

Merchant Operating Regulations

Release 7.2
Effective Date: October 12, 2007

Revision Date: April 13, 2007

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These Operating Regulations are incorporated into your Merchant Services Agreement as Exhibit A and contain procedures which you must follow in connection with your acceptance of Cards.



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REVISION SUMMARY

Provided below is a summary of certain important changes to the Merchant Operating Regulations, Release 7.2, compared to the previous version of the Merchant Operating Regulations, Release, June 2006, released by Discover® Network. This summary is not intended to be a complete list of changes and does not reflect all of the important revisions to the Merchant Operating Regulations. Please carefully review the Merchant Operating Regulations for details regarding these changes.

Section	Heading	Overview of Change	Page
Beginning of Document	Revision Summary	New Revision Summary highlights certain significant changes to the Operating Regulations.	vii
General Sections: 3.1.2, 3.1.2.1, 3.2.2, 3.2.3.1, 6.2.3 and 10.3.	Various	If a signature panel is not present on a Card, the Merchant is not required to compare the signature on the back of the Card to the signature on the Transaction Documentation. If the Cardholder's name is not embossed on the front of the Card, the Merchant is not required to compare the name on the signature panel of the Card to the name embossed on the front of the Card.	N/A
General	Various	Replaced the phrase "DFS" with the phrase "Discover Network", where appropriate.	N/A
1.3	Introduction to Discover Network	New clause requires the Merchant to comply with, and to accurately and completely submit the information and data required in, the Technical Specifications and the Dispute Rules.	12
2.4.1	Test Card Compliance Requirements	Destroyed test Cards are no longer required to be returned to Discover Network. Instead, the Merchant is required to destroy test Cards and to certify such destruction in writing to Discover Network.	14
2.6	Card Checks	Acceptance of Card checks by a Merchant shall be on a basis consistent with Merchant's acceptance of other payment card checks.	15
3.2.2 and 3.3.2.1 (formerly Section 3.3.2)	Electronic Data Capture; Credit Transaction Receipt Requirements	Transaction Receipt requirements updated to require truncation of Card Numbers and masking of Card expiration dates, in each case where required by law. Requirements also updated to (1) clarify that Cardholder's name need not appear on the Transaction Receipt if it does not appear on the face of the Card, (2) add requirement that Merchant's location appear on the Transaction Receipt, (3) remove the requirement that a description of the merchandise or service purchased appear on the Transaction Receipt or that a description of the merchandise returned or refunded appear on the Credit Transaction Receipt.	16, 18
3.2.4 and 3.4	Delayed Delivery Sales; Obtain Authorization Responses	Revised to reflect change from ninety (90) to thirty (30) calendar days as the period during which an Authorization Response is valid.	18, 19
3.3.2	Credit Transaction Documentation Requirements	Subdivided section to distinguish Credit Transaction Receipt requirements from Credit Slip requirements.	18
3.3.2.2	Credit Slip Requirements	New terms include the same requirements for Credit Slips as apply to	19

Section	Heading	Overview of Change	Page
		Credit Transaction Receipts except that (1) Card should be imprinted on Credit Slip, if possible, and (2) Credit Slip must include the quantity and a brief description of the goods or services returned or refunded.	
3.4.1.2, 4.3.1 and 10.3	CID Requirements; Automatic Payment Plans - Requirements – Overview; Reminders for Preventing Fraudulent Card Usage	Revised to clarify that CID is required to be included in an Authorization Request for the first installment of an Automatic Payment Plan only when the first installment is a Card Not Present Card Sale.	20, 25, 51
4.2.1, 4.2.2, 4.2.3	Protocol for Internet Card Sales; Browser Support for Protocol; Internet Data Security	Added reminder that internet Card Sales and browser connections for internet Card Sales are subject to the Security Requirements.	25
4.3.1	Requirements - Overview	Revised to require that Merchants that wish to engage in Automatic Payment Plans with Cardholders must enroll with us and to state the conditions under which we may revoke a Merchant's eligibility to enter into Automatic Payment Plans with Cardholders.	25
5.1	Card Acceptance during Store Closings or Liquidation	New terms describing obligations where Merchants liquidate and/or close Merchant outlets, locations and/or entire business.	28
5.3	Car Rental Industry	New requirements for Merchants in the car rental industry	32
5.4	Cash Over	New requirement that Authorization Requests and Sales Data for Card Sales involving Cash Over must be submitted to us in the form and format specified in the Technical Specifications, including use of appropriate designations that the Card Sale includes Cash Over.	33
5.5.2	Self-Service Terminals	Clarification that Self-Service Terminals may be used to conduct Cash Over in connection with Card Sales.	34
5.7	Biometric Card Transactions	Clarified and revised requirements relating to acceptance of Biometric Card Transactions.	34
5.8	No Signature Required Card Sales	Clarified that Track Data need not be transmitted with a Biometric Card Transaction Authorization Request for the Biometric Card Transaction to qualify as a No Signature Required Card Sale.	35
9.2.1.1	Variable Merchant Fees	Included "Premium" product in list of Card types.	45
9.2.1.2	Minimum and Maximum Discount	Included "Premium" product in list of Card types.	45
9.5.1	Fees for Noncompliance with Security Requirements	Explanations of fees for noncompliance with Security Requirements have moved to newly created Appendix 3.	47
9.5.4	Acceptance Mark Noncompliance Fees	Added section to address Acceptance Mark Noncompliance Fees, as referenced in Appendix 3.	47

Section	Heading	Overview of Change	Page
10.1.1 and 14.1.1	Card Security Features Common to All Standard Rectangular Plastic Cards with a Discover Network Acceptance Mark or Discover/NOVUS Acceptance Mark; Discover/NOVUS Acceptance Mark – Valid Acceptance Mark, No License	Clarification that Discover/NOVUS Acceptance Mark may appear on valid Cards presented to Merchants. However, please note that the Discover/NOVUS Acceptance Mark is NOT licensed for use or display by Merchants as a Program Mark or Discover Network Acceptance Mark and that any such use or display by a Merchant of the Discover/NOVUS Acceptance Mark may subject to non-compliance fees in Appendix 3.	48, 61
10.1.2.1	Common Security Features to Cards with the China UnionPay Mark	Additional terms describe the security features on Cards displaying China Union Pay Marks. Added picture of the alternative China UnionPay Mark that may appear on Cards presented to Merchants.	49
10.1.2.2	Security Features on Cards with the JCB Mark	New description of the security features on Cards displaying the JCB Mark.	49
10.5.3	Prohibited Merchant Categories	Identified an additional type of business that is not eligible to be a Merchant due to the nature of the business or excessive risk. Pharmaceutical products requiring a prescription may not be sold by the Merchant without proper licenses.	52
11.3 and 14.1	Online Services; License to Use Discover Network Acceptance Mark	Added reference to availability of Card Acceptance Mark Guidelines at www.discovernetwork.com and removed reference to the Discover/NOVUS Acceptance Mark as Merchant is no longer licensed to use or permitted to display the Discover/NOVUS Acceptance Mark as a valid Discover Network Acceptance Mark.	54, 61
12.1.2.1	Not Applicable	Removed requirement assigning DFS to maintain confidentiality regarding information that is public.	55
13.1	Data Security	Added requirement that we may require you and your Agents to certify compliance with the Security Requirements and Merchant Operating Regulations. Added term allowing us to contact your Agents directly in connection with our rights to enforce compliance with Section 13.	58
13.3.2	Our Rights Upon Noncompliance with Security Requirements	Clarified the circumstances under which we may assess Fees to you for your or your Agents' noncompliance with the Security Requirements and added references to Appendix 3, which identifies the Fees we may assess for noncompliance with the Security Requirements.	59
13.3.3	Your Responsibility for Data Security Breaches	Added terms indicating that the Merchant is responsible for any fraud or other damage that results from data security breaches of you and your Agents, and identifying the Fees we may assess for such data security breaches.	59
13.4	Enforcement	Discover Network reserves the right to conduct on-site visits to ensure compliance with all of the requirements of these <i>Operating Regulations</i> .	59

Section	Heading	Overview of Change	Page
14.3	Use and Display of Materials	Added requirement that you display the Discover Network Acceptance Mark in online payments drop-down boxes on your website, if applicable. Removed requirement that you display Card applications at your retail locations.	61
14.4	Prior Approval Required for Use of Marks	Our review of your advertising, promotional, or other materials displaying the Discover Network Acceptance Mark will not constitute our approval of such materials or our acknowledgement that such materials comply with these Operating Regulations, the Technical Specifications, the Dispute Rules or Requirements of Law.	62
14.7	Noncompliance with Card Acceptance Mark Requirements	Added section to clarify our rights and your obligations upon your noncompliance with Card Acceptance Mark requirements.	62
16.8	Notices	Notices sent to the Merchant's last known address, as indicated in our records, shall constitute effective notice to the Merchant under these <i>Operating Regulations</i> and the Merchant Agreement.	67
16.14	Headings and Revision Summary	Added provision clarifying that section headings and the Revision Summary in the <i>Operating Regulations</i> are provided only for ease of reference.	68
Defined Terms	Address Verification Address Verification Service	Revised of the defined terms "Address Verification" and "Address Verification Service" to clarify that these services are used to confirm the Card presenter's address.	69
Defined Terms	Card Acceptance Mark Guidelines	Revised the defined term "Card Acceptance Mark Guidelines" for clarity.	70
Defined Terms	Card Not Present	Revised the defined term "Card Not Present" for clarity.	70
Defined Terms	Card Present	Revised the defined term "Card Present" for clarity.	70
Defined Terms	Contactless Card Transaction	Revised the defined term "Contactless Card Transaction" to make specific reference to key fobs as a type of Card that may be used for conducting a Contactless Card Transaction.	71
Defined Terms	Contactless Icon	Removed the defined term "Contactless Icon"	71
Defined Terms	Credit Card	Added the defined term "Credit Card".	71
Defined Terms	Debit Card	Added the defined term "Debit Card".	71
Defined Terms	Data Security Breach Fee	Added the defined term "Data Security Breach Fee"	71
Defined Terms	Discover/NOVUS Acceptance Mark	Added the defined term "Discover/NOVUS Acceptance Mark"	72
Defined Terms	OFAC	Revised the defined term "OFAC" for clarity.	74
Defined Terms	POS Device	Revised the defined term "POS Device" for clarity.	74

Section	Heading	Overview of Change	Page
Defined Terms	Processing Date	Revised the defined term "Processing Date" for clarity.	74
Defined Terms	Security Requirements	Revised the defined term "Security Requirements" to reference Payment Card Industry Data Security Standard.	75
Defined Terms	Settlement Amount	Revised the defined term "Settlement Amount" to clarify that Settlement Amounts include payments from Merchants to us.	75
Defined Terms	Track Data	Revised the defined term "Track Data" for clarity.	75
Appendix	Appendix 3 - Performance Standards	Added reference outlining certain Fees we may assess for noncompliance with certain provisions in these Operating Regulations.	79

1.0 INTRODUCTION TO DISCOVER® NETWORK

1.1 Introduction

Discover Network is the name used by Discover® Financial Services LLC (“DFS”) to operate the network that supports and services Merchants and Issuers. DFS is one of the largest financial service providers in the world. Merchants and Issuers are provided with extensive resources and expertise, including a streamlined system of Authorization, processing and Settlement for Card Transactions. In these Operating Regulations, “Discover Network”, “DFS”, “we”, “our”, and “us” refer to Discover Financial Services LLC, and references to “Merchant”, “you”, and “your” refer to the party who is a party to the Merchant Services Agreement.

1.2 What Discover Network Means to You

Discover Network offers you many benefits in connection with your Card Acceptance, including:

- Competitive Merchant Fees
- Increased sales volume through a variety of Cards displaying the Discover Network Acceptance Mark, the Discover/NOVUS Acceptance Mark or approved Other Acceptance Marks
- Professionally staffed Merchant Services Centers
- 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
- Equitable procedures in our Dispute Rules for the resolution of Disputes, including Chargebacks
- Discovernetwork.com — our Internet site that provides tools to help you operate your Card Acceptance program and your business more efficiently and effectively.

1.3 Operating Regulations, Agreement, Dispute Rules and Technical Specifications

These Operating Regulations are referred to as Exhibit A in the Agreement between you and us. Together with the Agreement, these Operating Regulations contain procedures that you must follow in connection with your acceptance of Cards. These Operating Regulations also provide information on operational aspects of your Merchant relationship supported by us. Please make sure that all of your employees are familiar with the procedures in your Agreement and these Operating Regulations, including how to identify valid Cards, how to obtain Authorization Responses and how to conduct Card Transactions.

If your Merchant relationship is governed by a standard form of Agreement that does not require your signature, after we approve your application to become a Discover Network Merchant, we will send you written notices that identify certain Fees. The written notice that we send you describing your Merchant Fee and Submission Error Fees is referred to as Exhibit B to your Agreement. If you are party to an Agreement with us which you have signed, the Fees payable by you are set forth in your Agreement. Your Agreement, including Exhibit A and Exhibit B, as applicable, provides the terms and conditions governing your Card Acceptance. In the event of a conflict between the terms of these Operating Regulations and Exhibit B to your Agreement, if applicable, Exhibit B shall govern.

During the term of your Agreement, we will provide you with Dispute Rules. The Dispute Rules describe your rights and obligations with respect to Disputes, including Chargebacks. The Dispute Rules, as they may be amended by us from time to time as described therein, are incorporated by reference as Appendix 1 to these Operating Regulations. At all times during the term of your Merchant Agreement, you are required to comply with, and to accurately and completely submit the information and data required in, the Disputes Rules.

We will make Technical Specifications available to you on our website at www.discovernetwork.com periodically during the term of your Agreement. The Technical Specifications describe certain technical requirements you must follow in connection with your acceptance of Cards, including connectivity to Discover Network, your submission of Authorization Requests to us, your submission of Sales Data to us and your responses to Disputes. The Technical Specifications, as they may be amended by us from time to time in accordance with Section 16.1 hereof, are incorporated by reference as Appendix 2 to these Operating Regulations. At all times during the term of your Merchant Agreement, you are required to comply with, and to accurately and completely submit the information and data required in, the Technical Specifications. If you use a Merchant Processor, your Merchant Processor may assist you in complying with the Technical Specifications or may perform certain of your obligations under the Technical Specifications on your behalf; however, you are responsible for ensuring compliance with the Technical Specifications whether or not you use a Merchant Processor. If you are unable to obtain the Technical Specifications from our website, we will provide you with an electronic copy of the Technical Specifications upon request. At all times during the

term of your Merchant Agreement, you are required to comply with, and to accurately and completely submit the information and data required in, the Technical Specifications and Disputes Rules.

1.4 Defined Terms

Capitalized terms used in these Operating Regulations have the meanings assigned to them in Section 17.0 unless another definition is clearly intended.

1.5 Discover Network Merchant Number

When we enter into the Agreement, we will assign you one or more unique Discover Network Merchant Number(s) for your use in conducting Card Transactions. Your Discover Network Merchant Numbers will be provided to you in writing, including on Exhibit B to your Agreement and/or in Merchant Activity Reports. We may also assign a Discover Network Merchant Number to you that you must use only for certain types of Card Transactions (e.g., Card Not Present Card Transactions). You must use the appropriate Discover Network Merchant Number assigned by us for each Card Transaction you conduct. Discover Network Merchant Numbers are Our Confidential Information and remain our property. You may not assign or otherwise transfer any Discover Network Merchant Number to any other Person, whether or not such other Person is your Affiliate, and you may not disclose or allow any other Person to use a Discover Network Merchant Number assigned to you without our prior written approval, except as otherwise expressly provided in these Operating Regulations, the Dispute Rules or the Technical Specifications.

1.6 Use of Third Parties

1.6.1 Use of Agents

Your use of any Agent, including any Merchant Processor, to perform any of your obligations under your Agreement or these Operating Regulations is subject to our prior written approval, which we will not unreasonably withhold. You are solely responsible for the performance of your obligations under your Agreement and these Operating Regulations and you are liable for the actions of, and all charges imposed by, any Agent that you use to perform any of your obligations under the Agreement or these Operating Regulations. If at any time during the term of the Agreement you elect to use an Agent, or to change from an existing Agent to a different Agent, to perform any of your obligations under the Agreement or these Operating Regulations, you must notify us of the change and must obtain our prior written approval, which we will not unreasonably withhold. Also, if your Merchant Processor or a third party telecommunications provider assesses or increases fees payable by us for our Processing Services, we may, at our option, adjust your Merchant Fee to compensate us for our expense, or invoice you directly for the total amount of such fees.

1.6.2 Use of Merchant Processors for Settlement

If you designate a Merchant Processor to receive Settlement for Card Transactions on your behalf, we shall have completed all Settlement obligations to you, including the obligation to pay Settlement Amounts, the timing of payment of Settlement Amounts, and any reporting and notice obligations, when we have properly initiated Settlement to the Merchant Processor in accordance with these Operating Regulations. Your designation of a Merchant Processor to receive Settlement for Card Transactions on your behalf may result in your receipt and payment of Settlement Amounts for Card Transactions on a schedule you establish directly with such Merchant Processor, which is likely to be different than the schedule for payment of Settlement Amounts specified in these Operating Regulations. We are not liable for any delinquency or non-receipt of Settlement Amounts by you if we have paid Settlement Amounts on your behalf to your Merchant Processor.

1.6.3 Use of POS Device Programmers or POS Device Service Providers

If you use a third party to facilitate Card Acceptance on your POS Devices, to program your POS Devices to accept Card Transactions or to provide any other services on your POS Devices, you are responsible for the actions and omissions of the third party. We are not responsible for the recovery of amounts paid to third parties if we pay Settlement Amounts in accordance with the directions programmed on your POS Devices.

2.0 GENERAL REQUIREMENTS

2.1 Electronic Links

You are responsible for establishing and maintaining electronic links to us, as specified in the Technical Specifications, so that you may send data to us and receive data from us in your acceptance and our processing of Card Transactions, including your submission to us and receipt from us of Authorization Requests and Authorization Responses, data capture and Settlement information for Card Transactions and Disputes. You are responsible for establishing and maintaining these electronic links to us directly or through a Merchant Processor. Your electronic links to us and the electronic links to us of any of your Merchant Processors must be certified by us prior to any use by you or any such Merchant Processor.

We may charge you Fees for the electronic links between you and/or your Merchant Processor and us and for Sales Data that you and/or your Merchant Processor send to us using the electronic links as described in these Operating Regulations and the Technical Specifications.

2.2 Equal Treatment of Discover Network Cards with Other Payment Cards; Equal Treatment of Discover Network Card Issuers

You may not institute or adopt any practice that unfavorably discriminates against or provides unequal and unfavorable treatment of any Person who elects to pay using a Card versus any other Credit Card, Debit Card, Prepaid Card or other payment card that you accept (except for any proprietary payment card issued by you or any payment card issued under a formal co-branding relationship between you and a card issuer). Furthermore, you may not in any way discriminate among various Issuers of Cards.

2.3 Surcharges

You may assess a surcharge on a Card Sale conducted using a Credit Card provided that (i) the amount of the surcharge may not exceed the Merchant Fee payable by you to us for the Card Sale, and (ii) you assess surcharges on card sales conducted using other credit cards accepted by you. You may not assess a surcharge or other penalty fee of any kind on any other type of Card Transaction or for any Card Sale conducted using a Card other than a Credit Card.

2.4 Test Cards

If we have issued you a test Card or test Card Account in order to test Card Acceptance at your locations, you are responsible for any improper or fraudulent use of such Card or Card Account. You agree to use reasonable efforts to safeguard such Card or Card Account in a secure place. Test Cards are and remain our property.

2.4.1 Test Card Compliance Requirements

You must comply with the following terms and conditions with respect to test Cards and test Card Accounts we create and issue to you:

- You must have an authorized officer sign and return to us the accompanying acknowledgement form upon receipt of the test Card(s)
- You must maintain the test Card(s) in a secure storage place with limited access
- You must return all test Cards to us immediately upon request
- You must not conduct a test Card Transaction that exceeds the equivalent of US\$1.00 without our prior written consent
- You must cancel or void all test Card Transactions at the POS Device using the procedures for cancellation of transactions distributed by the provider of your POS Device. You may not submit Sales Data relating to any test Card Transaction to us for Settlement and you will not receive Settlement for any test Card Transaction
- You must destroy (e.g., by cutting into pieces) each test Card within two (2) weeks of the expiration date (last day of the expiration month) embossed on the face of the test Card and certify such destruction to us in writing. Failure to destroy and certify to us the destruction of expired test Cards may result in the revocation of replacement test Cards without advance notice to you.

2.4.2 Purpose of Test Cards and Test Card Accounts

Test Cards and test Card Accounts are provided for the sole purpose of permitting you to verify your operational ability to accept Cards. By accepting a test Card and using a test Card and/or test

Card Account, you assume full responsibility and complete liability for any and all fraudulent use, abuse and/or misuse of each test Card or test Card Account issued to you.

2.5 Cash Advances and Quasi-Cash

You may not accept a Card in exchange for advancing cash, quasi-cash (for example, value on the Internet for e-commerce transactions) or a Cash Advance to a Cardholder, unless you and we have agreed in writing that you may conduct such Card Transactions, including by entering into a Cash Advance Agreement, and we determine that you qualify as a Cash Advance Merchant. If you dispense cash, quasi-cash or a Cash Advance in connection with the presentation of a Card without first entering into a Cash Advance Agreement or other written agreement with us that explicitly permits the dispensing of cash or quasi-cash in connection with Cards, each such transaction conducted by you in connection with a Card is subject to Dispute, regardless of whether your agreement with the Cardholder permits or authorizes such a Cash Advance and/or describes a Cash Advance or quasi-cash as a sale of goods or services.

2.6 Card Checks

You must accept Card checks that have been issued to Cardholders on a basis consistent with the terms of your policy applicable to the acceptance of other payment card checks, and you should handle these Card checks like any other personal check drawn on a United States bank. Any questions should be directed to your service provider for processing checks or your bank.

2.7 Employee Purchases

Your owners, officers or employees may not conduct Cash Advances, Card Sales or Credits for goods or services, Cash Advances and/or any quasi-cash transactions with you using any personal Card, except for *bona fide* Card Transactions in the ordinary course of your 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, including any fraud committed by, and/or any intentional or negligent acts or omissions by, any of your owners, officers or employees.

2.8 Minimum/Maximum Dollar Limits and Other Limits

You may not require that any Cardholder make a minimum dollar purchase in order to use a Card and you may not limit the maximum amount that a Cardholder may spend when using a Card except when the Issuer has not provided a positive Authorization Response for a Card Transaction.

2.9 Restrictions on Contact with Cardholders

You may not contact any Cardholder with respect to any matter arising under these Operating Regulations, except as explicitly required or permitted under these Operating Regulations, including the Dispute Rules.

2.10 Disputes for Noncompliance

Any Card Transaction that fails to comply with your Agreement, these Operating Regulations, the Dispute Rules or the Technical Specifications is subject to Dispute by us or the Issuer and may result in our Chargeback to you of the Card Transaction. The Dispute Rules describe your rights and obligations with respect to Disputes, including Chargebacks. We may collect any amounts owed by you with respect to Disputes, including Chargebacks, of Card Transactions by offsetting such amounts from Settlement Amounts otherwise payable to you for any Card Transactions. We may, at our discretion, terminate your Agreement immediately if you fail to comply with the terms of the Agreement, these Operating Regulations, the Dispute Rules and/or the Technical Specifications, subject to any right to cure specified in your Agreement.

3.0 ACCEPTANCE OF CARD TRANSACTIONS

3.1 Card Acceptance Requirements

You must perform each of the following functions for each Card Sale that you accept. You may only accept a Card as payment for *bona fide* Cash Advances, Card Sales or Credits in the ordinary course of your business.

3.1.1 Verification of Card Expiration Date

Check the expiration date on the Card (except in Automatic Payment Plans where special requirements apply that are described in Section 3.4.6 and in the Technical Specifications). The Card is valid through the last day of the month embossed on the Card. If a Card presented to you has an expired date, please call the Authorization Center at 1-800-347-1111. You may not accept an expired Card for a Card Sale unless the Authorization Center has confirmed that the Card Account is in good standing, and if you do the Card Sale may be subject to Dispute.

