



# Merchant Application and Agreement

OFFICE # _____		MeritCard CS0720		MERCHANT #: _____		MCC: _____	
MERCHANT NAME (DBA or Trade Name):				CORPORATE/LEGAL NAME (if Different):			
LOCATION ADDRESS:				CORPORATE ADDRESS (if Different):			
CITY:		STATE:	ZIP:	CITY:		STATE:	ZIP:
CONTACT NAME:		CONTACT EMAIL ADDRESS:		CONTACT PHONE:	FAX NUMBER:		FEDERAL TAX ID#:
DOES THIS LOCATION CURRENTLY ACCEPT CREDIT CARDS? <input type="checkbox"/> NO <input type="checkbox"/> YES (if yes please provide)				HAS MERCHANT OR OWNERS/PRINCIPALS EVER BEEN TERMINATED FROM ACCEPTING PAYMENT CARDS FROM ANY PAYMENT NETWORK FOR THIS BUSINESS OR ANY OTHER BUSINESSES? NO <input type="checkbox"/> YES <input type="checkbox"/> Yes (if yes, please explain)			
REASON FOR LEAVING CURRENT PROVIDER: _____				REASON FOR TERMINATION: _____			

## 2. OWNER INFORMATION

PRINCIPAL #1 NAME:	
FIRST: _____	MIDDLE INITIAL: _____ LAST: _____ SSN: _____
% OWNERSHIP: _____ TITLE: _____	
HOME ADDRESS: _____	CITY: _____ STATE: _____ ZIP: _____ DATE OF BIRTH: _____
HOME PHONE: _____	DL# / STATE: _____ / _____ EMAIL: _____
PRINCIPAL #2 NAME:	
FIRST: _____	MIDDLE INITIAL: _____ LAST: _____ SSN: _____
% OWNERSHIP: _____ TITLE: _____	
HOME ADDRESS: _____	CITY: _____ STATE: _____ ZIP: _____ DATE OF BIRTH: _____
HOME PHONE: _____	DL# / STATE: _____ / _____ EMAIL: _____
TYPE OF BUSINESS:	NATURE OF BUSINESS:
<input type="checkbox"/> Individual/Sole Proprietor <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation <input type="checkbox"/> LLC State: _____ <input type="checkbox"/> Non-Profit (Must Provide 503-C) <input type="checkbox"/> Private <input type="checkbox"/> Publicly Traded <input type="checkbox"/> Government	<input type="checkbox"/> Retail <input type="checkbox"/> Retail w/tip <input type="checkbox"/> Mail/Phone Order <input type="checkbox"/> Internet <input type="checkbox"/> Restaurant <input type="checkbox"/> Fast Food <input type="checkbox"/> Lodging <input type="checkbox"/> QSR <input type="checkbox"/> Convenience <input type="checkbox"/> Public Sector <input type="checkbox"/> Petroleum <input type="checkbox"/> Utility <input type="checkbox"/> Other: _____
LENGTH OF TIME IN BUSINESS: _____ YEARS   _____ MONTHS	Seasonal Sales: <input type="checkbox"/> NO <input type="checkbox"/> YES If so, please circle high volume months : J F M A M J J A S O N D
PRODUCT OR SERVICES BEING SOLD: _____	

METHOD OF ACCEPTANCE: (Totals to equal 100%)      * Merchants processing less than 70% swipe transactions must complete the MOTO questionnaire	GROSS YEARLY SALES VOLUME (Cash+Credit+Debit+Check) \$ _____
CREDIT CARD SWIPED: _____%      MO/TO: _____%	ANNUAL CREDIT CARD VOLUME: \$ _____
KEY-ENTERED: _____%      INTERNET: _____%	AVERAGE TICKET: \$ _____
URL: __WWW._____	HIGH TICKET: \$ _____

## 3. EQUIPMENT

EQUIPMENT INFORMATION: DOES THE MERCHANT USE SOFTWARE <input type="checkbox"/> TERMINAL <input type="checkbox"/>	NAME TO APPEAR ON CARDHOLDER STATEMENT: <input type="checkbox"/> DBA <input type="checkbox"/> Legal
IF A TERMINAL, WHAT TYPE: _____	OTHER: _____
IF SOFTWARE, WHAT IS THE PAYMENT APPLICATION NAME: _____	GATEWAY PROVIDER: MERITCARD: <input type="checkbox"/> OTHER: _____
IF SOFTWARE, WHAT IS THE VERSION OF THE PAYMENT APPLICATION IN USE: _____	GATEWAY FEES: Monthly: \$ _____ Per Transaction \$ _____
DOES MERCHANT USE AN INDEPENDENT SERVICER THAT STORES, MAINTAINS OR TRANSMITS CARDHOLDER INFORMATION:	<input type="checkbox"/> NO <input type="checkbox"/> YES (if yes, please provide)
NAME: _____ PHONE NUMBER: _____	
DOES MERCHANT USE A FULFILLMENT HOUSE TO FULFILL PRODUCT:	<input type="checkbox"/> NO <input type="checkbox"/> YES (if yes, please provide)
NAME: _____ PHONE NUMBER: _____	
HAVE MERCHANT OR OWNERS/PRINCIPALS EVER FILED BUSINESS BANKRUPTCY and/or PERSONAL BANKRUPTCY	<input type="checkbox"/> NO <input type="checkbox"/> YES (if yes, please provide)
EXPLANATION _____	

#### 4. BANKING INFORMATION

BANK ACCOUNT INFORMATION:  CHECKING ACCOUNT  SAVINGS BANK NAME: \_\_\_\_\_ Attach voided check for the operating account where funds are to be deposited

TRANSIT # (ABA Routing): \_\_\_\_\_ ACCOUNT # (DDA): \_\_\_\_\_ CONTACT: \_\_\_\_\_ PHONE #: \_\_\_\_\_

\* By providing the above referenced information, you are authorizing Bank to initiate ACH debit and credit transactions to said account

#### PRIMARY SUPPLIER OR BUSINESS REFERENCE

1) NAME/CONTACT: \_\_\_\_\_ PHONE#: \_\_\_\_\_ 2) NAME/CONTACT: \_\_\_\_\_ PHONE#: \_\_\_\_\_

#### 5. PRICING

SCHEDULE A: DISCOUNT RATES & FEES:  
PAYMENT NETWORK INTERCHANGE AND ONLINE DEBIT NETWORK COST WILL BE CHARGED IN ADDITION TO:

CARD FEES:			OTHER FEES:			
TIERED:	CREDIT	DEBIT	CHARGEBACK FEE	\$		Per item
QUALIFIED	%	%	RETRIEVAL REQUEST FEE	\$		Per item
MID QUALIFIED	%	%	VOICE AUTHORIZATION	\$		Per item
NON QUALIFIED	%	%	CUSTOMER SERVICE FEE	\$		Monthly
TRANSACTION FEE	\$	\$	ADDRESS VERIFICATION	\$		Per item
NON BANKCARD TRANSACTION	\$	\$	ANNUAL FEE (PCI)	\$		Annual
DOWNGRADE ERR	%	%	CANCELLATION FEE	\$		One time

You have the option of accepting MasterCard credit cards, Visa credit cards, credit cards issued by the Discover® Network, MasterCard signature debit cards (MasterMoney Cards) or Visa signature debit cards (Check Cards), or debit cards issued by the Discover Network. You may elect to accept any or all of these card types for payment. If you do not specifically indicate otherwise, your application will be processed to accept ALL MasterCard, Discover Network, and Visa card types.

Elected Visa, Discover Network, or MC card types NOT to accept:

- Accept MC Credit Transactions Only  
 Accept VISA Credit Transactions Only  
 Accept DISCOVER Credit Transactions Only

DISCOUNT COLLECTED:  DAILY  MONTHLY

INTERCHANGE PASS THROUGH \_\_\_\_\_ % Per Transaction Fee \$ \_\_\_\_\_ Dues and Assessments

MasterCard and Visa fees will be passed - Visa ACQ Fee, Acquirer Support Fee, MC Cross Boarder Fee, NABU Fee, Visa APF and IAF Fee

If you currently accept American Express please write your existing account number on the line provided; if you do not currently accept American Express and would like to, please check the box to apply.

AMERICAN EXPRESS (10 digits) \_\_\_\_\_  APPLY

#### 6. SITE INSPECTION

SITE INSPECTION:

Merchant:  Owns  Rents (Landlord: \_\_\_\_\_)  
 Building Type:  Shopping Center  Office Building  Industrial Building  Residence  
 Area Zoned:  Commercial  Industrial  
 Residential Square Footage:  0-500  501-2500  2501-5000  5001-10000+

Based upon your review, does Merchant have the appropriate facilities, equipment, inventory, personnel and license or permit to operate their business?  NO  YES

Comments: \_\_\_\_\_

\* By signing below, inspector is certifying he/she has visited the location and information provided is true & correct

INSPECTOR NAME: \_\_\_\_\_ INSPECTION DATE: \_\_\_\_\_ SIGNATURE: \_\_\_\_\_

#### 7. MAIL ORDER TELEPHONE ORDER QUESTIONNAIRE

MO/TO QUESTIONNAIRE: COMPLETE THIS SECTION IF PROCESSING LESS THAN 70% CARD-PRESENT:

WHAT PERCENTAGE OF SALES ARE TO: BUSINESS CONSUMERS \_\_\_\_\_ % INDIVIDUAL CONSUMERS \_\_\_\_\_ %

METHOD OF MARKETING:  Newspaper/Magazine  Television/Radio  Internet  Direct Mail, Brochure and/or Catalog  Outbound Telemarketing Sales  Other: \_\_\_\_\_

PERCENTAGE OF PRODUCTS SOLD VIA: TELEPHONE ORDER \_\_\_\_\_ % MAIL/FAX ORDER \_\_\_\_\_ % INTERNET ORDER \_\_\_\_\_ % OTHER: \_\_\_\_\_ %

WHO PROCESSES THE ORDER?  MERCHANT  FULFILLMENT CENTER  OTHER \_\_\_\_\_

WHO ENTERS CREDIT CARD INFORMATION INTO THE PROCESSING SYSTEM?  MERCHANT  FULFILLMENT CENTER  CONSUMER  OTHER \_\_\_\_\_

IF CREDIT CARD PAYMENT INFORMATION IS TAKEN OVER THE INTERNET IS PAYMENT CHANNEL ENCRYPTED BY SSL OR BETTER?  NO  YES

IF MERCHANT IS AN E-COMMERCE MERCHANT, IS MERCHANT CERTIFICATE UTILIZED?  NO  YES if yes, please provide the following:

MERCHANT CERTIFICATE NUMBER \_\_\_\_\_ CERTIFICATE ISSUER \_\_\_\_\_ EXP DATE \_\_\_\_\_ IS CERTIFICATE  Individual  Shared

DO YOU OWN THE PRODUCT/INVENTORY?  NO  YES IS THE PRODUCT STORED AT YOUR BUSINESS LOCATION?  NO  YES IF NO, WHERE IS IT STORED? \_\_\_\_\_

AFTER CHARGE AUTHORIZATION, HOW LONG UNTIL PRODUCT SHIPS? \_\_\_\_\_ DAYS WHO SHIPS THE PRODUCT?  MERCHANT  FULFILLMENT CENTER

PRODUCT SHIPPED BY:  US MAIL  OTHER \_\_\_\_\_ DELIVERY RECEIPT REQUESTED?  NO  YES

**BANK DISCLOSURE**

Member Bank Information: Merrick Bank, 135 Crossways Park Drive North, Suite A, Woodbury, NY 11797 • Phone (800) 267-2256  
 Important Bank Responsibilities:

1. Merrick Bank is the only entity approved to extend acceptance of Visa products directly to a Merchant.
2. Merrick Bank is responsible for educating Merchants on pertinent Visa operating regulations with which Merchants must comply.
3. Merrick Bank, not the ISO, must hold, administer and control all reserve funds derived from settlement.
4. Merrick Bank, not the ISO, must hold, administer and control settlement funds for the Merchant.
5. Merrick Bank must be a principal (signer) to the Merchant Agreement

Merchant Information: Refer to Merchant Application. Important Merchant Responsibilities:

1. Complying with cardholder data security and storage requirements.
2. Maintaining fraud and chargebacks below established thresholds.
3. Reviewing and understanding the Merchant Agreement.
4. Complying with Visa's operating regulations.

