



**Electronic Check
Service (ECS)
Merchant Operating
Guide**

November 2014

NOTES

Table of Contents

Preface	1
Features and Benefits	1
Technical Support.....	1
 Chapter 1: The ECS Process	 2
Processing Options.....	2
Data Delivery and Routing.....	3
 Chapter 2: Check Conversion (POP, BOC, and ARC)	 5
General Policies and Procedures	5
Decline Process for ECS Transactions	10
Voids/Reversals.....	10
Confidentiality and Security of Customer Information.....	10
Service Level Options.....	10
Transaction Types.....	13
Returned Items	13
 Chapter 3: ECS Image Solutions	 17
POS with Image.....	17
Cash Office Image (COI).....	17
Centralized/Enterprise Image (CI)	17
Outsourced Image (OI)	17
 Chapter 4: ACH-Echeck (WEB, TEL, PPD, and CCD).....	 19
General Policies and Procedures	19
Service Level Options.....	23
Returned Items.....	23
 Chapter 5: Additional Services.....	 26
Collections	26
NSF Service Fee	26
Hold Check	27
Check On Delivery (COD).....	28
Automated Telephone Authorization (ATA).....	28
Stop Payment	29
 Chapter 6: Batch Settlement.....	 32
POS Device.....	32
POS Integrated Solutions	32

Chapter 7: ECS Reporting Tools 34

Appendix A: Glossary..... 36

Appendix B: State Codes..... 39

**Appendix C: Service Fees for Returned
Items..... 40**

Preface

As part of your Agreement with Elavon, Inc. (hereinafter referred to as "Elavon," "us," "our," or "we"), this *Electronic Check Service (ECS) Merchant Operating Guide (MOG)* is intended to be a concise, easy-to-understand instruction guide for processing ECS and Automated Clearing House (ACH) Transactions. You can also refer to it for assistance with returns, Chargebacks, and reports. If you have any questions concerning these services or the content of the ECS MOG, please contact us. The meanings of capitalized terms used in this ECS MOG are defined in the attached Glossary or have meanings ascribed to them in the Agreement.

FEATURES AND BENEFITS

The Elavon Electronic Check Service provides many benefits to your business as well as to your Customers, including:

- **Faster access to funds:** Qualifying Paper Checks and/or Paper Check information is automatically converted to electronic payments and electronic payments are processed quickly and easily by Elavon. Funds related to items are settled with the same speed and ease as credit card deposits, typically within 24 to 48 hours.
- **Reduced costs:** ECS eliminates the time, labor, and paperwork associated with handling other forms of payment, including Paper Checks.
- **Minimized risk:** Verification and Guarantee Services (where available) reduce the risk of returned Items. Electronic payments that result in non-sufficient or uncollected funds will be automatically resubmitted, as applicable and as permitted under Laws.
- **Improved reporting:** All electronic payment activity you process is consolidated on reports and statements.
- **Single depository bank relationship:** All funds related to Items are deposited into a specified deposit account, eliminating the need for multiple banking relationships.

TECHNICAL SUPPORT

If questions arise or you have difficulty with any aspect of ECS, please contact customer support. When contacting customer support, please provide your Merchant Identification Number (MID) and as much information as possible. Contact information is as follows:

Elavon
7300 Chapman Highway
Knoxville, TN 37920
Tele: (800) 725.1243
Fax: (865) 577.0661
Email : ecs@elavon.com

INTERNET

For your convenience, you can also access our online, interactive customer support and reporting system at www.MerchantConnect.com. It is available 24x7.

Chapter

1

The ECS Process

ECS is the service offered by Elavon whereby Paper Checks and ACH debits are processed electronically. Except as otherwise provided herein, the terms “ECS” and “Electronic Check Services” include both electronic check conversion and ACH-Echeck Transaction processing.

PROCESSING OPTIONS

ECS supports several Paper Check Conversion and ACH Transaction processing options. Specific ACH Rules apply depending on which Channel (POP, BOC, ARC, WEB, TEL, PPD, or CCD) is used to process the Transaction. Paper Checks ineligible for ACH processing are subject to alternative processing as Check Replacement Documents.

- "POP" refers to the ECS processing option for a Paper Check present/Customer present environment, and includes a "point-of-purchase entry" under the ACH Rules. In a POP Transaction, a Paper Check is passed through the POS Device for Conversion, and data is captured from the Paper Check to create an electronic payment Item. The Paper Check is marked void or "franked" and then handed back to the Customer. The Customer must sign a Transaction Receipt that authorizes the POP Transaction.
- "BOC" refers to the ECS processing option for a Paper Check present/Customer present environment where Merchants can accept Paper Checks at the POS or at a manned bill payment location, and includes a "back office conversion entry" under the ACH Rules. Those Paper Checks are then converted to electronic payment Items during back office processing on check reading equipment. Customer authorization for BOC entries is obtained through notice provided by the Merchant at the point of purchase and the Customer's proceeding with the Transaction.
- "ARC" refers to the ECS processing option for an "accounts receivable conversion entry" under the ACH Rules. In an ARC Transaction, a Paper Check is passed through the POS Device for Conversion, and data is captured from the Paper Check to create an electronic payment Item. Typical ARC Transactions also include account payments, mail and courier-order receivables, Paper Checks delivered to a drop box, and Paper Checks tendered in person for the payment of a bill at a manned location. Customer authorization for ARC entries is obtained through notice provided to the Customer in a billing statement, written agreement or invoice and the Customer's proceeding to deliver a Paper Check to the Merchant.
- "WEB" refers to the ACH-Echeck processing option for an internet- initiated entry (either recurring or single) processed based on a Customer's input of account information at a payment application website. Customer authorization is obtained via the internet.
- "TEL" refers to the ACH-Echeck processing option in which an electronic payment Item (either recurring or single) is created based on a Customer's oral authorization captured via the telephone. In addition, a TEL Transaction cannot be processed when there is no existing relationship between the Merchant and the Customer, and the Merchant initiated the telephone call.
- "PPD" refers to the ACH-Echeck processing option for a "prearranged payment and deposit" entry (either recurring or single) to a Customer's account pursuant to a written authorization that is obtained from the Customer. At this time, only ACH debit entries are supported.

- "CCD" refers to the ACH-Echeck processing option for a "corporate credit or debit" entry initiated by an organization to effect a transfer of funds to or from the account of that organization or another organization. At this time, only ACH debit entries are supported.

DATA DELIVERY AND ROUTING

ONLINE DELIVERY

ECS Transactions are typically processed online, meaning that the Item created from Paper Checks or Customer information inputs is processed through Elavon's network for real-time validation and Authorization. For the ECS Conversion with Guarantee Service Level and for the ECS Conversion with Verification Service Level, Paper Checks must be converted into Items and must be submitted for real-time validation and Authorization.

BATCH DELIVERY

Batch delivery is available for Merchants that have selected the Conversion Only Service Level. Businesses that choose Batch delivery typically manage and handle real-time Transaction approval internally, or choose to forego validation based on the risk level associated with the Transactions. Transactions given approval through Merchant's authorization processes are accumulated and later submitted to Elavon via a Batch delivery file.

INFORMATION ROUTING

For POP and BOC, Paper Checks may be Authorized by our Authorizing Agent and be processed via ACH or processed as Check Replacement Documents routed through traditional Paper Check settlement systems.

For ARC, TEL, PPD, and CCD, Items may be Authorized by our Authorizing Agent and processed via ACH to be posted electronically to the Customer's account. Items may occasionally be routed through one of our other service providers or processed as a Check Replacement Document.

NOTES

Chapter

2

Check Conversion (POP, BOC, and ARC)

This chapter provides an overview of the general policies and procedures that each Merchant should follow when utilizing ECS for POP, BOC, and ARC Transactions. It is important to develop consistent policies and procedures throughout your business to ensure compliance with all applicable regulations and Laws. Before you begin accepting Paper Checks for ECS, you and your employees should become familiar with the information in this chapter.

A. GENERAL POLICIES AND PROCEDURES

1. PAPER CHECKS ELIGIBLE FOR ECS

- a. The following types of Paper Checks are eligible for ECS using any approved Check Reader/Imager:
 - Consumer checks;
 - Business checks;
 - Corporate checks; and
 - Convenience checks.
- b. The following additional Paper Checks are eligible for ECS only by using a Dual-Sided Check Reader/Imager solution (availability depends on Merchant's POS platform capabilities). These Paper Checks are ECS eligible, but if Merchant elects the ECS Conversion with Guarantee Service Level, these Paper Checks are not eligible for the Guarantee:
 - Cashier's checks;
 - Federal Reserve checks;
 - Government checks, including checks drawn on a state or local government;
 - Money orders¹;
 - Payroll checks;
 - Third-party checks;

¹ The image must contain all of the appropriate data elements from the front and back of the money order for processing.

- Traveler's checks;
- U.S. Treasury checks; and
- Federal Home Loan Bank checks.

It is Merchant's responsibility to determine the types of Paper Checks that can be submitted for ECS processing based on the type of Check Reader/Imager solution used and Merchant's POS platform capabilities.