3.1.2 Verification of Signature on Card

In Card Present Card Sales involving valid Cards bearing a signature panel on the back of the Card, you must verify that there is a signature on the signature panel on the back of the Card and that the name on the back of the Card is reasonably similar to the name embossed on the front of the Card (except where the valid Card does not bear a Cardholder name on the front of the Card).

3.1.2.1 Unsigned Cards

If a Card bearing an unsigned signature panel is presented to you, request two pieces of identification, one of which is a government-issued photo identification. When you have confirmed that the person presenting the Card is the Cardholder, you may request the Cardholder to sign the back of the Card. If you accept a Card bearing an unsigned signature panel for a Card Sale or a Cash Advance, the Card Transaction may be subject to Dispute. If you are unable to positively identify the Card presenter as the Cardholder or if you have reason to suspect fraud, you should call us at 1-800-347-1111 and request a Code 10 Authorization (See Section 3.5).

3.1.3 Obtain Authorization

Obtain an Authorization Response for the Card Transaction (See Section 3.4).

3.1.4 Prepare and Transmit Sales Data

Prepare Sales Data documenting the Card Sale (See Section 3.2) and transmit the Sales Data to us (See Section 7.1) in accordance with these Operating Regulations.

3.2 Documentation of Card Sales

3.2.1 General

You must include all goods and/or services purchased or returned/refunded at one time and at one cash register on one Transaction Receipt or Transaction Slip, and you must transmit the Sales Data relating to goods and/or services purchased or returned/refunded at one time and at a single cash register to us in a single electronic transmission or paper submission, unless otherwise approved by us in writing. You may use a separate Transaction Receipt or Transaction Slip or use multiple transmissions of Sales Data to us for *bona fide* deposits, partial payments, Automatic Payment Plans and Card Sales that are charged to more than one Card. You must prepare and fully complete Transaction Documentation for each Card Transaction as described below. You must provide the Cardholder with a completed copy of the Transaction Documentation at the time of each completed Card Transaction.

3.2.2 Electronic Data Capture

When you use a POS Device to conduct a Card Transaction, you must compare the Card Number on the Transaction Receipt printed by the POS Device to the Card Number on the face of the Card to confirm that they match. If they do not match, we recommend that you do not accept the Card and if you do, the Card Sale may be subject to Dispute.

For Card Transactions where Card information is data-captured by electronically reading or scanning a Card using a POS Device, you are generally not required to imprint the Card's embossed information on the Transaction Receipt unless otherwise required pursuant to these Operating Regulations. However, if you are unable to capture the required Card data electronically using the POS Device and you must hand key ("key enter" or "force enter") the Card information

into the POS Device, you must obtain a clear imprint of the Card on the Transaction Receipt. The imprint must include all of the security features that are embossed on the Card as indicated in Section 10.1. If you fail to provide an imprint of the Card where required above or elsewhere in these Operating Regulations, the Card Transaction may be subject to Dispute.

For each Card Present Card Sale, you must provide a copy of the Transaction Receipt to the Cardholder. You must include all of the following information on the Cardholder's copy of the Transaction Documentation:

- The Card Number, truncated where required by law
- The Cardholder's name as it appears on the Card, if present
- The Card expiration date, if present, unless prohibited by law
- The Merchant's name and location (city/town and province/state) and Discover Network Merchant Number
- The total dollar amount of the Card Transaction including tax and tip
- The Cardholder's signature (except as otherwise provided in these Operating Regulations). The Cardholder must sign the Transaction Receipt in your presence and you must verify that the signature on the Transaction receipt matches the signature on the back of the Card except where a valid Card does not bear a signature panel.
- The Authorization Code
- The Card Transaction date.

If you use a POS Device to submit Sales Data to us, we must receive the Sales Data by the deadline in Section 7.1 or you may be charged a Submission Error Fee in the amount indicated by us in writing in your Agreement, Exhibit B to your Agreement or in another notification to you from us, as applicable (See Section 9.3).

3.2.3 Preparation of Paper Sales Slips

If you do not use a POS Device to electronically scan or read Cards in Card Present Card Sales, you must use a suitable imprinter to clearly imprint the embossed information, including the stylized D where present, from the Card on the Sales Slip (See Section 10.1 for information embossed on Cards) and you must fully complete the Sales Slip as described below. After imprinting the Card on the Sales Slip, fill in the information described below and ensure that all printed and written information is clearly readable on all copies. If you cannot imprint a valid Card, including a Discover 2GO® Card or other device approved by us as a Card, ask the Cardholder for his/her standard Card that can be imprinted, where applicable. If you cannot imprint a Card because it does not have embossed features, you should determine whether the Card displays the features of a valid Card described in Section 10.1. If a Card imprint does not display all the embossed features applicable to the type of Card being used, the Card Sale may be subject to Dispute or a Dispute may be resolved against you.

3.2.3.1 Sales Slip Requirements

Each Sales Slip completed by you for Card Sales should clearly indicate the following information:

- The quantity and brief description of the goods or service purchased
- The Card Transaction date
- The Authorization Code
- The initials of your employee that conducted the Card Transaction
- The sales taxes
- The total dollar amount of the Card Transaction including tax and tip (**Note:** Do not write outside of this box)
- The Cardholder's signature (except as otherwise provided in these Operating Regulations). The Cardholder must sign the Sales Slip in your presence and you must verify that the signature on the Sales Slip matches the signature on the back of the Card except where a valid Card does not bear a signature panel.
- The Merchant's legal or operating name (as known to the Cardholder), location (city/town and province/state) and Discover Network Merchant Number.

3.2.3.2 Card Not Present Card Sales

If the Card is not physically present, you must prepare the Sales Slip in accordance with Section 3.2.3.1, except you must write the words "Card Not Present" on the Sales Slip in lieu of the Cardholder's signature and you must comply with the additional requirements for Card Not Present Card Sales described in Section 4.0.

Note: The Card must ALWAYS be presented for a Card Sale when the Cardholder is physically present and should be clearly imprinted on the Transaction Documentation or successfully data captured using a POS Device in order to document that the Card was present at the time of the Card Sale.

3.2.4 Delayed Delivery Sales

For delayed delivery sales in which you charge a deposit, you must prepare two separate Transaction Receipts or Sales Slips – one Transaction Receipt/Sales Slip labeled “Deposit” and one labeled “Balance”. You may not submit Sales Data (either in paper or electronically) relating to the Transaction Receipt/Sales Slip labeled “Balance” until the goods or services are completely delivered to the Cardholder. A separate Authorization Response must be obtained for the amount on each separate Transaction Receipt/Sales Slip that is billed to the Cardholder (See Section 3.4). If you obtain Authorization for the “Deposit” and “Balance” at the same time and the delivery date exceeds thirty (30) calendar days after the “Deposit” Authorization, a subsequent Authorization for the “Balance” is required (See Section 3.4) if you did not submit Sales Data for the Balance. You must complete Address Verification at the time of the “Balance” Authorization and must obtain Proof of Delivery.

3.3 Credits for 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 Cardholder at the time of the Card Sale. We may request a copy of your return policy at any time and you agree to provide it to us upon our request. If a Cardholder returns goods or services purchased with a Card in accordance with your return policy, you must give a Credit to the Cardholder’s Card Account in accordance with this Section 3.3. If a Cardholder receives goods or services that are defective or otherwise not as agreed upon at the time of the Card Sale, you must give the Cardholder a Credit if requested by the Cardholder. If you do not give a Cardholder a requested Credit in the above circumstances, the underlying Card Sale may be subject to Dispute. You must transmit Sales Data evidencing a Credit to us within the number of days described in Section 7.1 after you have issued the Credit to the Cardholder or you may be charged a Submission Error Fee as described in Section 9.3. The amount of such Fee shall be indicated in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable. You must give written evidence of the Credit to the Cardholder in the form of Transaction Documentation. You shall pay us the amount of all Credits as described in the Agreement and Section 7.2 of these Operating Regulations, and such Credits will be reflected in your Settlement Amounts.

3.3.1 Credit Requirements

You may not give cash refunds for returns of goods or unused services purchased using a Card. 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 prepare and submit Sales Data to us; however, you must provide a receipt to the Cardholder indicating the even exchange. For uneven exchanges, you must send us Credit Sales Data for the total amount of returned goods or unused services, including appropriate taxes, and new Sales Data for the total amount of the Card Sale related to the new goods or services purchased, and you must provide a copy of the Transaction Documentation for both the Credit and the Card Sale to the Cardholder. The Credit amount may not exceed the amount of the original Card Sale. For non-reloadable Prepaid Cards, the Credit amount also may not exceed the original value of the Prepaid Card.

3.3.2 Credit Transaction Documentation Requirements

3.3.2.1 Credit Transaction Receipt Requirements

You must include the following information in preparing Transaction Receipts for Credits:

- The Card Number (not necessary to imprint if successfully captured electronically), truncated where required by law
- The Cardholder’s name as it appears on the Card, if present
- The Card expiration date, if present, unless prohibited by law
- The Merchant’s legal or operating name (as known to the Cardholder), location (city/town and province/state) and Discover Network Merchant Number
- The date of the Credit issuance
- The date of the underlying Card Sale
- The dollar amount of the Credit

- The sales tax Credit
- The Total dollar amount of the Credit
- The reason for the Credit
- The signature of an authorized representative of Merchant.

3.3.2.2 Credit Slip Requirements

You must include the following information in preparing Credit Slips:

- Card Number (imprinted, if possible), truncated where required by law
- Cardholder's name as it appears on the Card, if present
- Card expiration date, if present, unless prohibited by law
- Merchant's legal or operating name (as known to the Cardholder), location (city/town and province/state) and Discover Network Merchant Number
- Date of the Credit issuance
- Date of the underlying Card Sale
- Dollar amount of the Credit
- Sales tax Credit
- Total dollar amount of the Credit
- Quantity and brief description of the goods or services returned or refunded
- Reason for the Credit
- Signature of an authorized representative of Merchant.

3.4 Obtain Authorization Responses

Authorization is the process by which you provide an Authorization Request to us, which we forward to the appropriate Issuer, and by which the Issuer provides to us and we forward to you an Authorization Response. You shall use this Authorization Response to determine whether to consummate the Card Transaction. We strongly recommend that you obtain a positive Authorization Response before completing a Card Sale. If you complete a Card Sale without receiving a positive Authorization Response from the Issuer, the Card Sale may be subject to Dispute and we are not required to pay you for the Card Sale and we may charge you a higher Merchant Fee for the Card Sale. For delayed delivery Card Sales, you shall obtain a positive Authorization Response before you submit Sales Data to us for the Card Sale. A positive Authorization Response will remain valid for thirty (30) calendar days from the date the Issuer provides the Authorization Response. If the expected or projected delivery date is more than thirty (30) calendar days from the date of the original Authorization Response in a delayed delivery Card Sale, you must obtain a new Authorization Response prior to submitting Sales Data to us for the Card Sale or the Card Sale may be subject to Dispute. You may obtain Authorization Responses from the Issuer through us electronically using a POS Device (See Section 3.4.3) or by telephone (See Section 3.4.4). You may be charged a Submission Error Fee for the use of a telephone to obtain Authorization Responses (See Section 9.3). If the Issuer approves an Authorization Request, the Issuer will provide an Authorization Code, which must be displayed on the Transaction Documentation. If you use a POS Device to obtain Authorization, the Authorization Code will be printed automatically on the Sales Data.

3.4.1 Data Transmission Requirements for Authorization Requests

If you complete a Card Sale without receiving a positive Authorization Response and otherwise complying with the requirements as described in this section, we are not required to pay you for the Card Sale, we may charge you a higher Merchant Fee, we may charge you a Submission Error Fee and if we have already paid you, the Card Sale is subject to Dispute. Even if a positive Authorization Response is granted for a Card Sale, it is not a guarantee of payment. A Card Sale may be subject to Dispute for other reasons as set forth in these Operating Regulations or the Dispute Rules.

3.4.1.1 CVV Data Requirements

If you use a POS Device to obtain an Authorization, the Authorization Request must include the complete and unaltered contents of track 1 or track 2 of the Track Data on the Card presented for the Card Sale, which includes Card Verification Value (CVV) Data. The presence of CVV Data in an Authorization Request indicates that the Card was present at the time of the Card Sale. You must transmit CVV Data to us with each Authorization Request where the Card is swiped through your POS Device. If we do not receive the complete and unaltered contents of track 1 or track 2 of the Track Data with each Authorization Request as described above, you may be charged a

Submission Error Fee (See Section 9.3) and the Card Sale may be subject to Dispute. The amount of such Submission Error Fee shall be indicated in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable.

3.4.1.2 CID Requirements

You may, in your discretion, submit Card Identification Data (CID) to us with the Authorization Request for a Card Not Present Card Sale. You must submit CID to us under the following circumstances: (a) the first installment of an Automatic Payment Plan if the first installment is a Card Not Present Card Sale (see Section 4.3.1) and (b) where we notify you in writing that you are required to submit CID in all or certain portion of your Authorization Requests. Failure to include the CID in an Authorization Request where required by us, as described above, may result in a negative Authorization Response and you may be charged a higher Merchant Fee or other Fees, including Submission Error Fees (See Section 9.3). If you do not submit CID to us with an Authorization Request for a Card Not Present Card Sale, even where not required above, you may lose a Dispute of the Card Sale (and, in the case of an Automatic Payment Plan where the first installment is a Card Not Present Card Sale, all installments under the plan may be subject to Dispute if you fail to submit CID with the Authorization Request for the first installment).

If a Dispute of a Card Not Present Card Sale is initiated, you must demonstrate the following to avoid Chargeback of the Card Sale:

- CID was submitted with the Authorization Request
- An approved Authorization Response and Authorization Code were received
- Address Verification was performed and a positive match was obtained for both the Cardholder's numeric street address and zip code
- You obtained Proof of Delivery.

You must not retain, archive or store the CID in any form or format for any reason, including by recording the CID on Sales Data or making photocopies of the front or back of Cards (See Section 13.2).

3.4.2 Cardholder Verification and Card Retrieval

Occasionally we may, on behalf of an Issuer, ask you to request certain information from the presenter of a Card to verify the Card presenter's identity. Also, in response to an Authorization Request, we may, on behalf of an Issuer, request that you take and retain a Card from a presenter (See Section 10.2). If requested to retain a Card, follow the instructions in Section 10.2.

3.4.3 Authorization Procedures for POS Devices

If you use a POS Device to obtain Authorization Responses for Card Sales, follow the procedures given to you by your POS Device provider for the use of that POS Device. If a "call center" Referral Code is displayed, call the Authorization Center at 1-800-347-1111 to obtain further instructions. If your POS Device is not operating, you must contact the Authorization Center to obtain Authorization Responses by telephone for all Card Sales. Please refer to Section 3.4.4 for more information on using this service.

3.4.4 Telephone ("Voice") Authorization Procedures

If you must use the telephone to obtain Authorization Responses for Card Sales, you must call the Authorization Center at 1-800-347-1111. If, when calling the Authorization Center, you elect to speak to one of our representatives in obtaining the Authorization Response, you may be charged a Submission Error Fee (See Section 9.3). The amount of such Submission Error Fee shall be indicated in your Agreement, Exhibit B to your Agreement or other written notification from us, as applicable. Please provide us with the following information for each voice Authorization Request, in the following order:

- Discover Network Merchant Number
- Card Number
- CID, as described in Section 3.4.1.2
- Card expiration date (4 digits, mmyy)
- Dollar amount of Card Sale including tax and tip (dollars and cents) followed by the # sign.

If an Issuer grants a positive Authorization Response to a voice Authorization Request, you will be given an Authorization Code. You must manually enter this Authorization Code into the POS Device or write this Authorization Code in the appropriate box on the Sales Slip. (See Transaction

Documentation preparation procedures in Section 3.2). If you are unable to obtain an Authorization Response using electronic means and you subsequently receive an approved Authorization Response by telephone as described above, you must complete the Card Sale (complete a “force sale” entry or override transaction following the procedures supplied by your POS Device provider) and obtain an imprint of the Card. If the imprint does not display all of the features embossed on valid Cards, the Card Sale may be subject to Dispute.

3.4.5 Declined Authorization Response

If you receive a negative or declined Authorization Response, whether electronically or in connection with a voice Authorization Request, under no circumstances should you or your employees comment to the Card presenter on the reason for the negative Authorization Response. If the Card presenter requests information about the reason for the negative Authorization Response, direct the Cardholder to contact the Issuer at the telephone number provided on the back of the Card or as otherwise provided by the Issuer. If you submit Sales Data to us for a Card Sale that has received a negative Authorization Response, the Card Sale may be subject to Dispute.

3.4.6 Authorization for Automatic Payments

If we have approved your acceptance of Cards as payment in connection with Automatic Payment Plans between you and your customers, you must receive a separate, current Authorization Response for each discrete Automatic Payment Card Sale prior to submitting Sales Data to us for each Automatic Payment Card Sale. You must transmit all Authorization Requests for Automatic Payment Card Sales to us in the form and format described in Section 4.3.1 and you must use a POS Device to submit Authorization Requests and obtain Authorization Responses for Automatic Payment Card Sales. You may not submit to us Authorization Requests related to Automatic Payment Card Sales that are due after the effective date of termination of your Agreement. If the Card Account of the Cardholder who agreed to the Automatic Payment Plan is terminated, the Issuer will respond with a negative Authorization Response to any subsequent Authorization Requests. An Issuer’s positive Authorization Response for one Automatic Payment Card Sale is not a guarantee that any future Automatic Payment Authorization Request will be approved by the Issuer. If a Cardholder, Issuer or we initiate a Dispute regarding any Automatic Payment Card Sale or your performance of your obligations in connection with the Automatic Payment Plan, the Dispute may include any prior Automatic Payment Card Sales for which you have received Settlement. Please refer to Section 4.3 for complete procedures regarding the acceptance of Cards as payment for Automatic Payment Plans.

3.4.7 Request for Cancellation of Authorization

If a Card Sale is cancelled or the amount of the Card Sale changes and you previously obtained an approved Authorization Response, you must cancel the Authorization by calling 1-800-347-1111 and requesting a cancellation of the Authorization. An Authorization may be cancelled at any time within eight (8) calendar days of your receipt of the approved Authorization Response but must be cancelled before Sales Data relating to the Card Sale has been submitted to us. Once Sales Data relating to the Card Sale has been submitted to us, the Authorization cannot be cancelled or changed. When calling to cancel an Authorization, be prepared to provide the following information to us, in the order below:

- Your Discover Network Merchant Number as provided in the original Authorization Request
- Card Number
- New amount of the Card Sale (if any) for which an Authorization Response is requested
- Original amount of the Authorization Request, including tax and tip (dollars and cents)
- Card expiration date (4 digits, mmyy)
- Original Authorization Code
- A brief reason for cancellation of the Authorization Request.

3.4.8 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 in your Agreement, as modified from time to time, as set forth in our records. If you accept a Card Sale for an amount less than your Floor Limit, the Card Sale will not be subject to Dispute for your failure to obtain an approved Authorization Response for the Card Sale. If you accept a Card Sale at or above the Floor Limit assigned to you without obtaining an approved Authorization Response, the Card Sale may be subject to Dispute. You should not construe the assigned Floor Limit as a guarantee against a potential Dispute of a Card Sale conducted for an amount below the Floor

Limit. If you fail to comply with the Floor Limit, you shall be liable for the entire amount of the Card Sale, not just the portion of the Card Sale that exceeded your assigned Floor Limit.

3.4.9 Down-Time Authorization Procedures

If you do not use a Merchant Processor to obtain Authorizations and the Authorization system does not provide you with an Authorization Response to an Authorization Request that is submitted either electronically using a POS Device (See Section 3.4.3) or by telephone using voice Authorization procedures (See Section 3.4.4), a Floor Limit of \$150 applies to Card Sales conducted by you for the length of the Authorization system down-time; provided that this Floor Limit applies only to those Card Sales involving purchases of goods for which a Cardholder takes immediate possession. If you approve a Card Sale above the down-time Floor Limit indicated above using the procedures in this Section 3.4.9, the amount of the Card Sale that exceeds the Floor Limit is subject to Dispute for your failure to obtain a positive Authorization Response. You should not use this Floor Limit to authorize purchases with delayed delivery, the purchase of services or Cash Advances; instead, for this type of transaction, you must wait until the Authorization system is available to obtain an Authorization Response from the Issuer and you must obtain an Authorization Response from the Issuer for the Card Sale. If you use these down-time authorization procedures to approve purchases with delayed delivery, the purchase of services and/or Cash Advances, the amount of each Card Sale is subject to Dispute. The exact date, time and duration of the Authorization system outage will be recorded by us. You must record the exact date and time of the Card Sale in the approval box of the Sales Slip. If the Authorization system is available and you use these down-time Authorization procedures, the Card Sale is subject to Dispute for failure to obtain an approved Authorization Response from the Issuer. The existence of any Authorization system down-time is considered Our Confidential Information and you should not share this information with the Cardholder or any other Person.

3.4.10 Address Verification Service (“AVS”)

You must use the Address Verification Service (“AVS”) to verify the Cardholder’s billing address for all Card Not Present Card Sales. You must obtain Address Verification from us by 11:59 p.m. Eastern Time on the same day that you submit an Authorization Request for the Card Sale. If you do not obtain an Address Verification by the deadline set forth above, you may be charged a Submission Error Fee (See Section 9.3). The amount of such Submission Error Fee shall be indicated in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable.

To obtain Address Verification for a Card Sale, you must comply with the following procedures:

- Use an electronic terminal to request Address Verification; or
- If you do not have an electronic terminal or are unable to obtain an Address Verification using your electronic terminal, you should call us at 1-800-347-1111 to obtain Address Verification. If the Address Verification is provided by one of our representatives over the telephone rather than our automated service, you may be charged a Submission Error Fee in the amount set forth in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable (See Section 9.3). When calling to obtain Address Verification, please provide us with the following information:
 - Discover Network Merchant Number assigned to you
 - Card Number
 - Card expiration date
 - Numeric portion of the street address indicated in the Cardholder’s billing address (up to 5 digits)
 - Zip code of the Cardholder’s billing address (5 or 9 digits).

You must receive a positive match on both the numeric portion of the street address and the Zip code or the Card Sale may be subject to Dispute. **Note:** The use of these Address Verification procedures is not a guarantee against Dispute of the Card Sale.

3.5 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 the Authorization Center at 1-800-347-1111 using the Code 10 Authorization procedures described below. Code 10 Authorization procedures apply only to Card Present transactions, but can be used regardless of the dollar amount of the Card Sale or Cash Advance, or your assigned Floor Limit.

- Call the Authorization Center and ask for a Code 10 Authorization. This will automatically direct you to the security area of the Issuer
- Security 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 Card presenter
- If the Issuer’s security representative is able to confirm the identity of the presenter as a valid Cardholder or authorized user of the Card, a positive Authorization Response for the Card Sale or Cash Advance will be given and the Card presenter will not be aware that anything unusual has transpired
- Some Issuers may request that you retain a Card. If your employee is instructed to retain the Card, your employee should do so, but only if permitted by your policies and only by peaceful and reasonable means (See Section 10.2).

3.6 Arrests for Fraudulent Card Usage

Some Issuers may request you to cause the arrest of a Card presenter who is suspected of fraudulent Card use. If you elect to comply 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. You agree that you and your employees will not initiate an arrest of a Card presenter in connection with the use of a Card except at the Issuer’s request. A Merchant that causes the arrest or prosecution of any individual without the Issuer’s direct request or that fails to use reasonable, lawful means in effecting an arrest requested by the Issuer will bear all responsibility for claims, liabilities, costs, and expenses resulting from such arrest or prosecution, if any.

4.0 CARD NOT PRESENT SALES

4.1 Card Not Present Card Sales

You may accept Cards for Card Not Present Card Sales, including Internet, telephone and mail order sales, if you comply with the following procedures. If you use a POS Device that is capable of performing electronic Authorization and Card Transaction data capture services for Card Present Card transactions, then you shall use such POS Device to perform electronic Authorization and Card Transaction data capture services for Card Not Present Card Sales. You must obtain an Authorization Response for each Card Not Present Card Sale (See Sections 3.4 and 4.1.1). You must document the Card Sale and send Sales Data to us as described below. You must also comply with our Security Requirements (See Section 13), including our procedures for Card Transactions over the Internet, if applicable, as described below.

