Cardmember's signature. The Cardmember must sign the Sales slip in your presence. The Cardmember's signature on the Sales slip must match the signature on the back of the Card. Compare the signature on the back of the Card with that on the Sales slip and verify they match.
9. The words "Card Not Present" must be written on the Sales slip in lieu of the Cardmember's signature in sales where the card is not physically present.



4.2.3.2 Delayed Delivery Sales

For delayed delivery sales, if the Cardmember agrees, you may prepare separate Sales slips. One Sales slip should be labeled "Deposit" and one labeled "Balance." You may not remit the Sales slip (either manually or electronically) labeled "Balance" until the merchandise is delivered. If you have an electronic data capture terminal, but you are unable to process the Card transaction through it, you must follow the procedures outlined above for preparing a Sales slip. A separate Authorization must be obtained for the transaction on each Sales slip (see Section 4.4 for further instructions on Authorizing a Sale).

4.2.3.3. Card Not Present

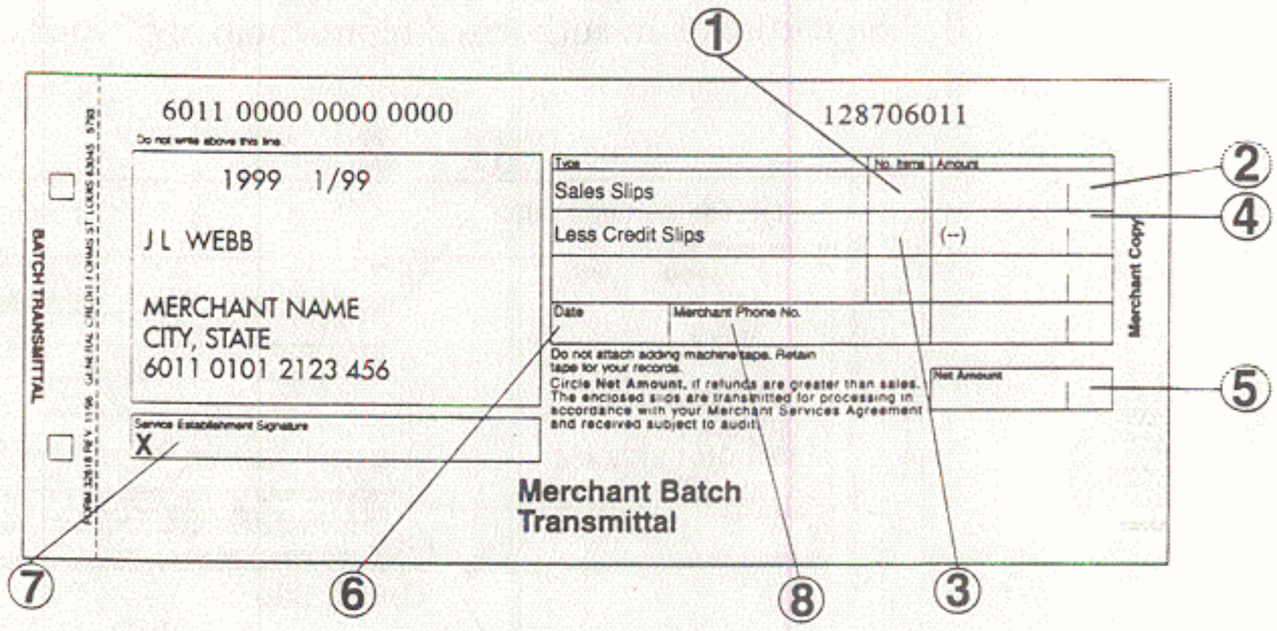
Sales where the Card is not physically present must be prepared as described in 4.2.3.1, except you must write the words "Card Not Present" as applicable, on the Sales slip in lieu of the Cardmember's signature, and you must comply with the requirements in Section 5.0 with respect to the preparation and submission of Sales Data.

4.2.3.4 Preparing The Merchant Settlement Batch Transmittal For Sales Not Submitted By Electronic Means

Each batch of Sales Data prepared by you must contain no more than 40 Card sales and/or Credit slips and must be accompanied by a Merchant Batch Transmittal form. Each batch should be prepared as follows for sales not submitted electronically:

A) Using your merchant identification plastic provided by Discover Business Services, imprint a Merchant Batch Transmittal form the same way as a Sales slip. Fill in the following information:

1. Total number of Sales slips.
2. Total dollar amount of Sales slips.
3. Total number of Credit slips.
4. Total dollar amount of Credit slips.
5. Total net amount (sales minus credits).
6. Mailing date.
7. Signature of an authorized representative of your establishment.
8. Merchant phone number.



B) Place the hard copy (last) part of the Merchant Batch transmittal form in the front of the Sales and Credit slips; retain the other part(s) for your records.

C) Use the pre-addressed transmittal envelope to mail your merchant Settlement batch to us. Do not submit a transaction in a batch until the merchandise or service has been delivered or furnished to the Cardmember. Submit only one copy of each Sales slip or Credit slip.

4.3 Credits and 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 Cardmember at the time of the Card sale. We may request a copy of your return policy at any time. If a Cardmember returns goods or services purchased with a Card at your establishment in accordance with your policy, you must give a credit to the Cardmember's Card account by completing a Credit slip, as described in Section 4.3.1. If a Cardmember receives merchandise or services that are defective or not as agreed upon at the time of the Card sale, you must give the Cardmember a credit, if requested by the Cardmember. You must submit a Credit slip to us for each Credit transaction within 7 calendar days after you have issued the credit to the Cardmember. You must give evidence of the Credit transaction to the Cardmember. You shall pay us the amount of all returns on Card sales as described in the Agreement and Section 7.2 of these Operating Regulations.

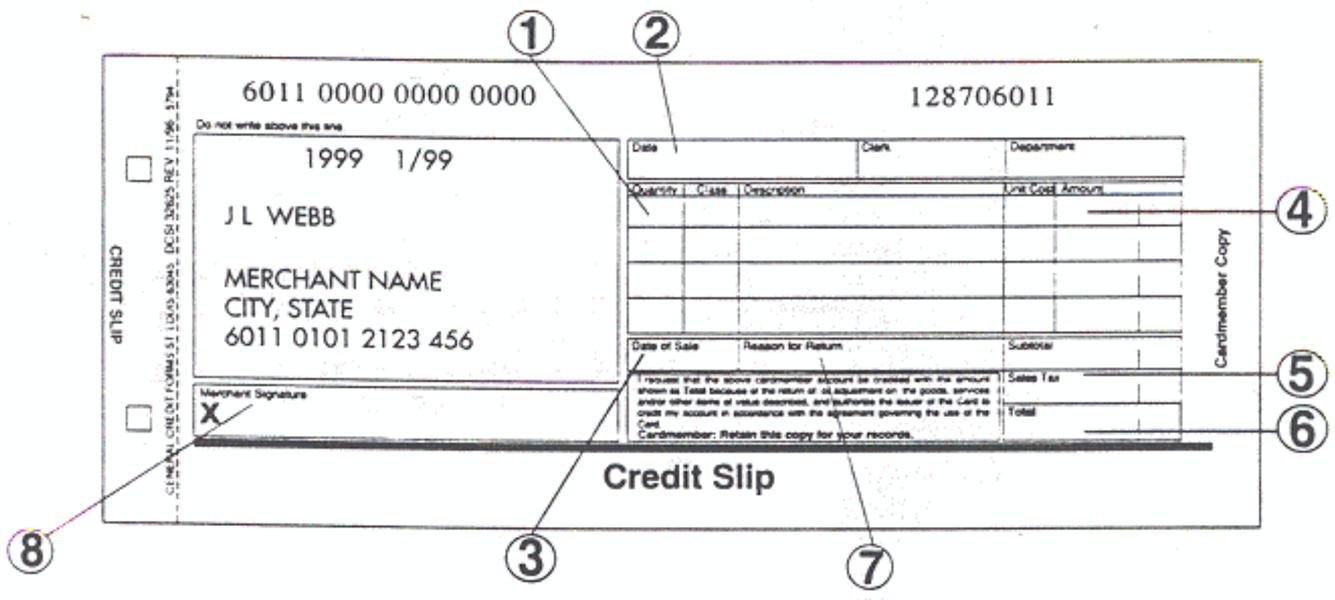
4.3.1 Preparing the Credit Slip for Returns

You may not give cash refunds for Card sales. You are not required to obtain an authorization in order to issue a credit. You may issue a credit to a Card Account only for a Card sale originally made with a Card. In the case of even exchanges, you are not required to issue a Credit slip. For uneven exchanges, you must prepare a Credit slip for the total amount of returned merchandise and a new Sales slip for the new merchandise purchased and you must provide a copy of the Credit slip and the Sales slip to the Cardmember. The credit amount may not exceed the amount of the original Card transaction. You must follow these procedures when preparing a Credit slip for a previous Card sale:

A) Check the Card for a valid expiration date and signature. If the Card is no longer valid, call our Authorization Center.

