

**NEW YORK STATE  
DISCOVER® CARD  
OPERATING GUIDE**

Discover Business Services  
2500 Lake Cook Road, 2-West  
Riverwoods, IL 60015-3800

MERCHANT SERVICES - GOVERNMENT SERVICES UNIT

**1-800-347-7038**

MERCHANT SERVICES

**1-800-347-2000**

MERCHANT SERVICES (SPANISH)

**1-800-347-7009**

AUTHORIZATION (24 HOURS A DAY)

**1-800-347-1111**

MERCHANT SECURITY DEPARTMENT

**1-800-347-3083**

VOICE ADDRESS VERIFICATION

**1-800-347-7988**

MERCHANT INTERNET INQUIRIES

**1-800-347-3069**

## TABLE OF CONTENTS

- 1.0 INTRODUCTION TO DISCOVER BUSINESS SERVICES
  - 1.1 Discover Business Services: Introduction
  - 1.2 What Discover Business Services Means to You
- 2.0 DISCOVER CARD SECURITY FEATURES
  - 2.1 Discover Card Security Features
    - 2.1.1 Discover2Go<sup>sm</sup> Card
- 3.0 DISCOVER CARD TRANSACTIONS - GENERAL REQUIREMENTS
  - 3.1 Test Cards
  - 3.2 Cash Advances
  - 3.3 Employee Purchases
  - 3.4 Minimum/Maximum Dollar Limits and Other Limits
  - 3.5 Equal Treatment of Card Sales Versus Other Cards
- 4.0 ACCEPTANCE OF CARD TRANSACTIONS
  - 4.1 Card Acceptance Requirements
    - 4.1.1 Card Expiration Date
    - 4.1.2 Signature On Card
      - 4.1.2.1 Unsigned Cards
    - 4.1.3 Obtain Authorization
    - 4.1.4 Prepare and Transmit Sales Data
  - 4.2 Preparing Sales Data Documenting Card Sales
    - 4.2.1 General
    - 4.2.2 Electronic Data Capture
  - 4.3 Refunds and Returns
  - 4.4 Obtaining Authorization
    - 4.4.1 Cardmember Verification and Card Retrieval
    - 4.4.2 Electronic Authorization Procedures
    - 4.4.3 Telephone Authorization Procedures
    - 4.4.4 Authorizing Installment Sales Transactions
    - 4.4.5 Request for Cancellation or Change of Authorization
    - 4.4.6 Authorization Floor Limits
    - 4.4.7 Downtime Authorization Procedures
    - 4.4.8 Address Verification Service
  - 4.5 Code 10: Suspicious Situations
- 5.0 CARD NOT PRESENT SALES
  - 5.1 Mail and Telephone Order Card Sales
    - 5.1.1 Cardmember Verification
    - 5.1.2 Documentation of Card Sales
    - 5.1.3 Transmission of Sales Data
    - 5.1.4 Delivery Requirements
  - 5.2 Card Sales Over the Internet
    - 5.2.1 Protocol for Internet Card
    - 5.2.2 Browser Support for Protocol
    - 5.2.3 Data Security
    - 5.2.4 Chargeback for Noncompliance
  - 5.3 Recurring and Installment Payment Plans
    - 5.3.1 Requirements - Overview
    - 5.3.2 Cardmember's Approval
    - 5.3.3 Complete Sales Data
    - 5.3.4 Fixed and Variable Payment Plans - Format of Sales Data

## 6.0 PROCESSING AND SETTLEMENT

- 6.1 Transmission of Sales Data
  - 6.1.1 Submitting Electronic Sales Data
- 6.2 Settlement
  - 6.2.1 Settlement Adjustments
  - 6.2.2 Suspension of Settlement
- 6.3 Payments from Cardmembers
- 6.4 Periodic Activity Reports

## 7.0 TICKET RETRIEVALS AND CHARGEBACKS

- 7.1 Ticket Retrievals
- 7.2 Chargebacks
  - 7.2.1 Immediate Chargebacks
  - 7.2.2 Pending Chargebacks
- 7.3 Reversal of Chargebacks
- 7.4 Chargeback of Card Not Present Sales

## 8.0 MERCHANT FEES

- 8.1 Merchant Fees
- 8.2 Collecting Authorized User Merchant Fee

## 9.0 FRAUD PREVENTION

- 9.1 Recovery of Lost or Stolen Cards
- 9.2 Reminders for Preventing Fraudulent Card Usage
- 9.3 Factoring
- 9.4 Type of Business
  - 9.4.1 Changes in Business
  - 9.4.2 Failure to Notify

## 10.0 MERCHANT SUPPORT

- 10.1 Merchant Assistance
- 10.2 Supplies
- 10.3 Notices

## 11.0 CONFIDENTIALITY

- 11.1 Disclosure of Confidential Information to Third Parties

## 12.0 ADVERTISING

- 12.1 Authorization for Service Mark Usage
- 12.2 Display of Materials

## 1.0 INTRODUCTION TO DISCOVER BUSINESS SERVICES

### 1.1 Discover Business Services: Introduction

Discover Business Services provides network support and other types of Services for Authorized Users who accept Discover Card transactions.