4.1.1 Obtain Authorization Responses

For each Card Not Present Card Sale you may transmit the CID with the Authorization Request (See Section 3.4.1.2) using an electronic means of transmission, but in certain cases you may be required to submit CID (See Section 3.4.1.2). If you accept a Card Not Present Card Sale without receiving a prior approved Authorization Response (See Section 3.4) or without transmitting the CID in the Authorization Request where required by us under Section 3.4.1.2, you may be charged a higher Merchant Fee, other Fees, including Submission Error Fees (See Section 9.3), and you may lose a Dispute of the Card Sale. The amount of any such Fees under this Section 4.1.1 shall be indicated in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable.

4.1.2 Address Verification Requirements

For each Card Not Present Card Sale, you must comply with the Address Verification procedures described in Section 3.4.10 or you may be charged higher Merchant Fees and/or Submission Error Fees (See Section 9.3). You must submit an Address Verification Service (AVS) request and receive a positive match on both the numeric portion of the street address and the Zip code indicated in the Cardholder's billing address or the Card Sale may be subject to Dispute. The amount of such Submission Error Fee shall be indicated in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable.

4.1.3 Documentation of Card Sales

In addition to complying with the requirements for preparation of Transaction Documentation (See Section 3.2), you must obtain the following information from the Cardholder for each Card Not Present Card Sale: Cardholder name, Card Number, Card expiration date, billing address and shipping address, if different than the billing address. You must retain such information along with the shipping date for the document retention period described in Section 7.1.4 and you shall provide such information to us upon request in the event of a Dispute of the Card Not Present Card Sale. You shall provide the shipping date to the Cardholder at the time of each Card Not Present Card Sale and you shall notify the Cardholder if the shipping date changes. Your failure to deliver the goods to the Cardholder as agreed may result in Dispute of the Card Sale.

4.1.4 Transmission of Sales Data

For each Card Not Present Card Sale, you must transmit Sales Data to us in our designated form and format by the deadline specified in Section 7.1 or you may be obligated to pay a Submission Error Fee. All Sales Data shall be transmitted to us using an electronic or paper means of transmission, as described in Section 7.1. You must not transmit Sales Data to us for goods or services ordered by a Cardholder until the goods or services have been shipped, delivered or furnished to the Cardholder, except that you may accept a Card for a deposit on a purchase of goods or services and you may transmit the Sales Data relating to such deposit prior to the time of shipment or delivery of the goods or services purchased in such Card Sale.

4.1.5 Delivery Requirements

At the time of delivery of goods or services ordered in a Card Not Present Card Sale, you must provide the Cardholder with an invoice or other documentation that includes the information obtained from the Cardholder in Section 3.2.3. You must, through the delivering carrier, obtain Proof of Delivery of the goods to the Cardholder or a third party designated by the Cardholder to receive delivery of the goods or the Card Sale may be subject to Dispute. You must retain this Proof of Delivery for the document retention period set forth in Section 7.1.4 and provide it to us upon request in the event of a Dispute of the Card Not Present Card Sale or the Dispute may be

decided against you. If a Cardholder takes delivery at your retail location of goods ordered by Internet, telephone or mail, you must obtain an imprint of the Card and the Cardholder's signature on the Transaction Documentation. In the event of a Dispute by a Cardholder with respect to delivery of goods or services in a Card Not Present Card Sale, the Card Sale may be subject to Dispute if you did not comply with the Proof of Delivery requirements in this section or otherwise for noncompliance with these Operating Regulations, including noncompliance with Authorization requirements.

4.2 Card Sales over the Internet

You must obtain our prior approval before accepting any Card Sales over the Internet and you must comply with the requirements in these Operating Regulations with respect to each Card Sale accepted over the Internet. For each Card Sale over the Internet, you must comply with the requirements in Section 4.1 and the requirements in this section.

4.2.1 Protocol for Internet Card Sales

Each Internet Card Sale accepted by you and submitted to us shall comply with these Operating Regulations and the Technical Specifications, including the standards in the Security Requirements governing the formatting, transmission and encryption of data. You shall accept only those Internet Card Sales that are encrypted and otherwise transmitted in accordance with the Security Requirements. We may, at our discretion, withhold Settlement Amounts from you until we can verify that you are in compliance with the Security Requirements. **You may not accept Card Numbers through electronic mail over the Internet.**

4.2.2 Browser Support for Protocol

You shall not accept any Internet Card Sale unless the Card Sale is sent by an Internet browser that supports the protocol and you are in compliance with the security measures described in the Security Requirements.

4.2.3 Internet Data Security

You must comply with our Security Requirements and confidentiality requirements set forth in these Operating Regulations, including in Sections 12 and 13.

4.3 Automatic Payment Plan

If you accept Cards for Automatic Payment Plan Card Sales, you must comply with the requirements described below before initiating a series of Card Sales pursuant to an Automatic Payment Plan and any individual Card Sale that constitutes part of an Automatic Payment Plan.

4.3.1 Requirements - Overview

You must comply with the Authorization requirements in Section 3.4 and those described in this section with respect to each amount billed to a Card pursuant to an Automatic Payment Plan. If you fail to comply with any of the requirements in Section 3.4 or in this section, or if a Dispute is initiated with respect to either a Card Sale involving an Automatic Payment Plan or the goods or services that you agreed to provide pursuant to an Automatic Payment 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.

- You must enroll with us before you may enter into Automatic Payment Plans with Cardholders or submit Automatic Payment Plan Card Sales to us. You may enroll for eligibility to enter into Automatic Payment Plans and to submit Automatic Payment Plan Card Sales to us at www.discovernetwork.com or by calling us at 800-347-2000. Merchants operating in certain MCCs are ineligible to enter into Automatic Payment Plans with Cardholders or to submit Automatic Payment Plan Card Sales to us. We will notify you at the time of enrollment if you are not eligible to participate in Automatic Payment Plans.
- You must obtain and preserve a record of the Cardholder's approval, as described in Section 4.3.2, for an Automatic Payment Plan that charges amounts to a Card and you shall provide this documentation to us upon request.
- You must receive a separate, current Authorization Response for each installment billed to a Card under an Automatic Payment Plan. Each request for an Authorization Response for an Automatic Payment Card Sale must be transmitted to us in our designated form and format unless otherwise agreed upon in writing by us as indicated in our records. Our form and

format is described in our Technical Specifications. A valid expiration date for the Card must be transmitted with the Authorization Request. If a Card expires during the term of an Automatic Payment Plan, you must obtain a current Card expiration date from the Cardholder and you must obtain an approved Authorization Response using the new Card expiration date before you submit Sales Data to us for any installment that comes due after the Card expiration date. An approved Authorization Response for a Card Sale for an installment under an Automatic Payment Plan is not a guarantee that any future installment billed to a Card will be authorized or paid by us. Please see Section 3.4 for Authorization procedures applicable to a Card Sale accepted in an Automatic Payment Plan.

- You must submit the CID to us with the Authorization Request for the first installment billed to a Card Account pursuant to an Automatic Payment Plan if the first installment is a Card Not Present Card Sale. If you do not submit the CID to us for the first installment of a Card Not Present Automatic Payment Plan Card Sale, the Card Sale may be subject to Dispute and all future installments you submit for payment in connection with the Automatic Payment Plan may be subject to Dispute, as described in the Dispute Rules, and you may be charged a higher Merchant Fee or other Fees, including a Submission Error Fee (See Section 9.3). You shall not store the CID (See Section 13.2). **For subsequent installments billed to the Card Account pursuant to the Automatic Payment Plan, you must not submit the CID with the Authorization Request (See Section 13.2).**
- The Sales Data that you transmit to us for Automatic Payment Card Sales must comply with the requirements in Section 7.1. If you do not comply with the deadline for submission of Sales Data in Section 7.1, you may be charged a Submission Error Fee (See Section 9.3). The amount of such Submission Error Fee shall be indicated in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable. If you or we terminate your Agreement, you may not submit Sales Data to us for installments in Automatic Payment Plan that are due after the effective date of termination. If a Cardholder who agreed to an Automatic Payment Plan ceases to be a Cardholder due to the termination of the Card Account, you may not submit Sales Data to us for any further installments on that Card Account. If you are no longer permitted to accept a Card in an Automatic Payment Plan, you must find an alternate method of collection from the Cardholder.
- We may revoke your eligibility to enter into Automatic Payment Plans with Cardholders and to submit Automatic Payment Plan Card Sales to us if you fail to comply with your obligations under these *Operating Regulations* in connection with such plans and Card Sales.

4.3.2 Cardholder's Approval

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

- Cardholder's name, address, and Card Number
- Amount of each Automatic Payment Card Sale, unless the amount can vary
- Timing or frequency of payments
- Length of time over which the Cardholder permits you to bill installments to the Card Account
- Your Discover Network Merchant Number
- Card expiration date
- Total amount of Automatic Payments to be billed to Card Account, including taxes and tips, if an installment agreement.

You must retain evidence of the Cardholder's approval of the Automatic Payment Plan for the longer of either the term of the Automatic Payment Plan or the document retention period in Section 7.1.4. Upon our request, including in the event of a Dispute, you must provide us with evidence of the Cardholder's approval of the Automatic Payment Plan. If an Automatic Payment Plan is renewed or expires, you must obtain new evidence of the Cardholder's agreement to participate in the Automatic Payment Plan.

4.3.3 Sales Data Requirements

In addition to obtaining an Authorization Response for each Card Sale as set forth in Section 3.4 and retaining evidence of the Cardholder's approval of the Automatic Payment Plan, the Sales Data

that you submit to us for Automatic Payment Card Sales must comply with Sections 3.2, 7.1 and the requirements described below.

- Sales Data prepared by you for each Automatic Payment Card Sale must include a general description of the Card Sale, your legal or operating name (as known to the Cardholder) and a customer service number that the Cardholder may call to obtain customer assistance or to revoke the Automatic Payment Plan. If this information is provided in the Sales Data, you are not required to send a separate statement of charges to the Cardholder for each amount billed to the Card Account in an Automatic Payment Plan.
- For each Card Sale involving an Automatic Payment Plan, you must submit Sales Data to us in the form and format designated in the Technical Specifications and you must contact us to obtain certification from us before you submit Sales Data related to an Automatic Payment Plan.

5.0 SPECIAL CIRCUMSTANCES

5.1 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 that “All Sales Are Final” during the liquidation.
- Stamp or print a notice that “All Sales Are Final” on Transaction Documentation to indicate the Cardholder’s acknowledgement that Credits are not permitted.
- Call us at 1-800-347-2000 to identify your locations that are subject to closure and/or liquidation.
- In the event that a liquidating agent becomes involved with the closure and/or liquidation of any of your locations, the liquidating agent must obtain its own Discover Network Merchant Number(s) for each location being liquidated and must use its own Discover Network Merchant Number(s) to process Card Sales conducted during the liquidation. Alternatively your liquidating agent must receive our prior written approval to use your existing Discover Network Merchant Number(s) for Card Sales conducted during the liquidation.

5.2 Policies for Merchants in the Lodging Industry

5.2.1 Overview

Provided below are our requirements for Merchants in the lodging industry that take reservations and require Cardholders to pay advance deposits. If you do not comply with the procedures in Section 5.2.2 for guaranteed reservations and Section 5.2.3 for advance deposits, any Card Sales accepted by you for guaranteed reservations and advance deposits are subject to Dispute. Please note that for all Card Sales that are not captured electronically through your POS Device, you must follow the procedures described in Section 4.1.

5.2.2 Requirements for Guaranteed Reservations

You may accept Cardholders’ reservations for accommodations and guarantee rooms for late arrival after the normal 6:00 p.m. (local time) check-in deadline if you follow the procedures in this Section 5.2.2. If the check-in deadline passes without a cancellation of the reservation by the Cardholder, you may bill the Cardholder for one night’s lodging (plus applicable taxes), provided you have complied with all of your obligations in this Section 5.2.2.

5.2.2.1 Notice to Cardholder of Rights and Obligations

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

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

5.2.2.2 Record of Guaranteed Reservations

You must preserve a record of the following information for each guaranteed reservation:

- Cardholder’s name
- Card Number and Card expiration date
- Anticipated arrival date and length of stay

- 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.

5.2.2.3 Written Confirmation of Guaranteed Reservations

You must provide Cardholders with written confirmation of each guaranteed reservation. The confirmation must contain:

- Cardholder's name
- Card Number and Card expiration date
- Reservation confirmation number
- Anticipated arrival date and length of stay
- 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.

5.2.2.4 Cancellation of Guaranteed Reservations

If a Cardholder seeks to cancel a reservation in accordance with your cancellation policy and specified time frames, you must provide the Cardholder with a cancellation number and instructions to retain a record of it. If the Cardholder requests a written confirmation of the cancellation of the guaranteed reservation, you shall forward the written confirmation within three (3) Business Days of the Cardholder's request. This cancellation confirmation must contain:

- A reference that charges were placed on the Card, if applicable, or a guarantee that a "no-show" charge will not be placed on the Card
- Cardholder's name
- Card Number and Card expiration date
- Reservation cancellation number
- Any other pertinent information related to the reserved accommodations
- Date of the cancellation
- Name of Merchant agent that processed the cancellation

5.2.2.5 Sales Data for "No-Show" Charges

If the Cardholder does not cancel a reservation in accordance with your cancellation policy and specified time frames and the Cardholder does not use the accommodations and you do not rent the room to another guest, you may charge the Cardholder for a "no-show" Card Sale equal to one night's lodging (plus applicable taxes) by preparing and transmitting Sales Data with the following information:

- Cardholder's name
- Card Number and Card expiration date
- Hotel name and location
- Room rate (as quoted when reservation was made), including applicable taxes
- Card Sale date
- Authorization Code.

Note: The Transaction Documentation you prepare in connection with a no-show Card Sale must, in addition to the information required above for Sales Data, display the initials of your employee that processed the no-show Card Sale and the words "No-Show" printed on the Cardholder's signature line.

5.2.3 Advance Deposit

You may require Cardholders to pay a deposit at the time the Cardholder makes a reservation if you comply with the requirements in this Section 5.2.3. The amount of the deposit cannot exceed the cost of seven (7) nights lodging (plus applicable taxes) and the deposit must be applied to the Cardholder's entire bill. When you require an advance deposit, you must provide the Cardholder with the information required below.

5.2.3.1 Obligations with Advance Deposits

If you take advance deposits for reservations, you must comply with the following requirements:

- Hold reserved accommodations until check-out time following the last day covered by the advance deposit
- Specify a reservation cancellation time frame including the date and time when cancellation privileges expire
- Fully reimburse the advance deposit when the Cardholder cancels a reservation within the specified time frame
- Provide a written disclosure informing the Cardholder of his or her rights and obligations and that failure to cancel a reservation within the specified time frame may result in forfeiture of all or part of an advance deposit.

Note: Cardholders may NOT be charged a “no-show” penalty in addition to a forfeited advance deposit under this policy.

5.2.3.2 Sales Data Requirements for Advance Deposits/Folio

For each advance deposit taken by you, you shall prepare Sales Data in the amount of the advance deposit and transmit it to us immediately after taking the reservation involving the advance deposit. Sales Data for advance deposits must contain the following information:

- Cardholder’s name
- Card Number and expiration date
- Cardholder’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).

Note: The Transaction Documentation prepared in connection with an advance deposit Card Sale must, in addition to the information required in Section 5.2.3.2, display the words “Advance Deposit” printed clearly on the Cardholder signature line.

5.2.3.3 Written Confirmation

You must provide the Cardholder with written confirmation of an advance deposit that contains the following information.

- A copy of the advance deposit Transaction Documentation
- Reference that charges were placed on the Card Account
- Cardholder’s name
- Card 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.

5.2.3.4 Cancellation of Reservations with Advance Deposits

If the Cardholder requests a cancellation of a reservation in accordance with your cancellation policy and time frames, you must issue a Credit to the Cardholder’s Card Account for the full amount of the advance deposit charged to the Card Account within the number of days described in Section 7.1 of the Cardholder’s request. In addition, you must:

- Provide a cancellation number to the Cardholder, with instructions to retain a record of the number
- Send a copy of the Transaction Documentation reflecting the Credit and the name of the Merchant agent that processed the cancellation to the Cardholder within seven (7) calendar days of issuing the Credit
- Prepare Sales Data for the Credit as described in Section 5.2.3.5 and transmit the Sales Data to us within the number of days described in Section 7.1 of the Cardholder’s request.

5.2.3.5 Sales Data Required for Cancellation of Reservations with Advance Deposits

You must prepare and transmit Credit Sales Data to us for each cancelled advance deposit reservation. The Sales Data must include the following information:

- Cardholder's name
- Card Number and expiration date
- Cardholder's complete mailing address and phone number
- Transaction date
- Reservation cancellation number
- Advance deposit amount (including applicable taxes).

Note: The Transaction Documentation prepared in connection with an advance deposit Credit must, in addition to the information required in Section 5.2.3.5, display the words "Advance Deposit Refund" printed clearly on your signature line.

5.2.4 Overbookings

If the accommodations reserved by a Cardholder pursuant to a guaranteed reservation or with an advance deposit are unavailable upon the Cardholder's arrival, you must, at your own expense, provide the Cardholder with the following:

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

5.2.5 Priority Check-out Service

If you offer priority check-out services, you must comply with the following requirements:

- Require the Cardholder to sign the registration card at the time of check-in acknowledging responsibility for all charges
- Obtain an Authorization for the estimated amount of the accommodations at check-in
- Complete Sales Data at check-out by entering the total amount of charges incurred during the stay, including restaurant, telephone and miscellaneous expenses
- Write the words "Priority Check-out" on the signature line of the Transaction Documentation
- Obtain a final Authorization Code for any additional amounts from the check-in estimate to equal the total amount to be billed to the Cardholder. Follow the normal Authorization procedures set forth in Section 3.4
- Mail the Cardholder (at the address shown on the registration card) or otherwise deliver a copy of the Transaction Documentation and itemized lodging bill (portfolio) to the Cardholder
- Transmit completed Sales Data to us within the number of days described in Section 7.1.

5.2.6 Estimated Authorization

If you seek to obtain an Authorization for the estimated amount of charges to be billed to a Cardholder, you shall comply with the following procedures. At the beginning of the Cardholder's stay and on a periodic basis thereafter, you may obtain an Authorization as set forth in Section 3.4 for an amount equal to the estimated total of a Cardholder's charges based on the Cardholder's intended length of stay and other criteria. You must follow the procedures in Section 5.2.6.1 to obtain an Authorization for the amount of the estimated charges expected during the length of a Cardholder's stay and to obtain additional Authorizations for actual charges that exceed the amount originally estimated by you for which you already obtained an Authorization.

5.2.6.1 Check-in Estimate

At check-in, you may estimate the Cardholder's total charges based on the following criteria and obtain an Authorization for the amount of that estimate:

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

5.2.7 Changes to Estimated Charges

You must monitor the actual charges incurred during the course of a Cardholder's stay to ensure that the actual charges do not exceed the original amount indicated in the estimated Authorization. In the event the actual charges begin to exceed the original estimated Authorization, the following conditions apply:

- You must secure a positive Authorization Response for the amount of actual charges in excess of the estimated authorization
Note: Such amounts should not be cumulative and each additional Authorization Request submitted by you should cover a separate portion of the total amount. If an Authorization Request is declined, you must not submit additional Authorization Requests to us for that Cardholder and any portion of the Cardholder's total charges not receiving a positive Authorization Response that you submit in Sales Data to us is subject to Dispute
- A final (or additional) Authorization is not required if the final amount (total sum) of the Cardholder's charges does not exceed the sum of the previously authorized charges, plus a 20 percent tolerance
- The dates, Authorization amounts, and their respective Authorization Codes must be individually recorded on the Sales Data and folio and sent as separate Card Sales to us for processing.

5.3 Car Rental Industry

Provided below are requirements applicable to Merchants in the car rental industry. If applicable, you are responsible for compliance with the requirements of this **Section 5.3**. At the time of a car rental, you must clearly disclose in a written agreement signed by the Cardholder each of the following amounts: car rental charges, the amount of insurance (and, if selected by the Cardholder, you must retain evidence of the Cardholder's consent to the purchase of insurance coverage), and other costs and charges, including refueling charges, agreed upon by the Cardholder at the time of the car rental. Authorizations and Sales Data that you submit to us relating to Card Sales in the car rental industry that do not comply with the requirements of this **Section 5.3** may result in our assessment of Fees against you and/or may be subject to Dispute.

5.3.1 Estimated Authorizations

If, as a car rental industry Merchant, you seek to obtain an Authorization for the estimated amount of charges to be billed to a Cardholder, you must comply with the procedures in this **Section 5.3.1**. At the time that the Cardholder takes possession of the rental car, you may obtain Authorization as set forth in **Section 3.4** for an amount equal to the estimated total of a Cardholder's charges based upon the Cardholders intended rental period and other criteria, provided that you disclose to the Cardholder at the time of the car rental the calculation process and an estimated total to be billed to the Card Account in a written agreement signed by the Cardholder that also discloses the amount of any additional and/or delayed charges, including the amount and conditions of insurance coverage (where specifically agreed to in writing by the Cardholder), refueling charges (and the cost per gallon), mileage-related charges, late fees, alternative location drop-off charges, and tickets (citations) for parking and traffic violations. You must also provide a copy of the rental car agreement to the Cardholder and retain a copy for your use in the event of a Dispute. You must comply with the following procedures when obtaining an Authorization for estimated charges and for any additional Authorizations obtained if the actual charges, additional costs and/or damage disclosed in the car rental agreement signed by the Cardholder exceed the estimated charges for which an Authorization was already obtained.

5.3.1.1 Computing Estimated Charges

At the time the Cardholder takes possession of the rental car, you may estimate the Cardholder's total charges based upon the following criteria disclosed in the rental car agreement described in Section 5.3.1 and obtain an Authorization for the amount of that estimate:

- Intended length of rental;
- Rental rate, including insurance and other elected options;
- Applicable taxes;
- Applicable service charges, including estimated mileage and fuel options; and
- Any miscellaneous charges, as dictated by experience.

5.3.1.2 Final Charges

You need not obtain a final (or additional) Authorization at the end of the vehicle rental period if the final amount (total sum) of the Cardholder's charges does not exceed 120 percent of the sum of the charges estimated by the Merchant with respect to which the Merchant obtained an Authorization Response. However, you must issue an Authorization cancellation equal to the amount by which the estimated Authorization, as described in **Section 5.3.1.1**, exceeds the actual amount payable by the Cardholder pursuant to the rental car agreement signed by the Cardholder.

5.3.1.3 Delayed Charges

If the Cardholder agreed to be responsible for certain delayed charges in the car rental agreement, you need not obtain additional approval from the Cardholder to submit a subsequent Authorization Request and Sales Data for charges incurred by the Cardholder during the rental period but that were not identified by you until after you submitted Sales Data for the vehicle rental. Such Cardholder pre-approved charges may include any of the types of fees or charges listed in **Section 5.3**; provided that regardless of amount, such amounts and fees must be disclosed in the car rental agreement signed by the Cardholder and you must always obtain a separate Cardholder approval before you may submit an Authorization Request or Sales Data for insurance costs and/or charges related to vehicle loss, theft or damage during the rental period.

5.4 Cash Over

Cash Over is a Card feature that enables Cardholders to obtain cash in connection with a Card Sale without using a personal identification number. Cash Over shall not be treated as a Cash Advance or quasi-cash. If permitted by the terms of your Agreement or other agreement governing Cash Over, you may disburse Cash Over provided that you must comply with the following requirements applicable to each Card Sale with a Cash Over component:

Authorization Requests and Sales Data for Card Sales involving Cash Over must be submitted to us in the form and format specified in the Technical Specification, including use of appropriate designations that the Card Sale includes Cash Over, as described in **Section 5.4**.