B) After imprinting the Credit slip, fill in the following information: (Ensure that all printed and written information is clearly readable on all copies.)

1. Quantity and brief description of merchandise or service returned.
2. Date of the credit issuance.
3. Date of the original sale transaction.
4. Dollar amount of the credit.
5. Sales tax credit.
6. Total dollar amount of the credit.
7. Reason for the credit.
8. Signature of an authorized representative of your establishment.



4.4 Obtaining Authorization

You must obtain authorization prior to completing a Card sale for any transaction. For delayed delivery sales, you must obtain authorization before you submit Sales Data to us for the Card sale. The authorization you receive will be valid for 90 days. You may obtain authorization from us by electronic terminal or telephone. We will provide you with an authorization code which must be written on the Sales slip, unless the authorization was obtained using an electronic terminal or cash register. If you use an electronic terminal, you must transmit to us the complete and unaltered contents of the magnetic stripe on the Card presented for the transaction for each Card sale, along with each authorization request you send to us. If you accept a Card for a sale without receiving our prior authorization in the manner described above, we are not required to pay you for the sale, and if we have already paid you, we can process a Chargeback, as described in Section 8.2. Even if an authorization is granted for a Card sale, it is not a guarantee of payment. A Card sale may be subject to Chargeback to you for other reasons as set forth in these Operating Regulations or the Merchant Services Agreement.

4.4.1 Cardmember Verification and Card Retrieval

Occasionally, for verification purposes, we may ask you to request certain information from a customer that has presented a Card. Also, we may request that you take and retain a Card from a customer. If we request you to do this, follow the instructions given by our authorization center. **Do not use any fo or effort if the customer refuses to give up a Card, and do not take any action which will alarm or embarrass the customer.** You agree to advise all of your employees of these terms. We may pay you a fee in the manner specified in Section 10.1 for each Card that you pick up at our request.

4.4.2 Electronic Authorization Procedures

If you use an electronic terminal to obtain authorization of Card sales, follow the procedures given to you by your terminal provider for the use of that terminal. If a "call center" referral code is displayed, call the Authorization Center at 1-800-347-1111 to obtain further instructions. If your electronic authorization terminal is not working, you are required to contact our Authorization Center to obtain authorization for all Card sales.

4.4.3 Telephone Authorization Procedures

If you must receive authorization by telephone, call our Authorization Center at 1-800-347-1111. Be prepared to enter the following information:

- Card Account number (16 digits).
- Your Merchant number assigned by us (15 digits).
- Card expiration date (4 digits).
- Dollar amount of transaction including tax and tip (dollars and cents).

When authorization is granted, you will be given an authorization code. You must write this code in the appropriate box on the Sales slip. (See Sales slip preparation procedures in Section 4.2.) If you are unable to obtain an electronic authorization and subsequently receive an authorization code by telephone, complete the transaction (force enter the sale) following the procedures supplied by your terminal provider. If a Card is invalid for a transaction, you will receive a message declining the transaction. Under no circumstances should you or your employees comment on the transaction. Direct the Cardmember to contact the issuer at the telephone number provided on the back of their Card or as otherwise distributed by the Card issuer.

4.4.4 Authorizing Installment Sales Transactions

If you submit installment payment sales, you must receive a separate, current authorization for each installment prior to submitting it. If we or you have terminated the Merchant Services Agreement, you may not submit installments that are due after the date of termination. If the Cardmember who agreed to the installment plan ceases to be a Cardmember due to his, her, or our termination of the relationship, you may not submit any further installments and you must find an alternate method of collecting payment from the Cardmember. If we authorize one installment, that is not a guarantee that any future installment will be authorized or paid. If, at any time, a Cardmember raises a dispute with respect to any installment payment or the goods or services you agreed to provide, we may, at our discretion, Chargeback that installment and any prior installments you have submitted. Please refer to Section 5.3 for complete procedures for installment sales transactions.

4.4.5 Request for Cancellation or Change of Authorization

If a Card sale is cancelled or the amount of the Card sale changes and an authorization was previously obtained, you must call 1-800-347-1111 and request a cancellation of the authorization. An authorization can be cancelled at any time within 8 days of receiving the authorization. Be prepared to provide the following information when canceling an authorization:

- Card Account number (16 digits).
- Your Merchant number (15 digits).
- Card expiration date (4 digits).
- Dollar amount of transaction including tax and tip (dollars and cents).
- Original authorization code given to you by your authorization provider for Card transactions.
- The new Card sale amount, if different from the original Card sale.

4.4.6 Authorization Floor Limit

For some Merchants, we may assign a Floor Limit for Card sales accepted by you. If a Floor Limit other than $0 has been established for Card sales accepted by you, it will be indicated on your Merchant Services Agreement or in our records. In order to prevent a Chargeback of a Card sale, you must obtain authorization for any Card sale at or over the Floor Limit. If at any time you begin to authorize Card transactions electronically, your Floor Limit will automatically be reduced to $0, meaning that you must obtain authorization for ALL Card transactions. If you accept a Card sale at or above your Floor Limit without first

obtaining authorization, you do so at your own risk and the Card sale may be subject to immediate Chargeback as set forth in Section 8.2. You should not construe the assigned Floor Limit as a guarantee against potential Chargeback. If you fail to comply with the Floor Limit, you shall be liable for the entire amount of the transaction, not just the portion of the Card sale in excess of the assigned Floor Limit.

4.4.7 Downtime Authorization Procedures

If our authorization system is unavailable, the Floor Limit for the period of the system down-time is $150.00 for Card sales involving purchases of merchandise for which a Cardmember takes immediate possession. You should not use this Floor Limit to authorize orders requiring delayed delivery for shipping: instead, obtain authorization when the authorization system is available. The exact date, time and duration of the system outage will be recorded by us. In order to avoid Chargeback of an unauthorized transaction during a system downtime, note the exact time of the transaction in the approval box on the Sales slip.

4.4.8 Address Verification Service

You must verify the Cardmember address for Internet Card sales either through the use of an electronic terminal or by calling us at 1-800-347-7988. This Address Verification Service is also available for any Mail/Telephone Order Card Sale either through the use of an electronic terminal or by calling us at 1-800-347-7988.

Note: Address Verification is a tool used for protection against losses but does not negate the possibility of Chargebacks.

4.5 Code 10: Suspicious Situations

If you are suspicious of the validity of a Card or the presenter of the Card for any reason, you should notify our Authorization Center using the Code 10 Authorization procedures described below. The Code 10 Authorization procedures can be used regardless of the dollar amount of the Card sale or your assigned Floor Limit.

- Call the Authorization Center (1-800-347-1111) and ask for a Code 10 Authorization (select Option 2.) This will automatically direct you to the Cardmember Security Department.
- Security Department personnel will ask a brief series of "Yes" or "No" questions about the Card or the presenter, and may ask your employee to request confirming identification from the presenter.
- If the Security Department is able to confirm the identity of the presenter as a valid Cardmember or authorized user of the Card, approval for the Card sale will be given and the presenter will not be aware that anything unusual has transpired.
- If your employee is instructed to retain the Card, your employee should do so, but only by peaceful and reasonable means.

4.6 Arrests for Fraudulent Card Usage

Our Security Department may request you to cause the arrest of a Card presenter who is suspected of the fraudulent use of a Card. When complying with such a request you must use reasonable, lawful means, and must have the arrest made by local law enforcement authorities. Your employees or agents should never physically detain or harm the person(s) that presented a Card. Anyone arrested for fraudulent use of a Card will be appropriately prosecuted. Except as provided below, we shall bear all responsibility for the arrest of a person when we have requested you to cause such an arrest. You agree that you and your employees will not initiate an arrest of a Card presenter for use of a Card except at our request. A Merchant that causes the arrest or prosecution of any person for use of a Card without our specific request and authorization or that fails to use reasonable, lawful means in effecting an arrest which has been requested and authorized by us, will bear all claims, liabilities, costs, and expenses resulting from such arrest or prosecution.

5.0 CARD NOT PRESENT SALES

5.1 Mail and Telephone Order Card Sales

You may accept Cards for telephone or mail order sales if you follow the procedures in the the Merchant Services Agreement and these Operating Regulations for accepting such Card sales. You must obtain authorization for each mail or telephone order Card sale as described in Section 4.4. You must document the Card sale and send Sales Data to us as described below. If telephone and/or mail order sales are or become a substantial portion of your total sales volume (meaning in excess of 50%), you must inform us of this and execute and abide by any supplemental or replacement agreements we provide to you regarding mail and/or telephone order Card sales.

5.1.1 Cardmember Verification

For each mail or telephone order Card sale, you may verify the address of the Cardmember associated with the Card Account and confirm the location for delivery with the Cardmember by using the address verification procedures described in Section 4.4.8.

