

INDEPENDENT SCHOOL DISTRICT 271
Bloomington, MN

REQUEST FOR SCHOOL BOARD ACTION

DATE OF BOARD MEETING: April 9, 2018
SUBJECT: Vanco Agreement for Credit Card Payments
ORIGINATING DEPARTMENT: Business Office
APPROVAL OF ADMINISTRATIVE CABINET MEMBER: Rod Y. Zivkovich, Executive Director of Finance and Support Services *RyZ*

RESOLUTION FOR BOARD TO ADOPT:

RESOLVED, that the School Board of Independent School District No. 271 approve an agreement to have Vanco Payment Solutions provide credit card processing services for the District and authorize Administration to enter into an agreement with Vanco to provide this service.

RECOMMENDATION OF SUPERINTENDENT:

Approve. 

DETAILED BACKGROUND:

Vanco is the processor for Campus Payments, a credit card payment system through Infinite Campus, the district student information system.

Processing fees will be absorbed by the District. The processing fee is 3.5%, plus \$0.35 per transaction.

This agreement has been reviewed by our district attorney and insurance agent.



CREDIT AND DEBIT CARD PROCESSING AGREEMENT

THIS AGREEMENT, is made and entered as of the date that the last party to the agreement executes it between

VANCO PAYMENT SOLUTIONS, LLC ("Vanco") and Independent School District 271 ("Company").
(Legal name as it appears on current IRS records)

RECITALS:

- A. Vanco provides services to its customers pursuant to various programs;
- B. Company desires to purchase **Credit and Debit Card Processing** from Vanco pursuant to the terms and conditions of this Agreement;
- C. For the purpose of this Agreement, "notice" or "notification" may be given in person, by United States Mail with postage prepaid or by means of electronic communication to the last known address of the other party; and
- D. For the purpose of this Agreement, a "business day" means a calendar day other than a Saturday, Sunday or Federal holiday.

Vanco and Company hereby agree as follows:

1. **CREDIT AND DEBIT CARD PROCESSING.** Credit and Debit Card Processing is a service pursuant to which Vanco acts as the Merchant Services Provider and Payment Processor for credit card transactions for its customers. Vanco utilizes Wells Fargo Merchant Services and First Data Corporation's Cardnet platform to process those credit card transactions.
2. **COMPANY DUTIES.** Company agrees to comply with all the rules and procedures of Vanco pertaining to **Credit and Debit Card Processing** ("Client Procedures"). Company acknowledges receipt of the Client Procedures. The Client Procedures may be amended from time to time by Vanco upon thirty (30) days notice to Company. Company will be bound by any amendments to the Client Procedures thirty (30) days after Vanco notifies it of the amendments.
3. **VANCO DUTIES.** The transactions shall be processed in accordance with the Client Procedures. Vanco has merchant accounts for the purpose of processing those transactions. Company will receive a credit to its designated account at its financial institution ("Company's Account") within two (2) business days after Vanco receives notification that a transaction which it has processed has been funded. The funds shall be transferred to Company's Account by utilizing the Automated Clearing House ("ACH") Network.

In the event that there is a chargeback or refund for any credit card transaction processed by Vanco, Company hereby authorizes Vanco to debit Company's Account for such chargeback or refund together with any Program Charges. The debiting of Company's Account shall be made by means of ACH.
4. **PROGRAM CHARGES AND TAXES.** Company agrees to pay Vanco monthly for Program Charges for **Credit and Debit Card Processing** in accordance with the Program Charges. The Program Charges, which Company acknowledges receiving from Vanco, may be modified at any time upon thirty (30) days notice to Company. The invoiced amounts shall be collected by an ACH debit to Company's Account or another account designated by Company. The Program Charges establish fees that are small in relationship to the dollar amount of the transactions which Vanco is processing. Those fees have been established in contemplation of the limitation of liability provisions of Paragraph 7 of this Agreement.
5. **COMPANY WARRANTIES.** Company hereby warrants as follows:
 - a. Company has been authorized by its customer to receive payment by a credit card transaction;
 - b. The transaction between the Company and customer is genuine and enforceable; and
 - c. Company is a tax exempt entity.
6. **COMPANY LIABILITY.** Company shall be liable for all damages which Vanco suffers by reason of Company's breach of any of its warranties set forth in Paragraph 5 of this Agreement or by reason of any other representation made by it in this Agreement. In no event shall Company be liable for any consequential, special, punitive or indirect loss or damage.
7. **VANCO LIABILITY.** Vanco shall be responsible for performing only those services expressly provided for in this Agreement and shall be liable only for material losses directly resulting from its intentional misconduct or negligence in performing those services. In no event shall Vanco be liable for any consequential, special, punitive or indirect loss or damage. Under no circumstances shall the aggregate liability of Vanco arising from or relating to its performance under this agreement exceed the fees or charges paid by Company to Vanco over the 12-month period preceding the date that the claim arose.