You must obtain a positive Authorization Response from the Issuer using an electronic POS Device before dispensing cash in any Card Sale involving Cash Over. You must deliver to the Issuer a single Authorization Request for the aggregate of the goods/services purchase amount and the Cash Over amount of the Card Sale. You may not submit separate Authorization Requests for the purchase amount and the Cash Over amount, and if you do, the entire amount of the Card Sale is subject to Dispute

If you are unable to capture the required Card data electronically using a POS Device, you cannot accept a Card for Cash Over

The Sales Data you submit to us in connection with a Card Sale involving Cash Over must include both the purchase amount and the Cash Over amount of the Card Sale. You may not submit separate Sales Data to us for the purchase amount and Cash Over amount

No minimum purchase is required to disburse Cash Over to a Cardholder, provided that some portion of the total Card Sale amount must be attributable to the purchase of goods or services by the Cardholder. You must not disburse Cash Over as a stand-alone transaction

The maximum amount of cash that you may disburse to a Cardholder in connection with a Card Sale involving Cash Over shall be indicated in your Agreement.

5.5 Automated Terminals or POS Devices

5.5.1 Customer Activated Terminals ("CATs")

Merchants, including Merchants in the petroleum industry, are eligible to use CATs to conduct Card Sales if approved in advance by us. If, after you receive our approval, you use CATs to accept Cards, you must comply with the requirements indicated below.

- You must contact us to obtain a unique Discover Network Merchant Number for use exclusively in connection with Card Sales conducted at your CATs.

- You must use the unique Discover Network Merchant Number assigned for use with your CATs for all Card Sales using your CATs, and you must not use the unique Discover Network Merchant Number assigned for use with your CATs in connection with any Card Transactions conducted using any POS Device other than your CATs.
- A CAT terminal may not be used to conduct Cash Over transactions even if you are permitted to conduct Cash Over transactions as described in Section 5.4.
- If you comply with the procedures in this Section 5.5.1 and the procedures for obtaining Authorization Responses in Section 3.4, the Card Sales that you accept on CATs will not be subject to Dispute for your failure to obtain the Cardholder's signature.
- In connection with each Card Sale at a CAT, (i) the Card must be present at the time of the Authorization Request, and (ii) the Authorization Request must include the entire, complete and unaltered Track Data. Sales Data relating to the actual Card Sale must be submitted to us within ten (10) calendar days following the Authorization Request.
- Provided the Card Sale otherwise complies with the requirements under this Section 5.5.1, if you are a Merchant operating in the petroleum industry that conducts Card Sales at CATs (i.e., MCC 5542), you may submit an Authorization Request for \$1.00 to verify the validity of the Card presented and, if the Issuer provides an approved Authorization Response, the Card Sale will not be subject to Dispute for your failure to obtain an Authorization for the full amount of the Card Sale provided the full amount of the Card Sale is \$75 or less.

The Card Sale conducted at a CAT may be subject to Dispute for reasons other than your failure to obtain the Cardholder's signature, as described in these Operating Regulations and the Dispute Rules, including, without limitation, noncompliance with the requirements in this Section 5.5.1 and Section 3.4.

5.5.2 Self Service Terminals

You may use Self-Service Terminals to conduct Card Sales provided you comply with the requirements indicated below.

- Each Card Sale conducted at a Self Service Terminal must comply with all of the requirements in these Operating Regulations for a Card Present Card Sale at a POS Device that is staffed by an attendant
- The Self Service Terminal must require, and you must retain a Transaction Receipt documenting the signature of the Cardholder conducting each Card Sale
- A Self Service Terminal may be used to conduct Cash Over transactions provided that (i) such Self-Service Terminal is able, and enabled to, automatically limit dispensed Cash to the exact amount of the Cash Over requested by the Cardholder, (ii) the Authorization Request indicates that the Cash Over transaction is conducted at a Self-Service Terminal, in accordance with the Technical Specifications, and (iii) the Card Sale with Cash Over otherwise complies with the Operating Regulations, including the requirements for Cash Over in this **Section 5.5.2**, and the Technical Specifications.

Note: Unlike a CAT where the Cardholder's signature is not required if the Card Sale at the CAT otherwise complies with the requirements in these Operating Regulations, **Card Sales at Self Service Terminals require a Cardholder signature.** Card Sales at Self Service Terminals must comply with the same requirements that apply to Card Sales conducted at attended standard POS Devices. If a Self Service Terminal used by you does not require and obtain the Cardholder's signature, each Card Sale at the Self Service Terminal may be subject to Dispute.

5.6 Contactless Card Transactions

Cards that may be used to conduct Contactless Card Transactions may display a contactless icon. A Contactless Card Transaction for which Track Data is received by us with the Authorization Request and that otherwise complies with the applicable requirements of these Operating Regulations and the Technical Specifications will constitute a Card Present Card Transaction.

5.7 Biometric Card Transactions

A Biometric Card Transaction is a Card Sale conducted where the Cardholder's identity is verified and the Card Transaction is conducted using the Cardholder's unique fingerprint or other unique physiological characteristic. We may require your POS Device to be programmed to transmit specific data to us with the Authorization Request for each Biometric Card Transaction, as described in the Technical Specifications. If you fail to transmit such required data to us, the Card Sale may be subject to Dispute, you may lose a Dispute of the Card Sale, and/or you may be charged a higher Merchant Fee or other Fees, including Submission Error Fees.

5.8 No Signature Required Card Sales

If the MCC indicated in our records for your Merchant Account is one of the MCCs designated below, Card Present Card Sales conducted by you will not be subject to Dispute and you will not lose a Dispute for failure to obtain the Cardholder's signature on the Transaction Receipt if (i) the Track Data is transmitted to us with the Authorization Request, and (ii) the Card Sale amount is \$25.00 or less. Contactless Card Transactions and Biometric Card Transactions are eligible as No Signature Required Card Sales provided further that the Card Sales are conducted in accordance with this section, provided that Track Data is not required to be transmitted to us with an Authorization Request for a Biometric Card Transaction. No Signature Required Card Sales conducted in accordance with the foregoing requirements may be subject to Dispute and loss of a Dispute for other reasons specified in these Operating Regulations and the Dispute Rules.

MCC	MCC Name
4111	Local Commuter Transport
4121	Taxicabs and Limousines
4131	Bus Lines
4784	Tolls and Bridge Fees
5411	Grocery Stores and Supermarkets
5499	Misc Food Stores
5541	Service Stations
5812	Eating Places and Restaurants
5814	Fast Food Restaurants
5912	Drug Stores / Pharmacies
5994	News Dealers / Newsstands
7211	Laundries
7216	Dry Cleaners
7338	Quick Copy / Reproduction Services
7523	Parking Lots and Garages
7542	Car Washes
7832	Motion Picture Theatres
7841	Video Rental Stores
9402	Postal Stamps / Postal Services

6.0 CASH ADVANCE OPERATING REGULATIONS

6.1 Introduction

If permitted by your Cash Advance Agreement, you may dispense Cash Advances to Cardholders in strict compliance with the requirements of this Cash Advance Operating Regulations section of these Operating Regulations. Cash Advances may only be dispensed in face to face Card Present transactions between the Cash Advance Merchant and the Cardholder and only in accordance with the terms and conditions set forth in these Operating Regulations. Cash Over (See **Section 5.4**) does not constitute a Cash Advance subject to this **Section 6.0**.

6.2 Card Acceptance Requirements

You must perform each of the following functions for each Cash Advance.

6.2.1 Physical Presence of Card

A Card must be physically present for all Cash Advances. You may not conduct Card Not Present Cash Advances. If you conduct a Cash Advance and the Card is not physically present, the Cash Advance is subject to Dispute.

6.2.2 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 a Card presented to you has an expired date, please call the Authorization Center at 1-800-347-1111. You may not accept an expired Card for a Cash Advance unless the Authorization Center has confirmed that the Card Account is in good standing, and if you do, the Card Sale may be subject to Dispute.

6.2.3 Signature on Card

If the valid Card bears a signature panel on the back of the Card, verify that there is a signature on the signature line and that the signature on the back of the Card matches the name on the front of the Card, and follow the procedures specified in Section 3.1.2.

6.2.4 Minimum/Maximum Dollar Limits and Other Limits

You may not require a Cardholder to receive a minimum amount of cash in order to use a Card for a Cash Advance. If the amount Authorized by the Issuer in an Authorization Response for a Cash Advance is less than the amount requested by the Cardholder in the original Authorization Request, you shall complete the Cash Advance and dispense cash in the amount Authorized by the Issuer, not in the amount of the original Authorization Request, and any amount of cash dispensed above the Authorized amount is subject to Dispute. The daily aggregate limit for Cash Advances that a Cardholder in good standing may conduct is the lesser of: (i) the daily limit that you establish for Cash Advances at your location, or (ii) a limit established by the Issuer. If you submit an Authorization Request for a Cash Advance in excess of the applicable daily limit established by the Issuer, the Issuer will respond with a negative Authorization Response for the Cash Advance.

6.3 Obtain Authorization Responses

You must obtain a positive Authorization Response from the Issuer, as described in Section 3.4, before dispensing cash in any Cash Advance. You may obtain an Authorization Response from the Issuer by submitting an Authorization Request to us electronically using a POS Device or by voice over the telephone. Because you must obtain an Authorization Response from the Issuer for each Cash Advance, you may not use the down-time Authorization procedures described in Section 3.4.9 for Cash Advances. For each positive Authorization Response provided by an Issuer for a Cash Advance, the Issuer will provide an Authorization Code, which you must write on the Cash Advance Sales Slip, unless you obtained the Authorization Response using a POS Device in which case the Authorization Code must be printed on the Cash Advance Transaction Receipt.

6.3.1 Credits Prohibited

All Cash Advance transactions are final after cash is dispensed to the Cardholder. If a Cardholder cancels a Cash Advance transaction before cash is dispensed, an Authorization void may be processed through your POS Device using the procedures provided to you by your POS Device provider. If a POS Device was not used to obtain the Authorization Response for the Cash Advance, you must cancel the Authorization Request by calling the Authorization Center (See

Section 3.4.7). **You may not issue Credits for Cash Advances.** We will not be obligated to reimburse you if you issue a Credit for a Cash Advance transaction.

6.4 Documentation of Cash Advances

You must prepare and fully complete Transaction Documentation for each Cash Advance Transaction. You must provide the Cardholder with a completed copy of the Transaction Documentation at the time of completion of the Cash Advance transaction. The form and format of the Transaction Documentation prepared by you must comply with the requirements in this section and the other requirements in these Operating Regulations, including the Technical Specifications.

6.4.1 Transaction Receipts

When a Cash Advance is completed using a POS Device, you must retain a copy of the Transaction Receipt and must provide one copy of the Transaction Receipt to the Cardholder. The Transaction Receipt must comply with the requirements of Section 3.2.2. In addition, the Cash Advance Transaction Receipt must include the following items:

- Cardholder's street address, city, state and zip code (country, if other than U.S.)
Note: If the Cardholder's address on the identification presented in connection with the Cash Advance transaction is different than his/her current address, you shall record the most current address on the Transaction Receipt
- Type, number and state of issuance of at least one of the following pieces of government issued photographic identification presented by the Cardholder, unless the writing of this number is prohibited by Requirements of Law, in which case you shall identify the type of identification: Driver's License, Passport, U.S. Armed Forces Identification, U.S. Alien Registration or Non-Driver State Identification Card.

6.4.2 Sales Slips

If you do not use a POS Device to electronically capture Card data in connection with Cash Advance transactions, you must use a suitable imprinter to clearly imprint the embossed information from Card (See Section 10.1 for information that is embossed on the Card) onto the Cash Advance Sales Slip and you must fully complete the information described in Section 3.2.2 on the Sales Slip, which shall include the name or initials of your employee conducting the Cash Advance. After imprinting the Card onto the Cash Advance Sales Slip, complete the Sales Slip with the information described in Section 3.2.2 and ensure that all printed and written information is clearly readable on all copies of the Sales Slip. You must provide one copy of the Cash Advance Sales Slip to the Cardholder after completing the Cash Advance. If you cannot imprint a valid Card, including a Discover 2GO® Card or other device approved by us as a Card, ask the Cardholder for his/her standard Card that can be imprinted. If you cannot imprint a Card because it does not have embossed features, you should determine whether the Card displays the features of valid Cards described in Section 10.1. If a Card imprint does not display all the embossed features applicable to the type of Card being used, the Card Sale may be subject to Dispute. The Sales Slip must comply with the requirements of Section 3.2.3. In addition, the Cash Advance Sales Slip must include the following items:

- Cardholder's street address, city, state and zip code (country, if other than U.S.)
Note: If the Cardholder's address on the identification presented in connection with the Cash Advance is different than his/her current address, you shall record the most current address on the Sales Slip
- Type, number and state of issuance of at least one of the following pieces of government issued photographic identification presented by the Cardholder, unless the writing of this number is prohibited by Requirements of Law in which case you shall identify the type of identification: Driver's License, Passport, U.S. Armed Forces Identification, U.S. Alien Registration or Non-Driver State Identification Card.

6.5 Submit Cash Advance Sales Data

You must transmit all Cash Advance Sales Data in the form and format specified by us in accordance with the requirements of Section 7.1. If your POS Device is inoperable for an extended period of time, Cash Advance Sales Data can be submitted for settlement by mailing manually prepared Cash Advance Sales Slips with a paper Merchant Batch Transmittal form (See Section 7.1.2). You must submit and batch all Cash Advance slips to us within ten (10) calendar days of the date that you conducted the Cash Advance or you may be obligated to pay a Submission Error Fee. The amount of the Submission Error Fee is indicated in

your Cash Advance Agreement, or other written notice from us, and/or your Merchant Activity Reports, as applicable. You must prepare and fully complete Cash Advance Sales Data for each Cash Advance. You must provide the Cardholder with a completed copy of the Cash Advance Transaction Receipt or Cash Advance Sales Slip.

7.0 PROCESSING AND SETTLEMENT

7.1 Submission of Sales Data

You must submit Sales Data to us, at the location designated by us, within ten (10) calendar days of the Card Transaction date unless we notify you of a different submission deadline. If you submit Sales Data after the submission deadline (“late” or “stale” transactions), we may: (i) charge Submission Error Fees as described in Section 9.3; (ii) hold Settlement Amounts for the time period that we deem necessary; and/or (iii) Dispute such Card Transactions. The amount of such Submission Error Fee shall be indicated in your Agreement, Exhibit B to your Agreement or other notification from us, as applicable. You are responsible for, and shall indemnify and hold us harmless against, all claims, damages and lawsuits arising out of Card Transactions with respect to which you do not submit Sales Data to us, for Sales Data that you fail to submit to us by the submission deadline and/or Sales Data that document Factoring (See Section 10.4). Except for Cardholder deposits for purchases, you may not send us Sales Data for goods or services ordered by a Cardholder until the goods or services have been delivered or furnished to the Cardholder. See Section 3.2.4 for documentation of delayed delivery Card Sales.

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. Please follow the instructions given to you by your POS Device provider on how to process and submit Sales Data using your terminal.

Note: If you submit your Sales Data electronically, do not mail your Transaction Documentation to us unless we direct you to do so.

7.1.2 Submitting Paper Sales Data

You must comply with the following requirements if you submit paper Transaction Slips to us for Settlement. Each batch of Transaction Slips submitted for Settlement must be accompanied by a Merchant Batch Transmittal Form. Each batch of paper Transaction Slips should be prepared as indicated below.

- Using your Merchant Identification Plastic, imprint a Merchant Batch Transmittal Form the same way you imprint a Card on a Transaction Slip and complete the Merchant Batch Transmittal Form with the following information:
 - Total number of Transaction Slips included in the batch
 - Total dollar amount of Transaction Slips included in the batch
 - Total number of Credit Slips included in the batch
 - Total dollar amount of Credit Slips included in the batch
 - Total net amount of Card Transactions (Card Sales minus Credits) included in the batch
 - Mailing date of the batch
 - Signature of an authorized representative of Merchant
 - Merchant phone number.
- Place the hard copy (last) of the Merchant Batch Transmittal Form in the front of the batch of Transaction Slips. Retain the other copies of the Merchant Batch Transmittal Form for your records.
- Use the pre-addressed transmittal envelope to mail the batch of Transaction Slips to us. Do not submit Sales Slips to us for Settlement until the goods or services has been delivered or furnished to the Cardholder. Submit only one copy of each Transaction Slip to us for Settlement.

If you send Sales Data in the form of paper Transaction Slips to us by mail, you agree to send your Sales Data to the location that we specify to you, which may be indicated on envelopes we provide to you for purposes of mailing paper Sales Data to us. In remitting paper Sales Data to us, you must provide us with the location (city/state) of each Card Transaction included in the batch of paper Sales Data you submit. Settlement will be made to you directly after your paper Sales Data has been received and processed, as described in these Operating Regulations.

7.1.3 Invalid, Missing or Unreadable Sales Data

We will notify you if all or a portion of the Sales Data received by us cannot be processed due to invalid, missing or unreadable data. In the event that all or portion of the Sales Data that you submit to us is invalid, missing or unreadable, you are responsible for:

- Re-submitting valid, readable Sales Data to us in proper form immediately; and

- The risk of any loss with respect to the affected Card Transactions, including for damage to or destruction of Sales Data, whether or not held by us, until complete, usable Sales Data is successfully received by us.

7.1.4 Record Retention

You agree to keep an original copy of all Sales Data, Transaction Documentation, mail/telephone order forms, the documentation required in these Operating Regulations and other document(s) related to the performance of your obligations under these Operating Regulations, including shipping invoices, for the later of: (i) 365 days from the Card Transaction date other than for delayed delivery Card Sales; (ii) 180 days from the date of final delivery of conforming goods or the completion of conforming services that are the subject of a delayed delivery Card Sale, or (iii) the resolution of any pending or threatened Disputes, claims, disagreements or litigation involving or relating to the Card Transaction. You may keep microfilm or other copies of Sales Data for up to three (3) years from the date of the Card Transaction; provided that any failure by you to provide a copy of Sales Data to us upon request for up to three (3) years following the Card Transaction date may result in a Dispute, including Chargeback, of the Card Transaction to you or may result in your loss of a Dispute of the Card Transaction. You agree to provide us with a copy of any Sales Data, Transaction Documentation, mail/telephone order forms and the documentation required in these Operating Regulations, within twenty-two (22) calendar days of our request for such information, as indicated in the Dispute Rules. If you fail to comply with the requirements in this section, Disputes may be resolved against you for failure to provide documentation upon request.

7.2 Settlement

Each Banking Day, we will provide Settlement and pay related Settlement Amounts to you for the amount of each valid Card Transaction for which we have successfully received valid Sales Data that complies with the requirements of these Operating Regulations, including the Technical Specifications. Your Settlement Amount for each period will be the sum of the following items:

- Sales Data for Card Sales (See Section 7.1)
- Plus Sales Data for Cash Advances (See Section 6.4 and 7.1)
- Minus Sales Data for Credits (See Section 3.3)
- Plus Cash Advance Transaction Fees (See Section 9.4)
- Plus or minus Disputes, including Chargebacks and other claims described in the Dispute Rules
- Minus Merchant Fees, as applicable, Submission Error Fees and other Fees payable by you (See Section 9.0), as applicable
- Plus or minus any Reversals or Adjustments to reconcile or correct any errors in Sales Data or Disputes (See Section 7.2.1).

Reversals or Adjustments to remedy discrepancies between the batch transmittal total in Sales Data and the actual sales detail will be offset against the same or subsequent Banking Day's Settlement Amount. Settlement in connection with Disputes, including Chargebacks and Representments, will be offset against the same or subsequent Banking Day's Settlement Amount.

We may, at our option, and you hereby authorize us to collect amounts owed by you under your Agreement or these Operating Regulations using any or all of the following means and not necessarily in the following order: (i) debiting your Settlement Account as described in Section 7.2.3; (ii) offsetting amounts otherwise payable to you, including in the Settlement process and/or; (iii) making demand on you for such amounts. You agree to immediately send us amounts owed to us upon demand. We may collect amounts owed by you or your Affiliates to us from the proceeds of Settlement Amounts payable to you.

7.2.1 Settlement Adjustments and Reversals

We may process Adjustments to you and you may submit Reversals to us with respect to Sales Data or Card Transactions that have been improperly processed; provided, however, that you must submit a Reversal to us within ninety (90) calendar days of the date of the Card Transaction that is subject to Reversal. Reasons for Adjustments and Reversals may include, but are not limited to:

- Calculation errors
- The total amount of Card Sales and Credits submitted in Sales Data by you did not match the actual total amount of Sales Data processed by us
- Sales Data was illegible, incorrectly completed or incomplete
- Items other than Card Sales, Cash Advances or Credits were submitted with Sales Data.

The Adjustment and Reversal reason codes we will use are listed below:

Code	Description
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AT	Debit the Merchant and Credit the Cardholder
BR	Credit the Merchant and Debit the Cardholder
IN	Invalid Card Account
MA/ML	Amount adjustment
MB	Card 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 Card Sale

7.2.2 Timing of Settlement Initiation

We will pay you Settlement Amounts in accordance with the timing set forth below unless we have notified you in writing of different Settlement timing. For Sales Data successfully received by us in electronic form and in compliance with these Operating Regulations and the Technical Specifications at or before 7:00 p.m. of your local time on a Banking Day at the location we specify, we will use commercially reasonable efforts to initiate an electronic transfer of the Settlement Amount to your Settlement Account on the next Banking Day following the Banking Day on which we received the Sales Data. For Sales Data successfully received by us in electronic form and in compliance with these Operating Regulations and the Technical Specifications after 7:00 p.m. of your local time on a Banking Day at the location we specify, we will use our commercially reasonable best efforts to initiate an electronic transfer of the Settlement Amount by the second Banking Day following the Banking Day on which we received the Sales Data. For Sales Data in paper form successfully received by us in compliance with these Operating Regulations at the location we specify, we will use our commercially reasonable best efforts to initiate an electronic transfer of the Settlement Amount to your Settlement Account on the second Banking Day following the Banking Day on which we received the Sales Data. We may change the schedule for Settlement timing upon five (5) days' written notice to you for any reason, including, without limitation, based on our concerns about your financial condition, Dispute history or business conduct and practices. Our initiation of Settlement to you on a certain day does not mean you will receive Settlement Amounts on that day. Actual timing of your receipt of Settlement Amounts depends on a number of factors, including the electronic method by which we initiate Settlement to you and the various parties involved in the banking and settlement system.

If your Agreement provides that you will receive Settlement Amounts from us by other than electronic means, we will initiate payment of such Settlement Amounts to you in accordance with the terms and conditions, including timing, of your Agreement.

7.2.3 Settlement Account

Depending on the Settlement option that you select, we will either (i) send Settlement Amounts electronically to a deposit account designated by you, as indicated in our records, at a financial institution in the United States that serves as the Settlement Account, or (ii) send you a check for each Settlement Amount. If you choose electronic Settlement, you authorize us to credit and debit the Settlement Account as indicated below and elsewhere in your Agreement, these Operating Regulations and the Dispute Rules and in accordance with the rules and procedures of the applicable clearinghouse association and settlement institution(s). This authority will remain in effect until five (5) Banking Days after we receive written notice of your cancellation of such authorization. We are not liable for any delays in the receipt of funds in your Settlement Account 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 your financial institution or your Agents return clearinghouse or other Settlement items sent by us for any reason, including insufficient funds, closed account or invalid account number, you agree to pay us the amounts you owe us and 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.

If you or we change the method used to pay Settlement Amounts to you, we may charge you a Fee in the amount of the additional cost incurred by us due to the new Settlement method. Additionally, if we receive returned items due to insufficient funds in your Settlement Account, we may charge you a Fee per returned item and we may also charge you for any fees incurred by us on the returned items.

7.2.3.1 Changing the Settlement Account

In order to ensure prompt Settlement of funds, please provide us with at least three (3) Banking Days' advance notice of any changes to your Settlement Account. When requesting a change to your Settlement Account, you will be required to verify the existing bank information. We may also request that you provide us with a copy of a voided check for the new Settlement Account and the reason for such change. Section 10.5.1 describes your obligation to notify us of any changes in ownership of your business, corporate changes and legal proceedings to which you are a party that may result in changes to your Settlement Account. You may use www.discovernetwork.com to print out a form and you may complete and submit this form to us to request a change in your Settlement Account. We will not be responsible for funds sent to an incorrect bank account due to your failure to notify us as set forth above. If the Settlement Account indicated in our records becomes inactive or transactions directed by us to the Settlement Account are returned to us, we may hold Settlement Amounts until you contact us to establish a new Settlement Account.