The responsibilities listed above do not supersede terms of the Merchant Agreement and are provided to ensure the Merchant understands some important obligations of each party and that the Visa Member - Merrick Bank - is the ultimate authority should the Merchant have any problems.

MERCHANT NAME: \_\_\_\_\_ ADDRESS: \_\_\_\_\_ PHONE: \_\_\_\_\_ AGENT/SALESPERSON NAME: \_\_\_\_\_

MERCHANT SIGNATURE/TITLE: \_\_\_\_\_ DATE: \_\_\_\_\_

**8. SIGNATURE PAGE**

**MERCHANT APPLICATION AND AGREEMENT ACCEPTANCE (Capitalized terms not defined in this Acceptance section have the meanings set forth below in the Terms and Conditions section)**

"By executing this Merchant Application on behalf of the merchant described above ("Merchant"), the undersigned individual(s) represent(s), warrant(s), and acknowledges(s) that: (i) All information contained in this Merchant Application ("Application") is true, correct and complete as of the date of this Application; (ii) If the Merchant is a corporation, limited liability company, or partnership, the individual(s) executing this Application have the requisite legal power and authority to complete and submit this Application on behalf of the Merchant and to make and provide the acknowledgements, authorizations and agreements set forth herein on behalf of the Merchant and individually; (iii) The information contained in this Application is provided for the purpose of obtaining, or maintaining, a merchant account for the Merchant with the Sponsor Bank ("BANK") and BANK will rely on the information provided herein in its approval process and in settling the applicable Discount Rate, Approved Average Ticket, and Approved Monthly Card Volume; (iv) BANK is authorized to investigate, either through its own agents or through credit bureaus/agencies, the credit of the Merchant and each person listed on this Application; (v) BANK will determine all rates, fees and charges and notify Merchant of the approved fees and by Merchant's submission and acceptance of Merchant's first settled transaction. Merchant agrees to pay such approved fees; (vi) The Merchant Agreement will not take effect until Merchant has been approved by BANK and a merchant number has been issued to merchant; and (vii) The undersigned has received, read, understood, the Merchant Agreement, which is incorporated herein by reference thereto, and agrees on behalf of the merchant to be bound by the terms of such Merchant Agreement.

The merchant on whose behalf this Application is being submitted acknowledges that if this Application is being submitted to Merrick Bank as the Sponsor Bank, MeritCard may also be a party to this Merchant Agreement. In such case, Merchant acknowledges that MeritCard will rely on the representations and warranties set forth in this Application for Merchant Agreement and unless otherwise specified or prohibited by Association or applicable law, MeritCard will have all the rights of BANK under this Application and Agreement.

**MERCHANT:**

Principal #1: \_\_\_\_\_  
 Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

Principal #2: \_\_\_\_\_  
 Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

**BANK:**

By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Name and Title \_\_\_\_\_

**MERITCARD:**  
 By: \_\_\_\_\_ Date: \_\_\_\_\_  
 Name and Title \_\_\_\_\_

**CONTINUING PERSONAL GUARANTY PROVISION - PERSONAL GUARANTOR (Capitalized terms not defined in this Guaranty section have the meanings set forth below in the Terms and Conditions section)**

By signing below, each individual or entity ("Guarantor") jointly and severally (if there is more than one Guarantor) and unconditionally guarantees to MeritCard and BANK the prompt payment and full and complete performance of all obligations of the Merchant identified above under the Merchant Agreement, as amended from time to time, including, without limitation, all promises and covenants of the Merchant, and all amounts payable by the Merchant under the Merchant Agreement, including, without limitation, charges, interest, costs and other expenses, such as attorney's fees and court costs. This means, among other things, that MeritCard or BANK can demand performance or payment from any Guarantor if the Merchant fails to perform any obligation or pay what the Merchant owes under the Agreement. Each Guarantor agrees that his or her liability under this guaranty will not be limited or canceled because: (1) the Merchant Agreement cannot be enforced against the Merchant for any reason, including, without limitation, bankruptcy proceedings; (2) either MeritCard or BANK agrees to changes or modifications to the Merchant Agreement, with or without notice to Guarantor; (3) MeritCard or BANK releases any other Guarantor or the Merchant from any obligation under the Merchant Agreement; (4) any law, regulation, or order of any public authority affects the rights of either MeritCard, Merchant, or BANK under the Merchant Agreement; and/or (5) anything else happens that may affect the rights of either MeritCard or BANK against the Merchant or any other Guarantor. Each Guarantor further agrees that: (a) MeritCard and BANK each may delay enforcing any of its rights under this guaranty without losing such rights and hereby waives any applicable Statute of Limitations; (b) MeritCard and BANK each can demand payment from such Guarantor without first seeking payment from the Merchant or any other Guarantor or from any security held by the BANK; and (c) such Guarantor will pay all court costs, attorney's fees, and collection costs incurred by either MeritCard or the BANK in connection with the enforcement of the Merchant Agreement or this Guaranty, whether or not there is a lawsuit, and such additional fees and costs as may be directed by a court. If the Merchant is a corporation or limited liability company, this Guaranty must be executed by a principal or affiliate of Merchant.

Principal #1: \_\_\_\_\_ Principal #2: \_\_\_\_\_  
 Print Name: \_\_\_\_\_ Date: \_\_\_\_\_ Print Name: \_\_\_\_\_ Date: \_\_\_\_\_

**CORPORATE RESOLUTION: (Capitalized terms not defined in this Resolution section have the meanings set forth below in the Terms and Conditions section)**

1. \_\_\_\_\_, the duly elected, qualified and acting \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (the "Company"), do hereby certify as follows:  
 Corporate Secretary\*\* Office Title Legal Corporate Name of Co. Incorporation Status

The following resolutions were duly adopted by the board of directors/managing member(s)/general partners (circle one) of the Company: WHEREAS, the Company desires to enter into a Merchant Agreement (the "Merchant Agreement") with Merrick Bank Corporation, a Utah industrial loan corporation ("Bank") and MeritCard, a Texas Limited Partnership company ("ISO"), a copy of which Merchant Agreement is attached hereto as Exhibit "A"; WHEREAS, pursuant to the terms of the Merchant Agreement, Bank and ISO will provide certain credit card financing and processing for VISA, Discover Network and/or MASTERCARD credit card purchases made by the Company's customers; WHEREAS, pursuant to the terms of the Merchant Agreement, (a) the Company may be required to establish a Reserve Account (as defined in the Merchant Agreement) and (b) Bank may require the Company to direct certain funds relating to credit card purchases to such Reserve Account; WHEREAS, pursuant to the terms of the Merchant Agreement, Bank may require the Company to execute instruments evidencing Bank's security interest in the Operating Account (as defined in the Merchant Agreement) and Reserve Account; and WHEREAS, pursuant to the terms of the Merchant Agreement, the Company is required to comply with strict requirements concerning the processing of credit card transactions and the sale of the Company's products. NOW, THEREFORE, BE IT RESOLVED, that the Merchant Agreement by and among the Company, Bank and ISO, pursuant to which Bank and ISO will act as the Company's exclusive provider of VISA, Discover Network, and/or MASTERCARD credit card financing and processing services, is hereby approved and adopted in the form attached to these resolutions, together with such additions, changes or modifications as may be deemed necessary, advisable or appropriate by the officer(s) executing or causing the same to be completed; and RESOLVED FURTHER, that in connection with the Merchant Agreement, the appropriate officer(s) of the Company is/are hereby authorized to establish (a) an Operating Account into which funds from credit card sales by the Company will be directed, and (b) if necessary, a Reserve Account into which funds from credit card sales by the Company may be directed by Bank in accordance with the provisions of the Merchant Agreement; RESOLVED FURTHER, that the Company hereby grants Bank a security interest in the funds held by the Company in the Operating Account and Reserve Account, and the appropriate officer(s) of the Company is/are hereby authorized to execute all documents reasonably required by Bank to perfect such security interests; RESOLVED FURTHER, that the appropriate officer(s) of the Company is/are hereby authorized to enter into such additional agreements, and take such additional actions as may be reasonably required by Bank or ISO in connection with the Merchant Agreement; and RESOLVED FURTHER, that the Secretary/managing member/general partner (circle one) of the Company is hereby authorized to deliver to Bank and ISO a Certificate (i) identifying the officers of the Company, (ii) verifying the signatures of such officers, and (iii) certifying a copy of these resolutions, and Bank and ISO are hereby authorized to rely on such Certificate until formally advised by a like certificate of any changes therein, and is hereby authorized to rely on any such additional certificates.

2. Each person listed below (an "Officer") (i) holds the office in the Company indicated opposite his or her name on the date hereof, (ii) the signature appearing opposite his or her name is the genuine signature of each such officer, (iii) each such Officer, acting individually, is authorized to execute and deliver the Merchant Agreement and each of the agreements and documents contemplated by the Merchant Agreement (collectively, the "Transaction Documents") on behalf of the Company, and (iv) each such Officer, acting individually, is authorized to perform the Company's obligations under the Transaction Documents on behalf of the Company:

3. NAME	OFFICER	SIGNATURE
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, I have executed this Certificate this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Sign: \_\_\_\_\_

Name: TITLE: *Corporate Secretary\*\* or Print Officer Title*



Merchant Name: \_\_\_\_\_

Schedule A -  
General Assumptions per location per month

MasterCard/Visa volume	\$ _____	Non Bankcard Transactions (AmEx)	_____
Average Ticket size	\$ _____	Pin Based debit Transactions	_____
Number of annual transactions	_____	Number of terminals per location	_____
Number of Chargebacks (annual)	< _____	Number of retrievals	_____

MasterCard and Visa Discount Rate	_____ %
MasterCard and Visa Signature Check Card Rate	_____ %
Sales Transaction fee	\$ _____
Downgrade ERR	_____ %
Accept Pin Based Debit:    YES    NO	\$ _____

Monthly Statement fee or Account on File fee	\$ _____
Chargeback fee	\$ _____
Retrieval fee	\$ _____
Voice Authorization fee	\$ _____
Address Verification fee	\$ _____
Batch fee	\$ _____

Annual Compliance fee	\$ _____
Monthly minimum processing fee	\$ _____
Application Setup fee	\$ _____
Cancellation fee	\$ _____
Gateway Setup fee	\$ _____
Gateway Monthly fee	\$ _____
Gateway Transaction fee	\$ _____

Visa/ MasterCard Discount Rate - The qualified discount rate will be debited from the Merchant's account monthly, through ACH, as set forth in the Merchant Agreement. This is a fee charged for services rendered in connection with processing financial institution card sales transactions. The discount fee is a percentage of the gross dollar amount submitted. The discount fee is calculated against the gross dollars deposited by the Merchant on a daily basis.

Chargeback Fee - Chargeback Fee shall be defined as a fee charged for handling and processing chargebacks from issuing banks, providing defense within the Rules and informing Merchants of these disputes. This non-refundable fee defrays administrative and reporting costs accrued during the chargeback process.

Retrieval Fee - Retrieval Request Fee shall be defined as a fee charged for handling and processing request for sales drafts from issuing banks, providing defense within the Rules and informing Merchants of these disputes. This non-refundable fee occurs as part of the chargeback process. After a cardholder initiates a chargeback, MeritCard will request from the Merchant a transaction receipt proving that the charge is valid. This receipt may be provided as the original, a paper copy, a facsimile, or an electronic version. The Merchant is responsible for maintaining all receipt copies at their location for 2 years.

Compliance Fee - Assessed annually to comply with the Card Associations requirement to secure merchant processing information and sensitive cardholder data.

MasterCard, Visa and T & E Non Bankcard Transaction Fee - Authorization fee shall be defined as a fee charged for each MasterCard, Visa, American Express, Discover and JCB transaction accepted by Merchant and submitted to MeritCard for authorization. The Settle Fee is the upload of all the transactions stored in the terminal transmitted to the host.

Sales Transaction Fee - This fee is charged anytime the Merchant's Visa/MasterCard authorizations are settled to the clients bank account. If the client initiates a Visa/MasterCard authorization but does not settle the transaction then this fee does not apply.