8. **INDEMNIFICATION.** To the extent permitted by law, each party ("Indemnifying Party") hereby agrees to indemnify, defend and hold the other, and all its officers, directors, owners, agents, employees, information providers, affiliates, licensors and licensees ("Indemnified Parties") harmless from and against any and all liability and costs incurred by the Indemnified Parties, including, without limitation, attorneys' fees and costs, in connection with any claim arising out of any breach by Indemnifying Party of this Agreement, including without limitation breach of the warranties and representations made in this Agreement, or its provision of the services and products to be provided pursuant to this Agreement except when the conduct of the Indemnified Parties giving rise to the liability is willful misconduct or negligent. Company shall indemnify Vanco for all amounts which are due Vanco by Company pursuant to Paragraph 3 by reason of any chargeback or refund from any credit card transaction.

9. **TERM.** This Agreement shall continue in effect, unless terminated by either party upon thirty (30) days notice. Provided, however, that in the event that any of the following occur, Vanco shall be entitled to terminate this Agreement immediately upon the occurrence of such an event and thereafter give notice to Company that this Agreement has been terminated:

- a. Company breaches the warranties pursuant to Paragraph 5,
- b. Vanco is unable to debit Company's Account for a chargeback or refund pursuant to Paragraph 3, or
- c. Vanco is unable to collect its Program Charges pursuant to Paragraph 4,

10. **CONFIDENTIALITY.** Vanco acknowledges that in performing services for Company pursuant to this Agreement that it will have access to information about Company and its customers that is confidential, including, without limitation, "Personally Identifiable Information," as defined by the Family Educational Rights and Privacy Act, 34 C.F.R. Part 99 ("Confidential Information"). Vanco agrees to maintain the confidentiality of Confidential Information and will not in any manner disseminate Confidential Information to third persons, either in whole or in part, and will not in any manner use Confidential Information for its own benefit. Vanco shall also take such steps as are reasonable and necessary to cause its employees to be individually subject to an obligation to maintain the confidentiality of Confidential Information.

11. **MISCELLANEOUS.** This Agreement shall constitute the entire agreement between the parties and supersedes all prior oral or written representations, conditions, warranties, understandings, proposals or agreements regarding **Credit and Debit Card Processing**. This Agreement may be modified or amended only by a duly authorized written agreement executed by the Parties hereto. This Agreement does not and is not intended to confer any rights or remedies upon any person other than the parties.

The laws of the State of Minnesota (without giving effect to its conflicts of law principles) govern all matters arising out of or relating to this Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

All of the provisions of this Agreement shall survive its termination except for Vanco's obligation to provide **Credit and Debit Card Processing** to Company.

This Agreement may not be assigned by either party except that either party may assign this Agreement to any successor by sale of all or substantially all assets, merger, consolidation or corporate reorganization.

Each party hereby warrants and represents that the person whose signature appears below has been duly authorized and that all of the necessary and appropriate corporate authority exists for said party to execute this Agreement.