If you enter into a loan agreement with a third party that seeks to affect the Agreement or change Settlement directions, you must notify us. If you request to alter or change Settlement by means of a lending agreement, a Fee may be applied to your account to cover the costs of processing your request, which Fee will be disclosed to you by us as applicable.

7.2.4 Responsibility of Merchant for Settlement Verification and Merchant Activity Report Review

You are solely responsible for reviewing and confirming the accuracy of all of the Settlement Amounts and Merchant Activity Reports that you receive or have access to in order to confirm that the payments you receive from us correctly match 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 provide us with written notice of an objection to a Settlement Amount (or lack thereof) or to any Merchant Activity Report within ninety (90) days of the Settlement date 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 your 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 to you.

If you fail to provide us with prompt written notice as indicated above, you understand and agree that you are forever barred and stopped from challenging, objecting to, or otherwise disputing either the Settlement Amounts described in your Merchant Activity Reports or the Settlement Amounts paid (or not paid) to you. You also expressly release us from any and all claims, causes of action and defenses arising from, or related to, any Settlement Amount which you have not disputed by delivering actual written notice to us as described above. You acknowledge and agree that this release relates to future claims, and further understand and agree that this release and the related acceptance of responsibility for the review of Merchant Activity Reports and Settlement Amounts are material terms of these Operating Regulations and your Agreement, and without such terms, we would not agree to enter into the Agreement and provide related services in connection therewith.

7.2.5 Suspension of Settlement

We may, in our discretion, withhold or suspend Settlement Amounts payable to you without prior notice to you, as required by law (i.e. pursuant to a subpoena or court order) and/or in order to exercise our rights under your Agreement and these Operating Regulations, including the Dispute Rules. In addition, we are not obligated to provide Settlement to you for Sales Data that does not

comply with your Agreement, these Operating Regulations, the Dispute Rules and the Technical Specifications.

7.2.6 Failure by You to Accept Settlement

You will not be entitled to compensation or interest for lost funds availability due to your or your Agent's inability to accept or receive Settlement Amounts or a change in your Settlement Account (See Section 7.2.3.1). If you, your Agent or the financial institution where your Settlement Account is located is unable to accept Settlement Amounts for any reason, we will pay the amount due to you following our receipt from you or your Agent of bank account or other payment directions that we deem sufficient to permit you or your Agent to accept the Settlement Amounts.

7.3 Payments from Cardholders

You may not receive or process any funds representing a Cardholder's payment to the Issuer. The Issuer has the sole right to receive payment from Cardholders for Card Transactions made at your establishment. If you receive a payment from a Cardholder, you must immediately forward it to us at the following address:

Discover Network
Merchant Services Center
P.O. Box 3018
New Albany, OH 43054-3018

7.4 Merchant Activity Reports**7.4.1 Description**

We shall prepare periodic Merchant Activity Reports describing your Card Transaction activity during the period covered by the report, including the Card Sales, Cash Advances, Credits conducted by you, the Merchant Fees and other Fees applicable to you, any Disputes related to your Card Transactions and any other transactions including Reversals and Adjustments. We may provide Merchant Activity Reports to you or make them available for retrieval by you in a method designated by us, including at our website. We may charge you a Fee for paper Merchant Activity Reports that we provide to you. If we make Merchant Activity Reports available to you on our website, you are responsible for retrieving them. Please verify that each Merchant Activity Report includes the accurate total for all Card Transactions that you accepted and all Sales Data that you transmitted during the period covered by the report.

7.4.2 Waiver of Objection to Fee

You agree to notify us promptly of any objections to the amounts billed in your Merchant Activity Reports. If you do not notify us of any objection to an amount indicated in a Merchant Activity Report within sixty (60) days of the date that we issue the report, you agree to waive your right to object to such fee.

8.0 DISPUTE RESOLUTION

8.1 Dispute Resolution Process

The Dispute Rules are incorporated by this reference into these Operating Regulations and made a part hereof. The purpose of the Dispute Rules is to provide an orderly process for the resolution of any Disputes involving you and to ensure that the same procedures are followed for resolution of Disputes across the Network.

Issuers are directed to encourage a Cardholder to contact you directly in an attempt to resolve a Cardholder complaint before the Issuer initiates a Dispute. If the complaint is not resolved between the Cardholder and you, the Issuer may initiate a Dispute using the procedures described in the Dispute Rules.

We resolve Disputes between Issuers and Merchants and between Discover Network and Merchants using the processes described in the Dispute Rules. Issuers act on behalf of their Cardholders in connection with Disputes. Cardholders contact their Issuer to initiate Disputes regarding Card Transactions and the Issuer provides information about the Dispute to us. Issuers and Discover Network may also initiate certain Disputes. We will provide you with Dispute Notices requesting information about a Card Transaction subject to Dispute. You must respond to Dispute Notices in accordance with the Dispute Rules. When we receive your response to a Dispute Notice, we will review the information and documentation you provide to us in your response and proceed with the resolution of the Dispute as provided in the Dispute Rules. The Dispute Rules also describe the procedures for Dispute Arbitration. On occasion, we may forward to you requests by an Issuer for a Good Faith Investigation of a Card Transaction, as defined and described in the Dispute Rules, but the underlying Card Transaction will not be subject to Chargeback if you do not respond.

In the event of a conflict between the terms of the Dispute Rules and the terms of your Agreement, the terms of your Agreement take precedence over the Dispute Rules.

9.0 MERCHANT FEE AND OTHER FEES

9.1 Merchant Fee and Other Fees

You agree to pay Merchant Fees, Submission Error Fees and other Fees to us in the amounts specified by us in writing to you, including either in your Agreement or amendments thereto, Exhibit B to your Agreement or in other written notices or reports, including Merchant Activity Reports, that we provide to you, as applicable. The Merchant Fee payable by you consists of some or all of the following amounts: (i) a percentage of the dollar amount of the Card Sales accepted by you or a fee for each Card Sale accepted by you (in each case, "Discount"), as described in Section 9.2.1 and (ii) Per Transaction Fees, as described in Section 9.2.2. The Submission Error Fees payable by you are described in Section 9.3. You may also be obligated to pay Fees for services that you elect to receive from us, services that you elect to receive from third parties that you agree will be billed by us, and other Fees indicated in our records, including, application fees, set-up fees, fees for paper statements, and fees indicated in the Dispute Rules and Technical Specifications.

If you receive daily or monthly Merchant Activity Reports, these reports will indicate the types of Fees that you are required to pay, the method that we use to calculate the Merchant Fees payable by you and the amount of Fees payable by you, including Merchant Fees and Submission Error Fees. If you receive daily or monthly summary Merchant Activity Reports, these reports will provide the total amount of Fees payable by you, including Merchant Fees and Submission Error Fees.

When we establish your Merchant Fee, we rely on information that you provide in your application to become a Merchant, including your expected volume of Card Sales and average Card Sale amount. We may adjust your Merchant Fee, in our sole discretion, if our experience with you as a Merchant is different than the information included in your application.

9.2 Calculating Your Merchant Fee

Your Merchant Fee is calculated in accordance with the one of the following methods as indicated in our records.

9.2.1 Calculating the Discount Portion of Your Merchant Fee

The Discount portion, if any, of your Merchant Fee is calculated as described below. For a Discount based on a percentage of the dollar amount of Card Sales, we will calculate the Discount by multiplying the percentage indicated in your Agreement, Exhibit B to your Agreement or in a written notice provided to you, as applicable, by either the Gross Card Sales Amount or Net Card Sales Amount, as indicated in your Agreement, Exhibit B to your Agreement or in a written notice to you, as applicable, for which you transmit Sales Data to us during the Calculation Period. For a Discount based on a fee for each Card Sale, we will multiply the per Card Sale fee indicated in your Agreement, Exhibit B to your Agreement, other written notice from us and/or in your Merchant Activity Reports, as applicable, by either the Gross Card Sales Number or Net Card Sales Number for which you transmit Sales Data to us during the Calculation Period. The Discount and calculation method applicable to you are indicated in one or more of the following locations, as applicable: (i) the terms of your Agreement; (ii) Exhibit B to your Agreement; (iii) a written notice that we have provided to you; or (iv) Merchant Activity Reports that we send to you.

9.2.1.1 Variable Merchant Fees

If your Discount varies based on the type or class of Card product used in a particular Card Sale (e.g. Credit Card, Prepaid Card, Commercial, Debit Card, Premium), the Discount applicable to Card Sales conducted using each type of Card product will be identified in your Agreement, Exhibit B to your Agreement or other written notice to you or in Merchant Activity Reports we send to you, as applicable. If you receive Exhibit B to your Agreement, your Discount for all Card types other than credit shall be equal to the product of your credit Discount multiplied by the number listed opposite the respective Card type listed in Exhibit B.

9.2.1.2 Minimum and Maximum Discount

If the Discount amount payable by you for any type or class of Card product (e.g. Credit Card, Prepaid Card, Commercial, Debit Card, Premium) in any Calculation Period is less than the applicable Minimum Discount, you agree to pay an additional amount for such Calculation Period equal to the difference between the actual Discount that you owe for such Calculation Period and the Minimum Discount. If the Discount amount payable by you for any type of Card product in any Calculation

Period is greater than the Maximum Discount, you shall only be obligated to pay the Maximum Discount for such Calculation Period.

9.2.2 Calculating Your Per Transaction Fees

If you are required to pay Per Transaction Fees, we will calculate the amount that you owe in Per Transaction Fees for a given Calculation Period as follows: we will multiply the amount of your Per Transaction Fee by the total number of Card Sales or the total number of Card Sales and Credits, as indicated by us to you in writing in your Agreement, in Exhibit B to your Agreement, in another written notice from us and/or in your Merchant Activity Reports, as applicable, for which you transmitted Sales Data to us during the applicable Calculation Period.

9.2.3 Different Calculation Methods

If your Merchant Fee is calculated using a method other than those specified in this **Section 9.2**, the calculation method will be described in your Agreement and you will be obligated to pay us Merchant Fees computed in accordance with such other calculation method. The method by which we calculate your Merchant Fees may be changed at our discretion upon written notice to you, if permitted by your Agreement or Exhibit B to your Agreement.

9.3 Submission Errors

9.3.1 Submission Error Fees

You may be obligated to pay Submission Error Fees to us, as required pursuant to your Agreement, Exhibit B to your Agreement, other written notice from us to you and/or in your Merchant Activity Reports, as applicable, if certain Card Transactions conducted by you do not comply with our requirements or contain Submission Errors, as described below. We will notify you in writing of any Submission Errors that apply to your Authorization Requests or Sales Data and of any related Submission Error Fees payable by you in connection with such Submission Errors. If you receive daily or monthly Merchant Activity Reports, these reports will indicate the type of Submission Errors and amounts of related Submission Error Fees that apply to your Card Transactions during the Calculation Period, and will reflect the total amount of Submission Error Fees payable by you for the Calculation Period. If you receive daily or monthly summary Merchant Activity Reports, these summary reports will provide only the total amount of Submission Error Fees payable by you for the applicable Calculation Period.

9.3.2 Types of Submission Errors

In certain cases, we may refer to an event of noncompliance with the Operating Regulations as a Submission Error. Certain types of Submission Errors are identified below. However, the types of Submission Errors that apply to you will be listed in your Agreement, Exhibit B to your Agreement or other written notice from us to you, and/or your Merchant Activity Reports, as applicable.

- Voice Usage: Use of a representative rather than an electronic terminal, POS Device or our automated service to obtain Authorization or Address Verification (See **Section 3.4.4**)
- Required CVV Data Missing or Incomplete: Failure to transmit CVV Data with an Authorization Request (See **Section 3.4.1**)
- Required CID Missing or Incomplete: Failure to transmit CID with an Authorization Request (See **Section 3.4.1**)
- Required Address Verification Not Obtained: Failure to obtain Address Verification (See **Section 3.4.10**)
- Late ("stale") transaction: Failure to transmit Sales Data to us by the submission deadline (See **Section 7.1**).

9.4 Cash Advance Transaction Fee

If indicated in your Cash Advance Agreement and you are a Cash Advance Merchant, we will pay a Cash Advance Transaction Fee for each Cash Advance conducted by you in accordance with the requirements in these Operating Regulations. The amount of the Cash Advance Transaction Fee is indicated in your Cash Advance Agreement, other written notice from us to you and/or in your Merchant Activity Reports. We will pay Cash Advance Transaction Fees on a monthly basis, within fifteen (15) Business Days after the last day of the month that constitutes the Calculation Period. Cash Advance Transaction Fees will be paid using the Settlement process described in **Section 7.2**.

9.5 Fees for Noncompliance with Security Requirements and Other Fees**9.5.1 Fees for Noncompliance with Security Requirements**

If you do not comply with the Security Requirements, we may charge you the fees indicated in Appendix 3.

9.5.2 Fees for Paper Merchant Activity Reports

We may charge you a Fee if you elect to receive paper, rather than electronic, Merchant Activity Reports. The amount of the Fee will be indicated in your Agreement, Exhibit B to your Agreement or other written notice from us, and/or in your Merchant Activity Reports, as applicable.

9.5.3 Application Fee

We may charge you a one-time application fee in an amount communicated to you at or before the time you submit your application to become a Merchant. If your application is approved, the amount of the application fee will appear on your Merchant Activity Report as "One-Time Application Fee."

9.5.4 Acceptance Mark Noncompliance Fee

We may charge you the Fees set forth in Appendix 3 attached hereto if you fail to comply with the terms of the License and any other usage requirements governing your use and display of the Discover Network Acceptance Mark and any Other Acceptance Marks.

9.5.5 Other Fees

If we incur any costs as a result of the exercise of our rights under your Agreement and/or these Operating Regulations or any other document or agreement governing your and our relationship in connection therewith or herewith, 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, you further agree to pay us for set-up Fees, fixed monthly Fees and other Fees indicated in the Dispute Rules and/or the Technical Specifications, as set forth in your Agreement, Exhibit B to your Agreement or other written notice from us, as applicable, or in our Merchant Activity Reports.

9.6 Fees of Third Party Service Providers

In addition to the Fees you owe to us under your Agreement, these Operating Regulations and the Dispute Rules or otherwise, we may also bill you and collect fees and charges from you on behalf of a third party service provider with which you have entered into a separate contract for services related to your Card Acceptance or participation on the Discover Network. The terms and conditions of your use of such third party service providers and the services they provide to you are governed solely by your agreements with such third party service providers and our billing to you and collection from you of Fees on behalf of any such third party service providers in no way constitutes our endorsement of the services promised or received by you from such third party providers and in no way obligates us to supervise or otherwise makes us responsible to you for the performance of or by such third party service providers. You agree not to bring any claims you may have against such third party service providers or relating to their services against us, even if we have already billed you and collected from you fees and charges relating to the disputed services.

9.7 Collecting Your Fees

We will calculate and collect the total amount of Fees that you owe us, including, without limitation, Merchant Fees and Submission Error Fees, if any, on a daily, monthly, or other applicable period basis, depending on your method of Settlement and the appropriate Calculation Periods determined by us and indicated in a notice to you. If we collect your Merchant Fees monthly, or on any basis more frequent than monthly, we may, upon thirty (30) calendar days' notice to you, increase the frequency at which we collect Merchant Fees from you, including, without limitation, daily collection, 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. We may, and you authorize us to, use any or all of the following means, at our discretion and not necessarily in the order listed below, to collect Fees from you: (i) debit to your Settlement Account; (ii) offset the total amount of Fees owed by you, including Merchant Fees, Submission Error Fees and fees for noncompliance with the Security Requirements in **Section 13** of these Operating Regulations, from the Settlement Amount we would otherwise pay you; or (iii) you will pay us any amounts that you owe us on demand.

10.0 FRAUD PREVENTION

We have implemented procedures and policies intended to help protect Merchants and Cardholders from fraudulent Card usage. By following the risk management and fraud prevention and detection requirements in these Operating Regulations, you will help to protect the interests of your business and those of your valued customers.

10.1 Card Security Features

You must review the validity of Cards presented for Card Sales and Cash Advances and must verify that any Card presented is valid prior to initiating a Card Transaction. You may verify the validity of a Card by examining it to confirm that it includes the features described in this section. Please be sure that you and your employees are familiar with the features of valid Cards. If we determine that a Card involved in a Card Transaction did not display one or more of the features of a valid Card, the Card Transaction may be subject to Dispute, including Chargeback.

10.1.1 Card Security Features Common to All Standard Rectangular Plastic Cards with a Discover Network Acceptance Mark or Discover/NOVUS Acceptance Mark

All valid standard rectangular plastic Cards bearing the Discover Network Acceptance Mark or the Discover/NOVUS Acceptance Mark include the following common characteristics and distinctive features. However, please note that valid Cards may not always be rectangular in shape (e.g., Discover 2GO® Card).

- Card Numbers are made up of at least 16 digits embossed on the front of the Card
- The embossed numbers in the Card Number should be clear and uniform in size and spacing within groupings
- The embossed expiration date, if present, appears in a mm/yy format and indicates the last month in which the Card is valid
- The Card contains a magnetic stripe
- Depending on the issuance date of the Card, the word DISCOVER or DISCOVER NETWORK will appear in ultraviolet ink on the front of the Card when it is held under an ultraviolet light
- An underprint of “void” on the signature panel becomes visible if erasure of the signature is attempted
- The Card Number or portion of the Card Number displayed on the signature panel on the back of the Card should match the number embossed on the front of the Card and appear in reverse indent printing
- The Card Number on the back of the Card is followed by the Card Identification Data (“CID”)
- An overprint on the signature panel reads Discover Network. On some cards, the overprint may display the name of the card (i.e. Discover, Discover 2GO®, Discover Platinum)
- A contactless icon may appear on the back of the Card indicating the Card can be used to conduct Contactless Card Transactions.

10.1.1.1 Debit Card, Credit Card and Prepaid Card - Identity Known Security Features

In addition to the common security features for all Cards listed above, most standard rectangular Debit or Credit Cards and Prepaid Cards - Identity Known include the following distinctive features.

- The Discover Network Acceptance Mark or the Discover/NOVUS Acceptance Mark will appear on either the front or the back of the Card or on both sides of the Card
- Discover Network three-dimensional hologram, bearing a distinct circular shape and images of a globe pierced by an arrow, water and stars on a repetitive pattern background (the “Discover Network Hologram”), appears on the front of the Card. The hologram reflects light and appears to move as the Card is rotated
- The embossed “Member Since” or “Year Joined” date (optional for Debit Cards and Prepaid Cards - Identity Known) appears on the front of the Card
- The embossed stylized D appears on the same line as the embossed “Member Since” date (optional for Debit Cards and Prepaid Cards - Identity Known) and “Valid Thru” (if present)

- The Cardholder name and if applicable, business name, is embossed on the front of the Card

Note: Prepaid Cards – Identity Known may not always be embossed with the Cardholder name.

10.1.1.2 Prepaid Gift Card Security Features

The features described below are found on Prepaid Gift Cards bearing the Discover Network Acceptance Mark or the Discover/NOVUS Acceptance Mark. However, the placement of these features may vary.

- The front of the Card will display either the Discover Network Hologram or “Not Valid for more than \$500” or another fixed denomination (e.g., \$25.00, \$50.00, etc.)
- Depending on the issue date of the Card, the Discover Network Acceptance Mark or the Discover/NOVUS Acceptance Mark will appear on the front or back of the Card
- The embossed stylized D appears on the front of the Card
- The front of the Card may display “Temporary Card,” “Prepaid Card” or “Gift Card.”

Note: Prepaid Gift Cards accepted at a limited, specific list of Merchants are not required to include the Discover Network Hologram and are not required to bear the Discover Network Acceptance Mark or the Discover/NOVUS Acceptance Mark on the Card.

10.1.2 Identification and Security Features of Cards with an Other Acceptance Mark

Certain Cards accepted on the Discover Network will bear an Other Acceptance Mark. Cards bearing the same Other Acceptance Mark will have security characteristics and distinctive features described below to assist Merchants in identifying valid Cards.

10.1.2.1 Common Security Features to Cards with the China UnionPay Mark

All Cards bearing the China UnionPay Mark, displayed below, include the following common characteristics and distinctive features:

- A 16 digit Card Number starting with ‘622’ is embossed on the front of the Card;
- Embossed digits on the Card should be clear and uniform in size and spacing
- The embossed expiration date appears in mm/yy format and indicates the last month in which the Card is valid
- The Card contains a magnetic stripe
- A three-dimensional hologram image of Heaven Temple in the foreground with Chinese characters in the background appears on the front of all such Cards. The hologram reflects light as it is rotated
- “Valid Thru” and the Cardholder name (which may not be in English) are embossed on the front of the Card.
- Three digit CID appears on the upper right corner of the signature panel.

Note: Text on Cards bearing the China UnionPay Mark may not be printed in English.



10.1.2.2 Security Features On Cards with the JCB Mark

All Cards bearing the JCB Mark, displayed below, include the following common characteristics and distinctive features:

- Card Numbers are made up of 16 digits, starting with '35', embossed or printed on the front of the Card.
- Embossed digits on the Card should be clear and uniform in size and spacing within groupings.
- The Cardholder name and, if applicable, business name, is embossed on the front of the Card.
- The JCB Mark appears on the front of the Card.
- A three-dimensional hologram image of rising sun, rainbow and 'JCB' in micro-lettering appears on either the front or the back of the Card. The hologram reflects light as it is rotated.
- The embossed expiration date appears in mm/'yy, mm/yy or mm/dd/yy format on the front of the Card and indicates the last month in which the Card is valid.
- The Card contains a magnetic stripe on the back of the Card.
- The word 'JCB' appears in ultraviolet ink on the left bottom of the front of the Card when held under an ultraviolet light.
- The first 4 digits of the Card Number match the 4-digit number pre-printed just below the embossed Card Number on the front of the Card.
- The first 4 digits of the Card Number displayed on the signature panel on the back of the Card match the last 4 digits of the Card Number that appears on the front of the Card.
- The last 4 digits of the Card Number on the back of the Card are followed by the 3-digit Card Identification Data.
- An overprint on the signature panel reads 'JCB' in two colors, blue and green.
- Some Cards have an embedded Integrated Circuit chip on the front of the Card.

NOTE: Some valid Cards bearing the JCB Mark will have a printed, unembossed Card Number on the Card. If a Card Sale involving a valid JCB Card with an unembossed Card Number cannot be completed by swiping the Card through the POS Device, the Card should not be accepted for the Card Sale. If you accept a Card that displays a printed, rather than embossed, Card Number and you are required to obtain a Card imprint, the Card Sale may be subject to Dispute or a Dispute may be resolved against you for failure to obtain an imprint of security features required to be embossed on the Card.



10.1.2.3 Security Features on Cards with Other Acceptance Marks

From time to time we may provide you in writing, including by publication on our website, detail regarding security features of Cards bearing Other Acceptance Marks.

10.2 Card Retrieval Requirements

Some Issuers may request you to retain a Card that is suspected of being counterfeit, is in the possession of someone other than the Cardholder or a person authorized by the Cardholder to use the Card or that is suspected of being used fraudulently. Under such circumstances, you may receive a “pick-up Card” or “call center” message in response to an Authorization Request. When complying with such a request, you must use reasonable, lawful means to retain the Card. Once retained, the Card must be cut in half and mailed to the following address:

Discover Network
Attn: Network Security
P.O. Box 3013
New Albany, OH 43054

Payment of a reward for your retention of Cards in response to an Issuer’s pick-up Card request is at the discretion of the Issuer. You will bear all responsibility for claims, liabilities, costs and expenses as a result of any attempt by you, your employees or any vendors or agents to retain a Card without the Issuer’s direct request or any failure to use reasonable, lawful means in retaining or attempting to retain a Card.