Voice Authorization Fee - Voice Authorization shall be defined as a fee charged for providing automated responses to voice authorization requests by Merchant. If a transaction cannot be authorized electronically through the terminal the Merchant may call for voice authorization.

Account on File Fee - This fee covers monthly administrative costs incurred by MeritCard for maintaining and servicing the Merchant's account. The fee also includes rendering a merchant statement and shipping costs.

Address Verification Fee - Additional per item charge for each card type transaction which Address Verification (AVS) is performed through the Merchant's point of sale.

Gateway fees - If you currently process credit card transactions through a Gateway some additional fees may apply. Depending on the Gateway your company utilizes you may have an initial setup fee, a monthly fee and a per transaction fee.

MeritCard Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## TERMS AND CONDITIONS

Subject to the requirements of applicable Card Association rules, ISO and Bank may allocate their respective duties and obligations between themselves as they deem appropriate at their sole discretion, and ISO or Bank may jointly or individually assert or exercise the rights or remedies provided to the Bank hereunder. For purposes of this Agreement, Bank and ISO are collectively referred to hereinafter as the "Bank". The Bank and Merchant agree as follows:

### ARTICLE I - DEFINITIONS

- 1.01** "Account" means a commercial checking or demand deposit account maintained by Merchant referred to in Section 5.16 for the crediting of collected funds and the debiting of fees and charges under this Agreement.
- 1.02** "ACH" means the Automated Clearing House paperless entry system controlled by the Federal Reserve Board.
- 1.03** "Agreement" means these terms and conditions, any supplementary documents referenced herein, and valid schedules and amendments to the foregoing.
- 1.04** "Authorization" means a computerized function or a direct phone call to a designated number to examine individual Transactions to obtain approval from the Card Issuer to charge the Card for the amount of the sale.
- 1.05** "Card" means (i) a valid credit card in the form issued under license from Visa U.S.A., Inc. Visa International, Inc., the Discover Network and MasterCard International, Inc. ("Bank Card"); or (ii) any other valid credit card accepted by Merchant by agreement with Bank.
- 1.06** "Card Association" means Visa U.S.A., Inc., Visa International, Inc., MasterCard International, Inc., the Discover Network or any other Card Issuers that provide Cards accepted by Merchant by agreement with Bank.
- 1.07** "Card Issuer" means the financial institution or company which has provided a Card to a Cardholder.
- 1.08** "Card Not Present (CNP)" means that an Imprint of the Card is not obtained at the point-of-sale.
- 1.09** "Cardholder" means the person whose name is embossed upon the face of the Card.
- 1.10** "Cardholder Information" means any non-public, sensitive information about a Cardholder, including any combination of Cardholder name plus the Cardholder's social security number, driver's license or other identification number or credit or debit card number, or other bank account number.
- 1.11** "Chargeback" means the procedure by which a Sales Draft (or disputed portion thereof) is returned to Bank by a Card Issuer because such item does not comply with the applicable Card plan's operating regulations.
- 1.12** "Credit Voucher" means a document executed by a Merchant evidencing any refund or price adjustment relating to Cards to be credited to a Cardholder account.
- 1.13** "Imprint" means (i) an impression on a Sales Draft manually obtained from a Card through the use of an imprinter, or (ii) the electronic equivalent obtained by swiping a Card through a terminal and electronically capturing Card Data and printing a Sales Draft.
- 1.14** "Mid or Non-Qualifying Transaction" means any sale Transaction that fails to qualify for lowest interchange rate assigned by the applicable Card Association for Merchant's standard card industry code and which may be charged fees as set forth in Schedule A.
- 1.15** "Sales Draft" means the paper form, whether electronically or manually imprinted, evidencing a sale Transaction.
- 1.16** "Transaction" means any sale of products or services, or credit for such, from a Merchant for which the Cardholder makes payment through the use of any Card and which is presented to Bank for collection.
- 1.17** "Voice Authorization" means a direct phone call to a designated number to obtain credit approval on a Transaction from the Card Issuer, whether by voice or voice-activated systems.

### ARTICLE II - CARD ACCEPTANCE

- 2.01** **Honoring Cards.** Merchant will accept all valid Cards when properly presented by Cardholders in payment for goods or services, subject to applicable Card Association rules requiring Merchant to elect whether it will accept credit only, debit only or both debit and credit Cards. Merchant's election is set forth in the Application. Merchant may not establish minimum or maximum amounts for Card sales as a condition for accepting any Card. Merchant may not require any Cardholder to pay as a surcharge any part of any discount or charge imposed upon Merchant by this Agreement, whether through any increase in price or otherwise require a Cardholder to pay any charge or price as a condition of sale that is not also required from a customer paying cash. However, Merchant may not, by this term, be prevented from offering discounts to Cardholders for cash purchases. Merchant may not engage in a Transaction (other than a mail, internet, telephone order, or preauthorized sale to the extent permitted under this Agreement) if the person seeking to charge the purchase to his or her Card account does not present the Card to permit Merchant to compare the signature on the Card to the signature on the Sales Draft and obtain an Imprint or otherwise use the physical Card to complete the Transaction.
- 2.02** **Advertising.** Merchant will prominently display the promotional materials provided by Bank in its place(s) of business. Merchant's use of promotional materials and use of any trade name, trademark, service mark or logo type ("Marks") associated with a Card is limited to informing the public that the Card will be accepted at Merchant's place(s) of business. Merchant's use of promotional materials and Marks is subject to the Bank's direction. Merchant may use promotional materials and Marks only during the term of this Agreement and will immediately cease use and return any inventory to Bank upon termination thereof. Merchant may not use any promotional materials or Marks associated with Visa, the Discover Network, or MasterCard in any way which suggests or implies that either endorses any goods or services other than Card payment services.
- 2.03** **Card Acceptance.** When accepting a Card, Merchant will follow the steps provided by Bank for accepting Cards and will: (a) Determine in good faith and to the best of its ability that the Card is valid on its face; (b) obtain Authorization from the Card Issuer to charge the Cardholder's account; (c) unless the Sales Draft is electronically generated or is the result of a mail, internet, phone or preauthorized order, (i) obtain an Imprint of the Card including embossed data from the merchant imprinter plate; and (ii) obtain the Cardholder's signature on the Sales Draft and compare that signature to the signature on the Card; (d) enter a description of the goods or services sold and the price thereof (including any applicable taxes); (e) deliver a true and completed copy of the Sales Draft to the Cardholder at the time the goods are delivered or services performed, or, if the Sales Draft is prepared by a point-of-sale terminal, at the time of the sale; (f) offer the Sales Draft to Bank for purchase according to Bank's procedures and the terms of this Agreement; and (g) make a Card Imprint, if the Transaction is not based upon a mail, internet, phone or pre-authorized order.
- 2.04** **Authorization.** Merchant will obtain an Authorization for all Card sales. If Merchant cannot, for any reason, obtain an electronic Authorization through the use of a terminal, Merchant will request a Voice Authorization from Bank's designated authorization center and will legibly print the authorization number on the Sales Draft. Merchant will not obtain or attempt to obtain authorization from Bank's authorization center unless Merchant intends to submit to Bank a Transaction for the authorized amount if Authorization for the Transaction is given. Merchant may not divide a single Transaction between two or more Sales Drafts on a single Card to avoid Authorization limits that may be set by the Card Issuer. Merchant acknowledges that an Authorization provides only that the Cardholder account has sufficient credit available to cover the amount of the current sale and that an Authorization is not a guarantee that the Transaction will not be subject to dispute or Chargeback and does not warranty the Cardholder's identity. Merchant may not attempt to obtain an authorization by successively decreasing the sale amount. Bank may refuse to purchase or process any Sales Draft presented by Merchant: (a) unless a proper authorization or approval code has been recorded on the Sales Draft; (b) if Bank determines that the Sales Draft is or is likely to become uncollectible from the Cardholder to which the transaction would otherwise be charged; or (c) if Bank has reason to believe that the Sales Draft was prepared in violation of any provision of this Agreement. Merchant will use, and may not circumvent, fraud identification tools requested by Bank, including Address Verification System processing and CVV2 processing, and acknowledges that the use of these tools may prevent Merchant from accepting certain Cards as payment. Merchant acknowledges that its use of fraud identification tools may not prevent fraudulent Card usage, and agrees that any fraudulent Transaction may ultimately result in a Chargeback, for which Merchant retains full liability under this Agreement.
- 2.05** **Retention and Retrieval of Cards.** Merchant will use its best efforts, by reasonable and peaceful means, to retain or recover a Card when receiving such instructions when making a request for Authorization or if Merchant has reasonable grounds to believe the Card is counterfeit, fraudulent or stolen. Merchant's obligations under this section does not authorize a breach of the peace or any injury to persons or property, and Merchant will hold Bank harmless from any claim arising from any injury to person or property or other breach of the peace in connection with the retention or recovery of a Card.
- 2.06** **Multiple Transaction Records; Partial Consideration.** Merchant may not prepare more than one Sales Draft for a single sale or for a single item but will include all items of goods and services purchased in a single Transaction in the total amount on a single Sales Draft except under the following circumstances: (a) for purchases in separate departments of a multiple department store; (b) For partial payment, installment payment, delayed delivery or an advance deposit; or (c) for delayed or amended charges governed by rules for travel and entertainment merchants and Transactions.
- 2.07** **Telephone Orders, Mail Orders, Internet, Preauthorized Orders and Installment Orders.** Unless Merchant has been approved by Bank to accept mail, internet or telephone orders, Merchant warrants that it is a walk-in trade business, located in a retail business place where the public moves in and out freely in order to purchase merchandise or obtain services. If Bank determines Merchant has accepted unapproved Card Transactions which are placed by telephone, generated through telephone solicitation, mail order or other means that does not create a Sales Draft that bears the Card imprint and Cardholder's signature, this Agreement will be immediately terminated and the value of all Sales Drafts collected from the first day of processing may be charged back to Merchant and all funds therefrom held as provided in Article IV. Unless approved by Bank, this Agreement does not contemplate regular acceptance of Cards for sales accepted by mail, internet or telephone nor through preauthorized orders. If an occasional Card Transaction is made by mail, phone or preauthorized order, the Sales Draft may be completed without the Cardholder's signature or an Imprint, but in such case Merchant will create a sales slip containing Cardholder data, an Authorization number, the sale amount and the letters "MO", "TO" or "PO", as appropriate. Receiving an Authorization will not relieve the Merchant of liability for Chargeback on any Transaction for which the Merchant did not obtain an Imprint or the Cardholder's signature.