### 1.2 What Discover Business Services Means to You

Discover Business Services brings a long list of benefits to Authorized Users. Discover Business Services is committed to delivering network services with the best possible value to Authorized Users, including:

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

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

## 2.0 DISCOVER CARD SECURITY FEATURES

### 2.1 Discover Card Security Features

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

- A. Distinctive Discover Card logo.
- B. The word NOVUS will appear in ultraviolet ink on the front of the Card when it is held under an ultraviolet light. Authorized User need not have an ultraviolet light.
- C. The Discover hologram has 4 distinct images:
  - 1) Discover Financial Services Coin
  - 2) Single, large company logo
  - 3) Multiple, smaller company logos
  - 4) Word NOVUS printed repeatedly
- D. The embossed Cardmember name.
- E. Account numbers on all Discover Cards are made up of 4 groups of 4 digits totaling 16 numbers and always start with 6011. The embossed numbers should be clear and uniform in size and spacing and should extend into the hologram.
- F. The "valid thru" date indicates the last month in which the card is valid.
- G. The special embossed **n** appears on the same line as "Member Since" and "Valid Thru."
- H. The magnetic stripe.
- I. The signature panel must be signed by the Cardmember or authorized card user in order to validate the Card. The account number on the signature panel should match the number embossed on the front of the card and appears here in reverse indent printing.

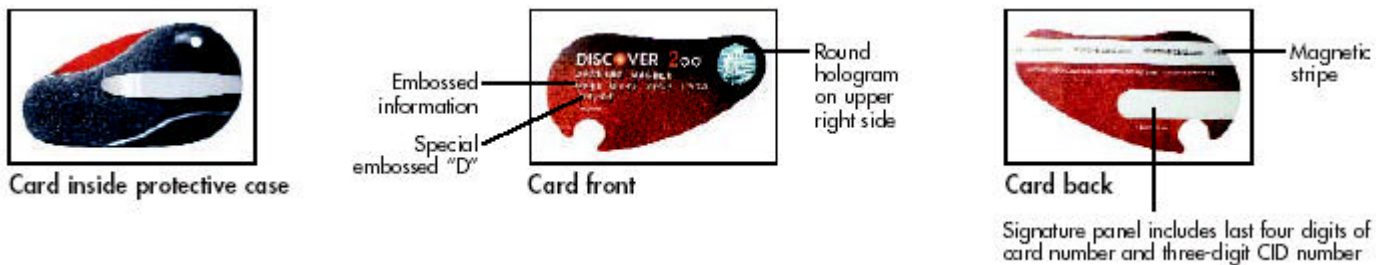
On all cards, the Card Account number is followed by a 3-digit Cardmember Identifier (CID).

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



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

2.1.1 Discover2GO<sup>sm</sup>Card. Provided below is a description of the Discover2GO Card.



Due to the Discover 2GO Card's unique shape and size, it may not be capable of being used at certain pay-at-the-pump devices and imprinters. If you experience any problems with a Discover 2GO Card, please request that the customer present their standard Discover Card.

### 3.0 DISCOVER CARD TRANSACTIONS - GENERAL REQUIREMENTS

#### 3.1 Test Cards

If Discover issues an Authorized User a test Card or test account in order to test Card acceptance at your locations, the Authorized User is liable for any improper or fraudulent use of such Card or Card Account by any of their employees. Authorized Users will use reasonable efforts to safeguard such Card or Card Account in a secure place.

#### 3.2 Cash Advances

An Authorized User may not accept a Card in exchange for advancing cash to a Cardmember. If an Authorized User dispenses cash in connection with the presentation of a Card without our permission, such a Card transaction is subject to Chargeback to you as described in Section 7.2

#### 3.3 Employee Purchases

An Authorized User's employees may only use the Card at their place of employment for *bona fide* purchases in the ordinary course of Authorized User's business.

#### 3.4 Minimum/Maximum Dollar Limits and Other Limits

Authorized Users may not require that any Cardmember make a minimum dollar purchase in order to use a Card and, other than when Discover has not authorized a

Cardmember's transaction, and Authorized User may not limit the maximum amount that a Cardmember may spend when using a Card.

### **3.5 Equal Treatment of Card Sales Versus Other Cards**

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

## **4.0 ACCEPTANCE OF CARD TRANSACTIONS**

### **4.1 Card Acceptance Requirements**

Authorized Users must perform each of the following functions for each Card Present sale accepted.

#### **4.1.1 Card Expiration Date**

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

#### **4.1.2 Signature on Card**

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

##### **4.1.2.1 Unsigned Cards**

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

#### **4.1.3 Obtain Authorization**

If Authorized Users are processing Card Present Charges electronically, Authorized User must transmit full magnetic stripe data with their Authorization request via a swipe of the Card through the electronic authorization terminal. If the magnetic stripe is unreadable and Authorized User has to key the transaction in to obtain Authorization, the Authorized User must take a manual imprint of the Card to validate Card presence. If Authorized User fails to take a manual imprint for any keyed transaction, Contractor will have Full Recourse for such Charge.