2. PAPER CHECKS NOT ELIGIBLE FOR ECS

The following types of Paper Checks are not eligible for ECS:

- Checks payable in a form other than U.S. currency;
- Gift certificates;
- Checks having invalid or fraudulent ABA Routing Numbers;
- Checks without a preprinted check serial number;
- Checks that have been previously negotiated;
- Checks previously marked void or "franked" in connection with another ECS Transaction;
- Checks not encoded in magnetic ink;
- Demand drafts and third-party drafts that do not contain the Customer's signature;
- Checks drawn on an investment company as defined in the Investment Company Act of 1940; and
- Any Paper Check that does not receive an Approval response.

Note: An ineligible Paper Check that is nevertheless processed through ECS may be subject to Chargeback.

3. BEST PRACTICES

For POP, BOC, and ARC Transactions, ECS includes the Conversion of eligible Paper Checks into electronic payments. For Merchants, this means that Paper Checks can be settled as simply as card Transactions.

In processing POP, BOC, and ARC Transactions, each Merchant should:

- Notify the Customer of your return check/EFT policy and any applicable service fees;
- Ensure POS Devices and Check Reader/Imagers are in good working order;
- Develop procedures to identify and handle Paper Checks that are ineligible for ECS, as well as Paper Checks which have failed all attempts at processing and resubmission;
- Review merchandise return policies and processes, and make sure you have a method to handle returns directly with your Customers, as ECS does not support returns;
- For POP and BOC, provide ECS check acceptance at all POS locations where Paper Checks are accepted;
- For POP Transactions, ensure that the Paper Check date and the processing date are the same;
- If you have selected Conversion with Guarantee as your Service Level option, follow procedures to avoid processing Disqualified Checks. In addition, call customer service if a Customer attempts to make restitution to you directly instead of to the Guarantor;
- Cooperate with your Customers to avoid stop payments or Customer disputes;
- Establish procedures for the reconciliation of ECS Transactions (versus Paper Checks);
- Ensure that the Paper Check is made out to the correct business name, specifically, Merchant's "doing business as" name as it appears on your Agreement;
- Develop confidentiality and security procedures for the storage and destruction of Paper Checks and Paper Check images (if applicable);
- Treat all Paper Checks equally regardless of the Receiving Bank involved in the Transaction; and
- Consult with an attorney regarding your rights and responsibilities.

In processing POP, BOC, and ARC Transactions, no Merchant should:

- Process Paper Checks that have been previously used to create Items for electronic payment;
- Process Paper Checks that have been previously marked void or "franked" in connection with another ECS Transaction;
- Deposit Paper Checks using the traditional Paper Check process method once an Item has been created from the Paper Check;
- Use fraudulent means to approve a Paper Check, or support illegal activity to process a Transaction; or
- Send the Customer to checkout lanes other than those where Paper Checks are normally processed.

Credit of funds for Items submitted for processing may be delayed if such Items or the underlying Transactions are believed to be the result of fraud, are for illegal purposes, do not contain sufficient information to allow the resulting Items to be processed by or through an ECS Association, or do not comply with the ECS Rules.

4. POINT-OF-PURCHASE CONVERSION (POP)

When a Customer chooses to pay for goods or services by Paper Check, it is suggested that the Merchant briefly explain the ECS process. Customers should be made aware that:

- Paper Checks will automatically be converted into Items for electronic payment.
- The Transaction Receipt, when signed by the Customer, will authorize an EFT. The Customer will be provided a copy of the Transaction Receipt as a takeaway notice.
- Paper Checks are immediately marked void or "franked" and returned to the Customer.

Notice

In order to accept Paper Checks in a POP environment, Merchant must post the notice sign provided by us, unless we have approved a custom notice sign. Merchants must post this notice sign in a prominent and conspicuous location at the point of purchase and must provide the Customer with a takeaway copy of such notice at the time of each Transaction. We recommend that Merchant incorporate the takeaway copy of the notice on the Transaction Receipt. Additionally, the notice sign must not be obscured by other information or other signs that may be located at the point of purchase.

MICR Capture

During the initial processing of Paper Checks for creation of an Item, Merchant must use a Check Reader/Imager to capture the full MICR line, including the full ABA Routing Number, full account number, and full check serial number from the Paper Check. Manual key entry is not permitted during initial processing but is permitted for the subsequent correction of errors.

Merchant Telephone Number

We will provide a sign to Merchant that includes a working telephone number for Customer questions or inquires regarding Items processed via ECS. Merchant must post the sign provided by us, unless we have approved a custom sign.

Merchants should follow these steps when processing POP Transactions:

1. Ensure the Paper Check is eligible for ECS.
2. Ensure the Paper Check is properly filled out.
3. Ensure that the Item submission date and Paper Check date are the same.
4. Process the Paper Check through your POS Device to create an Item.
5. Obtain Customer information and enter it when prompted by the POS Device, or write this information on the Paper Check prior to imaging (required for Conversion with Guarantee Service Level only).
6. Obtain the Customer's signature on the Transaction Receipt.

7. Compare the signed Transaction Receipt to the Customer identification to ensure they match.
8. Ensure all Paper Checks are either marked void or "franked."
9. Return the marked void or "franked" Paper Check to the Customer, along with the Customer copy of the Transaction Receipt and a takeaway copy of the notice required above.

After the Transaction has been completed, Merchant should:

- Keep a copy of the signed Transaction Receipt for two (2) years; and
- Upon request, provide a copy of the Transaction Receipt to us within ten (10) business days.

5. BACK OFFICE CONVERSION (BOC)

When a Customer chooses to pay for goods or services by Paper Check, it is suggested that the Merchant briefly explain the ECS process. Customers should be made aware that:

- Paper Checks may be converted into Items for electronic payment;
- The posted notice sign and the Paper Check, when completely filled out and given to Merchant by the Customer, will authorize an EFT; and
- Paper Checks will be marked void or "franked" and destroyed by Merchant.

Notice

In order to accept Paper Checks in a BOC environment, Merchant must post the notice sign provided by us, unless we have approved a custom notice sign. Merchants must post this notice sign in a prominent and conspicuous location at the point of purchase and must provide the Customer with a takeaway copy of such notice at the time of each Transaction. We recommend that Merchant incorporate the takeaway copy of the notice on the Transaction Receipt. Additionally, the notice sign must not be obscured by other information or other signs that may be located at the point of purchase.

Opt Out Requirement

Merchants may allow Customers the opportunity to opt out of electronic check Conversion. If a Customer opts out of electronic check Conversion, the Merchant is not obligated to accept the Paper Check as payment and we recommend that Merchant request an alternative form of payment.

MICR Capture

During the initial processing of Paper Checks for creation of an Item, Merchant must use a Check Reader/Imager to capture the full MICR line, including the full ABA Routing Number, full account number, and full check serial number from the Paper Check. Manual key entry is not permitted during initial processing but is permitted for the subsequent correction of errors.

Merchant Telephone Number

We will provide a sign to Merchant that includes a working telephone number for Customer questions or inquires regarding Items processed via ECS. Merchant must post the sign provided by us, unless we have approved a custom sign.

Merchant should follow these steps when processing BOC Transactions:

1. Ensure the Paper Check is eligible for ECS.
2. Ensure that the Paper Check is completely filled out and signed by the Customer.
3. Verify the Customer's identity.
4. Process the Paper Check through the POS Device.
5. Obtain Customer information and enter it when prompted by the POS Device, or write this information on the Paper Check prior to imaging (required for Conversion with Guarantee Service Level only).
6. Ensure all Paper Checks are either marked void or "franked."

7. Return a takeaway copy of the notice required above to the Customer.
8. Ensure that the Item submission date and Paper Check date are the same when accepting Paper Checks at the Point of Sale.
9. Ensure that the Item submission date is no more than one (1) business day later than the Paper Check date when accepting Paper Checks at locations other than the Point of Sale (e.g., via a manned bill payment location).

We encourage Merchant to establish policies and procedures to destroy Paper Checks as soon as is reasonable after submission of Paper Check images to us in accordance with this ECS MOG to protect against the risk of fraud or erroneous entry of the Paper Check into the traditional Paper Check processing system.

6. ACCOUNTS RECEIVABLE CONVERSION (ARC)

In order to accept Paper Checks in an ARC environment, the Merchant must first provide Customers with notice that their Paper Check(s) will be converted into electronic payments. Notice is required prior to the receipt of each Paper Check that is converted. Notification can be made in any of the following ways:

- Include disclosure in a monthly statement or invoice;
- Obtain signed authorization, either on a document (such as a lease agreement) or on a separate form specifically for that purpose; or
- Post a conspicuous sign near a physical drop box or manned bill payment location.

Notice

The recommended notification language is as follows:

"Each remittance of payment by check is considered authorization to convert that particular check into an electronic fund transfer. If your check is unable to be converted, it may be processed as a Check Replacement Document drawn against your account."

These notices must be clear and readily understandable. Notices in small print and buried in the middle of unrelated information are not sufficient. Notices must not be otherwise obscured by other information or other signs that may be located at a drop box or manned bill payment location.

For Paper Checks accepted at in-person environments for the payment of a bill, Merchants must provide a copy of the authorization notice to the Customer at the time of the Transaction.