5.1.2 Documentation of Card Sales

In addition to complying with the requirements for preparation of Sales Data in Section 4.2, you must obtain the following information from the Cardmember for each mail or telephone order Card sale: Cardmember name, Card Account number, Card expiration date and shipping 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 Cardmember at the time of each telephone order Card sale and upon request for each mail order Card sale.

5.1.3 Transmission of Sales Data

For each mail or telephone order Card sale, you must transmit Sales Data to us each Business Day in our form and format. All Sales Data shall be transmitted to us using an electronic means of transmission. You must not transmit Sales Data to us for merchandise or services ordered by a Cardmember until the merchandise or services have been shipped, delivered or furnished to the Cardmember; except that you may accept a Card for a deposit on a purchase of merchandise or services and you may transmit the Sales Data relating to such deposit prior to the time of shipment or delivery of the merchandise or services purchased in such Card sale.

5.1.4 Delivery Requirements

At the time of delivery of merchandise or services ordered in a mail or telephone order Card sale, you must provide the Cardmember with an invoice or other documentation that includes the information obtained from the Cardmember in Section 4.2.3. You also must obtain the Cardmember's signature as proof of delivery and you must retain this proof of delivery for the document retention period set forth in the Agreement. If a Cardmember comes into your retail location, if any, to pick up merchandise ordered by mail or telephone, you must obtain an imprint of the Card and the Cardmember's signature. In the event of a dispute by a Cardmember with respect to delivery of merchandise or services ordered by mail or telephone, the Card sale is subject to Chargeback as described in Section 8.2 if you have not obtained a valid signature from the Cardmember.

5.2 Card Sales Over the Internet

You must obtain our prior approval before accepting any Card transactions over the Internet, a worldwide collection of interconnected computer networks, and you must comply with the requirements in the Agreement and these Operating Regulations with respect to each Card sale accepted over the Internet. Any Card sales that do not comply with the Merchant Services Agreement and these Operating Regulations are subject to Chargeback as described in Section 8.2. For each Card sale over the Internet, you must comply with the requirements in Section 5.1 in addition to the requirements in this section.

5.2.1 Protocol for Internet Card Transactions

Each Internet 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 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 30 days advance written notice. **You may not accept Discover Card Account numbers through Electronic Mail over the Internet.**

5.2.2 Browser Support for Protocol

You shall not accept any Internet Card transactions unless the transaction is sent by means of a browser which supports our designated protocol. However, if you desire to accept a Card transaction from a Cardmember whose browser does not support our designated protocol, you may accept such a Card transaction by means other than the Internet, such as mail, telephone or facsimile.

5.2.3 Authorization and Submission Requirements

You shall not accept any Internet Card transaction except in compliance with the Merchant Services Agreement and these Operating Regulations. Additionally, you shall comply with the following requirements for each Internet Card transaction:

- You must obtain authorization for the Card Sale as set forth in Section 4.4 using an electronic means of transmission that is approved by us.
- You must obtain an address verification as described in Section 4.4.8. If the information does not match, do not complete the transaction.
- You must submit Sales Data using an electronic means of transmission described in Section 7.1.1 and you may not submit Sales Data to us by non-electronic means.
- You must not submit Sales Data to us until the merchandise or services ordered are delivered to the Cardmember.

5.2.4 Data Security

You must store all unencrypted data regarding Card transactions, including without limitations, Internet Card transaction data, in a secure environment. Unencrypted Sales Data may not be stored on your Internet Web Server. You are required to notify us immediately if there is a breach in your systems and Cardmember numbers may be compromised. Failure to do so could result in you being responsible for any losses incurred as a result of the breach in your systems.

5.2.5 Chargeback for Noncompliance

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

5.3 Recurring and Installment Payment Plans

If you accept Cards for recurring or installment payment plans, you must comply with the requirements described below before initiating a series of Card transactions and also with respect to each individual Card transaction. A recurring or installment payment plan means an obligation, either of a fixed or variable amount, that is paid by a Cardmember with a series of charges to a Card account over a period of time.

5.3.1 Requirements - Overview

You must comply with the requirements in Section 4.4 and those described in this section with respect each amount billed to a Card account pursuant to a recurring or installment payment plan. If you fail to comply with any of the requirements in Section 4.4 or in this section, or if a Cardmember raises a dispute at any time with respect to a Card sale involving a recurring or installment plan or the goods or services that

you agreed to provide in a recurring or installment plan, we may, at our discretion, Chargeback any installment that is subject to dispute in addition to any installments that you previously submitted to us, in accordance with Section 8.2.

- **Authorization**
  You must receive a separate, current authorization from us for each installment billed to a Card account under a recurring or installment payment plan and you must obtain such an authorization before submitting Sales Data to us for any Card sale. If we authorize a Card sale for an installment payment pursuant to a recurring or installment payment plan, that is not a guarantee that any future installment billed to a Card Account will be authorized or paid by us. Please refer to Section 4.4 of the Operating Regulations for an explanation of how to obtain authorization for Card sales.
- **Cardmember's Approval**
  You must obtain the Cardmember's approval, as described below, for a recurring or installment payment plan that charges amounts to a Card Account.
- **Submission of Sales Data**
  The Sales Data that you submit to us for amounts required by us must otherwise comply with our requirements as described in Section 7.1. If we or you terminate the Merchant Services Agreement, you may not submit Sales Data to us for recurring or installment Card sales that are due after the effective date of termination. If a Cardmember who agreed to a recurring or installment plan ceases to be a Cardmember due to his, her, or our termination of the relationship, you may not submit Sales Data to us for any further installments on that Card Account and you must find an alternate method of collection from the Cardmember.
- **Fixed and Variable Payment Plans**
  You must follow the requirements in Sections 5.3.4 and 5.3.5 regarding fixed and variable installment plans.

5.3.2 Cardmember's Approval

You must obtain the Cardmember's written approval to charge amounts to their Card Account over the term of the recurring or installment payment plan. If you use the Internet or another electronic process to receive an application from a Cardmember for a recurring or installment payment plan, you must retain electronic evidence of the Cardmember's approval of the recurring or installment payment plan. In any event, the Cardmember's approval, whether written or electronic, must include all of the following information:

- Cardmember's name, address and Card Account number.
- Amount of each installment, unless the amount of the installment varies, in which case you must comply with the additional requirements in Section 5.3.5.
- Timing or frequency of payments.
- Length of time over which Cardmember permits you to bill installments to the Card account.
- Your Merchant number as assigned by us.
- Card expiration date.
- Dollar amount of transaction including tax and tip (dollars and cents).

You must retain evidence of the Cardmember's approval of the installment or recurring billing plan for the longer of either: the term of the installment plan or the document retention period in the Merchant Services Agreement. Upon our request, you must provide us with evidence of the Cardmember's approval of the recurring or installment payment plan. In the event of renewal of a recurring or installment payment plan or the expiration of a term of a recurring or installment plan, you must obtain new evidence of the Cardmember's approval of such continued participation in the installment or recurring payment plan.

5.3.3 Complete Sales Data

In addition to obtaining authorization for each Card sale as set forth in Section 4.4 and retaining evidence of the Cardmember's approval of the recurring or installment plan, the Sales Data that you submit to us for Card sales involving recurring and installment payment plans must comply with Sections 4.2, 7.1 and the requirements described below.

- **Description of Transaction/Cardmember Information**
  Sales Data prepared by you for each Card sale must include a general description of the Card transaction, the name of your establishment and a toll-free customer service number that the Cardmember may call to obtain customer assistance or revoke their written approval of the recurring or installment plan. If this information is provided in the Sales Data, you are not required to send a separate statement of charges to the Cardmember for each amount billed to the Card Account in a recurring or installment plan.
- **Format of Sales Data**
  For each Card transaction involving a recurring or installment payment plan, you must submit Sales Data to us in the format specified in Sections 5.3.4 and 5.3.5.
- **Card Expiration Date**
  Sales Data submitted to us for each installment billed to a Card Account must include the Card expiration date. If the Card is not present, you must obtain the Card expiration date from the Cardmember. If a Card expires during the term of a Cardmember's approval of a recurring or installment plan, you must obtain a current Card expiration date from the Cardmember before submitting Sales Data to us.

5.3.4 Fixed Payment Plans - Format of Sales Data

If a recurring or installment plan provides for installments of the same amount billed to the Card Account, you must use our *Monetary Deposit Format Type-1* to submit Sales Data to us for each recurring or installment payment on a Card account. Please note that you must contact us to obtain certification from us before you begin to use *Monetary Deposit Format Type-1* to submit Sales Data to us.

5.3.5 Variable Payment Plans - Format of Sales Data and Other Requirements

If the amount of each installment in a recurring or installment plan varies, you must contact us to obtain certification from us before you begin to use *Monetary Deposit Format Type-1* to submit Sales Data.

6.0 SPECIAL CIRCUMSTANCES

6.1 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:

- Post signs visible to customers stating "All Sales Are Final."
- Stamp receipts or print Sales Data with notice that: "All Sales Are Final."
- Contact us at 1-800-347-2000 to advise of the closure of locations and/or liquidation of your establishment.