If the electronic authorization terminal is unable to reach Discover's computer authorization system for Authorization, Authorized User agrees to obtain Authorization for all Charges by phoning Discover directly at 1-800-347-1111.

For Charges for goods or services which are shipped or provided or for payments made to Authorized User more than thirty (30) days after the order is made, Authorized User agrees to obtain Authorization for such Charge at the time the order is made and again immediately before Authorized User ships the goods or provides the services to or initiates the payment for the Cardmember.

#### **4.1.4 Prepare and Transmit Sales Data**

Prepare the Sales Data Record documenting the Card sale as described in Section 4.2 and transmit Sales Data to us as described in Section 6.1 of this Operating Guide.

## **4.2 Preparing Sales Data Documenting Card Sales**

### **4.2.1 General**

You must include all merchandise and/or services purchased at one time and at one cash register on one Sales slip, except that you may use a separate Sales

slip for partial payments. You must prepare and fully complete Sales Data for each Card transaction as described below. You must provide the Cardmember with a completed copy of the Sales Data at the time of each completed Card transaction.

#### **4.2.2 Electronic Data Capture**

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

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

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

#### **4.3 Refunds and Returns**

Discover agrees to honor an Authorized User's return policy as long as it complies with all federal, state and local laws and is clearly posted or otherwise made known to the Cardmember at the time of the Card sale. Discover may request a copy of an Authorized User's return policy at any time. If a Cardmember returns goods or services purchased with a Card to an Authorized User in accordance with your policy, you must issue a refund in accordance with Section 4.10 of the Agreement.

#### **4.4 Obtaining Authorization**

Authorized Users must obtain authorization prior to completing a Card sale for any transaction. For delayed delivery sales, you must obtain authorization before you submit Sales Data to us for the Card sale. The authorization you receive will be valid for 90 days. You may obtain authorization from us by electronic terminal or telephone. We will provide you with an authorization code, which must be written on the Sales slip, unless the authorization was obtained using an electronic terminal or cash register. If you use an electronic terminal, you must transmit to us the complete and unaltered contents of the magnetic stripe on the Card presented for the transaction for each Card sale, along with each authorization request you send to us. If you accept a Card for a sale without receiving our prior authorization in the manner described above, Discover is not required to pay the Authorized User for the sale, and if Discover has already paid you, Discover will process a Chargeback, as described in Section 7. Even if an authorization is granted for a Card sale, it is not a guarantee of payment. A Card sale may be subject to Chargeback to Authorized User for other reasons as set forth in this Operating Guide or the Agreement.

##### **4.4.1 Cardmember Verification and Card Retrieval**

Occasionally, for verification purposes, we may ask you to request certain information from a customer that has presented a Card.

##### **4.4.2 Electronic Authorization Procedures**

If you use an electronic terminal to obtain authorization of Card sales, follow the procedures given to you by your terminal provider for the use of that terminal. If a "call center" referral code is displayed, call the



Authorization Center at 1-800-347-1111 to obtain further instructions. If your electronic authorization terminal is not working, you are required to contact our Authorization Center to obtain authorization for all Card sales.

#### **4.4.3 Telephone Authorization Procedures**

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

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

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

#### **4.4.4 Authorizing Installment Sales Transactions**

If you submit installment payment sales, you must receive a separate, current authorization for each installment prior to submitting it. If Discover or the Office of General Services or the Authorized User have terminated the EVTA-2 or the Agreement, Authorized Users may not submit installments that are due after the date of termination. If the Cardmember who agreed to the installment plan ceases to be a Cardmember due to his, her, or Discover's termination of that relationship, an Authorized User may not submit any further installments and must find an alternate method of collecting payment from the Cardmember. Discover's authorization of one installment is not a guarantee that any future installment will be authorized or paid. If, at any time, a Cardmember raises a dispute with respect to any installment payment or the goods or services you agreed to provide, Discover may, at its discretion, Chargeback that installment and any prior installments Authorized User may have submitted. Please refer to Section 5.3 for complete procedures for installment sales transactions.

#### **4.4.5 Request for Cancellation or Change of Authorization**

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

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

#### **4.4.6 Authorization Floor Limit**

You must obtain authorization for any Card sale. If you accept a Card sale without first obtaining authorization, you do so at your own risk and the Card sale may be subject to immediate Chargeback as set forth in Section 7.2.

#### **4.4.7 Downtime Authorization Procedures**

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

#### **4.4.8 Address Verification Service**

Authorized User must verify the Cardmember address for Internet Card sales either electronically or by calling Discover at 1-800-347-7988. This Address Verification Service is also available for any Mail/Telephone Order Card Sale either electronically or by calling Discover at 1-800-347-7988.