Opt Out Requirement

Merchants may allow Customers to opt out of electronic check conversion. Merchants must honor any such opt-out requests for all Paper Checks subsequently drawn from the same account, and must remain in effect until the Customer notifies the Merchant otherwise. It is suggested that Merchants establish procedures for handling Paper Checks that are not to be converted or request an alternative form of payment.

MICR Capture

During the initial processing of Paper Checks for creation of an Item, Merchant must use a Check Reader/Imager to capture the full MICR line, including the full ABA Routing Number, full account number, and full check serial number from the Paper Check. Manual key entry is not permitted during initial processing but is permitted for the subsequent correction of errors.

Merchants should follow these steps when processing ARC Transactions:

1. Ensure the Paper Check is eligible for ECS.
2. Ensure the Paper Check is completely filed out and signed by the Customer.
3. Obtain Customer information and enter it when prompted by the POS Device, or write this information on the Paper Check prior to imaging (required for Conversion with Guarantee Service Level only).
4. Ensure that the Item submission date is no more than one (1) calendar day later than the date Merchant

collects Paper Checks accepted by mail, courier, at a drop box location, or at a manned bill payment location.

5. Process the Paper Check through your Check Reader/Imager. We encourage Merchant to establish policies and procedures to destroy Paper Checks as soon as is reasonable to protect against the risk of fraud or erroneous entry of the Paper Check into the traditional Paper Check processing system.

B. DECLINE PROCESS FOR ECS TRANSACTIONS

It is suggested that you establish procedures for those instances in which a Paper Check receives a Decline response for an ECS Transaction. In the event of a Decline response, notify the Customer of the Decline, and refer the Customer to the notice and contact information located on the Transaction Receipt. This notice contains information about the Customer's legal rights. You should consult with an attorney regarding your legal responsibilities in connection with Decline responses. As a Merchant, you can ask for another form of payment or process the Paper Check in its paper form after an ECS Decline, but such Paper Check may not be processed under ECS. We recommend that Merchant not accept any Paper Check that receives a Decline response.

C. VOIDS/REVERSALS

ECS Transactions may be voided electronically in certain circumstances. Voids can occur for several reasons, including:

- Dollar amount was incorrectly entered; or
- Customer changed mind about the purchase.

To initiate a Void, you must:

- Use the same POS Device through which the original Transaction was processed; and
- Execute the Void/Reversal within thirty (30) minutes of receiving a successful response from the original Transaction request. (**Note:** For legacy/non-chip and pin enabled terminal applications, a Void/Reversal must be executed within ten (10) minutes of receiving a successful response from the original Transaction request.)

If either of these conditions is not met, you cannot execute a Void/Reversal of the Transaction. Instead, you must follow your return process for cash or Paper Check Transactions.

D. CONFIDENTIALITY AND SECURITY OF CUSTOMER INFORMATION

Merchants must honor the confidentiality of Customer information. No information obtained from either a Customer or us as a result of processing ECS Transactions may be disclosed to any third party. The following limited exceptions may apply:

- Information that is requested by an agent of Elavon or a third party authorized by Merchant for the purpose of assisting a Merchant in completing an ECS Transaction;
- To comply with ECS error resolution procedures;
- As needed to pursue collection activities; or
- As specified by privacy Laws.

E. SERVICE LEVEL OPTIONS

To fit your specific needs, the following general Service Level options are available:

- (1) Conversion with Guarantee

(2) Conversion with Verification

(3) Conversion Only

In addition, Conversion with Verification and Conversion Only each are offered with collection service options, as described in the chapter titled "Additional Services."

1. ECS CONVERSION WITH GUARANTEE

In the Conversion with Guarantee Service Level, Paper Checks are converted into electronic payments and then guaranteed by a Guarantor. During processing, an **Approval** or **Decline** decision is issued based on the Customer's account status or Authorizing Agent's risk management databases. The Guarantor retains the collection risk for all eligible, qualified Paper Checks that are processed following Merchant's receipt of an Approval decision. Merchant should pursue all Guarantee claims directly against the Guarantor as neither Elavon nor Member is responsible for any amounts owed to Merchant by a Customer or the Guarantor. Only consumer, business, corporate, and convenience Paper Checks are eligible for Guarantee. Additional ECS-eligible Paper Checks (as listed in chapter 2.A.1.b) are not eligible for Guarantee, but may still be processed under this Service Level. In addition, in order to qualify for the Guarantee, the consumer, business, corporate, or convenience Paper Check must include the following information:

- The Customer's name, machine-printed on the Paper Check;
- A street address or a complete mailing address (P.O. boxes are not acceptable);
- The Customer's preprinted or handwritten ten-digit telephone number; and
- Applicable to consumer checks only:
 - A driver's license number (must be entered when prompted by the POS Device, or must be hand-printed on the face of the Paper Check prior to scanning it through the POS Device); and
 - Two-letter postal abbreviation or numeric check code of the state where the driver's license was issued (see Appendix B for a list of state codes).

If any of the following occurs, the Paper Check will be a "Disqualified Check" and the Transaction will be ineligible for the Guarantee:

- The Paper Check is not a consumer, business, corporate, or convenience Paper Check;
- The convenience check was accepted on or after its expiration date;
- The Paper Check is a third party check;
- The goods and/or services for which the Paper Check or Item was issued (i) were returned to Merchant, were not accepted by the Customer or the acceptance thereof was rescinded by the Customer; (ii) were not delivered by Merchant; or (iii) were initially delivered by Merchant on credit, bailment, loan or under a lease;
- The Merchant received full payment, partial payment, security, or collateral in any form, from the Customer or a source other than the Customer or attempted to collect on a Paper Check or Item submitted for Guarantee payment;
- The ECS Transaction for which the Paper Check or Item was tendered is illegal, void or invalid, disputed by the Customer, the result of fraud perpetrated by Merchant or its employee, presumptive fraud exists or a court of competent jurisdiction has ruled that the Paper Check or Item is in whole or part not due and payable by the Customer;
- The ECS Transaction was inappropriately or erroneously processed, or the Item transmitted to the Guarantor through the POS Device was inaccurate, incomplete, or erroneous;
- The Paper Check was previously negotiated or is not eligible for ECS, as provided herein or in the ECS Primer;
- The Paper Check was written or the Item was created by an employee of Merchant, Merchant had

knowledge of a circumstance that would prevent the Paper Check or Item from clearing or the Customer did not authorize the Transaction;

- The Customer stopped the electronic payment or the stop payment form was not received or was incomplete;
- For POP Transactions, a legible Transaction Receipt signed by the Customer is not received by the Guarantor within ten (10) days of a written request by the Guarantor or Elavon to Merchant;
- The Guarantor did not receive an image of the Paper Check;
- The Paper Check or Item was returned as “Refer to Maker,” unless, in connection with such Paper Check or Item, the Guarantor receives a written statement of unauthorized debit submitted by the Customer and a copy of the signed Transaction Receipt;
- The original Paper Check, as reviewed by the Guarantor in electronic format, reveals that the Paper Check or Item: (i) was not drawn on a U.S. financial institution; (ii) does not include the Customer’s machine printed name and machine printed check serial number; (iii) does not include a street address or a complete mailing address (P.O. boxes are not acceptable); (iv) does not include the Customer’s preprinted or handwritten ten-digit telephone number; (v) applicable to consumer checks only, does not have a valid driver’s license number (which must be entered when prompted by the POS Device or must be handwritten on the face of the Paper Check prior to scanning it through the POS Device); (vi) applicable to consumer checks only, does not include the two-letter postal abbreviation or numeric check code of the state where the driver’s license was issued; (vii) was not made payable to the order of Merchant; (viii) was not processed for authorization; (ix) date is different than the authorization date; (x) was declined on the request for authorization; (xi) was previously declined using a different identification number; (xii) was written for an amount different than the request for authorization amount or the invoice amount; (xiii) Customer identification is different than the Customer identification on the request for authorization; (xiv) amount and written form of the amount of the Paper Check or Item do not match; (xv) does not include a date or includes an incomplete or improper date; (xvi) makes reference to the maker; (xvii) date has been post-dated; (xviii) exceeds the Guarantee limit per Customer; (xix) information is not legible; or (xx) was altered by the Merchant after receipt from the Customer;
- Where the Paper Check or Item is submitted in connection with the Hold Check service, the Paper Check or Item: (i) with respect to a Hold Check authorization request, was not deposited within the proper timeframe set forth in the Hold Check agreement and within thirty (30) days from the date of the Paper Check; (ii) with respect to a Hold Check authorization request, was not processed under the Merchant’s Hold Check location; (iii) with respect to a Hold Check authorization request, was not processed for each individual Hold Check and approved for each individual Hold Check Transaction; or (iv) was the subject of a Return not received by the Guarantor within twenty-five (25) days from the date of deposit; or
- Where the Paper Check is not electronically converted and is processed through traditional paper banking methods, the Paper Check: (i) is the subject of a bank debit notice that was not received by the Guarantor; (ii) Return was not received by the Guarantor within ten (10) days of the bank debit notice date; (iii) was not deposited within the seventy-two (72) hour timeframe from the date of the Paper Check; (iv) Return is evidenced by a copy only without the original Paper Check or bank generated image of the original Paper Check; (v) was the subject of a Return not received by the Guarantor within twenty-five (25) days from the date of the Paper Check; (vi) check serial number does not match the Paper Check serial number authorized; or (vii) has not been deposited.