10.3 Reminders for Preventing Fraudulent Card Usage

In addition to following proper Authorization procedures described in these Operating Regulations, you and your employees should pay careful attention to both the Card presenter and the Card presented. In particular, you should follow the following procedures for every Card Transaction:

- Verify that the Cardholder’s signature on the Transaction Documentation matches the signature on the back of the Card (if the Card is of a type that bears a signature panel). If the signature on the back of the Card does not match the signature on the Transaction Documentation, please call us at 1-800-347-1111 and ask for a “Code 10” Authorization (See Section 3.5 for further instructions).
- If the Card has a signature panel, 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 and do not accept any expired Card unless you have called the Authorization Center and received approval to accept the Card
- Examine the Card for signs of alteration. Check the security features on the Card to ensure that they are valid, including, without limitation, checking Cards to determine if the stylized “D” is present (if applicable)
- Examine the hologram on the Card and ensure that it is three-dimensional, reflects light and appears to move as you rotate the Card
- If you have any doubts about the validity of the Card or the Card presenter, request and review additional identification from the Card presenter
- If you are using a POS Device to capture and process Card Transactions, verify that the Card Number printed on the Transaction Receipt matches the Card Number embossed on the front of the Card
- Follow procedures for Address Verification if conducting a Card Not Present transaction (See Section 3.4.10)

- Enter the CID for Authorization Requests, as described in **Section 3.4.1.2.**

10.4 Factoring

Factoring is an impermissible activity in which a Merchant submits Authorization Requests and/or Sales Data for Card Sales or Cash Advances that were conducted by another Person. You are expressly prohibited from factoring another Person's Card Transactions. If a Cardholder expresses a complaint or dissatisfaction with the goods or services supplied by a Person for whom you submitted Authorization Requests and/or Sales Data, such Card Transaction(s) may be subject to Dispute and you will be responsible for the Dispute, including any Chargeback of the Card Transaction. In addition, we may terminate your Agreement for factoring. If another business asks you to factor Authorization Requests or Sales Data for them, please notify our Security Department immediately at 1-800-347-3083.

10.5 Type of Business

10.5.1 Changes in Business

We have considered your application to become a Merchant and proposed the terms of your Agreement based upon the information you provided in your application, including the type and kind of business you conduct. You must notify us immediately if you engage in, or in the future intend to engage in, any new lines or types of business activities not disclosed on your application or if you materially change your business activities. You also must notify us immediately in writing or by calling 1-800-347-2000 under each of the following circumstances:

- Change of ownership
- Change in type or kind of business
- Change in your Merchant Category Code
- Change in business name (legal or doing-business as) or address
- Change in Settlement Account
- Change in your third-party processor or terminal provider
- Closing or liquidating your business entirely or any locations
- Change in your processing method (for example, changing from use of Sales Slips to POS Device)
- If you are or become a party to a voluntary or involuntary bankruptcy case under the Bankruptcy Code, become subject to a receivership proceedings or otherwise dissolve your business
- Change in the federal tax identification number listed in our records
- Entering into a loan agreement with a third party that seeks to affect the Agreement or change Settlement directions
- Change to the entity that is a party to the Agreement or entities listed in our records, including by merger or acquisition
- Change to or from a business that conducts exclusively retail sales to one that accepts Card Sales by Internet, telephone or mail.

10.5.2 Failure to Notify Us

If you fail to notify us of certain events as required by your Agreement or these Operating Regulations, we may terminate your Agreement. In addition, we may reject Dispute and/or Chargeback any Card Transactions related to a new business activity about which we have not been notified. We may charge you a different Merchant Fee or assess other Fees to you for any Card Sale related to any of your new business activities if we elect to process that Card Sale.

10.5.3 Prohibited Merchant Categories

We may, from time to time, identify types of businesses that are not eligible to be Merchants due to the nature of the business or excessive risk. We may terminate your Agreement immediately if we, at our discretion, determine that (i) you are not in compliance with the laws and sanctions programs administered by OFAC and/or other Requirements of Law, (ii) your participation in the Network and/or acceptance of Cards may cause us to not be compliance with Requirements of Law; or (iii) you are operating in or accepting Cards in connection with any of the following types of businesses (each a "Prohibited Merchant Category"): collection agency; debt consolidation service; credit

reporting service; credit cleansing service; payment service provider (PSP) (except as otherwise permitted by us in writing after the effective date of these Operating Regulations); the sale of quasi-cash or other monetary value unless otherwise permitted by us in writing; Internet gambling; telemarketing or other prize packages that require the use of a Card; the sale of any goods or services using deceptive practices; the sale of any goods or services similar to those described above; any other activity or service deemed illegal by any U.S. federal, state or local law, statute or regulation (e.g. aiding, facilitating or offering Internet gambling services; establishing quasi-cash credits or monetary value of any type that may be used for Internet gambling; the sale of counterfeit goods; the sale of alcohol, tobacco or firearms to minors; the direct or indirect sale and/or distribution of child pornography) or any other illegal purpose or the sale or marketing of a product or service for illegal purposes.

If you sell age-restricted products, you are responsible for validating the legal age of the purchaser and shall not conduct Card Sales with minors, as required by law, including Card Not Present transactions. If you do not establish effective age verification procedures, we may, at our discretion, terminate your Agreement immediately. The presentation or use of a Card does not guarantee that the Cardholder is of legal age to purchase an age-restricted product.

Pharmaceutical products requiring a prescription may not be sold by you without proper licenses and/or following sanctions by a professional and/or government regulator and prescriptions may be provided only as a result of a legitimate doctor/patient relationship in which the doctor has examined the patient or conducted an appropriate in-depth interview with the patient to determine that medication is appropriate. If you sell pharmaceutical products over the Internet, you must demonstrate that you have proper licenses to sell such products and you must comply with requirements for the authentication and validation of such orders. If you fail to provide such evidence, we may at our discretion, terminate your Agreement immediately.

11.0 MERCHANT SUPPORT

11.1 Merchant Assistance

Discover Network offers toll-free telephone assistance for all supply orders and general inquiries Monday through Friday from 8:30 a.m. to 8:00 p.m. Eastern Time at 1-800-347-2000, except on certain federally-recognized holidays. Additionally, our Authorization and Address Verification Services are available 24 hours a day, 7 days a week. Trained personnel are available to provide you with the service you need. Our Merchant Services Center may also be reached by mail at the following addresses:

Discover Network Merchant Services Center P.O. Box 3016 New Albany, OH 43054-3016	Discover Network Merchant Services Center P.O. Box 52145 Phoenix, AZ 85072-2145
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11.2 Supplies

Door decals and signage are available to you at no charge. If you send paper Sales Data to us for processing, you will also receive a Merchant Identification Plastic. Additional supplies and signage can be ordered online by visiting our website at www.discovernetwork.com or by calling our Merchant Services Center at 1-800-347-2000.

11.3 Online Services

Services we offer that are available on the Internet can be accessed through our website at www.discovernetwork.com. This website provides you with tools to facilitate your use of the many benefits provided by Discover Network. Some of the many features included on this website are as follows:

- Review Dispute Notices
- Review your Merchant Activity Reports
- Order supplies and signage
- Review Discover Network Acceptance Mark Guidelines
- Submit questions or suggestions to us at your convenience
- Learn about special promotions and offers
- Access reference materials
- Learn of the latest news about Discover Network.

11.3.1 Online Services Guidelines

When using our online services, please follow these guidelines:

- Prevent unauthorized access to www.discovernetwork.com by protecting your Login ID and PIN
- Periodically review your list of authorized users on www.discovernetwork.com to ensure it is current and accurate.

11.4 Call Monitoring

You agree that we, our Agents or service providers may monitor and/or record our telephone calls with you for quality assurance and training purposes.

12.0 CONFIDENTIALITY

12.1 Definition of Confidential Information

12.1.1 During the negotiation and/or during the term of your Agreement, you, your employees, officers, directors, Affiliates and Agents may have access to and receive disclosure of Our Confidential Information. "Our Confidential Information" means information provided by or with respect to: us, Issuers, other participants in the Discover Network and our and their respective Affiliates (in each case, "Our Disclosing Party") including, but not limited to, the following:

12.1.1.1 Personal, biographical and other information about Cardholders, including without limitation, names, addresses, telephone numbers, credit information, Card Transaction history and patterns, whether in discrete or collective form; information about individual and collective Card Accounts, including, without limitation, the available credit or funds on Card Accounts, credit limits on Card Accounts, Card Transaction history and the terms of Cardholder agreements with Issuers; Card Account information, including the following in discrete or collective form or as lists: Card Numbers; CID; CVV Data; and Card Transaction information, including, without limitation, the contents of Authorizations or Sales Data.

12.1.1.2 Information provided by or regarding Issuers, including, without limitation, the contents of each Authorization Response, including any Authorization Code or the reason for any Authorization Response by the Issuer; discrete and collective information regarding Cards issued by individual Issuers; and the identity of Issuers.

12.1.1.3 Any of the following of or related to Our Disclosing Party: objectives; marketing philosophy, strategy and goals; Fees, individually or in the aggregate; know-how; trade secrets; technological developments; business procedures; competitive advantages and disadvantages; market share; market penetration; customer names and addresses; methods of operation; financial results; information maintained on our systems; types and brands of equipment, accessories, collateral materials and other technology used by Our Disclosing Party; and any other written or verbal information considered confidential and/or proprietary by Our Disclosing Party that is revealed or obtained in the course of or in connection with the negotiation and/or performance of your Agreement.

12.1.1.4 The terms of your Agreement, these Operating Regulations and documents incorporated by reference into or attached to your Agreement or these Operating Regulations, including, without limitation, the Technical Specifications and Dispute Rules and the Discover Network Merchant Numbers assigned by us.

12.1.1.5 All notes, analyses and studies prepared by or on behalf of you, your Affiliates, officers, directors, employees, representatives or Agents incorporating any of Our Confidential Information.

12.1.2 In performing our obligations pursuant to your Agreement, we may have access to and receive disclosure of certain confidential information about you and/or your Affiliates ("Your Disclosing Party"), including, but not limited to the following (collectively, "Your Confidential Information"):

12.1.2.1 Any of the following information: your individual sales volume, market share and amount of average sale, provided that the foregoing information shall not constitute Your Confidential Information if aggregated with similar data from other Discover Network merchants.

12.1.2.2 Your financial results, technological developments, marketing philosophy and objectives, competitive advantages and disadvantages and other information regarding the business and affairs of Your Disclosing Party that you reasonably consider to be confidential and proprietary.

12.2 Restrictions on Disclosure of Confidential Information

12.2.1 You agree, on behalf of yourself, your Affiliates and each of your and their respective directors, officers, employees, Agents and representatives, to maintain the information security procedures described in Section 13.0 and to maintain the confidentiality of Our Confidential Information, including, where applicable, by complying with the Security Requirements. You also agree on

behalf of yourself, your Affiliates, officers, directors, employees, Agents and representatives that, during the term of your Agreement and thereafter without limitation:

- 12.2.1.1** You shall maintain Our Confidential Information as strictly confidential and not disclose any of Our Confidential Information to any of your Affiliates, partners, shareholders, directors, officers, employees, representatives or Agents other than as permitted in Section 12.4.
- 12.2.1.2** You shall use Our Confidential Information for the sole and exclusive purpose of complying with your obligations under your Agreement and these Operating Regulations.
- 12.2.1.3** You shall not disclose any of Our Confidential Information to any third party, including, without limitation, your own shareholders, except as permitted in Section 12.4.
- 12.2.1.4** You acknowledge and agree that Our Confidential Information is our exclusive property. You agree not to compile, analyze, assemble or otherwise manipulate any of Our Confidential Information for any purpose and shall not permit any third party to do so using information provided by you.
- 12.2.1.5** You agree that Card Numbers and Discover Network Merchant Numbers constitute our property and Our Confidential Information. You agree not to use, sell, distribute or otherwise provide any such Card Number or Discover Network Merchant Number to any other party, except in connection with the performance of your obligations under your Agreement and these Operating Regulations. You also agree to dispose of any materials containing such Card Numbers and Discover Network Merchant Numbers in a manner that will cause such of Our Confidential Information to be substantially unreadable.
- 12.2.1.6** You agree not to collect, use or disclose to any third party, including, without limitation, your own shareholders, Affiliates, partners, directors, officers, employees or Agents other than as explicitly permitted in Section 12.4, any of Our Confidential Information, including, without limitation, that which relates to Cardholders, Card Transactions or Card Accounts,

12.3 Exclusions

Our Confidential Information and Your Confidential Information shall not include information: (i) which is known to the receiving party prior to commencing any discussions with the other party on the subject matter of your Agreement or these Operating Regulations and without violation of any obligation of confidentiality; (ii) which is or becomes known to the public generally through no fault or action of the receiving party; or (iii) is lawfully revealed to the receiving party without violation of any obligation of confidentiality; or (iv) is developed by the receiving party as a result of its own internal efforts and not as a direct or indirect result of the disclosure of information by the disclosing party.

12.4 Nondisclosure of Confidential Information

Each party as the receiving party agrees not to use the Confidential Information of the other party as the disclosing party nor to disclose such information to any third party, except: (i) as may be necessary for the receiving party to perform its obligations pursuant to your Agreement and these Operating Regulations; (ii) as required by law; or (iii) as agreed upon in writing by the parties. If either party as the receiving party shall disclose the disclosing party's Confidential Information to a third party in accordance with your Agreement or these Operating Regulations, the receiving party shall cause the third party to agree to the confidentiality provisions set forth in this Section 12, and the receiving party shall remain responsible for any subsequent disclosure of such Confidential Information by such third party, including, without limitation, any disclosure by the third party to any other party who is not authorized to receive such Confidential Information.

Without limiting the foregoing provision, you may reveal Our Confidential Information only to those of your Agents, directors, officers or employees of any of your operating divisions or subsidiaries which you have designated either in your application, as modified from time to time as indicated in our records, at your locations that will accept Cards 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 and to our Agents that are involved in the development of Card programs, the operating of the Network or the facilitation of processing Card Transactions and who are

engaged in the implementation of policies, programs or procedures in connection with your acceptance of Cards and/or who perform certain research and analysis of data related to Discover Network. In addition, we may reveal Your Confidential Information in order to comply with our obligations under Requirements of Law or as requested by any government agency.

12.5 Ownership

Each party shall retain exclusive ownership of its Confidential Information. Upon request or following termination of the Agreement, each party shall return the other party's Confidential Information. Each party acknowledges the irreparable harm that would be caused to the owner of Confidential Information if such Confidential Information were used or disclosed in violation of these agreements. Each party, as the recipient of the other party's information, agrees that if the recipient of such Confidential Information violates the terms of this Section 12.0, the owner of such Confidential Information may terminate this Agreement immediately, and, in addition to other rights and remedies the owner of such Confidential Information may have, the owner of such Confidential Information shall be entitled to seek injunctive or other equitable or legal relief to prevent any continuing violation. Any violation of this Section 12.0 shall be considered a material breach of the Agreement that is grounds for immediate termination of this Agreement. The provisions in Section 12.0 shall survive the termination of the Agreement.

12.6 Your Consent to Our Use of Certain Information

Notwithstanding any other provisions of this Section 12, you consent to our collection and disclosure of the following information to Issuers, prospective Issuers, current and prospective Acquirers, regulatory authorities and other Persons to whom we are required to provide such information and to our and each of their respective Affiliates, agents, subcontractors and employees for the purposes we deem necessary in our reasonable discretion, including in connection with our exercise of our rights or performance of our obligations under your Agreement and these Operating Regulations, the Technical Specifications, the Dispute Rules and/or pursuant to Requirements of Law, sanctions programs administered by OFAC and/or our enforcement of the Security Requirements:

- Information about the Card Transactions conducted by you, including Card Transaction data required by these Operating Regulations, the Technical Specifications and the Dispute Rules, to be delivered to us in connection with Authorization Requests, Sales Data and Dispute responses
- Aggregate and individual Merchant information and detail about the Card Transactions accepted by Merchants, including the Merchant Category Code assigned to you
- Collective and detailed information about your Card Transactions, Disputes and other information reasonably required by us during an investigation of or relating to you or your participation in the Network
- Information regarding the aggregate number, type and kind of Card Transactions accepted by Merchants, individually and in the aggregate.

12.7 Return or Destruction of Our Confidential Information

Upon the termination or expiration of your Agreement, you shall, and shall ensure that any parties to whom you have disclosed any of Our Confidential Information shall, comply with our instructions regarding the disposition of Our Confidential Information, which may include the return or certified destruction of any and all of Our Confidential Information (including any electronic or paper copies, reproductions, extracts or summaries thereof); provided that you may retain a reasonable number of copies of any tangible property containing Our Confidential Information, subject to the terms of these Operating Regulations, which may be used solely for regulatory and record-keeping purposes and may not be used for any other purpose.

13.0 DATA SECURITY

13.1 Data Security

You must comply, and must ensure that your Agents comply, with the Security Requirements to the extent applicable. You agree that, in exercising our rights under this Section 13, we may contact any of your Agents directly.

We may periodically request that you and/or your Agents certify your and/or their respective compliance with the Security Requirements, including by providing us with copies of security compliance assessments and reports, processes, procedures, technology and policies, and you must promptly comply, and must ensure that your Agents promptly comply, with such requests; provided that such requests will not require you to disclose any information that you are prohibited from disclosing pursuant to Requirements of Law, as demonstrated by you to us in a written description of the applicable prohibition. You will promptly notify us of a material change in status to any of your or your Agent's security compliance assessments and reports, processes, procedures, technology and policies relating to any of your rights or obligations as a Merchant or compliance with the Security Requirements.

Nothing in this Section 13 will be construed as limiting your obligations to comply, and your responsibility for ensuring that each of your Agents complies, with the Security Requirements. You agree that we or our Agent may, at our discretion, periodically perform information security compliance reviews and audits (including vulnerability scans) of you and/or your Agents. Such reviews and audits may include onsite inspections and passive Internet scans to detect vulnerabilities.

13.2 Storage of CID and CVV Data

You and your Agents must not retain any CID or any CVV Data (regardless of whether such data is in written, electronic or other form) captured in connection with any Card Transaction or obtained in any manner from any Cardholder. The CID and CVV Data must not be recorded on Transaction Documentation or any other evidence of the Card Transaction, including in any records maintained by you or your Agents.

13.3 Security Failures

13.3.1 Security Breach; Inadequate Security

You and/or your Agent(s) must notify us as soon as reasonably practicable and in no event more than 24 hours after becoming aware of (i) any suspected or actual data security breach in any of your and/or any of your Agent's systems or databases used to conduct or in any way process Card Transactions or to store Cardholder information, including websites or electronic links used to conduct Card Transactions, and (ii) any noncompliance by you and/or your Agents with the Security Requirements. Such breaches shall include third party incursions that could in any way result in access to Card Transaction information, Card Account information or Cardholder information. You shall make the notification to us initially by telephone by calling us at 1-800-347-3083, followed by written notification using a standard form and format specified by us. The foregoing obligations are in addition to any data security breach notification obligations that may be applicable to you and/or your Agents under Requirements of Law.

You and/or your Agents must (i) perform or cause to be performed an independent investigation (including a forensics analysis) of any data security breach, (ii) perform or cause to be performed any remedial actions recommended by any such independent investigation, and (iii) cooperate with us in the investigation and resolution of any data security breach.

You and/or your Agents must provide us with the following information concerning any suspected or actual data security breach: (i) the date of the breach, (ii) details concerning the data compromised (e.g. Card Numbers and expiration dates, Cardholder names and addresses), (iii) the method of such breach, (iv) your security personnel contacts and those of your Agents affected by such breach, (v) the name of any Person (including any law enforcement agency) assisting you with your investigation of such breach and (vi) any other information which we reasonably request from you and/or your Agents concerning such breach, including any forensics report(s). You will provide the information listed in (i)-(vi) as soon as is reasonably practicable and the information listed in (i)-(v) shall in any event be provided to us within 48 hours of your initial notification to us of such breach. You and/or your Agents must provide us with copies of any reports concerning the breach as soon as practicable. You must not issue, and you must prevent your Agents from issuing, any press release or other public announcement concerning such breach until after you have

provided us with the information requested in (i)-(v) above. All press releases shall be issued in accordance with Section 16.13.

You must cooperate with us to ensure that appropriate security measures and procedures are implemented by a mutually agreeable deadline if we notify you that your or any of your Agent's security procedures in connection with Card Transactions are inadequate or do not comply with the Security Requirements.

13.3.2 Our Rights Upon Noncompliance with Security Requirements

If we determine or reasonably suspect, in our reasonable discretion, that your and/or any of your Agent's security procedures, including with respect to Card Transactions, are inadequate or otherwise do not comply with the Security Requirements regardless of whether we have received certification from you or your Agents of compliance with the Security Requirements as described in Section 13.1, we may, in our sole discretion, assess Fees as indicated in Appendix 3 to you for each discrete event of noncompliance, including for each failure to comply with a Security Requirement regardless of whether we, an Issuer or Cardholder has experienced damage as a result of such noncompliance. Additional fees as indicated in Appendix 3 may be assessed by us during the period that such noncompliance remains uncured; provided that we shall not assess such Fees if the noncompliance is cured within thirty (30) days of our notification to you of such noncompliance. We may also suspend the ability of you and/or your Agents to accept or process Card Transactions upon notice to you until such time as we determine that you and/or the applicable Agents have adopted security procedures that comply with the Security Requirements regardless of whether we, an Issuer or Cardholder has experienced damage as a result of such noncompliance. In addition, we may contact any of your Agents without prior notice to you, if we determine or reasonably suspect that any such Person is not in full compliance with the Security Requirements. If you do not ensure that you and each of your Agents complies with the Security Requirements by a mutually acceptable deadline, we may terminate your Agreement and the ability of you and/or your Agents to accept Cards or process Card Transactions and/or assess Fees to you. You are responsible for any Disputes resulting directly or indirectly from your and/or any of your Agent's failures to comply with the Security Requirements and this Section 13 and any resulting costs, expense damages or other losses experienced by us or any Issuer or Cardholder..

13.3.3 Your Responsibility for Data Security Breaches

You shall bear financial responsibility for fraudulent transactions and any damages that we, Issuers and/or Cardholders incur as a result of the theft, loss or unauthorized use or disclosure of Cardholder information or Card Transaction information by you or your Agents. Following our internal review of the circumstances surrounding a data security breach of you or one of your Agents, we may, at our discretion, assess you a fine in the aggregate amount of: (i) US\$7.50 for each notification to Cardholders by Issuers, (ii) US\$10.00 for each Card reissued by Issuers, and (iii) US\$7.50 for each unique Card Number compromised. These fines (the "Data Security Breach Fees") may be assessed for each data security breach incident at you or one of your Agents. Without limiting your responsibilities or our rights under these Operating Regulations or your Agreement, we will cooperate with you as reasonably requested to limit the impact of any data security breach or disclosure of information or data, which may include seeking an injunction to prevent further unauthorized use or disclosure of such information or data. Neither you nor we shall be deemed to waive any rights that either of us may have under law or in equity to proceed against an Agent or other party to recover damages that result from a data security breach.

13.3.4 Cure of Noncompliance with Security Requirements

We will not assess you any Fees as set forth in Appendix 3 for the category entitled "Noncompliance with Security Requirements" if you can demonstrate to our reasonable satisfaction that you and/or your Agents as applicable were in strict compliance with the Security Requirements when we would otherwise have assessed you such Fees. This Section shall not limit our rights under Section 13.3.3.

13.4 Enforcement

We reserve the right to conduct, either ourselves or through the use of our Agents, on-site visits of you and your Agents, and to otherwise contact any of your Agents directly, to

ensure compliance with all of the requirements of these *Operating Regulations*. If we find that you or any of your Agents is in violation of your or their obligations or the requirements under these *Operating Regulations*, we will provide you with written notification detailing the violations. You will implement corrective actions immediately upon receipt of such written notification from us, and will provide us with documentation detailing those actions. Failure to implement immediate corrective actions may, at our discretion, result in your termination of the offending Agent and/or our termination of your Agreement. We may use Agents to exercise any of our rights described in this **Section 13**.

14.0 CARD ACCEPTANCE MARK

14.1 License to Use Discover Network Acceptance Mark

Upon execution of your Agreement, we grant you a License to use the Discover Network Acceptance Mark identified below. The License is limited to use by you exclusively in the Authorized Jurisdiction for the exclusive and limited purpose of indicating your acceptance of Cards. You must use the Discover Network Acceptance Mark in accordance with the Card Acceptance Mark Guidelines, which can be reviewed at ww.discovernetwork.com. Where any action is required in the Authorized Jurisdiction to protect our rights to the Discover Network Acceptance Mark, you agree to cooperate with us to obtain such protection.