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

#### **4.5 Code 10: Suspicious Situations**

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

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

### **5.0 CARD NOT PRESENT SALES**

#### **5.1 Mail and Telephone Order Card Sales**

Authorized User may accept Cards for telephone or mail order sales if they follow the procedures in the Agreement and this Operating Guide for accepting such Card sales. Authorized User must obtain authorization for each mail or telephone order Card sale as described in Section 4.4. Authorized User must document the Card sale and send Sales Data to Discover as described below. For each Authorized User, Form EVTA-2 will indicate if their EVTA programs are primarily telephone and/or mail order sales.

##### **5.1.1 Cardmember Verification**

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

##### **5.1.2 Documentation of Card Sales**

In addition to complying with the requirements for preparation of Sales Data in Section 4.2, Authorized User must obtain the following information from the Cardmember for each mail or telephone order Card sale: Cardmember name, Card Account number, Card expiration date and shipping address. Authorized User must retain such information, along with the shipping date, for the document retention period in the Agreement. Authorized User shall provide the shipping date to the Cardmember at the time of each telephone order Card sale and upon request for each mail order Card sale.

### **5.1.3 Transmission of Sales Data**

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

### **5.1.4 Delivery Requirements**

At the time of delivery of merchandise or services ordered in a mail or telephone order Card sale, Authorized User must provide the Cardmember with an invoice or other documentation that includes the information obtained from the Cardmember in Section 4.2. Authorized User also may obtain the Cardmember's signature as proof of delivery and Authorized User should retain this proof of delivery for the document retention period set forth in the Agreement. If a Cardmember comes to Authorized User's facility, to pick up merchandise ordered by mail or telephone, Authorized User must obtain an imprint of the Card and the Cardmember's signature. In the event of a dispute by a Cardmember with respect to delivery of merchandise or services ordered by mail or telephone, the Card sale is subject to Chargeback as described in Section IV.4.5 of the Agreement.

## **5.2 Card Sales Over the Internet**

Form EVTA-2 will indicate which type of Card Transaction programs Authorized User will be accepting over the Internet. Any Card sales that do not comply with the Agreement and this Operating Guide are subject to Chargeback as described in Section 7.0. For each Card sale over the Internet, Authorized User must comply with the requirements in Section 5.1 in addition to the requirements in this section.

### **5.2.1 Protocol for Internet Card**

Each Internet Card transaction accepted by an Authorized User and submitted to Discover shall comply with Discover's standards, including, without limitation, Discover's standards governing the formatting transmission and encryption of data, referred to as Discover's "designated protocol". Authorized Users shall accept only those Internet Card transactions that are encrypted in accordance with Discover's designated protocol. As of the date of these Operating Regulations, Discover's designated protocol for the encryption of data is Secure Socket Layer (SSL). However, Discover's designated protocol, including any specifications with respect to data encryption, may change at any time upon 30 days advance written notice. **Authorized Users may not accept Discover Card Account numbers through Electronic Mail over the Internet.**

### **5.2.2 Browser Support for Protocol**

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

### **5.2.3 Data Security**

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

#### **5.2.4 Chargeback for Noncompliance**

Any Card transaction over the Internet that fails to comply with the Agreement or this Operating Guide is subject to immediate Chargeback in accordance with the provisions contained within Section IV.4.5 of the Agreement. Discover may invoice an Authorized User any amounts owed with respect to Chargebacks on Internet Card transactions. Discover may, at their discretion, terminate the EVTA-2 in accordance with Section V.5.14 of the Agreement if such Authorized User fails to comply with the terms of this Section.

### **5.3 Recurring and Installment Payment Plans**

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

#### **5.3.1 Requirements - Overview**

Authorized User must comply with the requirements in Section 4.4 and those described in this section with respect to each amount billed to a Card account pursuant to a recurring or installment payment plan. If Authorized User fails to comply with any of the requirements in Section 4.4 or in this section, or if a Cardmember raises a dispute at any time with respect to a Card sale involving a recurring or installment plan or the goods or services that Authorized User agreed to provide in a recurring or installment plan, Discover may, at their discretion, Chargeback any installment that is subject to dispute in addition to any installments that Authorized User previously submitted to Discover, in accordance with Section IV.4.5 of the Agreement.

- **Authorization**

Authorized User must receive a separate, current authorization from Discover for each installment billed to a Card account under a recurring or installment payment plan and Authorized User must obtain such an authorization before submitting Sales Data to Discover for any Card sale. If Discover authorizes a Card sale for an installment payment pursuant to a recurring or installment payment plan, that is not a guarantee that any future installment billed to a Card Account will be authorized or paid by Discover. Please refer to Section 4.4 of this Operating Guide for an explanation of how to obtain authorization for Card sales.

- **Cardmember's Approval**

Authorized User must obtain the Cardmember's approval, as described below, for a recurring or installment payment plan that charges amounts to a Card Account.