2. ECS CONVERSION WITH VERIFICATION

For the Conversion with Verification Service Level, Paper Checks are converted into electronic payments and an Authorization message is routed to an Authorizing Agent for verification that the Transaction is likely to be paid. The probability of payment is based on specific account information at the time of the request and/or third party risk management database(s). During processing, an **Approval** or **Decline** decision is issued based on verification of funds in the Customer’s account or third party risk management database(s). **Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding Merchant’s receipt of an Approval decision.** The Conversion with Verification Service Level is only available if Transactions are processed online.

To verify a Transaction, an Authorizing Agent uses third party risk management database(s) concerning the account and the Customer.

3. ECS CONVERSION ONLY

In the Conversion Only Service Level, Paper Checks are converted into electronic payments, then an Authorization message is routed to an Authorizing Agent to authenticate that the Paper Check contains a valid ABA Routing Number and account number and is eligible for ECS. During processing, an *Approval* or *Decline* decision is issued based on these criteria. ***The Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding Merchant's receipt of an Approval decision.*** The Conversion Only Service Level is available with both online and Batch processing.

F. TRANSACTION TYPES

PURCHASE PAYMENTS

A purchase payment occurs when a Merchant accepts payment by a Paper Check issued for the purchase of goods or services. Each purchase payment is subject to Approval as an ECS Transaction, regardless of Service Level selected by Merchant.

Approval Responses

Approved purchase payment Transaction Receipts may vary in appearance; however, each such Transaction Receipt must contain the information required in the ECS Primer.

Where a fee for insufficient or uncollected funds may be debited, the specific fee amount must be disclosed on the Transaction Receipt.

Decline Responses

Transactions that do not receive Approval can result in either a short Decline receipt or a long Decline receipt. For additional information regarding how Approval and Decline decisions are made, refer to specific Service Level descriptions. The following is a general description of Decline responses. Please refer to the ECS Primer for more details (if applicable).

Short Decline Receipt

If a Transaction is Declined due to a system error or an error in MICR data capture, a short Decline receipt will print. In this case, a short Decline receipt is printed with an error response. Errors can be caused by errors in data capture, due to faulty Merchant equipment and for a variety of other reasons. Merchant may resubmit to us for processing an Item that received a Decline response due to an error. Merchant may not resubmit an Item that has otherwise received a Decline response. If the POS Device displays any message other than ***Decline*** and a short Decline receipt prints, please attempt to reprocess the Paper Check.

Long Decline Receipt

If an Authorizing Agent Declines a Transaction, a long Decline receipt will print and will include the Authorizing Agent's contact information to allow the Customer to inquire as to why the Transaction received a Decline response. Unlike short Decline receipts, long Decline receipts contain a Decline Code as well as the third-party Authorizing Agent's contact information.

G. RETURNED ITEMS

1. RETURNED ECS TRANSACTIONS

The Conversion of a Paper Check into an Item does not guarantee payment, even if the Transaction receives an Approval response. Transactions can still be returned for various reasons. The most common returns are due to:

- **Non-sufficient funds (NSF):** The Customer's account lacks available funds at the time the Transaction

is posted;

- **Closed account:** No funds are available, as the Customer's account no longer exists;
- **Invalid account:** Account is stolen, forged, or otherwise invalid;
- **Fatal return:** There is an inability to correctly identify and format the MICR information or to process an ineligible Item; and
- **Customer dispute:** Customer has initiated a dispute after receiving an initial statement concerning Customer's account.
- **Image quality:** Occasionally, an Item will be returned to Merchant due to poor image quality. Elavon will make every attempt (through image quality monitoring processes) to prevent such returns, however, Elavon shall not be responsible for such returns. If image quality issues arise which impact Merchant funding, Elavon will work with such Merchant to identify the cause of the poor image quality to resolve such issues. Merchant is fully responsible for ensuring that its Check Reader/Imager is in proper working order and for the quality of its images.

The following paragraphs describe how returns are processed under the various Service Level options:

Conversion with Guarantee

Unless an ECS Transaction involved a Disqualified Check, a Merchant is protected against returns for insufficient or uncollected funds, closed accounts, or invalid accounts. The Guarantor bears the risk of these returned Transactions. However, Items resulting from a Disqualified Check are not covered under Conversion with Guarantee and may be returned to the Merchant.

Conversion Only or Conversion with Verification

A Merchant is responsible for all ECS Transactions that are returned unpaid or are otherwise charged back to Elavon. The Merchant is notified of a return via a mailed notification. The mailed notification provides an image of the Paper Check, which includes the Customer's contact information to assist the Merchant in the collection efforts. As an additional service, the notification will allow the Merchant to forward this return or subsequent returns to collection by simply following the procedures on the notification.

Conversion Only with Collections or Conversion with Verification and Collections

If the Merchant subscribes to collections, we automatically submit Transactions returned for insufficient or uncollected funds to a third-party collection agency. Merchant must enter into a separate contract with the collection agency designated to perform this service in order to collect the amount(s) owed to Merchant in connection with a returned ECS Transaction. A mailed notification informs the Merchant that the return Transaction has been placed in collections. Each month the Merchant receives an acknowledgement report to show the status of Paper Checks received and a statement, sent directly to the Merchant, along with the dollars collected during the prior month.

Reinitiation of POP, BOC, and ARC Entries

The ACH Rules restrict the number of times that any entry returned for insufficient or uncollected funds may be reinitiated to no more than two times following the return of the original entry. Returned POP, BOC and ARC Transactions are automatically resubmitted up to the maximum number of times allowed by law and the ACH Rules in an attempt to clear funds. Paper Checks processed as Check Replacement Documents that are returned for insufficient or uncollected funds may be re-submitted up to one (1) time.

Note: An Item created from an ineligible Paper Check and submitted for ECS is subject to a Void/Reversal or Chargeback.

2. PROCESSING CHARGEBACKS AND RETURNS

Returns of Transactions originally processed via ACH may be returned for a variety of reasons,

including administrative errors in the original entry, insufficient or uncollected funds, and Customer disputes. Administrative and financial returns of Transactions originated from a Receiving Bank may be processed electronically via ACH. In these cases, the Merchant is notified of returned Transactions via U.S. mail.

Check Replacement Documents

Returned Check Replacement Documents are processed through the traditional Paper Check processing system. Merchant is notified of returned Transactions via U.S. mail.

3. TIPS FOR AVOIDING CHARGEBACKS AND RETURNS

Review the following list to help eliminate returns and Chargebacks:

- Do not process Paper Checks that have been previously used for payment;
- Do not process Paper Checks previously voided or "franked" in connection with another ECS Transaction;
- For POP Transactions, obtain the Customer's signature on the Transaction Receipt and keep a copy of the signed Transaction Receipt for two (2) years;
- For ARC and BOC Transactions, retain a copy of the Paper Check image for two (2) years;
- Provide all documentation (including a copy of the Transaction Receipt) within ten (10) business days from the request;
- For Conversion with Guarantee, enter the required Customer's information or hand-write the information on the Paper Check prior to scanning the Paper Check through the Check Reader/ Imager;
- Process the original Transaction only one time through the POS Device;
- Do not deposit a Paper Check in the traditional Paper Check processing method once you have processed it electronically;
- Do not use fraudulent means to approve a Paper Check or support illegal activity to process an illegal Transaction;
- Cooperate with your Customers to avoid stop payments or Customer disputes; and
- Visibly post EFT Policy and Return Check Service Fee Notice.

NOTES

Chapter

3

ECS Image Solutions

For qualifying Merchants, we offer the following solutions to capture and transmit the images of Paper Checks to us:

A. POS WITH IMAGE

If Merchant elects to receive POS with Image services, Merchant shall scan the Paper Check at the POS to initiate an image transfer to us. Merchant must utilize a certified Check Reader/Imager device. Merchants accepting Paper Checks for POP and ARC Transactions must use the POS with Image service.

B. CASH OFFICE IMAGE (COI)

If Merchant elects to receive COI services, Merchant shall retain all Paper Checks that received an Approval response and, at the end of the day, at the end of a shift, or within one (1) calendar day from the approved Transaction date, Merchant shall scan the Paper Checks to initiate an image transfer to us. Merchant must utilize a Check Reader/Imager with stacking capabilities interfaced to Image Software or Third Party Image Software, and an integrated POS which is certified by us or our agent to be compliant with ECS specifications. Merchant must comply with any COI related guides separately provided to Merchant, which are made a part of this ECS MOG.

C. CENTRALIZED/ENTERPRISE IMAGE (CI)

If Merchant elects to receive CI services, Merchant shall retain and consolidate at a Merchant centralized location all Paper Checks that received an Approval response and, at the end of the day, at the end of a shift, or within one (1) calendar day from the approved Transaction date, Merchant shall scan the Paper Checks at the centralized location to initiate an image transfer to us. Merchant must utilize a high speed imager interfaced to Image Software or Third Party Image Software, and an integrated POS which is certified by us or our agent to be compliant with ECS specifications.