You acknowledge that you are aware of the excellent image, reputation and goodwill attached to the Discover Network Acceptance Mark and that you will cooperate with us to protect and preserve such image, reputation and goodwill. You agree not to act or fail to act in a way that would diminish or dilute the value of, and the goodwill associated with, the Discover Network Acceptance Mark. In response to any request by us, you agree to use your best efforts to stop any use of the Discover Network Acceptance Mark that is inconsistent with the License or terms of your Agreement and/or these Operating Regulations and shall provide us with regular updates, as requested by us, of the status of such efforts.



14.1.1 Discover/NOVUS Acceptance Mark – Valid Acceptance, No License

The Discover/NOVUS Acceptance Mark set forth below represents an acceptance mark that may appear on valid Cards presented to you, as more fully described in Section 10.1, but you are not granted a license to use or display, and you are prohibited from otherwise using or displaying, the Discover/NOVUS Acceptance Mark.



14.2 Other Acceptance Marks

We may license, sublicense or otherwise permit or require you to display such Other Acceptance Marks as we may designate in writing to you from time to time, including by publication on our website. You shall use or display any such Other Acceptance Marks that we have licensed, sublicensed or otherwise permitted or required you to display in accordance with the terms and conditions specified in writing by us, and in accordance with the applicable provisions of these Operating Regulations.

14.3 Use and Display of Materials

You agree to prominently display at each of your locations, and in catalogs and websites, including in online payments drop-down boxes, signage (decals) or logos showing the Discover Network Acceptance Mark or name in such manner and with such frequency as accorded any other third-party credit, charge, debit, stored value or other payment card accepted by you. You agree that you will only use or display the Discover Network Acceptance Mark in accordance with the License and these Operating Regulations, the Card Acceptance Mark guidelines and any other specifications provided by us in writing. We shall, at our expense, supply signage and display materials and such other operating forms and materials necessary to promote the Card and Card Acceptance. 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 Agreement.

14.4 Prior Approval Required for Use of Marks

Except as otherwise stated in the Agreement or these Operating Regulations, you shall not use the registered trademarks, Discover Network Acceptance Mark, Other Acceptance Mark, logos or any other proprietary designations that are owned or licensed by us without our prior written consent. Except as otherwise stated in the Agreement, these Operating Regulations or pursuant to other written permission from you to us, we shall not use the registered trademarks, logos or any other proprietary designations that are owned by you without your prior written consent. You and we shall submit to the other party for prior written approval any advertising or other materials in which such proprietary designations are to be used, including any press release. 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 that merely list name(s) and location(s) of Merchants that accept Cards. Our review of your advertising, promotional, or other materials displaying the Discover Network Acceptance Mark will not constitute our approval of such materials or our acknowledgement that such materials comply with these *Operating Regulations*, the Technical Specifications, the Dispute Rules or Requirements of Law.

14.5 Changes to Card Acceptance Marks

Notwithstanding the requirements set forth in Section 16.1 of these Operating Regulations pertaining to our amendment of these Operating Regulations, we may change the Discover Network Acceptance Mark and any Other Acceptance Marks immediately upon written notice to you, including by publication on our website and/or in our Card Acceptance Mark Guidelines. You shall promptly replace any existing display or use of the affected Card Acceptance Marks with new materials we provide to you following any such change to the Card Acceptance Marks and shall return any unused materials bearing the old Card Acceptance Marks to us

14.6 Termination of License to Use Card Acceptance Marks

Your License to use the Discover Network Acceptance Mark and any right or license granted by us to you regarding your use of any Other Acceptance Marks shall terminate upon the earlier of (i) the termination of your Agreement, or (ii) delivery of notice by us to you of the termination of the License or of your right or license to use such Other Acceptance Marks. You must immediately discontinue use or display of the affected Card Acceptance Marks immediately upon termination of the License or of your right or license to use the Other Acceptance Marks.

14.7 Noncompliance with Card Acceptance Mark Requirements

If any use by you of any Card Acceptance Mark, including in advertising materials and/or signage decals, does not comply with our standards, or if any action or omission by you in connection with the Card Acceptance Mark causes or may cause damage to us or our intellectual property, including to our brand image and/or the image, reputation and/or goodwill attached to the Card Acceptance Mark, you shall promptly discontinue any such misuse, and if you have not discontinued such misuse within thirty (30) calendar days from the earlier of our notice to you or your initial awareness of such misuse we may terminate your Agreement and/or we may charge you a Fee as set forth in Appendix 3

15.0 FINANCIAL INFORMATION AND SECURITY FOR PAYMENT OBLIGATIONS

15.1 Financial Information

At our request, you agree to provide us with financial information, including, without limitation, financial statements concerning your financial condition and general creditworthiness, and your ability to perform your obligations under your Agreement. You agree to immediately send us written notice if you become insolvent or discontinue your business or if you or any of your creditors files for your bankruptcy or reorganization under the Bankruptcy Code, or you are the subject of receivership proceedings or other dissolution. You and each of your owners agree that we and any of our Affiliates or Agents may obtain, verify and exchange with others, business and personal financial and/or credit information on you, any of your owners and your Affiliates, subsidiaries and related companies.

15.2 Reserve Account

15.2.1 Reserve Account Requirement

Upon the effective date of your Agreement or upon the occurrence of a Triggering Event during the term of your Agreement, we may, in our sole discretion, require you to create and maintain a Reserve Account or post other security that we deem acceptable, at our discretion. We may, from time to time and at any time, withdraw funds from the Reserve Account to pay any unpaid (whether due or not due) amounts required to be paid to us under your Agreement, Exhibit B to your Agreement, other written notice from us, your Merchant Activity Reports, as applicable, these Operating Regulations and the Dispute Rules, including, without limitation, any of the Fees described in Section 9.

15.2.1.1 Reserve Account Minimum Balance

If you are required to establish a Reserve Account, you shall at all times maintain sufficient funds in the Reserve Account to meet or exceed your Reserve Account Minimum Balance. Your Reserve Account Minimum Balance, as determined by us in our sole discretion, shall be the sum of the following amounts:

- Outstanding amounts owed by you to us pursuant to your Agreement, these Operating Regulations, Exhibit B to your Agreement, if applicable, and the Dispute Rules; plus
- Our projection of Settlement Amounts for Card Transactions not yet settled; plus
- Our projection of amounts owed for Card Sales billed by you prior to delivery of the goods or services purchased (i.e., delayed delivery transactions); plus
- Outstanding amounts and our projection of amounts owed for Disputes and claims by Cardholders (including Card Transactions not yet settled and pending Disputes and claims not yet resolved).

We will calculate the required Reserve Account Minimum Balance using the above factors based on our experience with you during the twelve (12) months preceding our requirement that you establish and maintain a Reserve Account or during such shorter period as your Agreement has been in effect.

15.2.1.2 Funding of Reserve Account

Your Reserve Account shall, at our sole discretion, be funded, immediately upon demand by us, by one or more of the following means:

- Our withholding of Settlement Amounts that otherwise would be payable by us to you under your Agreement, Exhibit B to your Agreement, if applicable, and these Operating Regulations and the deposit of such withheld Settlement Amounts into the Reserve Account
- Our withdrawal of funds from your Settlement Account and the deposit of such funds into the Reserve Account, and/or
- Your deposit of funds into the Reserve Account by wire transfer.

15.2.1.3 Security Interest in Reserve Account

You shall, immediately upon our request, execute any documents required by us in connection with the establishment and maintenance of the Reserve Account and the grant to us and perfection by us of a security interest in all funds held in the Reserve Account.

15.2.1.4 Duration of Reserve Account

If we require you to establish a Reserve Account, you must maintain the Reserve Account in full compliance with this Section 15.2 until the later to occur of (i) 210 days after your submission to us of Sales Data relating to the last Card Transaction processed by you if your Agreement is terminated following a Triggering Event, or (ii) 210 days after our confirmation that you have cured all Triggering Events that gave rise to the creation of the Reserve Account if we require a Reserve Account during the term of your Agreement.

15.2.1.5 Triggering Event

Each of the following constitutes a Triggering Event that may cause us to require you to establish a Reserve Account:

- The giving of notice by you or us of intent to terminate your Agreement
- The existence of any condition or event that would allow us to terminate your Agreement
- You, at any time during the term of your Agreement, become insolvent, are subject to receivership or are dissolved or suffer a material adverse change in your financial condition as determined by us in our sole discretion
- You at any time during the term of your Agreement:
 - Fail to pay your debts as they become due or admit, in writing or in any legal proceeding, your inability to pay your debts as they become due, and/or
 - Make an assignment for the benefit of creditors, and/or
 - File a voluntary petition under the Bankruptcy Code, and/or
 - Have an involuntary petition filed against you under the Bankruptcy Code, and/or
 - Are adjudicated as bankrupt or insolvent, and/or
 - Have a liquidator, trustee, conservator or similar party appointed to conduct your affairs
- You, at any time during the term of your Agreement, fail to comply with any of the material terms and conditions of your Agreement or these Operating Regulations
- You experience excessive returns or Disputes, as determined by us in our sole discretion
- Based on our evaluation of your financial position we determine, in our sole discretion, that it is necessary or appropriate to require you to post collateral for your obligations under your Agreement and these Operating Regulations
- You attempt to assign or delegate your rights or obligations under your Agreement or these Operating Regulations in violation of the terms thereof or hereof
- You are the subject of any governmental investigation or action relating to your business; or
- You engage in any of the following activities:
 - Provide false, inaccurate or misleading information to us
 - Engage in fraud or the sale of counterfeit or stolen items
 - Infringe any third party's copyright, patent, trademark, trade secret or other proprietary rights or rights of publicity or privacy
 - Violate any law, statute, ordinance or regulation, including those governing export control, consumer protection, unfair competition, anti-discrimination or false advertising

- Publish or distribute information that is defamatory, trade libelous, unlawfully threatening or unlawfully harassing
- Provide or distribute content that is obscene or contains child pornography or, if otherwise adult in nature or harmful to minors, provides such content to Persons other than those legally permitted to receive such content, or
- Send communications that contain any viruses, worms, time bombs or other harmful or damaging computer code or programming routines that may damage, interfere with, surreptitiously intercept or expropriate any system, data or personal information of any Person.

16.0 GENERAL TERMS and REQUIREMENTS

16.1 Changes to Operating Regulations

16.1.1 Scheduled Updates

Updates to these Operating Regulations, including the Technical Specifications, may be released every April and October, and such updated versions will be provided to you and/or published on our website promptly upon their release. The updates issued in April shall become effective the following October, and the updates issued in October shall become effective the following April.

16.1.2 Unscheduled Updates

In the event of any change to these Operating Regulations, including the appendices attached hereto, other than in connection with the scheduled release process set forth in Section 16.1.1, we will provide you with not less than thirty (30) calendar days advance notice of such change, including by publishing notice of such changes on our website, provided, however, that we may implement as soon as reasonably practicable any changes to these Operating Regulations or the Technical Specifications that we believe are necessary to address an imminent or ongoing material adverse threat to the Network or other participants on or constituencies of the Network.

16.2 Interpretation of Operating Regulations

We may, from time to time, issue interpretations clarifying or elaborating on these Operating Regulations. Such interpretations issued by us shall be binding on you but shall not constitute updates to these Operating Regulations under Section 16.1 and shall not require any notice to you in advance of their effectiveness.

16.3 Ratification of Operating Regulations

You acknowledge, with each Authorization Request or Sales Data for a Card Transaction that you or any of your Agents transmit to us and any documentation regarding a Card Transaction that you or any of your Agents transmit to or receive from us, that each such occurrence constitutes your ratification of all of the terms of the then-current Operating Regulations, Dispute Rules and Technical Specifications.

16.4 Enforcement

We reserve the right to conduct on-site visits of you and your Agents or to otherwise contact any of your Agents directly, to ensure your compliance with all of the requirements of your Agreement and these Operating Regulations. If we find that you or any of your Agents is in violation of your or their obligations or the requirements under your Agreement or these Operating Regulations, we will provide you with notice detailing the violations. You agree to implement corrective actions immediately upon receipt of such notice from us, and will provide us with documentation detailing those actions. Failure to implement immediate corrective action may, at our discretion, result in our termination of your Agreement or our requiring you to terminate the offending Agent. You agree to reimburse us for our costs and expenses, including reasonable attorney's fees, that we incur in enforcing our rights under your Agreement or these Operating Regulations.

16.5 Suspension of Card Acceptance

We may, in our sole discretion, upon notice to you, temporarily suspend your acceptance of Cards for any reason, including (i) if we have security concerns, including without limitation your noncompliance with Security Requirements (ii) if you are conducting activities in a Prohibited Merchant Category, (iii) if you or any of your Agents are otherwise not in compliance with your Agreement or these Operating Regulations, (iv) if you or any of your Agents are not in compliance with all applicable Requirements of Law including

the sanctions program administered by OFAC or (v) if we believe that Card acceptance by you may cause us to not be in compliance with Requirements of Law; including the sanctions programs administered by OFAC.

16.6 Compliance with Requirements of Law, Your Agreement and These Operating Regulations

Each party shall be responsible for performing its obligations hereunder in compliance with all Requirements of Law applicable to the subject matter of your Agreement and these Operating Regulations, Card Transactions and each of the parties to your Agreement and shall be responsible for ensuring that each of its respective Agents comply with all such applicable Requirements of Law in addition to any Requirements of Law directly applicable to the Agent. You are solely responsible for compliance with all Requirements of Law in connection with all activities conducted by you pursuant to your Agreement and these Operating Regulations. With respect to concerns expressed by us regarding any potential noncompliance of you or any of your Agents with Requirements of Law, your Agreement or these Operating Regulations, you must conduct an investigation of the relevant facts during a mutually agreed upon period of not less than fifteen (15) calendar days, upon the expiration of which you shall notify us of your findings and the parties shall mutually agree upon an appropriate course of action. Changes in the performance of either party's obligations under your Agreement or these Operating Regulations necessitated by a change in Requirements of Law or the interpretation thereof shall not constitute a breach of your Agreement or a violation of these Operating Regulations by the affected party. In addition to any other remedies available to us at law, under your Agreement and these Operating Regulations, we may assess fees and penalties to you for any failure by you to comply with the terms, conditions and requirements of your Agreement and these Operating Regulations, as such fees and penalties may be specified by us from time to time.

16.7 Liability and Indemnification

16.7.1 Limitation of Liability

Our responsibility and liability to you, your officers, directors, employees and Agents is limited to the actual and documented losses, costs, expenses or damages experienced by you as a direct result of documented gross negligence or willful misconduct by us, our employees or Agents, in connection with the performance of our obligations under your Agreement or these Operating Regulations, including the Dispute Rules and Technical Specifications; provided that neither we nor any of our employees or Agents shall be responsible or liable to you or any of your officers, directors, employees or Agents if you and they have not otherwise complied with your and their respective obligations under your Agreement and these Operating Regulations, including the Dispute Rules and Technical Specifications, or if you, your officers, directors, employees or Agents have contributed to the gross negligence or willful misconduct. In no event shall we be responsible or liable to you or any of your officers, directors, employees or Agents for any indirect, consequential or punitive damages or lost profits or for any similar damages experienced or alleged by you or any of your Agent(s), representatives or employees, including due to our termination of your Agreement.

16.7.2 Indemnification

You, on behalf of yourself, your officers, directors, employees and each of your Agents (collectively, the "Indemnifying Party") shall indemnify and hold us, our officers, directors, employees, Issuers, Cardholders and our and their respective Agents (collectively, the "Indemnified Party") harmless from and against any and all claims, actions, demands, losses, costs, expenses, fines, penalties, liabilities and other amounts including legal fees, costs and expenses in connection with litigation (including such fees, costs and expenses of appeals) (the "Indemnified Items") that are imposed upon, incurred by or asserted against the Indemnified Party that arise out of the fault, negligence or breach of representation, warranty or obligation of the Indemnifying Party in connection with your or its performance or any failure to perform your or its duties and obligations pursuant to your Agreement or these Operating Regulations, including the Dispute Rules and the Technical Specifications.

16.7.3 Defense of Claims

In the event that we receive any claim or demand or are subject to any suit or proceeding in respect of which we may make a claim against you for indemnification under Section 16.7.2, we shall give prompt written notice thereof to you and you will be entitled to participate in the settlement or defense thereof and, if you so elect, to take over and control the settlement or defense thereof with counsel satisfactory to us. In any case, we and you shall cooperate (at no cost to us) in the settlement or defense of any such claim, demand, suit or proceeding.

16.8 Notices

Notices to us required under your Agreement or these Operating Regulations should be made in writing and sent to:

Sr. Vice President, Network Operations
Discover Network
2500 Lake Cook Road
Riverwoods, IL 60015-3800

You must send us written notice of any of the conditions described in Section 10.5.1.

We may send notices to you using any method of transmission we deem appropriate under the circumstances, including U.S. mail, courier, overnight service, facsimile and/or electronic mail and by publishing revised documents or notices on our website. Without limiting the foregoing, any notice sent to your last known address, as indicated in our records, shall constitute effective notice to you under these Operating Regulations and your Agreement.

16.9 No Waiver of Rights

No failure by us to assert any of our rights, or failure to assert against you or your Agents, duties, responsibilities, obligations, or liabilities under your Agreement or these Operating Regulations on either an occasional or continuing basis, shall be construed as waiver thereof by us, and such rights, duties, responsibilities, obligations, or liabilities under your Agreement or these Operating Regulations may be asserted by us at any time.

16.10 Force Majeure

Neither party shall be liable to the other under your Agreement or these Operating Regulations or as permitted by us in writing by reason of any failure in, or the prohibition of, performance of any provisions in your Agreement or these Operating Regulations if such failure or prohibition arises out of causes originating after the date of execution of your Agreement and is beyond the control and not due to the fault or negligence of such party, and which such party could not reasonably anticipate through the exercise of due care and normal business judgment. Such causes shall also include but are not limited to: acts of God or of the public enemy, acts of terrorism, flood, hurricane, tornado, fire, acts of the other party, acts of civil or military authority, acts of third parties, including telecommunication companies, strikes, unavailability of energy resources, delay in transportation, unforeseeable or unavoidable events, riots or war. In the event of any such occurrence, the disabled party shall use its best efforts to meet its obligations as set forth in your Agreement and these Operating Regulations. The disabled party shall promptly and in writing advise the other party if it is unable to perform due to such event, the expected duration of such inability to perform, and of any developments (or changes therein) that appear likely to affect the ability of that party to perform any of its obligations hereunder and thereunder in whole or in part.

16.11 Governing Law

The terms of your Agreement and these Operating Regulations shall be governed by and construed in accordance with the laws of the State of Delaware, excluding its choice of law principles. Any final judgment against you in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment, a certified copy of which shall be conclusive evidence of the fact and amount of the obligation arising from such judgment, provided that nothing contained in this Section 16.11 shall be deemed to constitute a waiver by you of any right you may otherwise have to appeal any such judgment.

16.12 Severability

If any provision included in your Agreement, these Operating Regulations, the Technical Specifications or the Dispute Rules is held to be illegal, unenforceable or invalid, the legality, enforceability and validity of the remaining provisions hereof will not in any way be affected or impaired thereby, and such provision will be deemed to be restated to reflect the original intentions of the parties as nearly as possible in accordance with Requirements of Law.

16.13 Prior Consent for Press Releases

You agree to obtain our prior written approval before making any disclosure to the public or the media, whether in the form of a press release or otherwise, concerning Cards, the License, any Card plan, any Issuer, these Operating Regulations, the execution or existence of your Agreement, the content of the Dispute Rules

or Technical Specifications, or any other terms of an existing or contemplated relationship between you and us or relating to your Card Acceptance. The timing and content of such disclosure must be mutually agreed to by the parties.

16.14 Headings and Revision Summary

Headings and the Revision Summary are provided for ease of reference only and are not, and should not be considered, a part of these Operating Regulations.

17.0 Definitions

As used in these Operating Regulations, the capitalized terms set forth below shall have the following meanings. Unless the context clearly indicates otherwise, words used in the singular include the plural and words used in the plural include the singular.

“Address Verification” means a Merchant’s use of our Address Verification Service to assist the Merchant in validating the address of a Card presenter, as more fully described in Section 3.4.10.

“Address Verification Service” or **“AVS”** means the service provided by us to Merchants, using information provided by the Issuer, to assist the Merchant in validating the address of a Card presenter, as more fully described in Section 3.4.10.

“Adjustment” means an amount payable by a Merchant to us or by us to a Merchant to correct an error in Settlement that resulted from an error contained in Sales Data or with respect to Chargebacks or Representments.

“Affiliate” means, with respect to a Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, that Person, and the term “control” (including the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Agent” means any Person, including, with respect to a Merchant, a Merchant Processor, to the extent that such Person performs the obligations of Merchant or us under the Agreement or these Operating Regulations.

“Agreement” means the Merchant Services Agreement between Merchant and us, as the same may be amended from time to time.

“Authorization” means the process whereby Merchant submits an Authorization Request to us and we forward the Authorization Request to the Issuer to determine whether to provide a positive (approved) or declined Authorization Response for a Card Sale or Cash Advance.

“Authorization Center” means the services provided by us to assist a Merchant with obtaining Authorization Responses from the Issuer for Card Sales.

“Authorization Code” means the code provided to us by an Issuer, or by us in certain circumstances, in an Authorization Response, which we deliver to the Merchant, which indicates that the Issuer, or we in certain circumstances, provided a positive or approved decision in response to the Authorization Request.

“Authorization Request” means a request submitted by a Merchant, through us (or another Person acting on our behalf), to the Issuer for Authorization of a Card Sale or Cash Advance.

“Authorization Response” means the response of an Issuer, or us in certain circumstances, to an Authorization Request, including any Authorization Code or Referral Code.

“Authorized Jurisdiction” means the fifty States of the United States of America and the District of Columbia and all other U.S. territories and protectorates where a Merchant is permitted to accept Cards, including American Samoa, Federated States of Micronesia, Guam, Marshall Islands, Northern Mariana Islands, Palau, Puerto Rico and the U.S. Virgin Islands, except as otherwise specified in the Agreement.

“Automatic Payment(s)” means Card Sales processed and presented to the Cardholder’s Card Account periodically in such amount(s) and at such time(s) as agreed between the Cardholder and the Merchant in an Automatic Payment Plan. Such transactions may also be referred to as “recurring billing” Card Sales.

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

“Automated Teller Machine” or **“ATM”** means a device where cash may be dispensed in connection with the use of a Card. These Operating Regulations do not permit Cash Advances, Cash Over or quasi-cash transactions at ATMs. While the defined term is provided for clarity, these Operating Regulations do not permit the use of Cards to obtain cash at ATM locations, regardless of whether the entity seeking to conduct such transaction is a Cash Advance Merchant.

“Banking Day” means any day on which banks that are members of the United States Federal Reserve System are open for general banking business for the full day.

“**Bankruptcy Code**” means Title 11 of the United States Code, 11 U.S.C. § 101, et seq., as the same may be amended from time to time, and any successor statute or statutes and all rules and regulations from time to time promulgated thereunder, and any comparable foreign laws relating to bankruptcy, insolvency or creditors’ rights or any other federal or state bankruptcy or insolvency law.

“**Biometric Card Transaction**” means a Card Transaction where the Cardholder’s identity is verified and the Card Account information is ascertained based on the Cardholder’s unique finger print or other unique physical or physiological characteristic, but is otherwise processed in accordance with requirements applicable to Card Transactions generally.

“**Business Day**” means any day, beginning at 12:00:01 a.m. Eastern Time (ET) and ending at 12:00:00 a.m. ET, other than a Saturday, Sunday or a Federal banking holiday.

“**Calculation Period**” means the period over which certain Fees payable by a Merchant are calculated and aggregated.

“**Card**” means: (i) a valid payment card bearing a Discover Network Acceptance Mark, Other Acceptance Mark, or such other mark as we may designate from time to time, including in these *Operating Regulations* and/or on our website (ii) an access device approved by us to access a Card Account, or (iii) the corresponding Card Account for a Card Not Present transaction.

“**Card Acceptance**” means the acceptance by a Merchant of Cards as the method of payment for goods or services, or in connection with Cash Advances.

“**Card Acceptance Marks**” means, collectively, the Discover Network Acceptance Mark and the Other Card Acceptance Marks.

“**Card Acceptance Mark Guidelines**” means the rules, including the Discover Network Acceptance Mark Guidelines, included as part of the Technical Specifications or as otherwise provided by us to you, including by publication on our website, governing certain of the terms and conditions of your use and display of Card Acceptance Marks.