6.2 Lodging Industry

6.2.1 Overview

We have developed a Guaranteed Reservation/Advance Lodging Deposit Service as a valuable aid to the Merchant in the lodging industry where advance deposits are frequently required. This service allows Cardmembers to reserve lodging accommodations based on policies and procedures established by us. These procedures apply only to Merchants in the lodging industry referenced in this section as "establishments." The Guaranteed Reservation/Advance Lodging Deposit Service provides the following two reservation alternatives:

- Guaranteed Reservation Service Policy
- Advance Deposit

6.2.2 Guaranteed Reservation Service Policy

Under the Guaranteed Reservation Service policy, a participating establishment may accept a Cardmember's reservation and guarantee a room for late arrival after the normal 6:00 p.m. (local time) check-in deadline. If the check-in deadline passes without a cancellation of the reservation, the establishment is guaranteed payment for one night's lodging (plus applicable taxes). An establishment's Guaranteed Reservation Service Policy is required to include the following minimum provisions.

6.2.2.1 Notification of Rights and Obligations

At the time of reservation, the establishment must verify the Cardmember's desire to guarantee their reservation. If a guarantee is requested, the establishment must advise the Cardmember of the following rights and obligations related to the service:

- Accommodations of the type requested will be held until check-out time on the day following the scheduled arrival date. If it becomes necessary to cancel the reservation, the Cardmember must do so before 6:00 p.m. (local time) on the scheduled arrival date.
  Note: A resort may move the 6:00 p.m. (local time) deadline back no more than three hours, provided that the Cardmember has been verbally informed of the date and time the cancellation privileges expire.
- When the contact is made, provide a cancellation number and remind the Cardmember to keep a record of it.
- If the reservation is not canceled within the allowed time frame and the Cardmember does not arrive, the Cardmember will be billed a No-Show charge equal to one night's lodging (plus applicable taxes).

6.2.2.2 Required Information

After confirming a Cardmember's understanding of the responsibilities and obligations related to the Guaranteed Reservation/Advance Lodging Deposit Service and the cancellation of reservations, the establishment must obtain the following information for a reservation:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Anticipated arrival date and length of stay
- Any other reservation information reasonably required by the establishment
- The Cardmember should then be informed of:
  - The room rate
  - The reservation confirmation number

  Note: Cardmembers should be advised to retain this information for their records.

6.2.2.3 Written Confirmation

The establishment is required to provide written confirmation of a Guaranteed Reservation. The confirmation must contain:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Reservation confirmation number
- Anticipated arrival date
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

6.2.2.4 Cancellations

If a Cardmember requests a cancellation in accordance with the establishment's cancellation policy and specified time frames, the establishment must provide the Cardmember with a cancellation number and instructions to obtain a record of it. Should a Cardmember request a written confirmation of the cancellation, the establishment must forward this confirmation within three business days of Cardmember's request. This cancellation confirmation must contain:

- Cardmember's reference that charges were placed on the Card
- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Reservation cancellation number
- Any other pertinent information related to the reserved accommodations

6.2.2.5 No-Show Charges

If the Cardmember does not cancel a reservation in accordance with the establishment's cancellation policy and specified time frames and is a No-Show on the reservation, the establishment may submit a No-Show charge to the Card Account.

6.2.2.6 No-Show Sales Data/Folio

The Sales data must show the following information:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Hotel name and location (imprinted)
- Room rate (quoted when reservation was made including applicable taxes)
- Transaction date
- Authorization code, if required
- Employees initials
- The words "No-Show" printed on the Cardmember's signature line

6.2.2.7 Cardmember Complaints

If a Cardmember complaint is received by us, the establishment may be subject to a Chargeback under the following circumstances:

- The Cardmember denies having made such a reservation, and the establishment cannot supply a requested copy of the Guaranteed Reservation Confirmation.
- The Cardmember canceled the reservation in accordance with the establishment's cancellation policy/time frames and provides a copy of the cancellation confirmation.
  Note: If the establishment claims it did not issue the cancellation number supplied with the Cardmember's dispute, a copy of the Reservation/Cancellation log is required to substantiate the claim.

6.2.2.8 Overbookings

If the Cardmember's reserved accommodations are unavailable upon arrival, the establishment must, at its own expense, arrange the following:

- Comparable accommodations for one night at a similar establishment (including applicable taxes)
- Transportation to the alternate establishment
- Forwarding of all calls and messages to the alternate establishment

6.2.3 Advance Deposit

Under the Advance Deposit policy a participating establishment may require a deposit when a Cardmember makes a reservation. The amount of this required deposit cannot exceed seven nights lodging (plus applicable tax). **Note:** This deposit must be applied to the entire bill.

6.2.3.1 Notification of Rights and Obligation

The Advance Deposit policy must minimally provide for:

- Holding reserved accommodations until check-out time following the last day covered by an advance deposit.
- A specified reservation cancellation time frame to include a date and time when cancellation privileges expire.
- Full reimbursement of an advance deposit when the Cardmember cancels a reservation within the specified time frame.
- A disclosure informing Cardmembers 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:** Cardmembers may NOT be charged a No-Show penalty in addition to a forfeited advance deposit under this policy.

6.2.3.2 Cardmember Information

The establishment must also provide Cardmembers with the following information:

- The room rate
- The advance deposit amount to be billed to the Card
  Note: The room rate and advance deposit, not to exceed the cost of seven nights lodging (plus applicable tax), is the amount to be billed to their account
- A reservation confirmation number and instructions to retain this number for their records
- The date and time the cancellation privileges expire

Other Related Information:

- The establishment must also provide Cardmembers with the following information:
- The location of the establishment
- Refund policy for the Advance Deposit

6.2.3.3 Required Information

After confirming a Cardmember's understanding of the responsibilities and obligations related to the Guaranteed Reservation or Advance Deposit policy and cancellation of reservation, the establishment must obtain the following information for a reservation:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Anticipated arrival date and length of stay
- Any other reservation information reasonably required by the establishment

6.2.3.4 Advance Deposit Sales Data/Folio

Sales data and/or folios may be completed for the amount of an advance deposit and submitted immediately for processing and settlement by the establishment. The Advance Deposit Sales Data must contain:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Cardmember's complete mailing address and phone number
- Transaction date
- Anticipated arrival date and length of stay
- Reservation confirmation number
- Authorization code
- Advance deposit amount (including applicable taxes)
- Words "Advance Deposit" on the Cardmember signature line

6.2.3.5 Written Confirmation

The establishment is required to provide written confirmation of an advance deposit. The document must contain the:

- Advance Deposit Sales Draft
- Reference that charges were placed on the Card
- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Reservation confirmation number
- Anticipated arrival date
- The cancellation policy in its entirety, inclusive of the date and time the cancellation privileges expire
- Any other pertinent details related to the reserved accommodations

6.2.3.6 Cancellations

If the Cardmember requests a cancellation, in accordance with the cancellation policy and time frames, the establishment must:

- Provide a cancellation number to the Cardmember and instructions to retain a record of the number.
- Prepare and submit a credit slip for the full deposit amount charged to the account, within seven days of receiving the Cardmembers request.
- Send a copy of the credit slip to the Cardmember within seven days.

6.2.3.7 Cancellation Credit Voucher

A cancellation credit voucher must contain the:

- Cardmember's name as it is embossed on the Card
- Card Account number and expiration date
- Cardmembers complete mailing address and phone number
- Transaction date
- Reservation Cancellation Number
- Advance deposit amount
- Words "Advance Deposit" on the Merchant's signature line

  Note: A copy of the credit voucher must be sent to the Cardmember within seven days of the reservation cancellation request.

6.2.3.8 Overbookings

If a Cardmember's reserved accommodations are unavailable upon arrival, the establishment must, at its own expense, arrange the following:

- Comparable accommodations at a similar establishment

  Note: The establishment's obligation for alternate lodging continues for the number of nights included in the Cardmember Advance Deposit (not to exceed seven nights) or until accommodations originally reserved become available, whichever occurs firs
- Transportation to the alternate location

Note: Daily transportation to and from the alternate location is also required, if the Cardmember requires this service.

- Forwarding of all calls and messages to the alternate establishment

6.2.4 Priority Check-Out Service

The Priority Check-Out Service permits a Cardmember to bypass check-out lines and allows the establishment to handle billings after peak check-out periods. After the Cardmember signs the registration card and leaves the establishment, the establishment must complete the following steps to process a Priority Check-Out:

1. Complete Sales Data by entering the total amount of charges incurred during the stay including: Restaurant, telephone and miscellaneous expenses
2. Write the words "Priority Check-Out" on the signature line
3. Follow the authorization procedures set forth in Section 4.4
4. Mail the Cardmember (at the address shown on the registration card) a copy of the Sales Data and itemized lodging bill

Note: This must be done within three Business Days after check-out.