- **Submission of Sales Data**

The Sales Data that Authorized User submits to Discover for amounts required by Discover must otherwise comply with our requirements as described in Section 6.1. If the EVTA-2 or the Agreement is terminated, Authorized User may not submit Sales Data to Discover for recurring or installment Card sales that are due after the effective date of termination. If a Cardmember who agreed to a recurring or installment plan ceases to be a Cardmember due to his, her, or Discover's termination of the relationship, Authorized User may not submit Sales Data to Discover for any further installments on that Card Account and Authorized User must find an alternate method of collection from the Cardmember.

- **Fixed and Variable Payment Plans**

Authorized User must follow the requirements in Section 5.3.4 regarding fixed and variable installment plans.

#### **5.3.2 Cardmember's Approval**

Authorized User must obtain the Cardmember's written approval to charge amounts to their Card Account over the term of the recurring or installment

payment plan. If Authorized User uses the Internet or another electronic process to receive an application from a Cardmember for a recurring or installment payment plan, Authorized User must retain electronic evidence of the Cardmember's approval of the recurring or installment payment plan. In any event, the Cardmember's approval, whether written or electronic, must include all of the following information:

- Cardmember's name, address and Card Account number.
- Amount of each installment, unless the amount of the installment varies, in which case you must comply with the additional requirements in Section 5.3.4.
- Timing or frequency of payments.
- Length of time over which Cardmember permits you to bill installments to the Card account.
- Authorized User's Merchant number as assigned by Discover.
- Card expiration date.
- Dollar amount of transaction including tax and tip (dollars and cents).

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

### **5.3.3 Complete Sales Data**

In addition to obtaining authorization for each Card sale as set forth in Section 4.4 and retaining evidence of the Cardmember's approval of the recurring or installment plan, the Sales Data that Authorized User submits to Discover for Card sales involving recurring and installment payment plans must comply with Sections 4.2, 6.1 and the requirements described below.

- **Description of Transaction/Cardmember Information**

Sales Data prepared by Authorized User for each Card sale must include a general description of the Card transaction, the name of Authorized User's establishment and a phone number that the Cardmember may call to obtain customer assistance or revoke their written approval of the recurring or installment plan. If this information is provided in the Sales Data, Authorized User is not required to send a separate statement of charges to the Cardmember for each amount billed to the Card Account in a recurring or installment plan.

- **Format of Sales Data**

For each Card transaction involving a recurring or installment payment plan, Authorized User must submit Sales Data to Discover in the format specified in Section 5.3.4.

- **Card Expiration Date**

Sales Data submitted to Discover for each installment billed to a Card Account must include the Card expiration date. If the Card is not present, Authorized User must obtain the Card expiration date from the Cardmember. If a Card expires during the term of a Cardmember's approval of a recurring or installment plan, Authorized User must obtain a current Card expiration date from the Cardmember before submitting Sales Data to Discover.

### **5.3.4 Fixed and Variable Payment Plans - Format of Sales Data**

If a recurring or installment plan provides for installments of the same amount billed to the Card Account, or if the amount of each installment in a recurring or installment plan varies, Authorized User must submit Sales Data to Discover for each recurring or installment payment on a Card account. If an Authorized User makes any changes to its fixed or variable payment plans

Authorized User will contact Discover prior to making these changes. Form EVTA-2 will indicate if an Authorized User's payment program will be using fixed or variable payment plans.

## 6.0 PROCESSING AND SETTLEMENT

### 6.1 Transmission of Sales Data

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

#### 6.1.1 Submitting Electronic Sales Data

Sales Data must be sent by electronic means each Business Day through a certified third-party processor or directly in a format agreed upon by both parties. The number of Sales or Return transactions should not exceed the lesser of: 600 or Authorized User's terminal's maximum capacity per batch. Please follow the instructions given to you by your terminal provider on how to process and submit sales transactions using your terminal. **Note: Do not mail your Sales slips or Credit slips to Discover unless Discover directs you to do so.**

### 6.2 Settlement

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

- Purchases made at your establishment in the form of Card sales.
- Minus Credits submitted by Authorized Users to Discover. **Note: State agency authorized users must receive OSC approval prior to issuing credits. Such approval must be reflected in the agency EVTA-2 work order form.**
- Plus or minus adjustments we make to reconcile or correct errors in your Sales Data. All debit (Chargebacks, Adjustments, and Discount) activity aside from credits (see above) will be invoiced at month end and not deducted from the Settlement amount.
- Adjustments or discrepancies between the batch transmittal total in Sales Data and the actual sales detail will be offset against the same or subsequent Business Day's Settlement total. Chargebacks will be invoiced at month end.