- 2.08** **Lodging and Vehicle Rental Transactions.** Merchant must estimate and obtain Authorization for the amount of the Transaction based upon the Cardholder's intended length of stay or rental. Additional Authorization must be obtained and recorded for charges actually incurred in excess of the estimated amount. Regardless of the terms and conditions of any written preauthorization form, the Sales Draft amount for any lodging or vehicle rental Transaction must include only that portion of the sale, including any applicable taxes, evidencing a bona fide rental of real or personal property by Merchant to the Cardholder and may not include any consequential charges. Nothing contained herein is intended to restrict Merchant from enforcing the terms and conditions of its preauthorization form through means other than a Card Transaction.
- 2.09** **Returns and Adjustments; Credit Vouchers.** Merchant's policy for the exchange or return of goods sold and the adjustment for services rendered will be established and posted in accordance with operating regulations of the applicable Card Association's regulations. Merchant will disclose, if applicable, to a Cardholder before a Card sale is made, that if merchandise is returned: (a) no refund, or less than a full refund, will be given; (b) returned merchandise will only be exchanged for similar merchandise of comparable value; (c) only a credit toward purchases will be given; or (d) special conditions or circumstances apply to the sale (e.g., late delivery, delivery charges, or other non-credit terms). If Merchant does not make these disclosures, a full refund in the form of a credit to the Cardholder's Card account must be given. Disclosures must be made on all copies of Sales Drafts or invoices in letters approximately 1/4" high in close proximity to the space provided for the Cardholder's signature or on an invoice issued at the time of the sale or on an invoice being presented for the Cardholder's signature. Any change in Merchant's return or cancellation policy must be submitted in writing to Bank not less than 14 days prior to the change. Bank may refuse to process any Sales Draft made subject to a revised return or cancellation policy of which Bank has not been notified as required herein.
- 2.10** **Cash Payments.** Merchant may not receive any payments from a Cardholder for charges included in any Transaction resulting from the use of any Card nor receive any payment from a Cardholder to prepare and present a Transaction for the purpose of affecting a deposit to the Cardholder's Card account.
- 2.11** **Cash Advances; Scrip Purchases.** Merchant may not deposit any Transaction for the purpose of obtaining or providing a cash advance either on Merchant's Card or the Card of any other party and may not accept any Card at a scrip terminal, and either action will be grounds for Bank's immediate termination of this Agreement.
- 2.12** **Duplicate Transactions.** Merchant may not deposit duplicate Transactions. Bank may debit Merchant for any adjustments for duplicate Transactions and Merchant is liable for any Chargebacks resulting therefrom.
- 2.13** **Deposit of Fraudulent Transactions.** Merchant may not accept or deposit any fraudulent Transaction and may not under any circumstances present for processing or credit, directly or indirectly, a Transaction which originated with any other merchant or any other source other than Transactions arising from bona fide purchases from Merchant for the goods and services for which Merchant has been approved under this Agreement. If Merchant deposits any prohibited Transaction, Bank may: (a) immediately terminate this Agreement; (b) withhold funds and demand an escrow as provided in this Agreement; (c) report Merchant to Visa, the Discover Network, and MasterCard under the terms of this Agreement. Merchant's employees' actions are chargeable to Merchant under this Agreement.
- 2.14** **Collection of Pre-existing Debt.** Merchant may not prepare and present to Bank for purchase any Transaction representing the refinancing of an existing Cardholder obligation including, but not limited to, obligations: (a) previously owed to Merchant; (b) arising from the dishonor of a Cardholder's personal check or relating to a Chargeback; or (c) representing the collection of any other pre-existing indebtedness, including collection of delinquent accounts on behalf of third parties.
- 2.15** **Data Security/Personal Cardholder Information.** Merchant may not, as a condition of sale, impose a requirement on Cardholders to provide any personal information as a condition for honoring Cards unless such information is required to provide delivery of goods or services or Merchant has reason to believe the identity of the person presenting the Card may be different than that of the Cardholder. Merchant will not, under any circumstances, release, sell or otherwise disclose any Cardholder Information to any person other than Bank or the applicable Card Association, except as expressly authorized in writing by the Cardholder, or as required by law.
- (a) **Safe-guards.** Merchant will maintain appropriate administrative, technical and physical safeguards for all Cardholder Information. These safeguards will (i) insure the confidentiality of Cardholder Information; (ii) protect against any anticipated threats or hazards to the security or integrity of Cardholder Information; (iii) protect against unauthorized access to or use of Cardholder Information that could result in substantial harm or inconvenience to any Cardholder; and (iv) properly dispose of all Cardholder Information to ensure no unauthorized access to Cardholder Information. Merchant will maintain all such safeguards applicable to Merchant or Bank in accordance with applicable federal and state laws, rules, regulations and guidance.
- (b) **Compliance with Card Association Rules.** Merchant represents, warrants and covenants that it is and will remain throughout the term of this Agreement in compliance with Card Association bylaws, operating regulations and rules related to data security, data integrity and the safeguarding of Cardholder Information including the Payment Card Industry Data Security Standard ("PCI"), Discover Information Security Compliance ("DISC"), MasterCard's Site Data Protection Program ("SDP"), and Visa's Customer Information Security Program ("CISP"), in effect and as may be amended, supplemented or replaced. Merchant will cause all of its service providers, subcontractors and agents to comply with PCI, SDP, DISC and CISP requirements at all times. Merchant will report any non-compliance immediately to Bank. To accomplish the foregoing, Merchant will encrypt all debit, credit or stored value card numbers whether in storage, transport or backup and will not store data security codes on its systems, network or software.
- (c) **Annual Certification.** Merchant will provide an annual certification to Bank if requested by Bank (in a form acceptable to Bank) certifying compliance with the data security provisions of this Agreement, including compliance with applicable Card Association requirements such as PCI, SDP and CISP. Merchant will provide annual certifications for Merchant's service providers, subcontractors and agents.
- (d) **Information Use Limitations.** Merchant may not sell, disclose, or otherwise make Cardholder Information available, in whole or in part, in a manner not provided for in this Agreement, without Bank's prior written consent. Merchant may, however, disclose Cardholder Information to its service providers, subcontractors and agents who have a need to know such information to provide the Services described in this Agreement, provided that those individuals or entities have assumed confidentiality obligations in accordance with this Agreement, or as may be required by legal process or applicable federal and state laws, rules, regulations and guidance and have entered into a written agreement with Merchant containing Merchant's and such individuals' or entities' agreement to the foregoing data security provisions including compliance with Card Association rules, regulations or bylaws.
- (e) **Response to Unauthorized Access.** Merchant will notify Bank within 24 hours after it knows of any breach in security resulting in an unauthorized access to Cardholder Information. Merchant will provide any assistance that Bank, the issuing bank of any Cardholder, and their regulators and the Card Associations deem necessary to contain and control the incident to prevent further unauthorized access to or use of Cardholder Information. Such assistance may include, but not be limited to, preserving records and other evidence and compiling information to enable Bank and the issuing bank(s) or the Card Associations to investigate the incident and provide assistance and cooperation to: (a) file suspicious activity reports (as applicable); (b) notify their regulators (as applicable); and (c) notify the affected Cardholder (as required). Unless the unauthorized access was due to Bank's acts or omissions, Merchant will bear the cost of notifying affected Cardholder.
- (f) **Miscellaneous.** Merchant may not make a claim against Bank or hold Bank liable for the acts or omissions of other merchants, service providers, Card Associations, financial institutions or others that do not have a written contractual relationship with Bank or over which Bank has no control. These provisions supplement, augment and are in addition to obligations of indemnification, audit, confidentiality and other similar provisions contained in this Agreement. This Section 2.15 and each of its subsections will survive this Agreement's termination. Merchant may not store in any system or in any manner discretionary Card read data including without limitation CVV2 data, PIN data, address verification data or any other information prohibited by Card Association Rules.
- 2.16** **Compliance with Card Association Rules.** Merchant will comply with and conduct its Card activities in accordance with all applicable Card Association rules and regulations. Failure to comply with such rules and regulations may result in Merchant being terminated for cause and listed on various Card Association and industry databases, including the Terminated Merchant File and the Merchant Alert to Control High Risk Merchants file ("MATCH"). With respect to MasterCard, Discover Network, or Visa USA, Merchant may not: (a) accept Cardholder payments for previous Card charges incurred at the Merchant location; (b) establish a minimum or maximum transaction amount as a condition for honoring a Card; (c) require a Cardholder to complete a postcard or similar device that includes the Cardholder's account number, card expiration date, signature, or any other card account data in plain view when mailed; (d) add any surcharge to transactions; (e) add any tax to transactions, unless applicable law expressly requires that Merchant be permitted to impose a tax (any tax amount, if allowed, must be included in the transaction amount and not collected separately); (f) enter into interchange any transaction receipt for a transaction that was previously charged back to Bank and subsequently returned to Merchant, irrespective of Cardholder approval (Merchant may pursue payment from the Cardholder outside the Card Association system); (g) request or use an account number of any purpose other than as payment for its goods or services; (h) disburse funds in the form of travelers cheques, if the sole purpose is to allow the Cardholder to make a cash purchase of goods or services from Merchant; (i) disburse funds in the form of cash, unless: (i) Merchant is a lodging or cruise line merchant disbursing cash to a Cardholder, (ii) Merchant is dispensing funds in the form of travelers cheques, Cards, or foreign currency, or (iii) Merchant is participating in the Card Association cash back service; (j) accept a Card for the purchase or scrip; (k) accept a Card for manual cash disbursement; (l) accept a Card to collect or refinance existing debt that has been deemed uncollectible by the Merchant providing the associated goods or services; or (m) enter into a Transaction that represents collection of a dishonored check. Merchant will pay all Card Association fines, fees, penalties and all other assessments or indebtedness levied by Card Associations to Bank which are attributable, at the Bank's discretion, to Merchant's Transaction processing or business.
- 2.17** **Merchant's Business.** Merchant will notify Bank immediately if it intends to (a) transfer or sell any substantial part of its total assets, or liquidate; (b) change the basic nature of its business, including selling any products or services not related to its current business; (c) change ownership or transfer control of its business; (d) enter into any joint venture, partnership or similar business arrangement whereby any person or entity not a party to this Agreement assumes any interest in Merchant's business; (e) alter in any way Merchant's approved monthly volume, average, or maximum ticket; or (f) changes its return policies or to another fulfillment house different from those identified in Merchant Application. Merchant will notify Bank promptly in writing if it becomes subject to any voluntary or involuntary bankruptcy or insolvency petition or proceeding. Merchant's failure to provide notice as required above may be deemed a material breach and will be sufficient grounds for termination of Merchant and for Bank's exercise of all its rights and remedies provided by this Agreement. If any change listed above occurs, Bank may immediately terminate this Agreement.
- 2.18** **Merchant's Warranties.** Merchant represents and covenants that: (a) all information contained in the Merchant Application or any other documents delivered to Bank in connection therewith is true and complete and properly reflects Merchant's business, financial condition and principal partners, owners or officers; (b) Merchant has power to execute, deliver and perform this Agreement, and this Agreement is duly authorized, and will not violate any provisions of law, or conflict with any other agreement to which Merchant is subject; (c) Merchant holds all licenses, if any, required to conduct its business and is qualified to do business in every jurisdiction where it is required to do so; (d) there is no action, suit or proceeding at law or in equity now pending or to Merchant's knowledge, threatened by or against or affecting Merchant which would substantially impair its right to carry on its business as now conducted or adversely affect

its financial condition or operations; (e) each Sales Draft presented to Bank for collection is genuine and is not the result of any fraudulent or prohibited Transaction or is not being deposited on behalf of any business other than Merchant as authorized by this Agreement; (f) each Sales Draft is the result of a bona fide Card Transaction for the purchase of goods or services from Merchant by the Cardholder in the total amount stated on the Sales Draft; (g) Merchant has performed or will perform all of its obligations to the Cardholder in connection with the Card Transaction evidenced thereby; (h) Merchant has complied with Bank's procedures for accepting Cards, and the Card Transaction itself does not involve any element of credit for any other purposes other than as set forth in this Agreement, and is not subject to any defense, dispute, offset or counterclaim which may be raised by any Cardholder under the Card Associations' rules, the Consumer Credit Protection Act (15 USC §1601) or other relevant state or federal statutes or regulations; and (i) any Credit Voucher which it issues represents a bona fide refund or adjustment on a Card sale by Merchant with respect to which a Sales Draft has been accepted by Bank.