D. OUTSOURCED IMAGE (OI)

If Merchant elects to receive OI services, Merchant and Elavon will arrange for delivery of physical Paper Checks from Merchant locations to third party image capture locations designated by us. We or our agent will scan the Paper Checks and send the images to the ECS image archival host, which will manage the image data for the primary purposes of returns management and exception out-clearing. Checks are securely stored and destroyed on behalf of Merchant.

NOTES

Chapter

4

ACH-Echeck (WEB, TEL, PPD, and CCD)

This chapter provides an overview of the general policies and procedures that each Merchant should follow when utilizing ECS for ACH debit Transactions using the WEB, TEL, PPD, and CCD standard entry class codes. At this time, only debit entries are supported. It is important to develop consistent policies and procedures throughout your business to ensure compliance with all applicable regulations and Laws. Before you begin using ECS for ACH debit Transactions using the WEB, TEL, PPD, and CCD standard entry class codes, you and your employees should become familiar with the information in this chapter.

Elavon offers both Batch processing and online processing of ACH Transactions. Batch processing may be familiar to Merchants who have typically sent ACH files to a financial institution for processing on a daily basis. Online processing offers additional benefits such as the Conversion with Verification Service Level and full alignment with credit card settlement and funding timelines.

Note: ACH-Echeck is limited to Transactions where there is a preexisting relationship between the parties, such as bill payment, and is not available for retail purchases of goods or services or e-commerce. Typical uses of ACH-Echeck include government, education, utilities, telecommunications, healthcare, insurance, and property management payments, professional/general billed services and charitable donations.

A. GENERAL POLICIES AND PROCEDURES

1. INTERNET-INITIATED ENTRIES (WEB)

Internet-Initiated Entries ("WEB") are used for the origination of consumer debit entries to a Customer's account pursuant to an authorization that is obtained from the Customer via the internet. We support a number of services that process WEB Transactions. Depending on Merchant's service, we may interface directly with the Customer in connection with the Transaction or Merchant may interface with the Customer. In services where we interface directly with the Customer, we will obtain and retain WEB authorizations and process resulting Transactions in accordance with the ACH Rules.

In services where Merchant interfaces directly with the Customer, Merchant must obtain and retain WEB authorizations and process resulting Transactions in accordance with Elavon Specifications and the ACH Rules, including, but not limited to the following:

- Merchant must obtain the Customer's authorization prior to submitting a resulting Item to us for processing. The authorization must:
 - Be in writing and signed or similarly authenticated by the Customer (which means the written authorization language must be displayed on the computer screen or other visual display in a manner that the Customer can easily read, and the Customer's "signature" may be provided

- and captured electronically in a manner that satisfies the Electronic Signatures in Global and National Commerce (E-SIGN) Act);
- Be readily identifiable as an ACH debit authorization;
 - Clearly and readily understandably state its terms; and
 - Provide the Customer with a method to revoke their authorization by notifying Merchant (for recurring payments only).
- Merchant must provide a hard copy of the Customer's authorization to the Customer upon request. We recommend that Merchant prompt the Customer to print the authorization from the Merchant's website and retain a copy.
 - Merchant must include the name of the Customer with each WEB entry or the Item will be rejected and returned unpaid.
 - Merchant must use commercially reasonable means to verify the ABA Routing Number of the financial institution at which the Customer's account to be debited is held (e.g., by using a database directory of financial institution ABA Routing Numbers).
 - Merchant must employ a commercially reasonable fraudulent transaction detection system to verify the identity of the Customer. Robust authentication controls and methods should be used by Merchant to prevent fraudulent transactions. The authentication method Merchant uses must evidence both the Customer's identity and the Customer's manifestation of assent to the authorization allowing Merchant to debit the Customer's account.
 - Merchant must employ a commercially reasonable security technology that provides a level of security that, at a minimum, is equivalent to 128 bit RC4 encryption technology that begins at the first point of key entry of Customer financial information through the transmission of data to the Merchant.
 - Merchant must conduct an audit at least once a year to ensure that the Customer's financial information is protected by security practices and procedures that include adequate levels of:
 - Physical security to protect against theft, tampering, or damage;
 - Personnel and access controls to protect against unauthorized access and use; and
 - Network security to ensure capture, storage, and distribution of financial information.
 - Merchant must retain a record of each Customer's authorization for at least two years after termination or revocation of the authorization. Merchant must provide a copy of a Customer's authorization upon Elavon's request. In order to satisfy this requirement, Merchant may provide Elavon with a computer screen shot of the authorization language presented to the Customer, the date and timestamp of the Customer's login and express agreement to the authorization language reflected in the screen shot, and evidence that Merchant verified the Customer's identity and recorded the Customer's assent to the authorization language reflected in the screen shot.

Authentication of a Customer's identity and evidence of a Customer's assent to a debit authorization is strongest when the authorization occurs simultaneously or nearly simultaneously with the identity authentication. Merchant bears the burden of demonstrating that authentication of the Customer was sufficiently linked to the Customer's authorization.

2. TELEPHONE-INITIATED ENTRIES (TEL)

Telephone-Initiated Entries ("TEL") are used for the origination of debit entries to a Customer's account pursuant to an oral authorization that is obtained from the Customer via the telephone or by an automated voice response system, orally spoken. A TEL entry may be initiated only where there is an existing relationship between Merchant and the Customer or, if there is not an existing relationship, where the Customer initiated the telephone call to Merchant. Merchant must obtain and retain TEL authorizations and process resulting Transactions in accordance with Elavon's specifications and the ACH Rules, including, but not limited to:

- Merchant must obtain the Customer's authorization prior to submitting a resulting Item to us for processing. In connection with obtaining the Customer's authorization, Merchant must verify the Customer's identity in accordance with the following requirements:
 - Merchant must use commercially reasonable procedures to verify the identity of the Customer (e.g., obtain the Customer's name, address and telephone number and use a directory database to verify the accuracy of the information provided by the Customer);
 - Merchant is advised to further verify the Customer's identity by verifying pertinent information with the Customer (e.g., past buying history, mother's maiden name, using caller ID, verifying shared secret information, obtaining account passwords, presenting challenge questions using non-public information, etc.);
- Merchant must include the name of the Customer with each TEL entry or the Item will be rejected and returned unpaid.
- Merchant must use commercially reasonable means to verify the ABA Routing Number of the financial institution at which the Customer's account to be debited is held (e.g., by using a database directory of financial institution ABA Routing Numbers).
- In authorizing a TEL Transaction, the Customer must orally acknowledge and confirm the following terms of the Transaction. Additionally, Merchant must include the following terms on the Transaction Receipt:
 - The date on or after which the Customer's account will be debited;
 - The amount of the debit entry to the Customer's account;
 - The Customer's name;
 - A telephone number that is available to the Customer and answered during normal business hours for Customer inquiries;
 - The date of the Customer's oral authorization; and
 - A statement by the Merchant that the authorization obtained from the Customer will be used to originate an ACH debit entry to the Customer's account.
- Merchant must either tape record the Customer's oral authorization or send, in advance of the settlement date of the entry, a Transaction Receipt to the Customer that confirms the oral authorization.
 - If a Merchant provides a Transaction Receipt to the Customer confirming the Customer's oral authorization, Merchant must, during the telephone call, disclose the method by which such Transaction Receipt will be provided. Merchants may mail, fax, or email (if allowed by state law) a copy of the Transaction Receipt to the Customer.
- Merchant must record and retain either (i) the oral authorization or (ii) a copy of the Transaction Receipt confirming the Customer's authorization for 2 years.
- For recurring TEL Entries, Merchant must record the Customer's oral authorization and provide a written copy of the Transaction Receipt confirming the Customer's authorization, which Transaction Receipt must include the Transaction Receipt information specified above. In addition, Merchant must:
 - Notify the Customer of the method by which the written copy of the Transaction Receipt will be provided;
 - Must notify the Customer of the date on or after which the Customer's account will be debited;
 - Must notify the Customer of the account that will be debited; and
 - Must notify the Customer of the method by which the Customer can revoke the authorization.

3. PREARRANGED PAYMENT AND DEPOSIT ENTRIES (PPD)

Prearranged Payment and Deposit Entries ("PPD") are used for the origination of ACH debit entries to a Customer's account pursuant to a standing (recurring) or single entry written authorization that is signed or similarly authenticated (in a manner that complies with the E-SIGN Act) by the Customer. The signed or similarly authenticated authorization by the Customer must:

- Be in writing and be readily identifiable as an authorization to initiate recurring ACH debit entries to the Customer's account;
- Clearly and readily understandably state its terms, including providing the Customer with a method to revoke authorization by notifying Merchant; and
- Evidence both the Customer's identity and the Customer's assent to Merchant's initiation of debits based on the authorization. Merchant must provide a copy of the Customer's authorization to the Customer upon request; and

Merchant must provide a copy of the authorization to the Customer for all PPD Entries. Merchant must retain a record of each Customer's authorization for at least two years after termination or revocation of the authorization. Merchant must provide a copy of a Customer's authorization upon Elavon's request. Merchant must include the name of the Customer with each PPD entry or the item will be rejected and returned unpaid.