#### 6.2.1 Settlement Adjustments

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

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

The adjustment reason codes we will use are listed below:

<u>Code</u>	<u>Description</u>
IN	Invalid Cardmember Account
MA/ML	Amount adjustment
MB	Sale posted as a Credit
MG/MP	Duplicate processing
MI/MM	Incorrect Merchant
MO	Merchant-only adjustment
MR/MX	Miscellaneous adjustment

MT/MU	Transmission dump
MW	Merchant write-off
MZ	Credit posted as a Sale

### 6.3 Payments from Cardmembers

Authorized User may not receive or process any money representing a Cardmember's payment to Discover Business Services. Discover has the sole right to receive payment from Cardmembers for Card transactions made at Authorized User's establishment. If Authorized User receives a payment from a Cardmember, Authorized User must immediately forward it to Discover at the following address:

#### East of the Mississippi:

Discover Business Services  
Merchant Services Center  
P.O. Box 3011  
New Albany, OH 43054-3011

#### West of the Mississippi:

Discover Business Services  
Merchant Services Center  
P.O. Box 52145  
Phoenix, AZ 85072-2145

### 6.4 Periodic Activity Reports

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

## 7.0 TICKET RETRIEVALS AND CHARGEBACKS

### 7.1 Ticket Retrievals

From time to time, Discover may receive a request from a Cardmember for information regarding a Card transaction made at Authorized User's establishment, or a Cardmember may dispute a Card transaction. Discover may request in writing, documentation (referred to as a "Ticket Retrieval") from Authorized User as a result of such an inquiry. Upon receipt of the written request, Authorized User must provide Discover with a copy of the Sales slip or refund check within 20 Business Days of the request. Discover may deliver this reporting via US Mail, Internet or by other electronic means. If Authorized User does not respond to such a Ticket Retrieval request within 20 Business Days, Discover may return the Card transaction or Card transactions to Authorized User as a Chargeback, as described in Section IV.4.5 of the Agreement and Section 7.2 herein. The data or a copy of data received by Discover must be sufficiently legible for submission to the Cardmember for review or for identification of the Card Account number. In response to a request for a copy bearing the Cardmember's signature, the Authorized User may provide a legible reproduction using the electronic signature capture technology. To satisfy Ticket Retrieval requests for certain transactions, the Authorized User may provide a substitute Transaction Slip in accordance with the requirements specified in other sections of this Operating Guide. For Ticket Retrieval requests satisfied with a substitute Transaction Slip, Discover may subsequently submit a dispute if any of the required data elements listed below are missing from the substitute Transaction Slip:

- The Card Account number
- The Cardmember name
- The Card expiration date
- The Transaction amount
- The Transaction date
- The Authorization code
- The Authorized User name and location

- A description of the merchandise/services

For Mail Order/Telephone Order:

- The 'ship to' address

For Transaction completed at Self Service Terminals:

- The self service terminal locations code or city and state

For Transactions completed at an Automated Fuel Dispenser:

- The service station identification number
- The invoice number

## 7.2 Chargebacks

Under certain circumstances Discover may return a previously paid Card sale to an Authorized User for repayment to Discover. These returned charges are called "Chargebacks." If a billing error is asserted by a Cardmember with respect to a Card sale, or if a Cardmember complains to Discover about the quality of goods or services obtained with the Card at an Authorized User's establishment, Authorized Users will act in good faith to attempt to resolve the problem with the Cardmember. If the Cardmember refuses to pay Discover for goods or services due to a quality dispute, Discover may process a Chargeback for the charge or disputed portion of it. If Discover is involved in a lawsuit with a Cardmember relating to a Card sale made at the Authorized User's establishment, the Authorized User will cooperate with Discover to provide any assistance that we may reasonably require. If an Authorized User does not follow all the terms of the Agreement and this Operating Guide when making a transaction with a Card, or if a Card sale which is the subject of a billing dispute or quality dispute is subject to Chargeback as specified in this Operating Guide or the Agreement, Discover may seek repayment for the Card sale or the disputed portion of it. Since Discover will have already paid the Authorized User, Discover will include the amount of the chargeback on the Authorized User's next invoice. If Authorized User and a Cardmember resolve a billing inquiry or dispute on a Card sale which has been charged back, and Discover is permitted by law to rebill the Cardmember for all or a portion of the disputed amount, Discover will reimburse Authorized User for that portion of the Chargeback which Discover can rebill the Cardmember, provided Authorized User requests such reimbursement within 90 days from the date of the Chargeback. If, due to federal and/or state laws, the issuer of the Card is not permitted to rebill a Cardmember for all or a portion of a disputed transaction, Discover will not be required to reimburse Authorized User for the Chargeback, even if you have complied with the terms of the Agreement including this Operating Guide. Card transactions may be charged back to Authorized User within 180 days of the processing date if you fail to follow the Agreement or the procedures outlined in the Operating Guide. Information about Chargebacks in connection with your Merchant account will be sent to Authorized User directly. Inquiries regarding Chargebacks and/or adjustments to your account should be directed to Discover at 1-800-347-7038. All original documentation must be retained by Authorized Users for 24 months from the transaction date. If Authorized Users deliver or transmit Sales Data to Discover in magnetic or electronic form, Authorized Users must keep microfilm or other copies of each Sales slip and each Credit slip for no less than 3 years from the date of the transaction.

### 7.2.1 Immediate Chargebacks

Discover may immediately Chargeback certain transactions. Discover will notify Authorized User within ten calendar days of the immediate Chargeback by fax or electronically. Discover will invoice Authorized User for the amount of immediate chargebacks. Reasons for Immediate Chargeback are listed below.