### ARTICLE III - PRESENTMENT, PAYMENT, CHARGEBACK

- 3.01** **Acceptance.** Bank will accept from Merchant all Sales Drafts deposited by Merchant under the terms of this Agreement and will present the same to the appropriate Card Issuers for collection against Cardholder accounts. Merchant must transmit Sales Drafts and Credit Vouchers to Bank or its processing vendor on the same or next business day immediately following the day that such Sales Drafts and Credit Vouchers have been originated. All presentment and assignment of Sales Drafts, collection therefor and reassignment or rejection of such Sales Drafts are subject to the terms of this Agreement and regulations of the Card Association. Bank will only provisionally credit the value of collected Sales Drafts to Merchant's Account and reserves the right to adjust amounts collected to reflect the value of Chargebacks (actual and anticipated), fees, penalties, late submission charges, reserve deposits, negative Sales Draft batch deposits and items for which Bank did not receive final payment.
- 3.02** **Endorsement.** By presenting Sales Drafts to Bank for collection and payment, Merchant agrees to sell and assign all its right, title and interest in each Sales Draft completed in conformity with Bank's acceptance procedures and constitutes an endorsement by Merchant to Bank of such Sales Drafts. Bank may supply such endorsement on Merchant's behalf.
- 3.03** **Prohibited Payments.** Bank may receive payment of any Sales Draft presented by Merchant and paid by Bank unless and until there is a Chargeback. Unless specifically unauthorized in writing by Bank, Merchant may not collect or attempt to collect any Sales Draft, including Chargebacks, and will hold in trust for Bank and promptly deliver in kind to Bank any payment Merchant receives, in whole or in part, of the amount of any accepted Transaction, together with the Cardholder's name and account number and any correspondence accompanying payment.
- 3.04** **Chargebacks.** Merchant will accept for chargeback any sale for which the Cardholder disputes the validity of the sale according to prevailing Card Association regulations, or a Card issuer or Bank determines that Merchant has in any way failed to comply with Card Association regulations or Bank's procedures in accepting a Card and presenting the resulting Sales Draft to Bank for purchase. Section 2.03 notwithstanding, Bank may charge back the amount of a Card sale for which the Cardholder disputes that authorizing the charge if Merchant failed to obtain the Card Imprint or the Cardholder's signature. Merchant may not initiate a sale Transaction in an attempt to collect a Chargeback. Merchant will pay the current published fees for each Chargeback as listed on Schedule A.
- 3.05** **Chargeback Reserve Account.** Notwithstanding anything to the contrary in this Agreement, Bank may establish (without notice to Merchant) and Merchant agrees to fund a non-interest bearing chargeback reserve account (the "Reserve Account"), or demand other security or raise any discount, transaction or other fees. This account may be established at any time or for any reason. Specific examples might include: (a) Merchant engages in any charge processing that creates an overcharge to a Cardholder by duplicating charges; (b) any activity designed by Merchant to circumvent a "call center" message when attempting to process a transaction; (c) Merchant breaches this Agreement, violates any representation, covenant or warranty herein, violates any applicable Card Association rule or applicable law; (d) Merchant's application is in any way inaccurate or becomes inaccurate subsequent to Bank's approval of the application; (e) Merchant changes its type of business without Bank's prior written approval; (f) fraud, Merchant processes an unauthorized charge, or other action that violates Bank's applicable risk management standards or is likely to cause a loss; (g) Merchant has chargebacks exceeding 1% of the total number of transactions completed by Merchant in any 30 calendar day period; (h) excessive numbers of requests from consumers or issuing banks to retrieve documentation; (i) Merchant's financial stability is in question or Merchant ceases doing business; or (j) Merchant terminates this Agreement. Once the Reserve Account is established, collected funds will be placed in the Reserve Account. Before releasing funds after this Agreement is terminated, Merchant will pay any equipment cancellation fees and any outstanding charges, losses or amounts, and Chargebacks for which Merchant has provided indemnification under this Agreement. Further, Bank may require Merchant to deposit additional amounts based upon Merchant's processing history and/or anticipated risk of loss to Bank into the Reserve Account. Once established, unless Bank determines otherwise at its sole discretion, the Reserve Account will remain in place for 180 days and a reasonable period thereafter during which Cardholder disputes may remain valid under applicable Card Association rules. **The provisions of this Agreement relating to account debits and credits apply to the Reserve Account and survive this Agreement's termination until Bank terminates the Reserve Account. Any balance remaining after chargeback rights have expired and all of Bank's other expenses, losses and damages have been paid will be disbursed to Merchant.**

### ARTICLE IV - TERMINATION AND EFFECT OF TERMINATION

- 4.01** **Term.** This Agreement will be effective once Bank accepts it and, unless otherwise terminated, will continue for two years with automatic two-year renewals thereafter until Merchant provides written notice of non-renewal given not less than 30 days before the end of the then-current term.
- 4.02** **Termination.**
- (a) **Without Cause.** Bank may terminate this Agreement, without cause, upon 30 days advance written notice to Merchant.
- (b) **For Cause.** Bank may terminate this Agreement in its sole discretion, effective immediately, upon written or verbal notice, or by closing Merchant's point-of-sale terminal, if Bank reasonably determines that any of the following conditions exists: (i) Merchant has violated any provision of this Agreement; (ii) there is a material adverse change in Merchant's financial condition; (iii) if any case or proceeding is commenced by or against Merchant under any federal or state law dealing with insolvency, bankruptcy, receivership or other debt relief; (iv) any information which Merchant provided to Bank, including Application information, was false, incomplete or misleading when received; (v) at any time during the term of this Agreement, Merchant has had a monthly ratio of Chargebacks to total transactions exceeding Card Association requirements or 1%, or Chargebacks exceed 3% of any monthly dollar amount of total transactions; (vi) an overdraft in the settlement account exists for more than three days; (vii) Merchant or any of Merchant's officers or employees has been involved in processing transactions arising from fraudulent or otherwise unauthorized transactions; (viii) Merchant is or will be unable or unwilling to perform its obligations under this Agreement or applicable law; (ix) Merchant has failed to timely pay Bank any amount due; (x) Merchant has failed to promptly perform or discharge any obligation under its settlement account or the Reserve Account; (xi) any of Merchant's representations or warranties made in connection with this Agreement was not true or accurate when given; (xii) Merchant has defaulted on any agreement it has with the Bank; (xiii) Bank is served with legal process seeking to attach or garnish any of Merchant's funds or property in Bank's possession, and Merchant does not satisfy or appeal the legal process within 15 days of such service; (xiv) any Card Association rules are amended in any way so that the continued existence of this Agreement would cause Bank to be in breach of those rules; (xv) any guaranty supporting Merchant's obligations is revoked, withdrawn, terminated or altered in any way; (xvi) if any circumstances arise regarding Merchant or its business that create harm or loss of goodwill to any Card Association; (xvii) termination is necessary to prevent loss to Bank or Card Issuers; (xviii) Merchant's type of business indicated on the Application or as conducted by Merchant could endanger the Bank's safety or soundness; (xix) Merchant's owner, officer, guarantor, or corporate entity has a separate relationship with the Bank and that relationship is terminated; (xx) Merchant appears on any Card Association's security reporting; or (xxi) Bank's security for repayment becomes impaired.
- 4.03** **Effect of Bankruptcy.** Any account or security held by Bank will not be subject to any preference, claim or stay by reason of bankruptcy or similar law. The parties expressly agree that the acquisition of Card Transactions hereunder is a financial accommodation and if Merchant becomes a debtor in any bankruptcy or similar proceeding, this Agreement may not be assumed or enforced by any other person and Bank will be excused from performance hereunder.
- 4.04** **Effect of Termination.** When termination becomes effective, the parties' rights and obligations existing under this Agreement survive. If this Agreement is terminated, regardless of cause, Bank may withhold and discontinue the disbursement for all Cards and other Merchant Transactions in the process of being collected and deposited. If Merchant is terminated for cause, Merchant acknowledges that Bank may be required to report Merchant's business name and the names and other identification of its principals to the MATCH file maintained by Visa, Discover Network, and MasterCard. **Merchant expressly agrees and consents to such reporting if Merchant is terminated for any reason requiring listing on the MATCH file.** Merchant waives and will hold harmless Bank from any claims that Merchant may raise as a result of Bank's MATCH file reporting. Merchant will also immediately cease requesting Authorizations. If Merchant obtains any Authorization after termination, the fact that any Authorization was requested or obtained will not reinstate this Agreement. Further, Merchant will return all Bank property, forms, or equipment. All obligations for Transactions prior to termination (including payment for Chargebacks and Bank's expenses relating to Chargebacks) survive termination. Bank is not liable to Merchant for damages (including prospective sales or profits) due to termination. Following termination, Merchant will upon request provide Bank with all original and electronic copies of Sales Drafts and Credit Vouchers that have been retained by Merchant as of the date of termination. Upon termination, any amounts due to Bank will accelerate and be immediately due and payable, without any notice, declaration or other act whatsoever by Bank. The parties agree that if this Agreement is terminated before completion of the initial term of this Agreement for any reason other than a material uncured breach by Bank, Merchant will pay Bank damages determined by (a) computing the number of months remaining from the date of termination to the end of the then current term, and (b) multiplying that number by the average monthly processing fees and adding Bank's costs and attorneys' fees. Merchant agrees that these damages are not a penalty but are a reasonable computation of the financial harm caused by the termination of this Agreement. Bank's rights of termination are non-cumulative.

### ARTICLE V - MISCELLANEOUS

- 5.01** **Account Monitoring.** Merchant acknowledges that Bank will monitor Merchant's daily deposit activity. Bank may upon reasonable grounds suspend disbursement of Merchant's funds for any reasonable period of time required to investigate suspicious or unusual deposit activity. Bank will make good faith efforts to notify Merchant promptly following suspension. Bank is not liable to Merchant for any loss, either direct or indirect, which Merchant may attribute to any suspension of funds disbursement.
- 5.02** **Forms.** Merchant will use only the forms or modes of transmission of Sales Drafts and Credit Vouchers that are provided or approved in advance by Bank, and Merchant may not use such forms other than in connection with card transactions.
- 5.03** **Indemnification.** Merchant will defend, indemnify and hold Bank and its officers, directors, members, shareholders, partners, employees, agents, subcontractors and representatives harmless from and against any and all fines, penalties, claims, damages, expenses, liabilities or fees of any nature whatsoever, including attorneys' fees and costs ("Damages"), asserted against or incurred by Bank arising out of, relating to or resulting from, either directly or indirectly: (a) a breach of the security of the system safeguarding Cardholder Information resulting in unauthorized access to Cardholder Information; (b) a breach of any representation, warranty or term of this Agreement, including, but not limited to, the data security provisions by Merchant,

or any service provider, subcontractor or agent of Merchant; (c) the negligence, gross negligence or willful misconduct of Merchant in the performance of its obligations under this Agreement, including, but not limited to, the data security provisions; (d) any violation of applicable federal and state laws, rules, regulations and guidance and Card Association rules by Merchant; and (e) all third party claims arising from the foregoing. Notwithstanding the preceding, Merchant is not liable to Bank if Damages are caused by, related to or arise out of Bank's negligence, gross negligence or willful misconduct, or Bank's breach of this Agreement. Merchant will promptly reimburse Bank for any assessments, fines, fees or penalties imposed by the Card Association in connection with this Agreement, including the data security provisions, and authorizes Bank to deduct any such sums from amounts to be cleared and settled with Merchant.