6.2.5 Estimated Authorization

At the beginning of the Cardmember's stay and on a periodic basis thereafter, the establishment should obtain authorization as set forth in Section 4.4 for an amount equal to the estimated total of a Cardmember's charges based on his/her length of stay and other criteria. The following procedures are required when obtaining an estimated authorization for charges expected during the length of a Cardmember's stay and for any additional authorizations resulting from total charges exceeding the amount originally authorized.

6.2.5.1 Check-In Estimate

At check-in, the establishment may estimate the Cardmember's total charges based on:

- Intended length of stay
- Room rate
- Applicable taxes
- Applicable service charges
- Any miscellaneous charges, as dictated by experience

The following conditions apply:

- Check-In Estimate
- If the original estimate is below your Floor Limit, THEN lodging establishment must obtain an authorization for the entire amount.

6.2.6 Monetary Changes

The establishment must monitor the charges made during the course of a Cardmember's stay to ensure that the actual charges do not exceed the amount of the estimated authorization. The following conditions apply:

- If the original estimate was below Floor Limit AND actual activity indicates an expected total exceeding the original authorization, THEN the establishment must secure an authorization for the entire amount.
- If the original estimate was ABOVE Floor Limit AND the actual charge activity exceeds the originally estimated authorization, THEN the establishment must secure an authorization for the additional amount. **Note:** Such amounts should not be cumulative and each additional authorization should cover a separate portion of the total amount. If the authorization request is declined, no charges occurring after that date will be accepted by us for that Cardmember.
- A final (or additional) authorization code is not required if the final amount (total sum) of the Cardmember's charges does not exceed the sum of the previously authorized charges, plus a 15 percent tolerance.
- The dates, authorized amounts, and their respective authorization codes must be individually recorded on the Sales Data and Folio.

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7.0 PROCESSING AND SETTLEMENT

7.1 Transmission of Sales Data

If you fail to send Sales Data to us within 60 days of the date of the Card sale, or to the location that we specify, we will not be required to reimburse you for such Card transactions. Except for Cardmember deposits for purchases, you may not send us Sales Data for goods or services ordered by a Cardmember until the goods or services have been delivered or furnished to the Cardmember.

7.1.1 Submitting Electronic Sales Data

If you transmit Sales Data to us by electronic means, you must transmit your Sales Data each Business Day to the location that we specify. For Card sales data submitted electronically, the number of Sales or Return transactions should not exceed the lessor of: 600 or your terminal's maximum capacity per batch. Please follow the instructions given to you by your terminal provider on how to process and submit sales transactions using your terminal. **Note: If you submit your sales electronically, do not mail your Sales slips or Credit slips to us unless we direct you to do so.**

7.1.2 Submitting Paper Sales Drafts

If you send Sales Data by mail or by other non-electronic means, you agree to send your Sales Data at least once each week to the location that we specify. If you do not submit Settlement data electronically, you must submit your Sales slips and Credit slips to the location we specify in the envelopes provided to you. Except for delayed merchandise delivery, you must batch and submit all Sales slips and Credit slips to us within seven calendar days of the transaction date. In remitting such data to us, you must provide us with the location (City/State) of each transaction. Payment will be made to you directly after your Sales Data has been received and processed, as described in these Operating Regulations.

7.2 Settlement

The term "Settlement" means the procedure by which we will reimburse you for the amount of each Card sale made at your establishment that you submit to us. Your Settlement total for each Business Day will be the sum of the following items:

- Purchases made at your establishment in the form of Card sales.
- Minus Credits submitted by you to us.
- Plus or minus Chargebacks.
- Minus Merchant Fees, as applicable.
- Plus or minus adjustments we make to reconcile or correct errors in your Sales Data.

Adjustments or discrepancies between the batch transmittal total in Sales Data and the actual sales detail will be offset against the same or subsequent Business Day's Settlement total. Chargebacks will be offset against the same or subsequent Business Day's Settlement total.

7.2.1 Settlement Adjustments

We may process adjustments on transactions that have been improperly processed. These adjustments may be at your request, or at our discretion. Reasons for adjustments may include, but are not limited to:

- Sales and/or returns processed on the incorrect Cardmember number.
- Calculation errors on the Merchant Batch Transmittal.
- The total of Card sales and credits submitted on the Merchant Batch Transmittal did not match the actual total of transactions processed by us.
- Card sales or Credit slips were illegible, incorrectly completed or incomplete.
- Items other than Card sale transactions or Credits were submitted.

The adjustment reason codes we will use are listed below:

Code	Description
IN	Invalid Cardmember Account
MA/ML	Amount adjustment
MB	Sale posted as a Credit
MG/MP	Duplicate processing
MI/MM	Incorrect Merchant

MO	Merchant-only adjustment
MR/MX	Miscellaneous adjustment
MT/MU	Transmission dump
MW	Merchant write-off
MZ	Credit posted as a Sale

7.2.2 Settlement Initiation

For Sales Data transmitted to us in electronic form or delivered to us in magnetic tape form and received by us at or before 7:00 p.m. of your local time on a Business Day at the location we specify, we will use our best efforts to initiate Settlement by the following Business Day. For Sales Data transmitted to us in electronic form or delivered to us in magnetic tape form and received by us after 7:00 p.m. of your local time on a Business Day at the location we specify, we will use our best efforts to initiate Settlement by the second Business Day following receipt of the Sales Data. For Sales Data mailed to us in paper form, we will use our best efforts to initiate Settlement by the second Business Day following receipt of the Sales Data. While we initiate settlement on a certain day, you may receive such amounts at a later time due to the various parties involved in the banking and settlement system.

7.2.3 Settlement Account

Depending upon the Settlement option that you select, we will either send the funds electronically to an account that you designate at a financial institution (the "Settlement Account") or send you a check for Settlement. If you choose electronic Settlement, you authorize us to credit and debit the Settlement Account as specified in the Merchant Services Agreement and in accordance with the rules and procedures of the applicable clearinghouse association and Settlement institution(s). This authority will remain in effect until 5 Business Days after we receive written notice of your cancellation of such authorization. In order to ensure prompt Settlement of funds to your account, please notify us 72 hours in advance of any changes to y Settlement Account information. We will not be responsible for funds sent to an incorrect bank account d to your failure to notify as set forth above. We are not liable for any delays in receipt of funds or errors in debit and credit entries caused by third parties, including but not limited to a clearinghouse, your financial institution or your agents. If there are insufficient funds in your Settlement Account to pay us the amounts you owe us, you agree to immediately send us such amounts upon demand, or at our option, we may offset such amounts owed to us from money that we may subsequently owe you. In addition, we may charge you any fees incurred by us on returned items.

7.2.4 Responsibility of Merchant for Settlement Verification

You are responsible for reviewing all Settlement amounts you receive to confirm that the payment you received correctly matches your Sales Data submissions. If you believe you have received an underpayment, you must notify us immediately so that we may pay you any additional amounts owed. If you fail to notify us within 90 days of the date funds have been settled and we cannot recover any misposted funds that should have been paid to you, we will not be required to pay you the amount of any such funds. If you have received an overpayment or a payment is mistakenly sent to you, you must immediately notify us and remit the overpayment to us. You may not spend any overpayment, and if an overpayment is in the Settlement Account, you may not withdraw it except to make arrangements to return it to us. You agree that we may debit the Settlement Account for the amount of the overpayment, or at our option, we may, without prior notification, offset such amounts owed to us from money that we may subsequently owe.

7.2.5 Suspension of Settlement

At the termination or during the term of the Agreement, we may in our discretion, withhold or suspend Settlement amounts without prior notice to you, in order to exercise our rights pursuant to the Merchant Services Agreement and these Operating Regulations.

7.3 Payments from Cardmembers

You may not receive or process any money representing a Cardmember's payment to Discover Business Services. We have the sole right to receive payment from Cardmembers for Card transactions made at your establishment. If you receive a payment from a Cardmember, you must immediately forward it to us at the following address:

East of the Mississippi:
Discover Business Services
Merchant Services Center
P.O. Box 3011
New Albany, OH 43054-3011

West of the Mississippi:
Discover Business Services
Merchant Services Center
P.O. Box 52145
Phoenix, AZ 85072-2145

7.4 Use of Processors and Terminal Programmers

The use of any third party processor is subject to our approval, which we will not unreasonably withhold. You will be liable for the actions of, and all charges imposed by any processor which you use to perform your obligations under your Merchant Services Agreement. If you use a third party to program your terminal or POS device to accept Card transactions, you are responsible for the actions and omissions of said third party in connection with these terminal programming services including any resulting problems with Settlement of Card transactions. If at any time during the term of the Merchant Services Agreement you elect to begin utilizing a processor, or to change from an existing processor to a different processor to perform your obligations under the Merchant Services Agreement, you must notify us of the change. Also, if such processor assesses or increases transaction fees to us, we may, at our option, adjust your Merchant Fee an appropriate amount to compensate us for our expense, or invoice you directly for the total amount of such transaction fees. If you designate a third party processor to receive Settlement on your behalf, we shall have completed all Settlement obligations to you, including the obligation to pay Settlement, the timing of Settlement payment, any reporting and notices, when we have properly initiated Settlement to the processor in accordance with these Regulations. Your use of a processor to receive Settlement for Card transactions may result in the payment of amounts other than as specified in these Operating Regulations and we are not liable for any delinquency or non-receipt of Settlement amounts.