VANCO PAYMENT SOLUTIONS, LLC

By _____
(Vanco Payment Solutions, LLC Officer's Signature)

(Vanco Payment Solutions, LLC Officer's Printed Name)

Its _____
(Vanco Payment Solutions, LLC Officer's Title)

Dated: _____

COMPANY

(Legal Business Name)

By _____
(Company Officer's Signature)

(Company Officer's Printed Name)

Its _____ Dated: _____
(Company Officer's Title)



ADDENDUM TO CREDIT AND DEBIT CARD PROCESSING AGREEMENT (for American Express)

THIS ADDENDUM, is made and entered as of the date (the "Effective Date") that the last party executes it between
VANCOPAYMENT SOLUTIONS, LLC ("Vanco") and _____ ("Company").
(Legal name as it appears on current IRS records)

- 1. **AMERICAN EXPRESS COMPLIANCE:** Sponsored Merchant agrees to comply with all Applicable laws, rules and regulations, including the American Express Merchant Operating Guide requirements, which are incorporated into this Agreement by reference as if they were fully set forth in the Agreement. The American Express Merchant Operating Guide may be viewed at: www.americanexpress.com/merchanatopguide.
- 2. **HIGH CHARGE VOLUME SPONSORED MERCHANTS:** In the event that Sponsored Merchant's Estimated Annual Charge Volume becomes \$1,000,000 USD or greater, Sponsored Merchant will become a direct Card-accepting merchant under the standard American Express acceptance program and cease to be a Sponsored Merchant under Payment Service Provider. As a direct Card-accepting merchant, Sponsored Merchant will be bound by American Express Card acceptance agreement and American Express's Discount and other fees and assessments shall apply.
- 3. **PROCESSING RESTRICTIONS:** Sponsored Merchant is prohibited from processing Transactions or receiving payments on behalf of, or (unless required by law) re-directing payments to any other party.
- 4. **THRID PARTY BENEFICIARY RIGHTS:**
 - a. Sponsored Merchant confers on American Express the beneficiary rights, but not obligations, to the Sponsored Merchant's Agreement and subsequent addendums (collectively the "Agreement") between Sponsored Merchant and Payment Service Provider and, as such, American Express has the express right to enforce the terms of the Agreement against the Sponsored Merchant.
 - b. Sponsored Merchant warrants that it does not hold third party beneficiary rights to any agreements between Payment Service Provider and American Express and at no time will attempt to enforce any such agreements again American Express.

5. **AMERICAN EXPRESS LIABILITY:** SPONSORED MERCHANT ACKNOWLEDGES AND AGREES THAT IN NO EVENT SHALL AMERICAN EXPRESS, ITS AFFILIATES, AGENTS, SUCCESSORS, OR ASSIGNS BE LIABLE TO SPONSORED MERCHANT FOR ANY DAMAGES, LOSSES, OR COSTS INCURRED, INCLUDING INCIDENTAL, INDIRECT, SPECULATIVE, CONSEQUENTIAL, SPECIAL PUNITIVE, OR EXEMPLARY DAMAGES OF ANY KIND (WHETHER BASED ON CONTRACT, TORT, INCLUDING NEGLIGENCE, STRICT LIABILITY, FRAUD, OR OTHERWISE, OR STATUTES, REGULATIONS, OR ANY OTHER THEORY), ARISING OUT OF OR IN CONNECTION WITH THE AGREEMENT.

VANCO PAYMENT SOLUTIONS, LLC	
By _____	
(Vanco Payment Solutions, LLC Officer's Signature)	
_____ (Vanco Payment Solutions, LLC Officer's Printed Name)	
Its _____	
(Vanco Payment Solutions, LLC Officer's Title)	
COMPANY	
By _____	
(Company Officer's Signature)	



PROGRAM CHARGES

Credit and Debit Card Processing

for Infinite Campus Clients

STANDARD PROGRAM CHARGES		
Registration	\$150.00	One-Time
Transactions	\$0.35	Per Transaction
Card Discount Rates ¹		
- Visa, MasterCard, Diners Club and Discover	2.35%	Per Transaction
- American Express	3.50%	Per Transaction
Infinite Campus Software Use Fee ²	1.15%	Per Transaction
Visa Fixed Acquirer Network Fee ("FANF") ³	Variable ⁴	Per Month

OTHER PROGRAM CHARGES THAT MAY APPLY		
Chargebacks ⁴	\$25.00	Per Transaction

- ¹ The discount rate is the percentage of each transaction that is assessed for processing both credit cards and debit cards.
- ² The Software Use Fee is the fee paid to Infinite Campus for the use of the software provided by Infinite Campus and is the percentage of each transaction that is assessed for processing both credit cards and debit cards.
- ³ The Visa Fixed Acquirer Network Fee ("FANF") is based on the monthly gross dollar amount of Visa transactions processed under your federal taxpayer identification number (see chart on the right).
- ⁴ This fee is deducted if the Cardholder or Card Issuing Bank initiates a dispute. See Client Procedures for more information regarding Chargebacks.