<u>Code</u>	<u>Definition</u>	<u>Explanation</u>
CV	Full contents of magnetic stripe was not included in the authorization	The transaction was effected with a counterfeit card with an altered magnetic stripe and the



full contents of the magnetic stripe including the Card Verification Value were not present in the authorization request received by us.

DA	Declined Authorization	The purchase was completed after the merchant received a declined authorization message.
EX	Expired Card	The Card transaction was processed using an expired Card.
IC	Requested Item Illegible Copy	The Sales slip provided in response to a Ticket Retrieval request is not legible.
LP	Late Presentation Transaction	The time from transaction date to date of processing exceeds the 60-day limit allowed by Discover, and the transaction cannot be promptly collected from the Cardmember.
RI	Non-Receipt of Requested Item	The Sales Data not provided within 20 Business Days in response to Ticket Retrieval request.
SS	Split Sale	A transaction requiring authorization was split into two or more sales to avoid authorization, and had the transaction been submitted for authorization, it would have been declined.
TF	Service Establishment Adjustment	The Merchant violated general operating procedures not covered by other codes. A detailed explanation will be provided.

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

### 7.2.2 Pending Chargebacks

A pending Chargeback notice will be provided to Authorized User in certain instances. Discover will notify Authorized User of the pending Chargeback by mail, fax, electronically or other method. Authorized User has 20 Business Days from the notice date to respond satisfactorily before Discover invoices Authorized User to collect the amount of Chargeback. During the notice period, Authorized User should resolve the reason for dispute directly with the Cardmember, in order to avoid responsibility for the Chargeback. Authorized User must then notify Discover of the resolution as instructed on the pending Chargeback notification form to avoid the Chargeback. Chargeback reasons for which Discover will provide a pending Chargeback notice are listed below.

<u>Code</u>	<u>Definition</u>	<u>Explanation</u>
AW	Altered Amount	The Cardmember claims that the purchase amount agreed to by the Cardmember was altered after the Cardmember signed the Sales slip

		and without the Cardmember's consent or direction. Only the difference is charged back.
CD	Credit Posted as Sale	The Cardmember charged a Sale rather than a credit.
DP	Duplicate Processing	The Cardmember charged more than one time for a single transaction.
EF	Transaction Exceeds Floor Limit	The transactions are at or above the Authorized User's assigned Floor Limit for which a required authorization was not obtained and which cannot, for whatever reason, be promptly collected from the Cardmember.
IS	Missing Signature	The Sales slip is missing the Cardmember's signature and the Cardmember does not recognize the Card Sale.
RG	Non-Receipt of Goods	The Cardmember charged for goods or services but never received the goods or services or canceled the transaction.
RM	Cardmember Disputes Merchandise/Service	The Cardmember disputes the quality of merchandise purchased or service rendered or any portion thereof.
RN	Non-Receipt of Credit	The Cardmember claims that a credit issued by the Merchant never posted to the Card Account.
SI	No Imprint on Sales Slip	The Sales slip is not imprinted with Card Account number: Cardmember does not recognize Card Sale.
UA	Unauthorized Purchase	Neither the Cardmember nor any party authorized by the Cardmember participated in the transaction and that the Cardmember has no knowledge of such transaction.

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

### 7.3 Reversal of Chargebacks

If Authorized User is unable to resolve the dispute with the Cardmember within 90 days from the date of Chargeback and Authorized User believes that your response to the Chargeback notice did not consider facts or information now available to you, you may request a Chargeback reversal from Discover. Discover will review all relevant facts and circumstances available to Discover that pertain to Authorized User and the Cardmember and Discover will, in their discretion, determine whether to reverse the Chargeback. Discover will in their sole discretion, grant a Chargeback reversal only if: 1) applicable law permits the issuer to rebill the Cardmember for the underlying

Card transaction, and 2) the Authorized User has provided new information or information not available at the time of the original Chargeback. If Discover determines that a Chargeback will be reversed, Discover will deposit the disputed amount in Authorized User's settlement account if the invoice for the disputed amount has been paid by the state/Authorized User and take action to collect such amounts from the issuer. Authorized User may not submit a new Card sale in an identical amount in order to recover for a Card transaction that has been charged back. Authorized User may request a reversal of a Chargeback by submitting a copy of the original Sales slip together with Authorized User's explanation of the circumstances of the dispute to Discover. Such requests should be sent to:

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

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

#### **7.4 Chargeback of Card Not Present Sales**

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

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

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

#### **8.0 MERCHANT FEES**

##### **8.1 Merchant Fees**

Merchant fees and all other fees are set forth in Appendix C of the Agreement.

##### **8.2 Collecting Authorized User Merchant Fee**

Discover will calculate and invoice for the amount of the Merchant Fee and other fees on a monthly basis. To collect the Merchant Fee Discover will issue monthly invoices to each Authorized User, at the address provided by the Authorized User in the EVTA-2 Work Order Form.