7.5 Periodic Statements

You shall receive periodic statements from us indicating the Card transactions during the period covered by the statement, including, any Card sales accepted by you, the Merchant Fees and other fees applicable to such Card sales, any Chargebacks owed by you and any other transactions. We may provide statements to you or make them available according to a mutually agreed upon process. If we make statements available to you on the Internet, you are responsible for retrieving them. Please verify that each statement describes all of the Card transactions that you accepted during the period covered by the statement.

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8.0 TICKET RETRIEVALS AND CHARGEBACKS

8.1 Ticket Retrievals

From time to time, we may receive a request from a Cardmember for information regarding a Card transaction made at your establishment, or a Cardmember may dispute a Card transaction. If we request documentation (referred to as a "Ticket Retrieval") from you as a result of such an inquiry, you must provide us with a copy of the Sales slip or Credit slip within 15 Business Days of our request. If you do not respond to such a Ticket Retrieval request within 15 Business Days, we may return the Card transaction or Card transactions to you as a Chargeback, as described in Section 8.2. The data on a copy of data received by us must be sufficiently legible for submission to the Cardmember for review or for identification of the Card Account number. In response to a request for a copy bearing the Cardmember's signature, the Merchant may provide a legible reproduction using the electronic signature capture technology. To satisfy Ticket Retrieval requests for certain transactions, the Merchant may provide a substitute Transaction Slip in accordance with the requirements specified in other sections of these Operating Regulations. For Ticket Retrieval requests satisfied with a substitute Transaction Slip, the Card Issuer may subsequently submit a dispute if any of the required data elements listed below are missing from the substitute Transaction Slip:

- The Card Account number
- The Cardmember name
- The Card expiration date
- The Transaction amount
- The Transaction date
- The Authorization code
- The Merchant name and location
- A description of the merchandise/services

For Mail Order/Telephone Order:

- The 'ship to' address

For Car Rental:

- The rental location and return location
- The rental agreement number
- The rental and return dates
- The description of the rental - type of vehicle, mileage

For Lodging and Cruise Line:

- The date of the stay including room rate, taxes, food and beverage charges and incidental changes

For Airline and Passenger Railway:

- The address to which the ticket was mailed
- The passenger name
- The travel agent name and location
- The airline flight or railway itinerary information

For Transaction completed at Self Service Terminals:

- The self service terminal locations code or city and state

For Transactions completed at an Automated Fuel Dispenser:

- The service station identification number
- The invoice number

8.2 Chargebacks

Under certain circumstances we may return a Card sale to you as unpaid, or we may return a previously paid Card sale to you for repayment to us. These returned charges are called "Chargebacks." If a billing error is asserted by a Cardmember with respect to a Card sale, or if a Cardmember complains to us about the quality of goods or services obtained with the Card at your establishment, you agree to act in good faith to attempt to resolve the problem with the Cardmember. If the Cardmember refuses to pay us for goods or services due to a quality dispute, we may process a Chargeback for the charge or disputed portion of it. If we are involved in a lawsuit with a Cardmember relating to a Card sale made at your establishment, you agree to cooperate with us and to provide any assistance that we may reasonably require. If you do not follow all the terms of the Merchant Services Agreement and these Operating Regulations when making a transaction with a Card, or if a Card sale which is the subject of a billing dispute or

quality dispute is subject to Chargeback as specified in these Operating Regulations or the Merchant Serv Agreement, we may refuse to pay you for the Card sale or the disputed portion of it. If we have already paid you, yo must immediately pay the amount you owe us on demand, or we may deduct the amount in question from you Settlement Account or from future payments that we would otherwise owe you. We will notify you of Card sales tha are subject to Chargeback as they arise, but in some instances Chargebacks may be processed prior to notification a specified in these Operating Regulations. If you and a Cardmember resolve a billing inquiry or dispute on a Card sa which has been charged back, and we are permitted by law to rebill the Cardmember for all or a portion of th disputed amount, we will reimburse you for that portion of the Chargeback which we can rebill the Cardmembe provided you request such reimbursement within 90 days from the date of the Chargeback. If, due to federal and/c state laws, the issuer of the Card is not permitted to rebill a Cardmember for all or a portion of a disputed transactior we will not be required to reimburse you for the Chargeback, even if you have complied with the terms of th Merchant Services Agreement. Card transactions may be charged back to you within 180 days of the processing dat if you fail to follow your Merchant Services Agreement or the procedures outlined in these Operating Regulations Information about Chargebacks in connection with your Merchant account will be sent to you directly. Inquirie regarding Chargebacks and/or adjustments to your account should be directed to us at 1-800-347-2000. It may b necessary for you to provide documentation to us in order for us to resolve Cardmember problems and disputes. A original documentation (Credit slips and Sales slips) must be retained by you for 210 days from the transaction dat or 180 days from the date of submission of sales data to us, whichever is later. If you deliver or transmit Sales Dat to us in magnetic or electronic form, you must keep microfilm or other copies of each Sales slip and each Credit sli for no less than 3 years from the date of the transaction.

8.2.1 Excessive Chargebacks

If you have Chargebacks that exceed 2% of the total number of Card sales submitted by you during an 3-month period or any other percentage of your Card sales that we consider ordinary and reasonable for you industry, we may at our option assess a fee in the amount of $25.00 for each Chargeback. If we believe of your locations has a percentage of irregular or fraudulent transactions that is in excess of what we believ to be an ordinary and reasonable amount, we will place the location on a watch program, and sugges methods for you to reduce the level of fraud or irregular transactions. If you are unable to reduce suc irregular transactions, we may Chargeback any transactions we receive from you that we reasonably believ are irregular, and we may terminate your Merchant Services Agreement with us in accordance with th appropriate provisions of the Merchant Services Agreement.

8.2.2 Immediate Chargebacks

We may, at our discretion, Chargeback transactions to you immediately. We will notify you of the immediat Chargeback by mail, fax, electronically or other method. Reasons for Immediate Chargeback are liste below.

Code	Definition	Explanation
CV	Full contents of the magnetic stripe was not included in the authorization	The transaction was effected with a counterfe card with an altered magnetic stripe and the fu contents of the magnetic stripe including the Car Verification Value were not present in th authorization request received by us.
DA	Declined Authorization	The purchase was completed after the merchar received a declined authorization message.
EX	Expired Card	The Card transaction was processed using expired Card.

IC	Requested Item Illegible Copy	The Sales slip provided in response to a Ticket Retrieval request is not legible.
LP	Late Presentation Transaction	The time from transaction date to date of processing exceeds the 60-day limit allowed by us, and the transaction cannot be promptly collected from the Cardmember.
RI	Non-Receipt of Requested Item	The Sales Data not provided within 15 Business Days in response to Ticket Retrieval request.
SS	Split Sale	A transaction requiring authorization was split into two or more sales to avoid authorization, and had the transaction been submitted for authorization, it would have been declined.
TF	Service Establishment Adjustment	The Merchant violated general operating procedures not covered by other codes. A detailed explanation will be provided.

Note: Not all Chargeback reason codes are applicable to all industries.

8.2.3 Pending Chargebacks

A pending Chargeback notice will be provided to you in certain instances. We will notify you of the pending Chargeback by mail, fax, electronically or other method. You have 15 Business Days from the notice date to respond satisfactorily before we take action to collect the amount of Chargeback from you. During the notice period, you should resolve the reason for dispute directly with the Cardmember, in order to avoid responsibility for the Chargeback. You must then notify us of the resolution as instructed on the pending Chargeback notification form to avoid the Chargeback. Chargeback reasons for which we will provide a pending Chargeback notice are listed below.

Code	Definition	Explanation
AL	Airline Transaction Dispute	The Cardmember is disputing an airline transaction in one of the following situations and has attempted and failed to resolve the dispute directly with the airline: a) Cardmember billed for two transactions, only took one trip-did not travel with companion, ticket numbers are different. b) Cardmember did not receive Credit from lost ticket application/refund application. c) Cardmember purchased first class ticket and was either "bumped" or downgraded to coach. d) Other disputes, excluding Cardmember inconvenience, with appropriate documentation.
AW	Altered Amount	The Cardmember claims that the purchase amount agreed to by the Cardmember was altered after the Cardmember signed the Sales slip and without the Cardmember's consent or direction. Only the difference is charged back.