Visa Fixed Acquirer Network Fee ("FANF")	
Gross monthly dollar volume (Visa only)	Monthly fee
No transactions	\$0.00
Less than \$50	\$2.00
\$50 - \$199	\$2.90
\$200 - \$999	\$5.00
\$1,000 - \$3,999	\$7.00
\$4,000 - \$7,999	\$9.00
\$8,000 - \$39,999	\$15.00
\$40,000 - \$199,999	\$45.00
\$200,000 - \$799,999	\$120.00
Greater than \$800,000	<i>Call Vanco</i>



Client Procedures

Credit and Debit Card Processing

**FOR YOUR RECORDS ONLY.
PLEASE DO NOT RETURN.**

Introduction

Thank you for choosing Vanco's Credit and Debit Card Processing for your card processing needs. These Client Procedures are designed to provide you with the guidelines for processing credit card and/or debit card transactions through Vanco Payment Solutions. The term "credit card" is used throughout this document to denote both credit cards and debit cards.

Common Terms: Throughout this guide, we will use the following terms to refer to the individual parties involved in processing your credit card transactions.

- **Merchant:** The recipient of funds (you) from an authorized transaction.
- **Cardholder:** The individual who authorizes you to transfer funds from their credit card account.
- **Vanco:** Vanco Payment Solutions (often referred to as "we") is the service provider responsible for facilitating the processing of your credit card transactions and the holder of the Merchant Account.
- **Acquirer:** The financial institution, which has contracted with Vanco Payment Solutions to acquire your transactions and distribute them to the appropriate Card-Issuing Bank.
- **Issuing Bank:** The financial institution that issued the credit card to the Cardholder and bills that individual for transactions they authorize.
- **Associations:** The associations of banks that electronically exchange credit card transactions and Chargebacks for credits and debits. Visa U.S.A., Incorporated (VISA) and MasterCard International Incorporated (MasterCard) are both Associations.
- **Independent Card Issuers:** Includes American Express/Optima, Diners Club/Carte Blanche, Discover, and JCB. These cards have their own rules and best practices independent from the Associations described above.
- **ACH Network:** The Automated Clearing House (ACH) Network is the nationwide electronic funds transfer system through which funds are transferred to or from your designated bank account. The operating rules and business practices for the ACH network are set by the National Automated Clearing House Association (NACHA – www.nacha.org).
- **MyVanco:** MyVanco is the secure web-based portal that gives Vanco clients 24/7 access to payment processing tools and reporting capabilities.

The Transaction Lifecycle: Each credit card transaction has a lifecycle, which begins when the Cardholder provides Authorization and ends with the settlement of funds into your designated account. The individual steps involved in a transaction lifecycle include:

Authorization –

1. Cardholder gives Merchant the Authorization to charge their card.
2. Merchant transmits the Authorization to Vanco.
3. Vanco transmits the Authorization to Acquirer and processes the transaction request accordingly.
4. Acquirer transmits the Authorization to the appropriate Association.
5. Association transmits the Authorization information to Issuing Bank.
6. Issuing Bank either approves or rejects the Authorization.

Settlement –

1. Upon approval, Issuing Bank electronically transmits the transaction data and funds to Association.
2. Association transmits the transaction data to Acquirer.
3. Acquirer transmits the transaction data to Vanco.
4. Vanco directs the funds from Acquirer's account to Merchant's appropriate bank account via the ACH Network.

The timing in which card transactions are processed depends on the type of card used. All transactions transmitted through the Associations are conditional and subject to reversals and adjustments. The Associations have developed rules and best practices (the "Association Rules") that govern their member banks in the procedures, responsibilities, and allocation of risk for this process. The Association Rules and applicable banking laws give Cardholders and Issuing Banks certain rights to dispute transactions, long after funds have been settled in Merchant's bank account. These disputed transactions are referred to as Chargebacks.