- 5.04 **Records.** In addition to any records Merchant routinely furnishes to Bank under this Agreement, Merchant will preserve a copy of actual paper Sales Drafts and Credit Vouchers and any written authorization of the Cardholder for at least two years after the date Merchant presents the Transaction to Bank.
- 5.05 **Requests for Copies.** Immediately after Merchant receives the request by Bank, Merchant will provide to Bank either the original or a legible copy (in a size comparable to the actual Sales Draft) of the paper Sales Draft and any other documentary evidence available to Merchant that Bank reasonably requests to meet Bank's obligations under law (including its obligations under the Fair Credit Billing Act) or otherwise to respond to questions concerning Cardholder accounts.
- 5.06 **Compliance with Law.** Merchant will comply with all laws applicable to Merchant, Merchant's business and any Card Transaction, including without limitation all state and federal consumer credit and consumer protection statutes and regulations.
- 5.07 **Fees and Charges.** Merchant will pay to Bank the fees and charges set forth on Schedule A including any additional charges applied to transactions that fail to meet Card Association requirements for the lowest interchange levels. Merchant's Account will be debited through ACH or withheld from daily payments to Merchant for such amounts and for any other fees, charges or adjustments incurred by Merchant and associated with processing services. Bank may change fees, including adding fees for additional services utilized by Merchant, upon 30 days written notice to Merchant.
- 5.08 **Security Interest.** To secure payment of Merchant's obligations under this Agreement, Merchant grants to Bank a security interest in all now existing or hereafter acquired: (a) Transactions, Sales Drafts, Credit Vouchers and other items submitted to Bank for processing by or for Merchant; (b) accounts receivable and payment rights relating to or arising from this Agreement, including all amounts due Merchant (including any rights to receive credits or payments hereunder); (c) accounts (including without limitation all deposit accounts) maintained with the Bank or any institution other than Bank, including the Reserve Account, in the name of or for the benefit of, Merchant or any guarantor of Merchant's obligations under this Agreement; (d) deposits, regardless of source, to Merchant's or any guarantor's accounts with Bank or any institution other than Bank, including the Reserve Account; (e) all deposits and all other property and funds deposited by Merchant or withheld by Bank, including funds and property withheld as the result of security monitoring; and (f) proceeds of the foregoing. If Bank reasonably determines that Merchant has breached any obligation under this Agreement, or that proceeds of Merchant's future card sales are unlikely to cover anticipated Chargebacks, credits, fees and adjustments, as reasonably determined by Bank (whether because this Agreement has been terminated or for any other reason), Bank may setoff or otherwise exercise its security interest without notice or demand by immediately withdrawing from or freezing any account or otherwise exercising its rights under this Agreement or those rights available under applicable laws, including the Utah Uniform Commercial Code, or in equity. In addition to the collateral pledged above, Bank may require Merchant to furnish such other and different security as Bank deems appropriate in its sole discretion to secure Merchant's obligations under this Agreement. Bank may fully or partially prohibit withdrawal by Merchant of funds from Merchant's deposit accounts maintained with Bank or financial institutions other than Bank, pending Bank's determination from time to time to exercise its rights as a secured party against such accounts in partial or full payment of Merchant's obligations to Bank. Merchant will execute any documents and take any actions required to comply with and perfect any security interest under this paragraph, at Merchant's cost. Merchant represents and warrants that no other party has a security interest or lien in any of the collateral pledged above, and Merchant will obtain Bank's written consent before it grants a lien or security interest in that pledged collateral to any other person.
- 5.09 **Modifications to Agreement.** This Agreement is subject to amendment to conform with Card Association regulations, as amended from time to time. From time to time Bank may amend any provision or provisions of this Agreement, including, without limitation, those relating to the discount rate or to other fees and charges payable by Merchant by mailing written notice to Merchant of the amendment at least 30 days prior to the effective date of the amendment, and the amendment will become effective unless Bank receives Merchant's notice of termination of this Agreement before such effective date. Amendments required due to changes in either Card Association's rules and regulations or any law or judicial decision may become effective on such shorter period of time as Bank may specify if necessary to comply with the applicable rule, regulation, law or decision.
- 5.10 **Warranty Disclaimer.** BANK MAKES NO WARRANTIES REGARDING THE USE, OPERATION OR PERFORMANCE OR NON-PERFORMANCE OF SOFTWARE AND SYSTEMS UTILIZED FOR THIS AGREEMENT, WHETHER EXPRESS OR IMPLIED, AND BANK EXPRESSLY DISCLAIMS ALL IMPLIED WARRANTIES, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE
- 5.11 **Limitation of Liability.** Bank's liability with respect to any Card Transaction may not exceed the amount of the Sales Draft in connection with that Transaction less any applicable fees and charges. **Bank is not liable for any incidental or consequential damages whatsoever.** Merchant waives all claims against Bank for any loss, claim, demand, penalty, action, delay, cost or expense (including reasonable attorneys' fees) of any kind unless Merchant provides written notice to Bank of the occurrence that gave rise to the alleged liability within 30 days after Merchant knew or should have known of the occurrence. Merchant will indemnify and hold Bank harmless from any claim relating to any Sales Draft paid for by Bank as may be made by anyone by way of defense, dispute, offset, counterclaim or affirmative action, or for any damages or losses that Bank may incur as a result of Merchant's breach of this Agreement. Further, Merchant will reimburse Bank for all expenses and costs, including attorneys' fees, with regard thereto.
- 5.12 **Waiver.** Bank's failure by Bank to enforce one or more of the provisions of this Agreement will not constitute a waiver of the right to enforce the same or other provision in the future.
- 5.13 **Written Notices.** All written notices and other written communications required or permitted under this Agreement will be deemed delivered immediately when hand-delivered or sent via facsimile and the sender obtains a fax confirmation receipt, and upon mailing when sent first class mail, postage prepaid, addressed as follows:  
(a) If to Bank: Merrick Bank Corporation, 10705 South Jordan Gateway, Suite 200, South Jordan, UT 84095, Attn: Fred Horn, Facsimile: \_\_\_\_\_;  
(b) If to Merchant: At the facsimile number or address provided as the billing address and to the contact listed on the Merchant Application.
- 5.14 **Choice of Law; Jurisdiction.** Utah law governs this Agreement. Any claim or cause of action arising out of this Agreement against Bank must be initiated and maintained exclusively in the state or federal courts located in Salt Lake County, Utah.
- 5.15 **Entire Agreement; Assignability.** This Agreement expresses the entire understanding of the parties with respect to the subject matter hereof and except as provided herein, may be modified only in writing executed by Bank and Merchant. This Agreement may not be assigned, directly or by operation of law, without Bank's prior written consent. This Agreement will be binding upon and inure to the benefit of the parties' respective heirs, personal representatives, successors and assigns.
- 5.16 **Deposit Account.** Merchant will at all times maintain an Account at a bank that is a member of the Federal Reserve ACH system and will provide Bank with proper authorization to debit the Account. All credits for collected funds and debits for fees, payments and Chargebacks and other amounts for which Merchant is liable under the terms of this Agreement will be made to the Account. Merchant may not close or change the Account without written notice to Bank. Merchant will be solely liable for all fees and costs associated with the Account and for all overdrafts. Merchant hereby grants to Bank a security interest in the Account to the extent of any and all fees, payments and Chargebacks and other amounts due which may arise under this Agreement, and Merchant will execute any document and obtain any consents or waivers from the bank at which the Account is maintained as requested by Bank to protect its security interests therein.
- 5.17 **Credit and Financial Inquiries; Additional Locations; Inspections.** Bank may make, at any time, any credit inquiries which it may consider necessary to accept or review acceptance of this Agreement or investigate Merchant's deposit or Card acceptance activities subsequent to acceptance of this Agreement. Such inquiries may include, but are not limited to, a credit and/or criminal check of the business including its proprietor, partners, principal owners or shareholders or officers. Upon Bank's request, Merchant will provide the written consent of any person for which an inquiry has been or is to be made if such person has not executed this Agreement and will provide any financial statements, income tax and business tax returns and other financial information as Bank may consider necessary to perform initial or periodic reviews of Merchant's financial stability and business practices. Merchant may accept Cards only at locations approved by Bank. Additional locations may be added, subject to Bank's approval. Any party to this Agreement may delete any location by providing notice as provided herein. Merchant will permit Bank, at any time and from time to time, to inspect locations to confirm that Merchant has or is adhering to the terms of this Agreement and is maintaining the proper facilities, equipment, inventory, records and license or permit (where necessary) to conduct its business. However, nothing in this paragraph may be deemed to waive Merchant's obligation to comply in all respects with the terms of this Agreement. Bank, its internal and external auditors, and its regulators may audit compliance with this Agreement, compliance with federal and state laws, rules, regulations and guidance applicable to the services, Card acceptance and Transaction processing, and data security provisions, including Card Association compliance. Merchant will make available its records maintained and produced under this Agreement, and Merchant's facilities will be made accessible, upon notice during normal business hours for examination and audit. Nothing in this section may be construed to require Merchant to give access to its facilities, personnel or records in a manner that unreasonably interferes with its business operations. Each party will bear its expenses of any audit.
- 5.18 **Marketing of Non-Bankcard Services.** From time to time, Bank may offer to Merchant certain additional products and services which may or may not be related to the processing of credit card Transactions. If such offers are made, Merchant may decline the offers or be deemed to have accepted the offers and be liable for payment therefor.
- 5.19 **Force Majeure.** The parties will be released from liability hereunder if they fail to perform any obligation where the failure occurs by reason of any act of God, fire, flood, storm, earthquake, tidal wave, communications failure, sabotage, war, military operation, terrorism, national emergency, mechanical or electronic breakdown, civil commotion or the order, requisition, request or recommendation of any governmental authority, or either party's compliance therewith, or governmental regulation, or priority, or any other similar cause beyond either party's reasonable control.
- 5.20 **No Third Party Beneficiary.** No other person or entity may be deemed to be a third party beneficiary of this Agreement.

(b) Merchant hereby agrees to indemnify and hold MSC harmless from any claim relating to any Sales Draft paid for by MSC as may be made by anyone by way of defense, dispute, offset, counterclaim or affirmative action, or for any damages of or losses that either MSC may incur as a result of Merchant's breach of this Agreement. Further, Merchant shall reimburse MSC, as the case may be for all expenses and costs, including attorney's fees, with regard thereto.

**5.12 Waiver** Failure by MSC to enforce one or more of the provisions of this Agreement shall not constitute a waiver of the right to enforce the same or other provision in the future.

**5.13 Notices** All notices and other communications required or permitted under this Agreement shall be deemed delivered when mailed first class mail, postage prepaid, addressed as follows: MSC Merchant Services, 8650 College Boulevard, Overland Park, Kansas, 66210, or **if to Merchant**, at the address provided as the payment address and to the contact listed on the Merchant Services Agreement.

**5.14 Choice of Law; Jurisdiction** Any claim or cause of action arising out of this Agreement shall be initiated and maintained in the state court located in Shelby County, Tennessee, in which case this Agreement shall be governed and construed under the laws of the State of Tennessee.

**5.15 Entire Agreement; Assignability** This Agreement expresses the entire understanding of the parties with respect to the subject matter hereof and except as provided herein, may be modified by only in writing executed by all parties hereto. This Agreement may not be assigned, directly or by operation of law, without the prior written consent of MSC. This Agreement shall be binding upon and inure to the benefit of the parties' respective heirs, personal representatives, successors and assigns.

**5.16 Deposit Account** Merchant shall at all times maintain an Account at a bank that is a member of the Federal Reserve ACH System and shall provide MSC with proper authorization for debiting of the Account. All credits for collected funds and debits for fees, payments and Chargebacks and other amounts for which Merchant is liable under the terms of this Agreement shall be made to the Account. Merchant may not close or change the Account without written notice to MSC. Merchant will be solely liable for all fees and costs associated with the Account and for all overdrafts. Merchant hereby grants to MSC a security interest in the Account to the extent of any and all fees, Payments and Chargebacks and other amounts due which may arise under this Agreement, and Merchant shall execute any document and obtain any consents or Waivers from the bank at which the Account is maintained as requested by MSC to protect their security interests therein.

**5.17 Credit and Financial Inquiries; Additional Locations; Inspections**

(a) Merchant authorizes MSC to make, at any time, any credit inquiries which either may consider necessary to accept or review acceptance of this Agreement or investigate Merchant's deposit or Card acceptance activities subsequent to acceptance of this Agreement. Such inquiries shall include, but are not limited to, a credit check of the business including its proprietor, partners, principal owners or officers. If requested to do so by MSC, Merchant shall provide the written consent of any person for which an inquiry has been or is to be made if such person has not executed this Agreement and will provide any financial statements, income tax and business tax returns and other financial information as MSC may consider necessary to perform initial or periodic reviews of Merchant's financial stability and business practices.

(b) Merchant may honor Cards only at locations approved by MSC. Additional locations may be added, subject to MSC's approval. Either Merchant or MSC may delete any location by providing notice as provided in this Agreement.

(c) Merchant agrees to permit MSC, at any time and from time to time, to inspect locations to confirm that Merchant has or is adhering to the terms of this Agreement and is maintaining the proper facilities, equipment, inventory, records and license or permit (where necessary) to conduct its business. However, nothing in this paragraph shall be deemed to waive Merchant's obligation to comply in all respects with the terms of this Agreement.

(d) Representatives of MSC may, during normal business hours, inspect, audit and make copies of Merchant's books, accounts records and files pertaining to any Card Transaction.

**5.18 Marketing of Non-Bankcard Services by MSC Merchant Services** From time to time, MSC may offer to Merchant certain additional products and services which may or may not be related to the processing of credit card Transactions. In the event of such offers, Merchant shall indicate its desire to MSC to decline such offers or be deemed to have accepted the offers and be liable for payment therefore.

# Multi Service Corporation



## Bank Card Merchant Agreement

In consideration of the mutual covenants herein, MSC Merchant Services ("MSC"), a division of Multi Service Corporation, (sponsored by NBC Merchant Services, wholly owned by National Commerce Bancorporation), and the undersigned merchant ("Merchant") have agreed as follows as of the date of acceptance by MSC:

### ARTICLE I - DEFINITIONS

**1.01** "Account" means a commercial checking account maintained by Merchant as set forth in Article III for the crediting of collected funds and the debiting of fees and charges pursuant to the terms of this Agreement.