“**Card Account**” means the records maintained by the Issuer of the respective Card Transactions, payments and available balance or credit line for a given Card.

“**Card Identification Data**” or “**CID**” refers to the three or four digit number that follows the complete or truncated Card Number in the signature panel on the back of a Card and that must be treated as confidential in accordance with these Operating Regulations.

“**Card Not Present**” means a Card Sale or Credit that occurs when neither the Card nor the Cardholder is present at the point-of-sale to conduct the Card Sale or Credit, including Internet, mail-order and telephone-order Card Sales and Credits.

“**Card Number**” means the unique identifying number that is assigned by the Issuer to the Card at the time of Card issuance. Where required by law, you must display, print and/or record the Card Number in truncated form, including where you are required to display, print and/or record the Card Number under these Operating Regulations.

“**Card Present**” refers to a Card Sale, Cash Advance or Credit that occurs where the Card and the Cardholder are present at the point-of-sale and the Card is used to conduct the Card Sale, Cash Advance or Credit, as evidenced by our receipt of Track Data in the Authorization Request (except with respect to Biometric Card Transactions, which constitute Card Present Card Sales but will not include CVV Data with the Authorization Request).

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

“**Card Transaction**” means a transaction involving a Card, including any Card Sale, Cash Advance, Credit, Chargeback, Representment, Reversal or Adjustment.

“**Cardholder**” means the person(s) to whom a Card has been issued and any authorized user(s) of such Card.

“**Cash Advance**” means the disbursement of currency, including foreign currency, to a Cardholder by a Cash Advance Merchant in connection with the presentation of a Card at a Cash Advance Merchant, excluding an ATM, in accordance with the terms of Section 6.0 of these Operating Regulations, but not including convenience checks, balance transfers, cash back points, quasi-cash or Cash Over.

“**Cash Advance Agreement**” means a written agreement between us and a Cash Advance Merchant that provides the terms and conditions under which the Cash Advance Merchant may conduct Cash Advances.

“**Cash Advance Merchant**” means a Merchant, including a financial institution or money transmitter, that is permitted by the terms of a Cash Advance Agreement to conduct Cash Advances in accordance with these Operating Regulations

and the Cash Advance Agreement, other written notice provided by us or in your Merchant Activity Report. Cash Advance Merchants may not permit any Agent or other third party to dispense Cash Advances.

“**Cash Advance Transaction Fee**” means a fee payable by us to a Cash Advance Merchant for each Cash Advance in the amount specified in the applicable Cash Advance Agreement.

“**Cash Over**” means the dispensing of cash by a Merchant in connection with a Card Sale for the purchase of goods and services, excluding a Cash Advance.

“**CAT**” or “**Customer Activated Terminal**” refers to a Merchant’s unattended POS Device at which the Cardholder’s signature is not required on the Transaction Receipt in order to conduct a Card Sale provided that the Merchant has obtained our approval to conduct Card Sales on CATs and otherwise complies with the requirements in these Operating Regulations, including those in Section 5.5.1.

“**Chargeback**” means a type of Dispute in which we process a Card Transaction to reverse a previous Settlement with a Merchant of all or a portion of a Card Transaction, as described in the Dispute Rules.

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

“**Commercial**” (regardless of whether capitalized) refers to Cards issued to Cardholders that the Issuer expects are likely to make purchases primarily for business purposes and have spending patterns typically associated with commercial use which Cards are required to include certain features and Cardholder benefits specified from time-to-time by Discover Network, in its sole discretion.

“**Confidential Information**” means Our Confidential Information and Your Confidential Information.

“**Contactless Card Transaction**” means a Card Transaction in which the Card (including a radio frequency identification (RFID) enabled Card, key fob or Mobile Commerce Device) wirelessly transmits and the Merchant wirelessly captures the Card information (including Track Data) required for Authorization of the Card Transaction and for creation of the related Sales Data.

“**Customer Activated Terminal**” refers to a CAT.

“**Credit**” means a full or partial non-cash refund granted to a Cardholder by a Merchant, resulting from the return of goods, or otherwise, which is issued as a credit to the respective Card Account.

“**Credit Card**” (regardless of whether capitalized), refers to a Card issued to a Cardholder that is associated with an extension of credit by the Issuer.

“**Credit Slip**” means a Transaction Slip used by a Merchant to document a Credit to a Cardholder.

“**CVV Data**” means the Card Verification Value data encoded in the Track Data (including on the magnetic stripe) of each Card. Submitting CVV Data with an Authorization Request indicates that the Card was present at the time of the Card Sale or Cash Advance.

“**Data Security Breach Fees**” has the meaning specified in Section 13.3.3.

“**Debit Card**” (regardless of whether capitalized), means (i) a Card, embossed with the Cardholder’s name, that is used by a Cardholder to access funds held by an Issuer or its agent in a demand deposit (checking or share draft), savings or other asset account (whether or not an “account” within the meaning of Federal Reserve Regulation E) established individually for or by the Cardholder that is associated with the Card Account, or (ii) a valid Card Number associated with a demand deposit (checking or share draft), savings or other asset account (whether or not an “account” within the meaning of Federal Reserve Regulation E) established individually for or by the Cardholder that is associated with the Card Account, that may be used by the Cardholder for Card Not Present Card Sales.

“**Discount**” means the component of a Merchant Fee that is calculated either as a percentage of Card Sale amounts or as a flat amount per Card Sale (See Section 9.1). In either case, the amount of Discount payable by a Merchant is indicated in its Agreement, Exhibit B to its Agreement, if applicable, or other written notice from us to the Merchant, and/or in Merchant Activity Reports, for the Calculation Period.

“**Discover Network**” (other than where used as the operating name for Discover Financial Services LLC) means the network, systems and processes, including hardware, software and personnel, maintained by us to support Card Acceptance programs.

“**Discover Network Acceptance Mark**” means the mark(s) designated in Section 14.1 and/or as published by us on our website that are owned by us or one of our Affiliates, as the same may be revised by us from time to time, that Merchants shall display to demonstrate Card Acceptance.

“**Discover Network Merchant Number**” refers to the unique 15-digit number assigned to each Merchant to record and facilitate Card Transactions conducted by and involving the Merchant.

“**Discover/NOVUS Acceptance Mark**” means the mark designated in Section 14.1.1 that is owned by us or one of our Affiliates and that may appear on some valid Cards but which you are prohibited from using or displaying.

“**Dispute**” means a Ticket Retrieval Request, request for a Chargeback, Chargeback, request for Representment, or Representment, as the context may require, by an Issuer, Merchant or Discover Network, including supporting information and documentation provided by the Issuer or Merchant in connection with any of the foregoing, and Discover Network’s process of resolving or effecting any of the foregoing, including Adjustments and/or Reversals as described in these Operating Regulations and Dispute Arbitration as more fully described in the Dispute Rules.

“**Dispute Arbitration**” means the review by Discover Network of a Dispute resolution decision following a request by a party to the Dispute for a review of the decision, as more fully described in the Dispute Rules.

“**Dispute Notice**” means notice delivered by us to a Merchant informing the Merchant of a Dispute initiated by an Issuer or us with respect to a Card Transaction.

“**Dispute Rules**” means the document, which is attached as Appendix 1 to these Operating Regulations and incorporated herein by reference, that contains instructions and requirements relating to the resolution of Disputes relating to Card Transactions, including Chargebacks, Credits and Representments, as such document may be amended by us from time to time in accordance with its terms.

“**Factoring**” means an impermissible activity in which a Merchant submits Authorization Requests or Sales Data for Card Sales or Cash Advances on behalf of one or more other businesses that actually conducted the Card Sales or Cash Advances.

“**Fees**” means Merchant Fees, Submission Error Fees, Per Transaction Fees, fees for noncompliance with Security Requirements, fees for noncompliance with Dispute Rules and any other fees, costs and expenses that we may charge or assess to a Merchant from time to time pursuant to a written notice to the Merchant, including as may be published on our Internet website and/or included in a Merchant Activity Report and including those fees identified in the Agreement, Exhibit B to the Agreement, if applicable, these Operating Regulations, the Dispute Rules or the Technical Specifications.

“**Floor Limit**” means an amount designated in a Merchant Services Agreement as the amount below which the Merchant is not required to obtain Authorization for Card Sales.

“**Gross Card Sales Amount**” means the total dollar amount of Card Sales that have been processed by us for a Merchant during the Calculation Period, which may be monthly, daily or another period upon which we have agreed or notified the Merchant.

“**Gross Card Sales Number**” means the total number of Card Sales that have been processed by us for a Merchant during the Calculation Period, which may be monthly, daily or another period upon which we have agreed or notified the Merchant.

“**Identity Known Prepaid Card**” or “**Prepaid Identity Known Card**” means a Card, held by a Cardholder whose identity is known to the Issuer, whether or not the Card is embossed with the Cardholder’s name, that is used by a Cardholder to access funds held by the Issuer or its agent in a pooled account established for the benefit of multiple Cardholders, each with a sub-account that is associated with each Card. Identity Known Prepaid Cards may be issued in the form of a paper receipt, email, or other non-card means that can be used as a “virtual Prepaid Card” by the Cardholder for Card Not Present Card Sales.

“**Issuer**” means any entity that is permitted by us to issue Cards, including Discover Bank, a state bank chartered under the laws of the State of Delaware.

“**License**” means the License granted by us to a Merchant to use the Discover Network Acceptance Mark, as more fully described in Section 14.1 of these Operating Regulations.

“**Maximum Discount**” means the maximum Discount amount that may be assessed on a particular type of Card in the amount identified in the Merchant’s Agreement, Exhibit B to the Agreement or in a written notice that we have sent to the Merchant, as applicable, or in Merchant Activity Reports, for a given Calculation Period.

“**MCC**” has the same meaning as “Merchant Category Code.”

“**Merchant**” means an entity engaged in commercial operations that complies with each of the following requirements and each Agent designated by such entity: (i) is legally and properly incorporated, licensed or subject to the laws of the Authorized Jurisdiction as a matter of law or pursuant to a written certification from the governing authority in the Authorized Jurisdiction; (ii) maintains a duly authorized physical presence, conducts business operations and conducts

Card Transactions in accordance with the laws of the Authorized Jurisdiction, the requirements of the Merchant Services Agreement and these Operating Regulations; and (iii) accepts Cards as payment for goods and/or services. When general requirements in these Operating Regulations apply to Cash Advances and a Cash Advance Merchant has entered into a Cash Advance Agreement with us, the use in these Operating Regulations of “Merchant” shall include “Cash Advance Merchant”.

“**Merchant Activity Reports**” means the report(s) or data we make available to Merchant from time to time in connection with the Merchant’s Card Transaction activity, including such reports describing Settlement Amounts, Reversals, Chargebacks, Representments, Adjustments, Merchant Fees, Fees and other details relating to Card Transactions and Disputes processed by us on behalf of Merchants for the period covered by the report.

“**Merchant Batch Transmittal Form**” means a pre-printed form provided by us for submission by a Merchant with batches of Transaction Slips.

“**Merchant Category Code**” or “**MCC**” means the identification of business type indicated in Discover Network’s records for a particular Merchant, which is assigned by Discover Network using the table included in the Technical Specifications as determined based on the information provided in the Merchant’s application.

“**Merchant Fees**” means those Fees payable by a Merchant to us, as described in Section 9.0 of these Operating Regulations, the Agreement, Exhibit B to the Agreement or other written notice from us, and/or your Merchant Activity Reports, as applicable.

“**Merchant Identification Plastic**” means a plastic card provided by us to a Merchant bearing the Merchant’s Discover Network Merchant Number for use by the Merchant as described in these Operating Regulations.

“**Merchant Processor**” means a third party designated by a Merchant for the purpose of performing certain of the Merchant’s obligations under the Agreement and/or these Operating Regulations, subject to the limitations and requirements set forth in the Agreement and these Operating Regulations. Any Merchant Processor used by a Merchant shall be deemed to be the Merchant’s Agent to the extent it performs any of the Merchant’s obligations under the Agreement or these Operating Regulations.

“**Merchant Services Agreement**” and “**Agreement**” mean the written agreement, as amended from time to time, and all appendices, schedules and exhibits thereto, each as amended from time to time, between a Merchant and us that: (i) permits the Merchant to accept Cards as payment for goods and services, but not in exchange for cash, cash equivalents, Cash Advances or the funding of value used for future purchases (“quasi-cash”) unless specifically approved in the Merchant Services Agreement. When general requirements in these Operating Regulations apply to Cash Advances and the Merchant has entered into a Cash Advance Agreement with us, the use in these Operating Regulations of “Agreement” shall include “Cash Advance Agreement.”

“**Merchant Services Center**” means the functional area at Discover Network that responds to inquiries from Merchants and assists Merchants with inquiries regarding Card Acceptance and Disputes.

“**Minimum Discount**” means the minimum Discount amount payable for any particular type of Card in the amount identified in the Agreement, Exhibit B to the Agreement or in a written notice that we have sent to the Merchant, or the Merchant Activity Report, as applicable, for a given Calculation Period.

“**Mobile Commerce Device**” means a device used to conduct Card Transactions whereby Track Data is transmitted wirelessly by the Cardholder to the Merchant to effect Authorization and billing of the Card Transaction to the Card Account designated by the Cardholder.

“**Net Card Sales Amount**” means the total dollar amount of Card Sales and Representments that have been processed by us on the Merchant’s behalf during the Calculation Period, which may be monthly, daily or another period upon which we have agreed, less an amount equal to the sum of: Credits and Chargebacks and as adjusted to reflect Reversals and Adjustments (See Section 9.2.1) processed by us with respect to the Merchant during the Calculation Period.

“**Net Card Sales Number**” means the total number of Card Sales and Representments that have been processed by us on the Merchant’s behalf during the Calculation Period, which may be monthly, daily or another period upon which we have agreed, less the number of Credits and Chargebacks and as adjusted to reflect the number of Reversals and Adjustments (See Section 9.2.1) processed by us with respect to the Merchant during the Calculation Period.

“**Network**” means the Discover Network.

“**No Signature Required Card Sale**” refers to a Card Sale conducted in accordance with Section 5.8 of these Operating Regulations.

“**OFAC**” means the Office of Foreign Assets Control of the U.S. Department of the Treasury which implements U.S. economic sanctions.

“**Operating Regulations**” means these Merchant Operating Regulations, each Appendix attached hereto and incorporated herein by reference and each other document incorporated herein by reference, including the Dispute Rules and Technical Specifications.

“**Other Acceptance Mark**” means an acceptance mark other than the Discover Network Acceptance Mark that appears on a Card as approved by us from time to time and disclosed in writing to the Merchant, including by publication on our website.

“**Our Confidential Information**” has the meaning specified in Section 12.1.1.

“**Our Disclosing Party**” has the meaning specified in Section 12.1.1.

“**Per Transaction Fee**” means the part of the Merchant Fee that is a fixed amount we assess to the Merchant for each Card Sale or each Card Sale and Credit, as applicable, accepted by the Merchant. The amount of a Merchant’s Per Transaction Fee and the Card Transactions upon which your Per Transaction Fee is assessed is set forth in the Agreement, Exhibit B to the Agreement or in a written notice that we have sent to the Merchant or in Merchant Activity Reports, as applicable.

“**Person**” means any individual or entity, including any natural person, corporation, partnership, joint venture, association, limited liability company, joint stock company, business trust, unincorporated organization, governmental entity or any other entity of any nature, kind and description whatsoever.

“**POS Device**” means an electronic point-of-sale device, cash register, or terminal, and any necessary software, including a CAT and a Self-Service Terminal, located at the physical premises of a Merchant that is capable of electronically capturing data from Cards and receiving electronic evidence of Authorization Responses and which may also be capable of transmitting electronic evidence of Sales Data.

“**Premium**” (regardless of whether capitalized) refers to Cards issued to Cardholders that the Issuer expects are likely to have a higher than average income, volume and/or amount of annual purchases, where such Cards are required to include certain features and Cardholder benefits specified from time-to-time by Discover Network, in its sole discretion.

“**Prepaid Card**” (regardless of whether capitalized), means an Identity Known Prepaid Card or a Prepaid Gift Card.

“**Prepaid Identity Known Card**” or “**Identity Known Prepaid Card**” means a Card, held by a Cardholder whose identity is known to the Issuer, whether or not the Card is embossed with the Cardholder’s name, that is used by a Cardholder to access funds held by the Issuer or its agent in a pooled account established for the benefit of multiple Cardholders, each with a sub-account that is associated with each Card. Identity Known Prepaid Cards may be issued in the form of a paper receipt, email, or other non-card means that can be used as a “virtual Prepaid Card” by the Cardholder for Card Not Present Card Sales.

“**Prepaid Gift Card**” means a Card, which is not embossed with the Cardholder’s name and with respect to which the Issuer does not know the identity of the Cardholder, that is used by a Cardholder to access funds held by the Issuer or its agent in a pooled account established for the benefit of multiple Cardholders. A Prepaid Gift Card may be issued in the form of a paper receipt, email, or other non-card means that can be used as a “virtual Prepaid Card” by the Cardholder in Card Not Present Card Sales. A non-reloadable Card with respect to which the identity of the Cardholder is known to the Issuer solely because the Cardholder registered the Card with the Issuer or its agent for the Cardholder to be eligible to receive a replacement Card in the event the original Card Plastic is lost or stolen shall constitute a Prepaid Gift Card.

“**Processing Date**” means the date that we transmit files or messages to the Issuer and Merchant after we complete the processing of the Sales Data received from the Merchant for the Card Transaction described in the Sales Data.

“**Processing Services**” means the Card Transaction processing services described in these Operating Regulations that we provide to Merchant.

“**Prohibited Merchant Category**” means the list of activities and Merchants set forth in Section 10.5.3 to these Operating Regulations that disqualify an entity from eligibility to be a Merchant.

“**Proof of Delivery**” means documentation, as required in these Operating Regulations, that goods or services were delivered as specified by the Cardholder.

“**Referral Code**” means a code or instruction from an Issuer in response to an Authorization Request (e.g., “pick-up card”) other than a positive Authorization Response.

“**Representment**” means a decision by Discover Network to reverse a Chargeback of a Card Transaction.

“**Requirements of Law**” means, with respect to any Person, any law, ordinance, statute, treaty, rule, judgment, decree, regulation, official directive, consent, approval, authorization, order or other determination or finding of any governmental authority applicable to or binding upon such Person or to which such Person is subject, whether federal, state, county, local, foreign or otherwise, including state usury laws, the Truth-In-Lending Act, the Fair Debt Collection Practices Act, the Federal Equal Credit Opportunity Act, the Fair Credit Reporting Act as amended by the Fair and Accurate Credit Transactions Act, the National Bank Act, the Bank Secrecy Act as amended by the USA PATRIOT Act together with implementing federal regulations, the Trading With the Enemy Act, the International Emergency Economic Powers Act and the United Nations Participation Act and related Executive Orders and implementing U.S. Department of the Treasury regulations, including without limitation sanctions programs administered by OFAC, the Electronic Funds Transfer Act, the Telephone Consumer Protection Act, the Gramm-Leach-Bliley Act, the Foreign Corrupt Practices Act, the Federal Trade Commission Act, the Sarbanes-Oxley Act and implementing federal regulations, and Regulations B, E, P and Z of the Board of Governors of the Federal Reserve System.

“**Reserve Account**” means an interest bearing bank account maintained by the Merchant in our name at a financial institution selected by us, as more fully described in Section 15.2.

“**Reversal**” means a transaction used to negate or cancel Settlement of Sales Data that should not have been processed for Settlement.

“**Sales Data**” means evidence of Card Sales, Cash Advances and Credits (in electronic format or in the format of Transaction Slips) that is captured, prepared and transmitted to us for Settlement of a Card Sale, Cash Advance or Credit, as described in these Operating Regulations.

“**Sales Slip**” means a paper form used by a Merchant to capture Card Sale and Cash Advance information in transactions where a POS Device is not used, one copy of which is provided to the Cardholder and one copy of which is submitted to Discover Network for Settlement of the Card Transaction with the Merchant.

“**Security Requirements**” means (i) the Payment Card Industry Data Security Standard located at www.discovernetwork.com and/or www.pcisecuritystandards.org (as the same may be amended and supplemented from time to time), which is incorporated herein by reference and all related compliance requirements, and (ii) any additional security requirements and all related compliance requirements promulgated by us from time to time.

“**Self-Service Terminal**” refers to a POS Device other than a CAT that is intended to operate in an automated manner based on inputs from the Cardholder at the point of sale and without inputs from a Merchant representative. A Self-Service Terminal should be coded as an “unattended terminal” under the Technical Specifications.

“**Settlement**” means the reconciliation between us and Merchant of amounts payable with respect to Card Transactions, as more fully described in these Operating Regulations.

“**Settlement Account**” means the deposit account designated by Merchant at a financial institution located in the U.S., as indicated in our records and as may be changed by Merchant from time to time, for use by us to pay Settlement Amounts and collect any Fees or charges, including Merchant Fees, Submission Error Fees, other Fees, Cash Reimbursements, Cash Advance Fees, Adjustments, Reversals, Disputes and/or other amounts payable by Merchant pursuant to the Merchant Services Agreement and these Operating Regulations, including the Dispute Rules.

“**Settlement Amount**” means the net amount payable by us to Merchant or by a Merchant to us in Settlement of outstanding Card Transactions, as more fully described in these Operating Regulations.

“**Submission Error**” means a Merchant’s transmission to us of an Authorization Request or Sales Data that does not comply with the requirements of these Operating Regulations, including those errors listed in Section 9.3.

“**Submission Error Fees**” means the Fees we may assess to a Merchant for Submission Errors, the amounts for which are set forth in the Agreement, Exhibit B to the Agreement or other notification from us, as applicable.

“**Technical Specifications**” refers to certain documents incorporated by reference into these Operating Regulations, as amended by us from time to time, that may include detailed operating and technical requirements governing the establishment and maintenance of electronic links (referred to as “connectivity”), Authorization, processing and Settlement services (e.g. the form and format for electronic data transmissions) and Dispute submission and response requirements.

“**Ticket Retrieval Request**” means a request initiated by an Issuer to Discover Network for documentation regarding a Card Transaction.

“**Track Data**” means the data, including CVV Data, contained on the magnetic stripe and/or wireless transmitter of a Card, which is captured by a POS Device or other electronic Card data capture terminal.

“**Transaction Documentation**” means, collectively, Transaction Receipts and Transaction Slips.

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

“**Transaction Slip**” means a form used by a Merchant to capture Card Transaction data in transactions where a POS Device is not used, one copy of which is provided to the Cardholder and one copy of which is provided to Discover Network for Settlement of the Card Transaction, including a Sales Slip or a Credit Slip, as applicable or appropriate under the circumstances.

“**Triggering Event**” has the meaning given to such term in Section 15.2.1.5 of these Operating Regulations.

“**Your Confidential Information**” has the meaning specified in Section 12.1.2.

“**Your Disclosing Party**” has the meaning specified in Section 12.1.2.

Appendix 1
Dispute Rules Manual

[Attached and available at www.discovernetwork.com]

Appendix 2
Technical Specifications

[Available at www.discovernetwork.com]

Appendix 3
Performance Standards

The following Performance Standards are measured, and the related noncompliance Fees are assessed, monthly. Noncompliance Fees assessed pursuant to this **Appendix 3** will appear on your Merchant Activity Report. Nothing in this **Appendix 3** in any way limits our other rights or remedies against you or your Agents for noncompliance with requirements of these *Operating Regulations* or your Agreement, including the right to suspend or terminate your Card Acceptance or your Merchant Services Agreement.

Category	Performance Standard Description	Noncompliance Fee Assessed
Card Acceptance Mark Noncompliance Fee	Improper use of Discover Network Acceptance Marks or Other Acceptance Marks.	\$2,500 per violation following expiration of any cure period applicable under the <i>Operating Regulations</i> , which Fee may be re-assessed thereafter for each thirty (30) calendar days that the violation remains uncured.
Security Requirements Noncompliance Fee	Failure by you or any of your Agents to comply with any of the Security Requirements.	\$100,000 per violation plus an additional \$100,000 per each additional thirty (30) calendar days such violation remains uncured.