Vanco does not decide which transactions are charged back, or rejected, and we do not control the ultimate resolution of the Chargeback. While we can attempt to reverse a Chargeback to the Issuing Bank, we can only do so if the Issuing Bank agrees to accept it or the Association requires the Issuing Bank to do so after a formal appeal process. In some cases, the Cardholder may be able to successfully charge back a credit card transaction even though Merchant has provided services and are otherwise legally entitled to payment from Cardholder. While Merchant may still be able to pursue claims directly against Cardholder, Vanco will not be responsible for such transactions.

Vanco Rules and Best Practices: As we begin processing your credit card transactions, Vanco suggests the following in order to enjoy an easy, hassle-free experience with us.

- Record your assigned Client ID number (ES ####) for easy reference when calling Vanco.
- Make time for our Implementation Department to train you in on the following:
 - Using MyVanco
 - User ID & Password
 - Policies
 - Timelines
 - Reports
- Review all Confirmation Reports to verify Adds, Changes, and/or Deletes.
- Reconcile your Merchant Services Deposit Report to your bank account in a timely manner.
- Address all items in the "Failed Transactions" section of the Merchant Services Processing Report in a timely manner.

MyVanco (Online Service Center): Vanco Payment Solutions encourages you to take advantage of MyVanco for three main reasons:

- Setting up new Cardholders is easier and more economical via MyVanco,
- You will be able to manage all credit card transactions processed through Vanco 24 hours a day, 7 days a week from any computer with Internet access, and
- You will have the ability at any time to view all transactions and operational reports.

To gain access to MyVanco, call our Client Services Department at 800-675-7430. For each authorized user we will need the following information:

- First and last name
- An eight character User-ID
- A valid email address
- Level of desired access (Full-Access or Read Only)

MyVanco Requirements:

128-bit Encryption – Vanco requires that you use a browser capable of 128-bit encryption. Encryption is a security measure whereby information is scrambled as it is transmitted over the Internet to ensure confidentiality. Having a browser with 128-bit encryption will ensure maximum security during your MyVanco sessions.

Upon logging in to MyVanco, you can confirm that your session is encrypted by locating a small icon. Netscape Navigator and Internet Explorer users will see a padlock icon in the lower right corner of the browser. For information about your browser's specific security capabilities go to the help section on the browser menu. If your browser needs to be upgraded, we recommend downloading the latest version of your browser.

Virus Protection – Vanco requires that you run anti-virus software before transmitting data through MyVanco. The anti-virus software you run should be commercially available and updated no less than once per month.

Card Association Rules and Best Practices

This section focuses primarily on the MasterCard and VISA Associations' operating rules and best practices and provides you with guidelines for a sound credit card program. The information provided in this section is designed to help you decrease your Chargeback liability and to help you train your employees.

Card Descriptions: To help prevent fraud, make sure you verify the credit card being used. The following is a description of authorized Visa and MasterCard credit cards:

VISA cards have the VISA symbol on the right-hand side of the card. Above the VISA symbol is the three-dimensional hologram of the VISA Dove design. The expiration date must be followed by one space and the symbol "V". VISA account numbers are either 13 or 16 digits and the first digit is always a four (4). In addition, the Classic and Preferred Cards have the first four digits of the account number printed directly below the embossed number. You must always check these numbers carefully to ensure that they are the same. Only VISA cards fitting this description may be accepted.

MasterCard cards are issued under the following names: MasterCard, EuroCard, Access, Union, Million and Diamond). The MasterCard symbol appears on the right-hand side of the front or back of the card. MasterCard and the Globe designs appear in a three-dimensional hologram above the symbol. In addition, the words Classic, Preferred, Gold, or Business may appear. MasterCard account numbers are always 16 digits and the first digit is always a five (5). The first four digits of the account must be printed directly below the embossed number. Only MasterCard cards fitting this description may be accepted.