**1.02** "ACH" means the Automated Clearing House paperless entry system controlled by the Federal Reserve.

**1.03** "Agreement" means these terms and conditions and any supplementary documents indicated herein.

**1.04** "Authorization" means a computerized function or a direct phone call to a designated number to examine individual Transactions to obtain credit approval from the Card Issuer.

**1.05** "Card" means (i) a valid credit card in the form issued under license from Visa U.S.A., Inc. Visa International, Inc. or MasterCard International Inc. ("Bank Card") or (ii) any other valid credit card accepted by Merchant by agreement with MSC.

**1.06** "Card Association" means Visa U.S.A., Inc., Visa International, Inc., MasterCard International, Inc. or any other Card Issuers that provide Cards that are accepted by Merchant by agreement with MSC.

**1.07** "Cardholder" means the person or entity whose name is embossed upon the face of the Card.

**1.08** "Card Issuer" means the financial institution or company which has provided a Card to a Cardholder.

**1.09** "Chargeback" means the procedure by which a Sales Draft (or disputed portion thereof) is returned to MSC by a Card Issuer because such item does not comply with the applicable Card plan's operating regulations.

**1.10** "Credit Voucher" means a document executed by a Merchant evidencing any refund or price adjustment relating to Cards to be credited to a Cardholder account.

**1.11** "Imprint" means (i) an impression on a Sales Draft manually obtained from a Card through the use of an imprinter, or (ii) the electronic equivalent obtained by swiping a Card through a terminal and electronically printing a Sales Draft.

**1.12** "Manual Transaction" means any Transaction for which required data is not electronically captured by reading the Card's magnetic stripe.

**1.13** "Non-Qualifying Transaction" means any sale Transaction that fails to qualify for lowest interchange rate assigned by the applicable Card Association for the standard card industry code of Merchant.

**1.14** "Sales Draft" means the paper form, whether electronically or manually imprinted, evidencing a sale Transaction.

**1.15** "Transaction" means any retail sale of Products, or credit for such, from a Merchant for which the customer makes payment through the use of any Card and which is presented to MSC for collection.

**1.16** "Voice Authorization" means a direct phone call to a designated number to obtain credit approval on a Transaction from the Card Issuer.

### ARTICLE II – CARD ACCEPTANCE

**2.01 Honoring Cards**

- (a) Merchant will accept all valid Cards when properly presented by Cardholders in payment for goods or services.
- (b) Merchant shall not establish a minimum or maximum amount for Card sales as a condition for accepting any Card.
- (c) Merchant shall not require any Cardholder to pay any part of any discount or charge imposed upon Merchant by this Agreement, whether through any increase in price or otherwise require a customer presenting a Card to pay any charge or price as a condition of sale that is not also required from a customer paying cash. However, Merchant may not, by this term, be prevented from offering discounts to customers for cash purchases.
- (d) Merchant shall not engage in a Card Transaction (other than a mail order, telephone order or preauthorized sale to the extent permitted under this Agreement) if the person seeking to charge the purchase to his or her Card account does not present the Card to permit Merchant to examine it and obtain an Imprint or otherwise use the physical Card to complete the transaction.

**2.02 Advertising**

- (a) Merchant agrees to prominently display the promotional materials provided by MSC in its place(s) of business. Use of promotional materials and use of any trade name, trademark, service mark or logo type ("Marks") associated with Card(s) shall be limited to informing the public that Card(s) will be accepted at Merchant's place(s) of business. Merchants' use of promotional materials and Marks is subject to the direction of MSC.
- (b) Merchant may use promotional materials and Marks during the term of this Agreement and shall immediately cease use and return any inventory to MSC upon any termination thereof.
- (c) Merchant shall not use any promotional materials or Marks associated with Visa or MasterCard in any way which suggests or implies that either endorses any goods or services.

**2.03 Card Acceptance** When accepting a Card, Merchant will follow the steps provided by MSC for accepting Cards and will:

- (a) Determine in good faith and to the best of its ability that the Card is valid on its face;
- (b) Obtain Authorization from the Card Issuer to charge the Cardholders account;
- (c) Unless the Sales Draft is electronically generated or is the result of a mail, phone or preauthorized order, obtain an Imprint of the Card including embossed data from the merchant imprinter plate;
- (d) Enter a description of the goods or services sold and the price thereof (including any applicable taxes);
- (e) Obtain the Cardholder's signature on the Sales Draft and compare that signature to the signature on the Card;
- (f) Deliver a true and completed copy of the Sales Draft to the Cardholder at the time of delivery of the goods or performance of the services, or, if the Sales Draft is prepared by a point-of-sale terminal, at the time of the sale; and
- (g) Offer the Sales Draft to MSC for purchase according to MSC's procedures and the terms of this Agreement.

**2.04 Authorization**

- (a) Merchant will obtain an Authorization for all Card sales. If Merchant cannot, for any reason, obtain an electronic Authorization through the use of a terminal, Merchant will request a Voice Authorization from MSC's designated authorization center and will legibly print the authorization number on the Sales Draft.
- (b) Merchant shall not obtain or attempt to obtain authorization from MSC's authorization center unless Merchant intends to submit to MSC a Transaction for the authorized amount if Authorization for the Transaction is given.
- (c) Merchant shall not divide a single Transaction between two or more Sales Drafts on a single Card to avoid Authorization limits that may be set by the Card Issuer.
- (d) Merchant acknowledges that an Authorization provides only that the Cardholder account has sufficient credit available to cover the amount of the current sale and that an Authorization (i) is not a guarantee that the

Transaction will not be subject to dispute or Chargeback and (ii) does not warranty the identity of the Cardholder.

**2.05 Retention and Retrieval of Cards**

- (a) Merchant shall use its best efforts, by reasonable and peaceful means, to retain or recover a Card (i) when receiving such instructions when making a request for Authorization or (ii) if Merchant has reasonable grounds to believe the Card is counterfeit, fraudulent or stolen.
- (b) The obligation of Merchant imposed by this section to retain or recover a Card does not authorize a breach of the peace or any injury to persons or property or other breach of the peace in connection with the retention or recovery of a Card.

**2.06 Personal Information** Merchant as a condition of sale may not impose a requirement on Cardholders to provide any personal information as a condition for honoring Cards unless such information is required to provide delivery of goods or services or Merchant has reason to believe the identity of the person presenting the Card may be different than that of the Cardholder.

**2.07 Multiple Transaction Records; Partial Consideration.** Merchant shall not prepare more than one Sales Draft for a single sale or for a single item but shall include all items of goods and services purchased in a single Transaction in the total amount on a single Sales Draft except under the following circumstances: (i) For purchases in separate departments of a multiple department store; (ii) For partial payment, installment payment, delayed delivery or an advance deposit; or (iii) For delayed or amended charges governed by rules for travel and entertainment merchants and Transactions.

**2.08 Telephone Orders, Mail Orders, Preauthorized Orders and Installment Orders.**

- (a) Unless Merchant has been approved by MSC to accept mail and phone orders, Merchant warrants that it is a walk-in trade business, located in a retail business place where the public moves in and out freely in order to purchase merchandise or obtain services. If Merchant is found to be accepting Card Transactions without MSC's authorization, which are placed by telephone, generated through telephone solicitation, mail order or other means that does not create a Sales Draft that bears the Card imprint and Cardholder's signature, this Agreement will be immediately terminated and the value of all Sales Drafts collected from the first day of processing may be charged back to merchant and all funds therefrom shall be held pursuant to Section 4.
- (b) Unless approved by MSC, this Agreement does not contemplate regular acceptance of Cards for sales accepted by telephone or mail nor through preauthorized orders. If an occasional Card Transaction is made by mail, phone or preauthorized order, the Sales Draft may be completed without the Cardholder's signature or an Imprint, but in such case Merchant shall create a Sales Slip containing Cardholder data, an Authorization number, the sale amount and the letters "MO", "TO" or "PO", as appropriate. Receiving an Authorization shall not relieve the Merchant of liability for Chargeback on any Transaction for which the Merchant did not obtain an imprint or the Cardholder's signature.

**2.09 Lodging and Vehicle Rental Transactions**

- (a) Merchant must estimate and obtain Authorization for the amount of the Transaction based upon the Cardholder's intended length of stay or rental. Additional Authorization must be obtained and recorded for charges actually incurred in excess of the estimated amount.
- (b) Regardless of the terms and conditions of any written preauthorization form, the Sales Draft amount for any lodging or vehicle rental Transaction shall include only that portion of the sale, including any applicable taxes, evidencing a bona fide rental of real or personal property by Merchant to the Cardholder and shall not include any consequential charges. Nothing contained herein is intended to restrict Merchant from enforcing the terms and conditions of its preauthorization form through means other than a Card Transaction.

**2.10 Returns and Adjustments: Credit Vouchers**

- (a) Merchant's policy for the exchange or return of goods sold and the adjustment for services rendered shall be established and posted in accordance with operating regulations of the applicable Card Association's regulations. Merchant agrees to disclose, if applicable, to a Cardholder before a Card sale is made, that if merchandise is returned: (i) no refund, or less than a full refund, will be given; (ii) returned merchandise will only be exchanged for similar merchandise of comparable value; (iii) only a credit toward purchases will be given; or (iv) special conditions or circumstances apply to the sale (e.g. late delivery, delivery charges, or other non-credit terms).
- (b) If Merchant does not make these disclosures, a full refund in the form of a credit to the Cardholder's Card account must be given. Disclosures

must be made on all copies of Sales Drafts or invoices in letters approximately 1/4" high in close proximity to the space provided for the Cardholder's signature or on an invoice issued at the time of the sale or on an invoice being presented for the Cardholder's signature.

**2.11 Cash Payments** Merchant shall not receive any payments from a Cardholder for charges included in any Transaction resulting from the use of any Card nor receive any payment from a Cardholder to prepare and present a Transaction for the purpose of effecting a deposit to the Cardholder's Card Account.

**2.12 Cash Advances** Merchant shall not deposit any Transaction for the purpose of obtaining or providing a cash advance either on Merchant's Card or the Card of any other party. Merchant agrees that any such deposit shall be grounds for immediate termination.

**2.13 Duplicate Transactions** Merchant shall not deposit duplicate Transactions. Merchant shall be debited for any adjustments for duplicate Transactions and shall be liable for any Chargebacks which may result therefrom.

**2.14 Deposit of Fraudulent Transactions.** Merchant shall not accept or deposit any fraudulent Transaction and may not under any circumstances present for processing or credit, directly or indirectly, a Transaction which originated with any other merchant or any other source, and merchant shall not, under any circumstances, deposit telemarketing Transactions under this Agreement. If Merchant deposits any such Transaction, merchant may be immediately terminated and MSC may hold funds and/or demand an Escrow pursuant to section 4.02; further, Merchant may be subject to the Visa and MasterCard reporting requirements set forth in Section 4.02.

**2.15 Collection of Pre-existing Debt.** Merchant shall not prepare and present to MSC for purchase of any Transaction representing the refinancing of an existing obligation of a Cardholder including, but not limited to, obligations (i) previously owed to Merchant, (ii) rising from the dishonor of a Cardholder's personal check, and/or (iii) representing the collection of any other pre-existing indebtedness, including collection of delinquent accounts on behalf of third parties.

**2.16 Release of Cardholder Account Information** Merchant will not, under any circumstances, disclose any Cardholder's account number or any information relating to any Cardholder's account number or any Sales Drafts or Credit Vouchers which may have been imprinted with any Card to any person other than MSC, except as expressly authorized in writing by the Cardholder, MSC, or as required by law. Further, Merchant agrees to store any material containing Cardholder account information in a secure manner or destroy such information at the proper time in a fashion which renders the data unreadable.

**2.17 Compliance with Card Association Rules.** Merchant shall comply with and conduct its Card activities in accordance with all applicable Card Association rules and regulations.

**2.18 Merchant's Business.**

- (a) Merchant shall provide MSC with immediate notice of its intent to (i) transfer or sell any substantial part of its total assets, or liquidate; (ii) change the basic nature of its business, including selling any products or services not related to its current business; (iii) change ownership or transfer control its business; (iv) enter into any joint venture, partnership or similar business arrangement whereby any person or entity not a party to this Agreement assumes any interest in Merchant's business; or (v) alter in any way Merchant's approved monthly volume and average ticket.
- (b) Failure to provide notice as required above may be deemed a material breach and shall be sufficient grounds for termination of Merchant. In the event any of the changes listed above should occur, MSC shall have the option to re-negotiate the terms of this Agreement or provide immediate notice of termination.