4. Corporate Credit or Debit Entries (CCD)

Corporate Credit or Debit Entries ("CCD") are used for the origination of ACH debit entries by an organization to effect a transfer of funds to or from the account of that organization or another organization. This application can serve as a stand-alone funds transfer, or it can support a limited amount of payment related data with the funds transfer. As with consumer entries, an organization (the Customer) must authorize all ACH debits to its account. Merchant must include the name of the receiving organization with each CCD entry or the Item will be rejected and returned unpaid. The organization that authorizes the initiation of CCD entries must also enter into an agreement with Merchant under which the organization has agreed to be bound to the ACH Rules.

At this time, Elavon supports a Merchant-initiated payment: debit model. The Merchant initiates a CCD debit to the Customer's account. Merchant will debit the Customer's account for the amount of the payment due by the Customer to the Merchant on an agreed upon date, financial terms and number of entries. This method may be used as a stand-alone payment instruction for a transfer of funds, with no remittance detail included in the entry. In the CCD debit model, the Merchant "pulls" funds from the Customer's account.

5. Recurring WEB, TEL, PPD and CCD Entries

WEB, TEL, PPD and CCD Transaction authorizations may be for one-time (single) funds transfers from the Customer's account, in which case a separate authorization is required for each transfer, or may be for recurring funds transfers from the Customer's account, in which case a single authorization permits Merchant to debit the Customer's account at regular intervals without additional intervention or input from the Customer. For recurring WEB, TEL, PPD and CCD entries, Merchant's authorization from Customer, in addition to complying with the applicable requirements above, must comply with all of the following:

- The authorization must specify the amount of each recurring Transactions, or reference the method of determining the amount of each recurring Transaction;
- Where the amount of each recurring Transaction may vary, the authorization must allow the Customer to specify a minimum and maximum Transaction amount to be charged, unless the Customer will be notified of the amount and date of each charge, as specified in the remainder of this section;
- Where the amount of each recurring Transaction may vary, Merchant must inform the Customer of the right to receive, at least ten (10) calendar days prior to each scheduled Transaction date, written notification of the amount and date of the next charge;

- Where the amount of each recurring Transaction may vary, the Customer must be provided the option to choose to receive the notification in any of the following ways:
 - For every charge;
 - When the Transaction amount does not fall within a pre-approved range of amounts specified in the authorization; or
 - When the Transaction amount will differ from the most recent prior charge by more than an agreed upon amount;
- The authorization must include the timing (including the start date), number, and/or frequency of the recurring Transactions; and
- The authorization must provide the Customer with a method to revoke the recurring Transaction authorization.

B. SERVICE LEVEL OPTIONS

WEB, TEL, PPD, and CCD Transactions are eligible for Conversion with Verification and for Conversion Only (processing only) Service Levels.

1. ECS CONVERSION WITH VERIFICATION

For the Conversion with Verification Service Level, an Authorization message is routed to an Authorizing Agent for verification that the Transaction is likely to be paid. The probability of payment is based on specific account information at the time of the request. During processing, an **Approval** or **Decline** decision is issued based on third party risk management database(s). **Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding receipt of an Approval decision.** The Conversion with Verification Service Level is only available if Transactions are processed online.

To verify a Transaction, an Authorizing Agent uses third party risk management database(s) concerning the account and the Customer.

2. ECS CONVERSION ONLY

In the Conversion Only Service Level, an Authorization message is routed to the Authorizing Agent to validate that the ABA Routing Number and account number provided by the Customer are eligible for ECS. During processing, an **Approval** or **Decline** decision is issued based on these criteria. **The Merchant retains the risk for all Transactions processed, including those that are returned notwithstanding receipt of an Approval decision.** The Conversion Only Service Level is available with both online and Batch processing.

C. RETURNED ITEMS

1. RETURNED ECS TRANSACTIONS

An ECS Transaction submitted for Authorization does not guarantee payment. Transactions can still be returned for various reasons. The most common returns are due to:

- **Non-sufficient funds (NSF):** The Customer's account lacks available funds at the time the Transaction is posted;
- **Closed account:** No funds are available, as the Customer's account no longer exists;
- **Invalid account:** Account is stolen, forged, or otherwise invalid;
- **Fatal return:** There is an inability to process an Item further;
- **Customer dispute:** Customer has initiated a dispute after receiving an initial statement concerning Customer's account;
- **Authorization revoked by Customer:** the authorization must provide the Customer with a method to revoke the Customer's authorization;

- **Customer advises that Transaction is not authorized:** Customer authorization is required for all WEB, TEL, PPD, and CCD Transactions;
- **Payment stopped by Customer:** Customer initiates a stop-payment order on an ECS Transaction; and
- **Customer name is missing in Transaction:** Merchant must include the name of the Customer with each entry or the Item will be rejected and returned unpaid.

Reinitiation of WEB, TEL, PPD, and CCD Entries

The ACH Rules restrict the number of times that any entry returned for insufficient or uncollected funds may be reinitiated to no more than two times following the return of the original entry. Returned WEB, TEL, PPD, and CCD Transactions are automatically resubmitted up to the maximum number of times allowed by law in an attempt to clear funds. The Merchant is notified of a return via a mailed notification.

2. TIPS FOR AVOIDING RETURNS AND CHARGEBACKS

Review the following list to help eliminate returns and Chargebacks.

- Do not use fraudulent means or support illegal activity to process an illegal Transaction;
- Cooperate with your Customers to avoid stop payments or Customer disputes;
- Ensure policies for cancelling recurring payments are clearly communicated to Customers; and
- Comply with all requirements regarding authorization and Transaction Receipts.

NOTES

Chapter

5

Additional Services

To enroll in any of the following additional services, please contact your Elavon representative. Additional approvals and/or agreements may be required for the following services:

A. COLLECTIONS

For all ECS Transaction types (excluding WEB, TEL, PPD, and CCD) and Service Levels (excluding ECS Conversion with Guarantee), Merchant can request that we automatically submit NSF Transaction returns to a third-party collection agency. Merchant must enter into a separate agreement with the collection agency designated to perform this service in order to collect the amount(s) owed to Merchant in connection with an ECS Transaction. The collections service option includes the following benefits:

- Automatic submission of returned ECS Transactions with the collections service;
- Mailed notification that indicates placement into collections;
- Monthly status statements; and
- Payment of a standard percentage of face value for a successfully collected ECS Transaction.

B. NSF SERVICE FEE

For POP, BOC, ARC, CCD, WEB, TEL and PPD Transactions, and for all Service Levels excluding ECS Conversion with Guarantee, upon the successful resubmission of a returned ECS Transaction, an NSF Transaction service fee may be collected automatically and deposited to the ECS depository account designated by Merchant. The amount of the fee will vary depending on each state's limit on the maximum amount that may be charged for acceptance of out-of-state checks or CCD, WEB, TEL and PPD Transactions.

Prior to our collecting any NSF Transaction service fee on Merchant's behalf, Merchant must, at minimum, instruct us as to the amount of the fee to be collected and provide appropriate conspicuous notices at the POS or in the other form of Customer Transaction authorization, sufficient to establish that the Customer has authorized the collection of an NSF Transaction service fee in accordance with Elavon's requirements, applicable Laws and ACH Rules. Merchant is fully responsible for ensuring that all NSF Transaction service fees and all related disclosures to and permissions obtained from Customers comply with applicable Laws and ACH Rules.

Merchants may obtain authorizations from Customers for the collection of NSF Transaction service fees. Merchant must ensure that a Customer separately authorizes the collection via ACH entry of an NSF Transaction service fee using an authorization method specified in this MOG (e.g., for POP, BOC and ARC Transactions, Merchant must obtain a signed or similarly authenticated, written authorization from the Customer to collect an NSF Transaction service fee (in accordance with the requirements for WEB, TEL and PPD Transactions)).

The ability to collect NSF Transaction service fees through ECS, and the amount of the fee, varies from state to state (*see* Appendix C). Merchant, and not Elavon, is responsible for ensuring that the amount and method of

collection any such fees complies with state laws, and Merchant should consult with an attorney regarding its rights and responsibilities before selecting the NSF Transaction service fee collections option.