Discover account numbers on cards are made up of four groups of digits totaling 16 numbers and always start with 6011. The embossed numbers should be clear and uniform in size and spacing and should extend into the hologram. The expiration date appears in a MM/YY format after the words "Valid Thru." A special embossed "M" or "D" appears on the same line as "Member Since" and "Valid Thru." All cards display the logo of either Discover or Novus. The Discover hologram appears with the images of a sphere, water, and stars.

American Express/Optima account numbers on cards are made up of three groups of digits totaling 15 numbers. In addition, there is a four digit Card ID number, which is printed on the card rather than embossed.

Expiration Dates: Carefully verify the expiration (valid to) date. Do not accept a card which has expired or where the expiration date has passed.

Recurring Transactions: The following are rules and regulations for processing Recurring Transactions (e.g., monthly membership fees, regular contributions, orthodontic payments, etc.).

- Cardholder must complete and deliver to you a signed Authorization Form specifying the transaction amounts, the frequency of recurring charges and the duration of time for which the Authorization is valid.
- If the Recurring Transaction is renewed, the Cardholder must complete and deliver to you a subsequent Authorization Form for the continuation of such services to be charged to the Cardholder's account.
- You may not complete a Recurring Transaction after receiving a cancellation notice from the Cardholder or Issuing Bank or after an Authorization has expired or been denied.

- A Recurring Transaction may not include partial payments for services purchased in a single transaction.
- You may not impose a finance charge in connection with a Recurring Transaction.

Honoring Cards: The following rules are requirements strictly enforced by MasterCard and VISA:

- You cannot establish minimum or maximum amounts as a condition for accepting a card.
- You cannot impose a surcharge or fee for accepting a card.
- You cannot establish any special conditions for accepting a card.
- You cannot establish procedures that discourage, favor or discriminate against the use of any particular Card.
- You must include any tax required to be collected in the total transaction amount.
- You cannot submit any transaction representing the refinance or transfer of an existing Cardholder obligation deemed uncollectible.
- You cannot submit a transaction or sale that has been previously charged back.
- You cannot submit a transaction or sale to cover a dishonored check.

Effective January 1, 2004, the "honor all cards" rule has been revised to allow you to choose the category of Visa and MasterCard cards you will accept. As of January 1, 2004, you can choose to:

1. Accept all cards, including consumer credit and debit, and commercial cards.
2. Accept consumer credit and commercial cards only (those Merchants choosing this option must accept *all* MasterCard and/or Visa credit and commercial products including Visa business check cards).
3. Accept consumer debit only (those Merchants choosing this option must accept *all* MasterCard and/or Visa consumer debit card products).

The new acceptance options apply only to domestic transactions. If you accept any MasterCard or Visa product bearing the MasterCard or Visa flag symbol, you must continue to accept both debit and credit card products issued by non-U.S. Members.

Deposits of Principals: Owners, partners or officers of your business establishment are prohibited from depositing sales transacted on their own personal bankcards, other than transactions for valid purchases of services (e.g., cash advances are prohibited).

Cash Payment/Disbursement: You must not accept any direct payments from Cardholders for services that have been included on an Authorization Form. It is the right of the Card-Issuing Bank to receive such payments. Taxes on Card transactions must be included in the amount charged and may not be collected by you in cash. You may not make any cash disbursements to a Cardholder as part of a Card transaction except to the extent expressly indicated in the Association Rules or on the signed Authorization Form.

Authorization

This section focuses on the rules and best practices as suggested by both Vanco Payment Solutions and Card Associations that should be acknowledged when obtaining Authorization for credit card transactions.

In order to process a credit card transaction, you must first obtain Authorization from the Cardholder. Failure to do so may result in a Chargeback and/or the termination of your agreement. A Cardholder's Authorization indicates the Cardholder's willingness to allow you to charge his/her card for the exchange of a service. It does not warrant that the person providing Authorization is the rightful Cardholder, nor is it an unconditional promise or guarantee that you will not be subject to a Chargeback or debit.

Upon receiving Authorization, Vanco will submit the transaction to the appropriate Association where it will be assigned an "Authorization Code". The Authorization Code authorizes Vanco to process the transaction. Vanco stores all Authorization Codes.