**2.19 Warranties of Merchant** Merchant hereby provides the following warranties to MSC:

- (a) All information contained in Merchant's application for processing services or any other documents delivered to MSC in connection therewith is true and complete and properly reflects Merchant's business, financial condition and principal partners, owners or officers.
- (b) Merchant has the power to execute, deliver and perform this Agreement, and this Agreement is duly authorized and will not violate any provisions of law, or conflict with any other agreement to which Merchant is subject.
- (c) Merchant has all licenses, if any, required to conduct its business and is qualified to do business in every jurisdiction where it is required to do so.
- (d) There is no action, suit or proceeding at law or in equity now pending or to Merchant's knowledge, threatened by or against or affecting Merchant which would substantially impair its right to carry on its business as now conducted or adversely affect its financial conditions or operations.
- (e) Each Sales Draft presented to MSC for collection is genuine and is not the result of any fraudulent transaction or telemarketing sale or is not being deposited on behalf of any business other than Merchant as authorized by

this Agreement. Further, Merchant warrants that each Sales Draft is the result of a bona fide Card Transaction for the purchase of goods or services by the Cardholder in the total amount stated on the Sales Draft.

- (f) Merchant has performed or will perform all of its obligations to the Cardholder in connection with the Card Transaction evidenced thereby.
- (g) Merchant has complied with MSC's procedures for accepting Cards and the Card Transaction itself shall not involve any element of credit for any other purposes other than as set forth in this Agreement and shall not be subject to any defense, dispute, offset or counterclaim which may be raised by any Cardholder under the Card Associations' rules, the Consumer Credit Protection Act (15 USC 1601) or other relevant state or federal statutes or regulations.
- (h) Merchant warrants that any Credit Voucher that it issues represents a bona fide refund or adjustment on a Card sale by Merchant with respect to which a Sales Draft has been accepted by MSC.

**ARTICLE III – PRESENTMENT, PAYMENT, CHARGEBACK**

**3.01 Acceptance** MSC shall accept from Merchant all Sales Drafts deposited by Merchant under the terms of this Agreement and shall present the same to the appropriate Card Issuers for collection against Cardholder accounts. All presentment and assignment of Sales Drafts, collection therefore and re-assignment or rejection of such Sales Drafts are subject to the terms of this Agreement and regulations of the Card Associations. MSC shall only provisionally credit the value of collected Sales Drafts to Merchant's Account and reserves the right to adjust amounts collected to reflect the value of Chargebacks, fees, penalties, late submission charges and items for which MSC did not receive final payment.

**3.02 Endorsement** The presentment of Sales Drafts to MSC for collection and payment is Merchant's agreement to sell and assign all its right, title and interest in each Sales Draft completed in conformity with MSC's acceptance procedures and shall constitute an endorsement by Merchant to MSC of such Sales Drafts. Merchant hereby authorizes MSC to supply such endorsement on Merchant's behalf.

**3.03 Changes in Transmission Method** The means of transmission indicated in Merchant's processing application shall be the exclusive means utilized by Merchant until such time as Merchant has provided MSC with at least thirty (30) days prior written notice of Merchant's intention to change the means of such delivery or otherwise to alter in any material respect Merchant medium of transmission of sales data and credit data to MSC.

**3.04 Prohibited Payments** MSC shall have the sole right to receive payment of any Sales Draft presented by Merchant and paid by MSC unless and until there is a Chargeback. Unless specifically authorized in writing by MSC, Merchant shall not make or attempt to make any collections on any transaction and shall hold in trust for MSC and shall promptly deliver in kind to MSC any payment Merchant receives, in whole or in part, of the amount of any accepted Transaction, together with the Cardholder's name and account number and any correspondence accompanying the payment.

**3.05 Chargebacks**

- (a) Merchant agrees to accept for Chargeback any sale for which: (i) The Cardholder disputes the validity of the sale according to prevailing Card Association regulations; (ii) An Issuer or MSC determines that Merchant has in any way failed to comply with Card Association regulations or MSC's procedures in accepting a Card and presenting the resulting Sales Draft to MSC for purchase.
- (b) Merchant acknowledges that MSC shall have full recourse to charge back the amount of a Card sale for which the Cardholder disputes that he/she authorized the charge if (i) the Imprint of the Card or (ii) the signature of the Cardholder was not obtained by Merchant.
- (c) Merchant shall not initiate a sale Transaction in an attempt to collect a Chargeback

Merchant agrees to pay the current published fees for each Chargeback as listed in the Merchant Services Agreement.

**ARTICLE IV – TERMINATION AND EFFECT OF TERMINATION**

**4.01 Term; Termination**

- (a) This Agreement shall become effective upon acceptance by MSC. Any party may terminate this Agreement at any time with or without cause by providing written notice to the other parties, to become effective upon receipt; provided, however, if Merchant terminates this Agreement, MSC shall have thirty (30) days from date of notice to delete Merchant's account, during which time Merchant shall remain liable for all fees and charges, including any monthly minimum processing charge. MSC may terminate this Agreement immediately without prior notice if (i) either party has reason to believe that fraudulent Card Transactions or other activity prohibited by this agreement is occurring at any Merchant location; (ii) such action is taken to prevent loss to MSC or Card Issuers; or (iii) Merchant appears on any Card Association's security reporting. All rights and obligations of the parties existing hereunder as of the effective time of termination shall survive the termination hereof.
- (b) If any case or proceeding is commenced by or against Merchant under any federal or state law dealing with insolvency, bankruptcy, receivership or other debt relief, the Agreement shall simultaneously therewith automatically terminate, and any amounts due to MSC shall accelerate and become immediately due and payable, without the necessity of any notice, declaration or other act whatsoever by MSC. Notwithstanding such termination, MSC, at its sole discretion, may determine that Consent to Merchant's subsequent assumption of this Agreement is in MSC's best interests. In such event, the assumption will be made under terms and conditions that are acceptable to MSC and comply with the applicable federal or state laws governing such assumption.

**4.02 Effect of Termination**

- (a) **Suspension of Payment** In the event of termination regardless of cause, merchant expressly authorizes MSC to withhold and discontinue the disbursement for all Cards and other payment transactions of Merchant in the process of being collected and deposited.
- (b) **Reserve Account** Collected funds will be placed in a non-interest bearing account at MSC (the "Reserve Account") until Merchant pays any equipment cancellation fees and any outstanding charges, losses or amounts for which Merchant has provided indemnification under this Agreement. Further, MSC reserves the right to require Merchant to deposit additional amounts based upon Merchant's processing history and/or anticipated risk of loss to MSC into the Reserve Account. MSC shall be granted a continuing security interest in the Reserve Account. The Reserve Account shall be maintained a minimum of one hundred and eighty (180) days after the termination date and for any reasonable period thereafter during which Cardholder disputes may remain valid under the Card Associations' regulations. The provisions of this Agreement relating to the debiting and crediting of the Account shall be applied to the Reserve Account and shall survive termination of the Agreement until MSC terminates the Reserve Account. Any balance remaining after Chargeback rights have expired and all other expenses, losses and damages have been paid will be disbursed to Merchant.
- (c) If Merchant is terminated for cause, Merchant acknowledges that MSC may be required to report Merchant's business name and the names and other identification of its principals to the Combined Terminated Merchant File maintained by Visa and MasterCard. **Merchant expressly agrees and consents to such reporting in the event Merchant is terminated for any of the reasons specified as cause by Visa and MasterCard.** Furthermore, Merchant waives and shall hold harmless MSC from any claims that Merchant may raise as a result of such reporting.
- (d) Upon termination for any reason, Merchant will immediately cease requesting Authorizations. In the event Merchant obtains any Authorization after termination, Merchant expressly acknowledges and agrees that the fact that any Authorization was requested or obtained shall not operate to reinstate this Agreement.

Following termination, Merchant shall upon request provide MSC with all original and microfilm copies of Sales Drafts and Credit Vouchers to be retained as of the date of termination.

**ARTICLE V – MISCELLANEOUS**

**5.01 Account Monitoring** Merchant acknowledges that MSC will monitor Merchant's daily deposit activity. Merchant agrees that MSC may upon reasonable grounds suspend the disbursement of Merchant's funds for any reasonable period of time required to investigate suspicious or unusual deposit activity. MSC will make good faith efforts to notify Merchant immediately. MSC shall have no liability for any losses, either direct or indirect, which Merchant may attribute to any suspension of funds disbursement.

**5.02 Forms** Merchant shall use only such forms or modes of transmission of Sales Drafts and Credit Vouchers as are provided or approved in advance by MSC and Merchant shall not use forms provided by MSC other than in connection with Card Transactions hereunder unless MSC shall have previously given Merchant written consent for such use.

**5.03 Records** In addition to any records routinely furnished to MSC pursuant to this Agreement, Merchant shall preserve a paper or microfilm copy of the actual paper Sales Drafts and Credit Vouchers and, if mail, phone order or preauthorized order is involved, the Cardholder's signed authorization for the Transaction for at least three (3) years after the date Merchant presents the Transaction to MSC.

**5.04 Requests for Copies** Within five (5) days of receipt of any request by MSC, Merchant shall provide either the actual paper Sales Draft or a legible copy thereof (in size comparable to the actual Sales Draft) and any other documentary evidence available to Merchant and reasonably requested by MSC to meet MSC's obligations under law (including its obligations under the Fair Credit Billing Act) or otherwise to respond to questions concerning Cardholder accounts.

**5.05 Compliance with Law** Merchant shall comply with all laws applicable to Merchant, Merchant's business and any Card Transaction including without limitation all state and federal consumer credit and consumer protection statutes and regulations.

**5.06 Fees and Charges** Merchant shall pay to MSC the fees and charges set forth in the Merchant Services Agreement. Merchant's Account will be debited through ACH for such amounts and for any other fees, charges or adjustments incurred by Merchant and associated with processing services. MSC shall have the right to change fees, including adding fees for additional services utilized by Merchant, upon thirty (30) days written notice.

**5.07 Other Charges** Merchant shall be responsible for any fees, fines or other charges imposed on MSC by Card Associations related to the processing of Merchant's transactions. Such charges may be withheld from Merchant's future deposit activity or may be billed directly to Merchant from MSC.

**5.08 Security** Merchant agrees that all of its obligations under this Agreement shall be secured by all deposit accounts maintained by Merchant with MSC, including deposits made by Merchant as collateral or funds withheld by MSC as the result of routine security monitoring and by all other personal property that serves as collateral for any other indebtedness arising out of Merchant's business and owed by Merchant to MSC. Merchant agrees that if MSC determines that the proceeds of Merchant's future Card sales are unlikely to cover anticipated Chargebacks, credits, fees and adjustments as reasonably determined by MSC (whether because this Agreement has been terminated or for any other reason), MSC may fully or partially prohibit withdrawal by Merchant of funds from Merchant's deposit accounts pending a determination from time to time by MSC to exercise their respective rights as a secured party by applying the amount(s) theretofore withheld by MSC in partial or full payment of Merchant obligations to MSC.

**5.09 Modifications to Agreement** This Agreement is subject to amendment to conform with Card Association regulations as amended from time to time. From time to time, MSC may amend any provision or provisions of this Agreement, including, without limitation, those relating to the discount rate or to other fees and charges payable by merchant by mailing written notice to Merchant of the amendment at least thirty (30) days prior to the effective date of the amendments, and the amendment shall become effective unless MSC receives Merchant's notice of termination of this Agreement before such effective date. Amendments required due to changes in either Card Association's rules and regulations or any law or judicial decision may become effective on such shorter period of time as MSC may specify if necessary to comply with the applicable rule, regulation, law or decision.

**5.10 Supplementary Documents** Reference to "this Agreement" includes any valid schedules, appendices and amendments thereto.

**5.11 Limitation of Liability; Indemnity**

- (a) MSC's liability, whether joint or several, with respect to any Card Transaction shall not exceed the amount of the Sales Draft in connection with that Transaction less any applicable fees and charges. MSC Merchant Services shall in no event be liable for any incidental or consequential damages whatsoever.