C. HOLD CHECK

Hold Check is only available for Merchants who are new car dealers in the automobile industry and who subscribe to the ECS Conversion with Guarantee Service Level. Under Hold Check, Paper Checks are presented for payment in accordance with banking procedures applicable to processing Paper Checks; the Paper Checks are not processed electronically. Under Hold Check, the Guarantor bears the risk of loss if a Paper Check is returned to Merchant unpaid provided the following criteria are met with respect to each Hold Check:

- The Hold Check service may be used only in connection with Merchant's sale of new automobiles;
- Merchant must be a subscriber to the ECS Conversion with Guarantee Service Level;
- Merchant and Customer must complete a Hold Check Agreement, attached to your Agreement;
- The total amount of the deposit may not exceed twenty percent (20%) of the total purchase price (including tax) of the new automobile being purchased in the ECS Transaction. The Customer may write as many as four (4) Paper Checks in total for the deposit. Merchant must request approval from the Guarantor for each Paper Check regardless of the number of Paper Checks;
- Merchant must use the ATA services for Paper Check Authorization. Merchant will be prompted to provide the Hold Check MID assigned to Merchant for use with the Hold Check service and the amount of the Paper Check. When the system prompts for the amount of the Paper Check, Merchant must enter or provide the amount of the Paper Check (and repeat the ATA Authorization process for each individual Paper Check) accepted by Merchant for the deposit by Customer. Merchant must write the ATA Approval number on each Paper Check;
- Merchant shall not deposit the Paper Check(s) for processing prior to the date(s) set forth in the Hold Check Agreement. Merchant must deposit each Paper Check within thirty (30) days from the date of sale. If any Paper Check is deposited before or after the applicable date(s) in the Hold Check Agreement, or otherwise not in accordance with the terms of the Hold Check Agreement or this ECS MOG, then the Guarantor will not warrant payment of the Paper Check(s);
- Merchant must only submit those paper Hold Checks that were approved by the ATA Authorization process and subsequently returned under the Guarantee to Guarantor within thirty (30) days of the date of deposit;
- The Guarantor will not warrant payment of any Paper Check under the Hold Check Service if (a) the automobile has not left Merchant's possession or has been returned to Merchant; (ii) the sale of the automobile does not close for any reason; or (iii) Merchant has not provided the applicable Hold Check Agreement and bill of sale to the Guarantor with the returned Paper Check;
- The Guarantor's maximum liability to Merchant will not exceed the lesser of the aggregate face value of the Paper Check(s) or twenty percent (20%) of the total purchase price of the automobile; and
- The Guarantor will make payment to Merchant via a credit to Merchant's DDA on any returned Paper Check within fourteen (14) days of receipt of a returned Paper Check; provided that the ABA Routing Number, account number, Paper Check number and Paper Check amount authorized for the Transaction matches such data on the returned Paper Check.

If the above criteria are not met, Guarantor may, in its sole discretion, attempt to collect from the Customer the amount of the Paper Check(s) for a period of up to sixty (60) days. If the Guarantor is not able to collect from the Customer, the original Paper Check(s) will be returned to Merchant and Merchant's DDA will be debited the amount of the original Paper Check(s).

A copy of the bill of sale, a copy of the Hold Check Agreement, and the Paper Check(s) must accompany each returned Paper Check sent to Guarantor in connection with the Hold Check service, otherwise the Guarantor is not

obligated to warrant collection of the Paper Check(s).

D. CHECK ON DELIVERY (COD)

COD is only available for Merchants in the auto parts, lumber/building, mattress, and heating and air conditioning industries who subscribe to the ECS Conversion with Guarantee Service Level. Under COD, a Merchant may accept a mail or telephone order for products and services to be paid for by Paper Check(s). The Guarantor bears the risk of loss if a COD Paper Check is returned provided the following criteria are met with respect to each COD Paper Check:

- Merchant must be a subscriber to the ECS Conversion with Guarantee Service Level;
- Merchant must use the ATA services, as described below, for Paper Check Authorization. Merchant will be prompted to enter the COD MID assigned to Merchant for use with COD and to provide the Customer's ABA Routing Number and account number from the Paper Check;
- If the "ship to" address is different than address on the Paper Check, both addresses must appear on the Paper Check;
- Merchant must deposit each Paper Check within seventy-two (72) hours of receipt from the Customer, and no later than seven (7) days after receipt of an Approval from the Guarantor. Each Paper Check must be dated within seven (7) days of the date on which Approval was received;
- In addition to the information required on a Paper Check for the ECS Conversion with Guarantee Service Level, the Merchant must write on the Paper Check the date the Approval is given, together with the Approval number, above the Paper Check date;
- If the Paper Check is returned unpaid by the Customer's bank, Merchant must submit the returned Paper Check to the Guarantor with any and all related invoices and shipping information. Merchant must submit a returned Paper Check under the Guarantee to Guarantor within thirty (30) days of the date of deposit;
- The Guarantor reserves the right to fulfill its obligations by recovering and returning to Merchant the merchandise for which the Paper Check was written. If the above criteria are met and the Guarantor has not recovered and returned the merchandise to Merchant, the Guarantor will make payment to Merchant via a credit to Merchant's DDA on any returned Paper Check within fourteen (14) days following Guarantor's receipt of the Paper Check; provided that the ABA Routing Number, account number, Paper Check number and Paper Check amount authorized for the Transaction matches such data on the returned Paper Check.; and
- If the above criteria are not met, Guarantor may, in its sole discretion, attempt to collect from the Customer the amount of the Paper Check for a period of up to sixty (60) days. If the Guarantor is not able to collect from the Customer, the original Paper Check(s) will be returned to Merchant and Merchant's DDA will be debited the amount of the original Paper Check(s).

E. AUTOMATED TELEPHONE AUTHORIZATION (ATA)

1. ATA AS A BACK-UP TO ECS

For Merchants using an integrated Electronic Cash Register (ECR) POS solution, ATA may be used to Authorize POP and BOC Transactions when electronic online Authorization is unavailable. If Merchant receives a "Call Auth Center" response message indicating that a Paper Check cannot be processed electronically under ECS, Merchant will utilize the ATA service to enter data required for Authorization of the Transaction using the keying sequence provided by us. The ATA service will provide a 4-digit response code for each Authorization request, receiving Approval or Decline, and will track this Authorization internally. Merchant's personnel must write the Approval code on each Paper Check and complete the sale by entering the Approval code into the register. The register will respond with a "Hold Paper" response and complete the "franking" of the Paper Check. Transactions receiving a Decline must be handled by Merchant in accordance with Merchant's internal Paper Check acceptance criteria and the ECS Rules.

Merchant will comply with the Paper Check processing requirements set out in the TOS, this ECS MOG, and as set out below:

- Paper Checks must be deposited within seventy-two (72) hours of the Paper Check date;
- The Paper Check must be completely filled out and signed, including the driver's license number, state ID or military ID, state abbreviation, and Customer's telephone number with area code;
- Paper Checks must be machine "franked;"
- Returned Paper Checks must be received by Guarantor within thirty (30) days from the date of the Paper Check; and
- Paper Check ABA Routing Numbers and account numbers keyed for ATA must match the data on the physical Paper Check in order to comply with the Guarantee provisions.

2. ATA FOR HOLD CHECK AND COD

ATA is used to authorize Paper Checks for Hold Check and COD Transactions. Merchant will utilize the ATA service to enter data required for Authorization of Paper Checks, using the keying sequence provided by us. The ATA service will provide a 4-digit response code for each Paper Check processed, indicating Approval or Decline, and will track this Authorization internally. Merchant's personnel must write the Approval code on each Paper Check.

a For use with Hold Check:

- Customer can write up to four (4) Paper Checks at the Merchant's location for the deposit. Merchant must obtain an Approval for each of the Paper Check(s). The deposit amount can be up to 20% of the total sale price;
- Merchant will use automated voice authorization using its Hold Check specific MID;
- Merchant must write the Approval number on all Paper Checks;
- Paper Checks must be deposited within thirty (30) days from the date of sale;
- The Paper Check must be completely filled out and signed including the driver's license number, state ID or military ID, state abbreviation, and Customer's telephone number with area code; and
- Paper Check ABA Routing Number and account numbers keyed for ATA must match the data on the Paper Check in order for the Paper Checks to be eligible for the Guarantee.

b For use with COD:

- COD Paper Checks must be authorized using the Customer's ABA Routing Number and account number. When the Paper Check number is unavailable enter 400;
- The Paper Check must be completely filled out and signed including the driver's license number, state ID or military ID, state abbreviation, and Customer's telephone number with area code; and
- The Paper Check ABA Routing Number and account numbers keyed for ATA must match the data on the Paper Check in order to comply with the Guarantee provisions.

F. STOP PAYMENT

Stop Payment is only available for Merchants who subscribe to Hold Check and to the ECS Conversion with Guarantee Service Level. The Guarantee shall apply to Paper Checks on which payment has been stopped by a Customer due to a dispute over goods or services between the Merchant and the Customer, provided the following conditions have been met and the Paper Checks meet all terms and conditions listed in the TOS and

this ECS MOG:

- The Merchant shall reasonably assist Guarantor in the collection of the Paper Checks by providing, upon request, documents such as invoices and service orders within three (3) business days of the request by Guarantor; and
- In the event that the Merchant does not assist Guarantor by providing requested documents, or if a court determines that the Customer is not liable for the payment of the Paper Check, Guarantor may re-assign the Paper Check via Chargeback to the Merchant.

NOTES

Chapter

6

Batch Settlement

The total of the Transactions processed since your last settlement is called a Batch. We will credit you for the combined net total of payment Transactions (e.g., credit, debit) in your Batch. The Batch total is posted to your DDA and disclosed on your DDA statement. Batch settlement should occur on a daily basis.

A. POS DEVICE

To settle the daily Batch, perform the following steps:

1. Total the day's Transaction Receipts;
2. Verify that the Transaction Receipts equal the POS Device totals. You can print a report from your POS Device, as applicable, to assist you in balancing. For information on how to print a report, refer to the instructions that came with your POS Device or contact customer support. If the totals do *not* balance:
 - Compare the Transaction Receipts to the individual Transactions processed;
 - Make any necessary adjustments before transmitting or closing the Batch; and
3. Close the Batch according to the instructions for the POS Device.