The three forms of Authorization allowed by Vanco are Written (Authorization Form), Internet-Initiated, and Telephone-Initiated. All Authorizations must include the following:

- Name on credit card
- Cardholder's billing address, city, state and zip *
- Credit card type
- Credit card # and expiration date
- Transaction amount
- Frequency of charges and duration (if recurring)
- Signature of Cardholder or electronic equivalent
- Date of Authorization

* The Cardholder's billing address is required and used with our Address Verification Service (AVS) to protect against fraud.

Written Authorization: Vanco Payment Solutions recommends using one of our pre-designed Authorization Forms. If you choose to design your own authorization form, Vanco must review and approve it to make certain that it complies with Association Rules.

Internet-Initiated Authorization: To accept Internet-Initiated transactions via your Web site, ask your Vanco Payment Solutions marketing representative about WebPay.

Telephone-Initiated Authorization: If you use the telephone to obtain Authorization for a credit card transaction, you must adhere to the following guidelines:

- Telephone-Initiated transactions are one-time transactions only.
- TEL entry may be transmitted only in circumstance in which (1) there is an existing relationship between consumer and organization, or (2) there is not an existing relationship, but the consumer has initiated the telephone call to the organization.
- Additional credit card charges require written Authorization from the Cardholder and must be initiated by the Cardholder.

- Staff member taking the telephone Authorization must complete an Authorization form and write "TO" (telephone order) on Cardholder's signature line.

Telephone-Initiated Authorizations must include the date of Cardholder's verbal Authorization and a business telephone number for the Cardholder to call during normal business hours.

Note: In order to minimize your risk, you should verify the identity of the Cardholder. As an originator of a Telephone-Initiated entry, you are required to utilize commercially reasonable procedures to verify the identity of the Cardholder. Methods include the use of a directory or database to verify the Cardholder's name, address and phone number.

Retention of Records:

Written and/or Telephone Initiated Authorization – A copy of the Authorization Form or the original confirmation of the Cardholder's Authorization must be retained for a minimum of three (3) years following the termination or revocation of the Authorization.

For the security and privacy of cardholders' personal information, Vanco Payment Solutions highly recommends storing signed Authorization Forms in a secure place (i.e. a locked cabinet).

Document Destruction:

Card association rules require that authorizations be destroyed after three years from the date of the last transaction. Vanco will issue a Document Destruction Report prompting the recipient to destroy the listed authorizations.

Internet-Initiated Authorization – You are not required to retain any records regarding Internet-Initiated Authorizations. Vanco will store Authorizations made via the Internet in our system.

Processing and Settlement

Only valid debits that arise from a transaction between a bona fide Cardholder and your establishment may be presented for settlement. If you deposit or attempt to deposit sales between Cardholders and any establishment other than yours, you will be subject not only to a Chargeback, but also to immediate termination of your agreement and/or legal action.

When Transactions Are Processed:

- **Prescheduled transactions** (one-time or recurring) are processed at 3:00 a.m. CT. Any necessary changes must be completed by this time.
- **New transactions** (one-time or recurring) with a start date of today are processed at 3:00 p.m. CT. Any necessary changes must be completed by this time.

Entry of Authorization Information: In order to process your credit card transactions, Authorization information must be entered into our system. You may enter Authorization Information yourself via MyVanco or send a data file with the Authorization information.

Entering Data via MyVanco – Enter the authorization information yourself via MyVanco.

Sending a Data File – You can program your software to generate a file using Vanco's standard layout. If you have any questions regarding this option, please call Vanco's Client Services Department.

The Confirmation Report – The day after new Authorizations have been entered into our system or changes have been made to current Authorizations, a Confirmation Report is sent to you. It is your responsibility to make sure all information on the Confirmation Report is accurate. If you have any discrepancies regarding the information on the Confirmation Report, make sure the corrections are made.

Settlement: After transactions have been processed, Vanco will direct funds into your designated account within the following card-specific timelines.

- **VISA & MasterCard** – 2 business days
- **Discover** – 3 business days
- **American Express** – 4 business days

Note: The term "business days" refers to all calendar days other than Saturday, Sunday, and Federal holidays. The timelines above are based on transactions that have been successfully processed. If a Chargeback occurs, settlement may be delayed.