CD	Credit Posted as Sale	The Cardmember charged a Sale rather than a Credit.
DP	Duplicate Processing	The Cardmember charged more than one time for a single transaction.
EF	Transaction Exceeds Floor Limit	The transactions are at or above the Merchant's assigned Floor Limit for which a required authorization was not obtained and which cannot, for whatever reason, be promptly collected from the Cardmember.
HC	Reservation Cancellation	The Cardmember charged for a cancelled reservation.
IS	Missing Signature	The Sales slip is missing the Cardmember's signature and the Cardmember does not recognize the Card Sale.
RG	Non-Receipt of Goods	The Cardmember charged for goods or services but never received the goods or services or canceled the transaction.
RM	Cardmember Disputes Merchandise/Service	The Cardmember disputes the quality of merchandise purchased or service rendered or any portion thereof.
RN	Non-Receipt of Credit	The Cardmember claims that a credit issued by the Merchant never posted to the Card Account.
SI	No Imprint on Sales Slip	The Sales slip is not imprinted with Card Acccount number. Cardmember does not recognize Card Sale.
UA	Unauthorized Purchase	Neither the Cardmember nor any party authorized by t.. Cardmember participated in the transaction and that the Cardmember has no knowledge of such transaction.

Note: Not all Chargeback reason codes are applicable to all industries.

8.3 Reversal of Chargebacks

If you were unable to resolve the dispute with the Cardmember within 90 days from the date of Chargeback and you believe that your response to the Chargeback notice did not consider facts or information now available to you, you may request a Chargeback reversal from us. We will review all relevant facts and circumstances available to us that pertain to you and the Cardmember and we will, in our discretion, determine whether to reverse the Chargeback. We will in our sole discretion, grant a Chargeback reversal only if: 1) applicable law permits the issuer to rebill the Cardmember for the underlying Card transaction, and 2) the Merchant has provided new information or information not available at the time of the original Chargeback. If we determine that a Chargeback will be reversed, we will issue a credit to you and take action to collect such amounts from the issuer. You may not submit a new Card sale in an identical amount in order to recover for a Card transaction that has been charged back. You may request a reversal of a Chargeback by submitting a copy of the original Sales slip together with your explanation of the circumstances of the dispute to us. Such requests should be sent to:

East of the Mississippi:
Discover Business Services
Merchant Services Center
P.O. Box 3011
New Albany, OH 43054-3011

West of the Mississippi:
Discover Business Services
Merchant Services Center
P.O. Box 52145
Phoenix, AZ 85072-2145

8.4 Chargeback of Card Not Present Sales

In order to help protect against the possibility of Chargebacks, we have instituted the following requirements. If these requirements are not followed when applicable, you may be subject to or assessed a Chargeback.

Note: while following the requirements below may protect you against losses, it does not negate the possibility of assessment of Chargebacks and/or losses:

- For Internet Card transactions, you must comply with the Address Verification Procedures in Section 4.4.8. For mail/telephone order Card sales and Card sales over the Internet, you must comply with the requirements in Sections 5.1 and 5.2.
- As described in Section 5.1, a valid Cardmember signature is the only acceptable proof of delivery for mail/telephone order Card Sales.
- As described in Section 5.1, a valid Card must be presented when a Cardmember picks up merchandise ordered by telephone or mail. An imprint of the Card and Cardmember signature must be obtained at that time.

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9.0 MERCHANT FEES

9.1 Merchant Fees and Other Fees

In consideration for your participation in the Card program, you agree to pay us a Merchant Fee which will be: a percentage of your Gross Sales or Net Sales as defined below, a Per Transaction Fee, a monthly flat fee, or such other method of assessing the Merchant Fee we have mutually agreed upon. The periodic statements that you receive from us will indicate the method that we use to calculate your Merchant Fee.

9.2 Calculating Your Merchant Fees

Your Merchant Fee is calculated in one of the following ways, based on the method indicated in our records. The term "Gross Sales" means the total dollar amount of Card Sales you have had in the applicable monthly, daily or other period upon which we have agreed. The term "Net Sales" means the total dollar amount of Card Sales you have had in the applicable monthly, daily or other period upon which we have agreed, less an amount equal to the sum of any credits to Cardmembers that you submit to us, any Card Sales we have charged back to you and any adjustments that we make to reconcile or correct errors in the Sales Data.

9.2.1 If you are a Merchant that does not have an electronic terminal provided by us, or if you have an electronic terminal provided by us that processes only Card sales, our records will specify whether your Merchant Fee is calculated based on your Gross Sales or Net Sales. The periodic statement that you receive from us will indicate these calculations. You will pay us a Merchant Fee equal to your Gross Sales or Net Sales multiplied by the percent specified in your Merchant Services Agreement, or as reflected in our records and indicated on the statements that you receive from us.

9.2.2 If you are a Merchant that has an electronic terminal or terminal emulation software provided by us that processes Card sales and Visa and MasterCard transactions, you agree to pay us a Merchant Fee for Card transactions based upon a percentage of your Gross Sales.

9.2.3 If you are assessed a per transaction Merchant Fee, you will pay us an amount equal to the Per Transaction Fee specified in your Merchant Services Agreement, or as reflected in our records, multiplied by the number of Card Sale transactions you processed during the specified period of time.

9.2.4 If your Merchant Fee is calculated using a different method, you will pay us an amount we determine by applying such other method. This method may be changed at our discretion upon notice to you.

9.3 Collecting Your Merchant Fee

We will calculate and collect the amount of the Merchant Fee on a daily, monthly, or other applicable period basis, depending on your method of Settlement. If we collect your Merchant Fee monthly, or on any basis more frequent than monthly, we may upon thirty (30) days' notice to you, convert you to a more frequent Merchant Fee collection, including, without limitation, converting you to a daily Merchant Fee, if, in our sole judgment, we believe your financial condition warrants it or if you have previously failed to satisfy any obligation to us in a timely manner, as provided herein. To collect the Merchant Fee, at our election, we will either debit your Settlement Account, or we will offset the total Merchant Fee for a calculation period from the Settlement amount we would otherwise pay you on the day we calculate the Merchant Fee, or you will pay us any amounts that you owe us on demand.

9.4 Other Fees

If we incur any costs as a result of the exercise of our rights under the Merchant Services Agreement and/or Operating Regulations, we may require you to reimburse us for such costs, which may include, but are not limited to, fees associated with the method that we use to pay Settlement amounts to you.

In addition to the above-referenced Merchant Fee, you further agree to pay us on demand, or pursuant to a debit to your Settlement Account, for any application charges, set-up fees, excessive chargeback fees, fixed monthly fees and per-transaction fees that you have agreed to pay us, as set forth in your Merchant Services Agreement, and/or as reflected in our records.

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10.0 FRAUD PREVENTION

We have taken precautions to protect Merchants and Cardmembers from fraudulent Card usage. By following the terms of these Operating Regulations and the Merchant Services Agreement, you will protect the interests of your business and those of your valued customers.

10.1 Recovery of Lost or Stolen Cards

Cash rewards may be given for the recovery of lost or stolen Cards. You may qualify for a cash reward when, upon instructions from us, you recover and return to us an unexpired Card or upon your own initiative, you alert us of a suspicious Card or transaction using the "Code 10" Authorization procedures described in Section 4.5, and are instructed by us to recover an unexpired Card, and return the Card to us. We will keep a record of all requests to recover Cards, indicating if you qualify for a cash reward. All rewards will be paid to you, unless otherwise agreed upon. Rewards are paid only upon recovery of a Card in the course of its attempted use at a Merchant location and upon instructions from us to recover the Card. No rewards are paid for the return of Cards lost or left at a Merchant location, or Cards found by you, citizens or police officers that have been lost or misplaced by Cardmembers. To return a Card and apply for a reward, complete the form at the end of this booklet, cut the Card in half, attach it to the form and mail to:

East of the Mississippi:
Discover Business Services
Attn: Dept R
P.O. Box 3013
New Albany, OH 43054-3013

West of the Mississippi:
Discover Business Services
Attn: Dept. R
P. O. Box 27024
Phoenix, AZ 85038-4024

If the form at the end of this book is missing, please provide the following information on a plain piece of paper, cut the Card in half, attach it to the piece of paper and mail to the above address:

- Merchant Name
- Store Number
- Merchant Address, City, State and ZIP code
- Merchant's Federal Tax ID Number (required to process reward check)
- Merchant Telephone Number
- Merchant Number assigned by us
- Recovered Card Number
- Recovery Date
- Cardmember Name
- Reason for Recovery
- Clerk's Name and Social Security Number (required to process reward check)

10.2 Reminders for Preventing Fraudulent Card Usage

In addition to following proper authorization procedures, you and your employees should pay careful attention to both the customer and the Card presented. In particular, you should keep the following in mind at every transaction:

- Make sure that the Cardmember's signature on the Sales slip matches the signature on the back of the Card. If the signature on the back of the Card does not match the signature on the Sales slip, call us at 1-800-347-1111 and ask for a "Code 10" authorization (see section 4.5 for further instructions). Check the signature panel for signs of erasure or alteration. Do not accept the Card if the word "Void" appears in the signature panel.
- Check the Card expiration date.
- Examine the Card for signs of alteration (see section 2.1).
- If you have any doubts about the validity of the Card or the customer, review additional identification from the presenter.
- If you are using an electronic terminal and printer to process transactions, verify that the Card account number printed on the receipt matches the Card account number embossed on the front of the Card.
- Follow procedures for Address Verification if Card Not Present (see section 4.4.8).