#### **9.0 FRAUD PREVENTION**

Discover has taken precautions to protect Authorized Users and Cardmembers from fraudulent Card usage. By following the terms of this Guide and the Agreement, Authorized User will protect the interests of their business and those of your valued customers.

##### **9.1 Recovery of Lost or Stolen Cards**

To return a lost or stolen Card to Discover, complete the form at the end of this Operating Guide, cut the Card in half, attach it to the form and mail to:

**East of the Mississippi:**

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

**West of the Mississippi:**

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

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

- Authorized User Name
- Store Number
- Authorized User Address, City, State and ZIP code
- Authorized User Telephone Number
- Authorized User Number assigned by us
- Recovered Card Number
- Recovery Date
- Cardmember Name
- Reason for Recovery

**9.2 Reminders for Preventing Fraudulent Card Usage**

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

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

**9.3 Factoring**

- Factoring is a fraudulent activity in which an Authorized User deposits Sales Data on behalf of a non-Authorized User. This activity is outside the scope of the Agreement.
- What are the Problems Involving Factoring? The main problem arises when a customer expresses a complaint or dissatisfaction with the service supplied by the non-Authorized User. Should this happen, the Card sale will be charged back to the Authorized User who submitted the sale. This means if you deposit Sales Data for Card sales accepted by a non-Authorized User, you will suffer any losses associated with these Card Sales. Also, if any fraud is involved, you could face criminal prosecution.
- How Could Factoring Affect My Standing with Discover Business Services? Factoring is prohibited under the terms of the Agreement and may result in financial losses to Authorized User. It is grounds for, and will result in, immediate termination of your EVTA-2.
- What Should I do if I am Approached to Factor Sales for Someone? If Authorized User is approached by anyone asking to factor Sales Data for them, please notify Discover's Security Department immediately at 1-800-347-3083.

## 9.4 Type of Business

### 9.4.1 Changes in Business

If any of the following changes occur in Authorized User's business, Authorized User must notify Discover immediately by calling 1-800-347-2000.

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

### 9.4.2 Failure to Notify

If you fail to notify us, we may terminate your EVTA-2. and/or reject or Chargeback any Card sales related to a new business activity about which we have not been notified.

## 10.0 MERCHANT SUPPORT

### 10.1 Merchant Assistance

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

#### **East of the Mississippi:**

Discover Business Services  
Merchant Services Center  
P.O. Box 3011  
New Albany, OH 43054-3011

#### **West of the Mississippi:**

Discover Business Services  
Merchant Services Center  
P.O. Box 52145  
Phoenix, AZ 85072-2145

Discover's Government Services Unit at its Operations Center in New Albany, Ohio has a representative which is assigned specifically to serve the needs of Authorized Users. Authorized Users may call 1-800-347-7038 to reach the Government Services Unit. The hours of operations are from 8:30 am to 6:30 PM EST.

### 10.2 Supplies

As an Authorized User, you will receive the necessary forms for your Card transactions. Additional forms, transmittal envelopes, door decals, and signage are available at no charge. Supplies can be ordered by calling our Merchant Services Center at 1-800-347-2000.

### 10.3 Notices

Notices to Discover required under the Agreement should be sent by return receipt mail to:

Vice President, Merchant Operations  
Discover Business Services  
2500 Lake Cook Road, BB-2E  
Riverwoods, IL 60015-3800

Authorized User must send Discover notice of any of the conditions described in Section 9.4.1. Discover may send notices to Authorized User using any method as set forth in Form EVTA-2.

## **11.0 CONFIDENTIALITY**

### **11.1 Disclosure of Confidential Information to Third Parties**

Each party agrees not to use Confidential Information nor to disclose such information to any third party, except as may be necessary for that party to perform its obligations pursuant to the Agreement, and except as set forth in Sections V.5.6 and Appendix B of the Agreement. If either party should disclose Confidential Information to a third party pursuant to the Agreement, that party shall cause the third party to agree to the confidentiality provisions set forth in the Agreement, and that party shall remain responsible for any disclosure of Confidential Information by such third party to any other party that is not authorized to receive such Confidential Information.

## **12.0 ADVERTISING**

### **12.1 Authorization for Service Mark Usage**

Discover authorizes Authorized Users, for purposes of the Agreement, to use the service mark "Discover Card" and such other service marks as may be associated with the Card plan in advertising and promotion of the Card plan in accordance with specifications provided by Discover from time to time.

### **12.2 Display of Materials**

Authorized Users will prominently display at each of their locations advertising and promotional materials relating to the Card plan in such manner and with such frequency as accorded any other third party credit or charge Card accepted, including, without limitation, the display of "Take-One" applications. Authorized Users will only use or display such materials in accordance with this Operating Guide or the terms of the Agreement or in accordance with any specifications provided by Discover. Discover shall, at our expense, supply advertising and display materials and such other operating forms and materials necessary to promote the Card and make Card sales. Such materials, including complete and unused Sales slips and Credit slips are Discover's property and shall be returned upon request or at the termination of an Authorized User's EVTA-2 or the Agreement.