B. POS INTEGRATED SOLUTIONS

An integrated Electronic Cash Register (ECR) POS solution performs the reconciliation of Paper Check Transactions between the Batch and the ECR. Merchants will submit approved ECS POS transactions to Elavon daily. Merchants utilizing an integrated ECR POS solution should refer to instructions provided by the hardware/software provider for Batch transmission at the close of business for the day, which should guide you through the following general processes:

- Closing and transmitting the Transaction Batch; and
- Closing and transmitting the image Batch.

Additionally:

- Merchants must adhere to Batch transmission timeframes established during Merchant implementation; and
- Merchants must adhere to the Elavon specifications and be certified to the ECS Batch solution specifications as set forth in the ECS Primer.

NOTES

Chapter

7

ECS Reporting Tools

ECS reporting tools enable you to access your account and manage your ECS information using your web browser.

The following reporting tools are available to Merchants:

- **MerchantConnect:** A secure, web-based real-time reporting tool that allows Merchant to quickly and easily access your electronic payment activity including Batch, funding, and billing information.
- **Enquire Reporting Tool:** A secure, web-based reporting tool that provides Merchant with the status and disposition of Paper Checks electronically converted and presented for funding, as well as image information.

Note: For questions regarding online reporting or to sign up for this service, please contact your sales representative or customer support.

NOTES

Appendix

A**Glossary**

Accounts Receivable Conversion (ARC): A processing option for single-entry debits to convert a Customer's Paper Check that is received via the U.S. mail or courier, or at a drop box or manned bill payment location.

ACH: Automated Clearing House.

ACH-Echeck: The service for processing consumer and business entries via WEB, TEL, PPD, and CCD.

Agreement: The Terms of Service, including the Merchant Application, the Merchant Operating Guide (if applicable), the Electronic Check Service Merchant Operating Guide, any Merchant Agreement or Merchant Processing Agreement, and any other guides or manuals provided to Merchant from time to time, and all additions to, amendments and modifications of, and all replacements to any of them, as applicable.

Approval: An affirmative response by a Receiving Bank, processor, or Authorizing Agent, permitting the Merchant to accept and process a Transaction.

Batch: The total of the Transactions processed since a Merchant's last settlement.

BOC: A processing option for ECS in which the Paper Check is present and the Customer is present at the POS.

CCD: An ACH-Echeck processing option in which a debit entry is initiated by an organization to effect a transfer of funds to or from the account of that organization or another organization.

Channel: A method of payment acceptance such as in person at the POS, over the internet, over the telephone, via a customer service representative administrative site, drop box, or any other channel for acceptance of payments supported by ECS as of the effective date of the ECS MOG or in the future.

COD: An option under the ECS Conversion with Guarantee Service Level whereby Merchant may accept a mail order or telephone order for products or services to be paid for by Paper Check(s). The Guarantor will warrant payment of the Paper Check(s) provided certain criteria are met.

Conversion: A process that captures information from a Paper Check to create an Item.

Decline: A negative response to an Authorization request by a Receiving Bank, processor, or Authorizing Agent that prohibits the Merchant from processing and accepting the Transaction.

Disqualified Check: A check which is "disqualified" from Conversion with Guarantee, as described in chapter 2(E)(1).

Dual-Sided Check Reader/Imager: A Check Reader/Imager that is capable of capturing an image of both the front and back of a Paper Check.

Enquire Reporting Tool: A web-based reporting tool that provides reporting and data retrieval including check images and returns management.

Guarantee: A process for authorizing an electronic check transaction in which the check Authorization request is routed to the Guarantor. The check Guarantor effectively buys the Item from the Merchant at a discount, with

recourse, and assumes the risk of loss in most circumstances.

Guarantor: With respect to Transactions, the third party Authorizing Agent designated by Elavon, as appropriate, that warrants the face amount of all approved checks under the “Conversion with Guarantee” Service Level provided all warranty requirements are met by Merchant.

Hold Check: An option under the ECS Conversion with Guarantee Service Level whereby Merchant may accept Paper Checks from the Customer and hold the Paper Check until a specific date(s) for deposit. The Guarantor will warrant payment of the Paper Checks provided certain criteria are met.

Image Software: The software application provided to Merchant by Elavon pursuant to a separate user license agreement.

Item: With respect to POP, BOC, and ARC Transactions, means an electronic file or entry representing a Transaction that is created from the information captured by you from a Paper Check using a Check Reader/Imager and that is forwarded by you to Elavon or Member in accordance with the Agreement for ECS, and with respect to WEB, TEL, PPD, and CCD Transactions, means the electronic payment entry created from Customer payment account information.

MID: A Merchant identification number assigned by Elavon to Merchant.

NSF Transaction: An ECS Transaction which cannot be processed because sufficient funds are not available in a checking account.

POP: A processing option for ECS for which both the Paper Check and Customer are present.

Point of Sale (POS): The physical location at a Merchant site where the Customer completes a Transaction to pay for goods, services, or cash back.

PPD: An ACH-Echeck processing option for either a recurring or single prearranged payment entry to a Customer’s account pursuant to a written authorization that is obtained from the Customer.

Receiving Bank: The bank where a Customer maintains a checking account on which the Customer authorizes an EFT to pay for a purchase.

TEL: An ACH-Echeck processing option for either a recurring or single entry in which an electronic payment Item is created based on a Customer’s oral authorization captured via the telephone.

Third Party Image Software: Any software provided to Merchant by a third party or developed internally by Merchant to be used with COI or CI services that has been certified by Elavon or its agent to be compliant with Elavon’s specifications.

Verification: A process for authorizing an EFT in which the Authorization request message is routed to the Authorizing Agent to verify the probability that the EFT will be paid. The Authorizing Agent makes an Approval or Decline recommendation, based on access to the DDA and/or third-party risk management database(s).

Void/Reversal: A Transaction used to cancel a previous EFT within thirty (30) minutes of the original sale, or, with respect to legacy/non-chip and pin enable terminal applications, within ten (10) minutes of the original sale. Merchants must support Voids/Reversals of EFTs.

WEB: An ACH-Echeck processing option for either a recurring or single internet initiated entry processed based on a Customer’s input of account information at a payment application website.

NOTES

Appendix

B**State Codes**

During some purchase transactions, you are prompted to enter the state code where the Customer's driver's license was issued. State check codes are listed in the table below.

State Code/State Name		
01 Alabama	21 Kentucky	38 North Dakota
02 Alaska	22 Louisiana	39 Ohio
04 Arizona	23 Maine	40 Oklahoma
05 Arkansas	24 Maryland	41 Oregon
06 California	25 Massachusetts	42 Pennsylvania
08 Colorado	26 Michigan	44 Rhode Island
09 Connecticut	27 Minnesota	45 South Carolina
10 Delaware	28 Mississippi	46 South Dakota
11 District of Columbia	29 Missouri	47 Tennessee
12 Florida	30 Montana	48 Texas
13 Georgia	31 Nebraska	49 Utah
15 Hawaii	32 Nevada	50 Vermont
16 Idaho	33 New Hampshire	51 Virginia
17 Illinois	34 New Jersey	53 Washington
18 Indiana	35 New Mexico	54 West Virginia
19 Iowa	36 New York	55 Wisconsin
20 Kansas	37 North Carolina	56 Wyoming

Appendix

C

Service Fees for Returned Items

REVISED April 2012

It is required that service fees be posted at the POS in all states. The following table lists the permissible service fee that can be charged in each state, as reported to Elavon by third parties believed to be reliable. The table is informational only, and Elavon is not responsible for errors or omissions in the table or for changes in the law regarding service charges and civil penalties. Merchants should check with their attorney before establishing any procedures based upon this information.

Alabama \$30	Montana \$30
Alaska \$30	Nebraska \$25
Arizona \$25	Nevada \$25
Arkansas \$30	New Hampshire \$25
California \$25	New Jersey \$25
Colorado* \$20 or 20%	New Mexico \$25
Connecticut \$20	New York \$20
Delaware \$40	North Carolina \$25
District of Columbia \$15	North Dakota \$40
Florida* up to \$40 or 5%	Ohio* \$30 or 10%
Georgia* \$30 or 5%	Oklahoma \$25
Hawaii \$30	Oregon \$35
Idaho \$20	Pennsylvania \$25
Illinois \$25	Rhode Island \$25
Indiana \$20	South Carolina \$30
Iowa \$30	South Dakota \$40
Kansas \$30	Tennessee \$30
Kentucky \$50	Texas \$30
Louisiana* \$25 or 5%	Utah \$20
Maine \$25	Vermont \$25
Maryland \$35	Virginia \$50
Massachusetts \$25	Washington \$30
Michigan \$25	West Virginia \$25
Minnesota \$30	Wisconsin \$25
Mississippi \$40	Wyoming \$30
Missouri \$25	

*Fee is dollar amount or percentage of check face value, whichever is greater.

This information is not intended as legal advice and may not be used as legal advice. Any information contained in this material is subject to change and interpretations of the statutes may vary. This information should not be used to replace the advice of your legal counsel. The above information is a summary of the applicable statutes. The statutes should be reviewed in their entirety for a complete understanding of the law regarding service fees.