10.3 Factoring

- What Is Factoring? Each year, Merchants experience losses after factoring Card sales. Factoring is a fraudulen activity in which the Merchant deposits Sales Data originating from another business. This activity is outside th scope of the Merchant Services Agreement.
- Who is Involved in Factoring? The most common scheme involves a party who offers a percentage of the Sale Data deposited by the Merchant.
- What are the Problems Involving Factoring? The main problem arises when a customer expresses a complaint o dissatisfaction with the service supplied by the third party. Should this happen, the Card sale will be charged back to the Merchant who submitted the sale. This means if you deposit Sales Data for Card sales accepted by a third party, you will suffer any losses associated with these Card Sales. Also, if any fraud is involved, you could face criminal prosecution.
- How could Factoring Affect my Standing with Discover Business Services? Factoring is prohibited under the terms of your Merchant Services Agreement and may result in financial losses to you. It is grounds for, and will result in, immediate termination of our Merchant Services Agreement with you.
- What should I do if I am approached to Factor sales for someone? If you are approached by anyone asking you to factor Sales Data for them, please notify our Security Department immediately at 1-800-347-3083.

10.4 Type of Business

10.4.1 Changes in Business

We have considered your application to become a Merchant and proposed the terms of the Merchant Services Agreement based upon the information you provided in your application for the type of business you conduct. In the event you are presently engaging in, or in the future elect to engage in, any new lines or types of business activities not disclosed on your application, or you materially change your business activities, you must immediately inform us of this. You also must notify us immediately under each of the follow circumstances: If any of the following changes occur in your business, you must notify us immediately by calling 1-800-347-2000.

- Change of ownership
- Change in type of business
- Change in business name or address
- Change in Settlement Account for Card transactions
- Change in your third-party processor or terminal provider
- Closing your business or any locations
- Changing your processing method (for example, changing from paper slips to electronic terminal)
- Filing Bankruptcy
- Change in your Federal Tax ID Number
- Loan agreements with third parties
- Changes involving mergers and acquisitions
- Change in your Merchant Category Code
- Converting to or from a business that does not accept mail order/telephone order or Internet transactions to one that does accept such transactions.

10.4.2 Failure to Notify

If you fail to notify us, we may terminate the Merchant Services Agreement and/or reject or Chargeback any Card sales related to a new business activity about which we have not been notified. There are some types of business activities which we have determined we will not accept as Merchants, and Merchant businesses which we do accept which may have different Merchant Fees, depending upon the nature of their business activities. We may charge you a different Merchant Fee for any Card sale related to any of your new business activities if we elect to accept that Card sale.

11.0 MERCHANT SUPPORT

11.1 Merchant Assistance

Discover Business Services offers toll-free telephone assistance 24 hours a day, 7 days a week. Trained personnel are available to provide you with the service you need. The toll-free telephone number is 1-800-347-2000. Our Merchant Services department may also be reached by mail at the following address:

East of the Mississippi:
Discover Business Services
Merchant Services Center
P.O. Box 3011
New Albany, OH 43054-3011

West of the Mississippi:
Discover Business Services
Merchant Services Center
P.O. Box 52145
Phoenix, AZ 85072-2145

11.2 Supplies

As a Merchant, you will receive the necessary forms for your Card transactions. If you send your paper transactions to us for processing, you will also receive a Merchant identification plastic. Additional forms, transmittal envelopes, door decals, and signage are available at no charge. Supplies can be ordered by calling our Merchant Services Center at 1-800-347-2000.

11.3 Notices

Notices to us required under the Merchant Services Agreement should be sent to:
Vice President, Merchant Operations
Discover Business Services
2500 Lake Cook Road, 2-West
Riverwoods, IL 60015-3800

You must send us notice of any of the conditions described in Section 10.4.1. We may send notices to you using any method of transmission, including, without limitation, U.S. mail, overnight service, facsimile and/or electronic mail.

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12.0 CONFIDENTIALITY

12.1 Definition of Confidential Information

Confidential Information includes, without limitation: your or our marketing philosophy and objectives, competitive advantages and disadvantages, customer and Cardmember names and addresses, financial results, technological development, store locations, sales volume, merchandise mix or other information of the business or affairs of either party, its parent company, or its affiliated and subsidiary companies, which that party reasonably considers to be confidential. You agree that all Card Account numbers and Merchant account numbers are confidential and constitute our property. You agree not to sell, distribute or otherwise provide any such Card or Merchant account numbers to any other party, except to effectuate the terms of this Agreement. You also agree to dispose of any materials containing such Card and Merchant account numbers in a manner that will cause such account numbers to be substantially unreadable. Confidential Information does not include information in the public domain, information known to a party prior to the date of the Merchant Services Agreement and information lawfully obtained from a third party by either party.

12.2 Revealing Confidential Information

In the course of our relationship, we may learn information about each other that may be considered confidential. Such information will be referred to as "Confidential Information," as more fully described below. You may reveal our Confidential Information only to those of your directors, officers or employees of any of your operating divisions or subsidiaries which you have designated either in your application or on the Merchant Services Agreement as your locations that will accept the Card and who are engaged in the implementation of policies, programs or procedures in connection with your acceptance of the Card. We will reveal your Confidential Information only to those of our directors, officers or employees of any of our divisions, subsidiaries or affiliates which are involved in the development of the Card program and who are engaged in the implementation of policies, programs or procedures in connection with your acceptance of the Card or who perform certain research and analysis of data related to the Card Program. Both parties further agree that Confidential Information will be used solely in the above manner, and that neither party will disclose such information to its directors, officers or employees, or to those of its divisions, subsidiaries or affiliates, except as provided above.

12.3 Disclosure of Confidential Information to Third Parties

Each party agrees not to use Confidential Information nor to disclose such information to any third party, except as may be necessary for that party to perform its obligations pursuant to the Merchant Services Agreement, and except as may be agreed upon by the parties. If either party should disclose Confidential Information to a third party pursuant to the Merchant Services Agreement, that party shall cause the third party to agree to the confidentiality provisions set forth in the Merchant Services Agreement, and that party shall remain responsible for any disclosure of Confidential Information by such third party to any other party that is not authorized to receive such Confidential Information.

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13.0 ADVERTISING
14.0 FINANCIAL INFORMATION

13.0 ADVERTISING

13.1 Authorization for Service Mark Usage

We authorize you, for purposes of the Merchant Services Agreement, to use the service mark "Discover Card" and such other service marks as may be associated with the Card plan in advertising and promotion of the Card plan in accordance with specifications provided by us from time to time.

13.2 Approval for Use of Service Marks

Except as otherwise stated in these Operating Regulations, or the Merchant Services Agreement, neither you nor we shall use the registered trademarks, servicemarks, logos, or any other proprietary designations of the other party without that party's prior written consent and shall submit to the other party for prior written approval any advertising materials in which such proprietary designations are to be used. Such approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, we shall not be required to obtain your approval with respect to advertising and promotional materials which merely list name(s) of Merchants that accept Cards.

13.3 Display of Materials

You agree that you will prominently display at each of your locations advertising and promotional materials relating to the Card plan in such manner and with such frequency as accorded any other third party credit or charge Card accepted by you, including, without limitation, the display of "Take-One" applications. You agree that you will only use or display such materials in accordance with these Operating Regulations or in accordance with any specifications provided by us. We shall, at our expense, supply advertising and display materials and such other operating forms and materials necessary to promote the Card and make Card sales. Such materials, including complete and unused Sales slips and Credit slips are our property and shall be returned upon our request or at the termination of the Merchant Services Agreement.

14.0 FINANCIAL INFORMATION

At our request, you agree to provide us financial information, including, without limitation, financial statements concerning your and/or your establishment's financial condition and general creditworthiness, and your and/or your establishment's ability to perform your obligations under this Merchant Services Agreement. You agree to immediately send us written notice if you become insolvent or discontinue your business or if you or any creditor files for bankruptcy or reorganization. We may request credit reports on the principals of the business, corporations, and companies of said merchant companies.

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Exhibit B **Discover Exclusive Surcharge Fees**

Agencies with an average ticket under $200.00

Average Ticket			Fee
$ 0.00	-	$ 100.00	$ 2.00
$ 100.01	-	$ 200.00	$ 4.00
$ 200.01	-	$ 500.00	$ 5.00
$ 500.01	-	$1,000.00	$12.00
$1,000.01	-	and up	$23.00

Agencies with an average ticket over $200.00

Average Ticket			Fee
$ 0.00	-	$ 500.00	$ 5.00
$ 500.01	-	$1,000.00	$12.00
$1,000.01	-	$2,000.00	$23.00
$2,000.01	-	$3,000.00	$38.00
$3,000.01	-	and up	$50.00