The dollar amount will be listed on your bank statement with a transaction description that includes the first sixteen (16) characters of your business name followed by "MERCHDEP" (e.g. COMPANY ABC MERCHDEP). Vanco will direct settlement funds to your account through the Automated Clearing House (ACH) Network.

Refunds: The following are rules and best practices for issuing refunds.

- Complete and submit Vanco's **Stop-Change-Credit Form** for the total amount of the refund due to a Cardholder.
- Authorization is not required for refunds.
- Refunds may only be credited back to the original card.
- You cannot intentionally submit a transaction and an offsetting credit at a later date solely for the purpose of debiting and crediting your own or another individual's account.
- Avoid giving cash, check or in-store credit refunds for credit card sales.
- For Internet-Initiated Authorizations, we recommend you post your return policy and have the Cardholder click an "accept button" to accept the terms of your return policy prior to completing the Authorization.

Refunds must be initiated by Vanco Payment Solutions, not via MyVanco.

Chargebacks and Other Debits

A "Chargeback" is a transaction that has been returned as unpaid due to a dispute by the Cardholder or Issuing Bank. You are responsible for all Chargebacks and related costs arising from your credit card transactions. Your Settlement Account may also be debited in the event we are required to pay Association fees, charges, fines, penalties, or other assessments as a consequence of your transaction activities.

When a Chargeback Occurs: After the Cardholder has disputed a transaction, the Issuing Bank has the following two options depending on what the Cardholder has indicated as the reason for the dispute.

- Request a copy of the sales record – "Media Retrieval Request". Vanco will contact you for the appropriate sales information.
- Request that the transaction be charged back to the Merchant. Vanco will notify you when Chargebacks occur and debit your account accordingly.

Vanco will provide you with copies of these requests so that you can provide a response.

You must respond to Chargebacks immediately! If you do not respond to a Chargeback in a timely manner, you will be subject to a "non-receipt of requested sales slip" Chargeback. This type of Chargeback is non-reversible.

Issuers have the right to charge back transactions for up to 120 days. If the Issuing bank has submitted a Chargeback, your account is immediately debited for the amount of the dispute and will not be reversed until the Cardholder and/or Issuing Bank accepts your defense. You have fourteen (14) calendar days from the date on the request to gather as much information about the transaction as possible and provide us with a comprehensive response to the request.

Chargeback Reasons: The following are common reasons for Chargebacks.

- Transaction was not authorized.
- Transaction was processed on an account not found on an Issuing Bank's master file.
- Transaction was processed more than once to the same Cardholder.
- Credit was not processed.
- Cardholder never received service requested or service was not performed as represented by Merchant.
- Cardholder claims they neither authorized nor participated in the transaction, or a fictitious account number was used to complete the transaction.
- Card was used before effective date or after expiration date.

Other Chargeback Reasons:

- Services not rendered.
- Services are paid by another method (i.e., cash, check, another card).
- Error in addition was made when calculating transaction amount.
- Incorrect/invalid account number.
- A valid Authorization was not obtained for a transaction and Cardholder neither authorized nor participated in transaction.
- Credit was posted/processed as a debit or a debit was processed as a credit.
- Cardholder did not receive proper credit.
- Transaction was processed for an incorrect amount.
- Services received by Cardholder did not match Merchant's description.
- Counterfeit transaction.
- Account number was listed on exception file.
- Transaction was completed after Authorization was declined.
- Transaction was not processed within VISA, MasterCard, Discover, or American Express time frames.
- No Cardholder signature was obtained.
- Cardholder claims Merchant changed amount of transaction without permission.
- Fraudulent transaction occurred with a Merchant who has prior history of fraudulent transactions.
- Transaction was suspicious.
- Cardholder disputes the validity of a transaction.
- Cardholder cancelled transaction/order.

Other Debits:

- Association fees, charges, fines, penalties, or other assessments as a consequence of your transactions.
- Reversal of deposit posted to your account in error.
- Debit for summary adjustment not previously charged.
- Reversal of credit for deposit previously posted.
- Debit for Chargeback never posted to your account.
- Debit and/or fee for investigation and/or Chargeback costs related to our termination of the Agreement for cause or for costs related to our collection activities including reasonable attorneys' fees.
- Incorrect transaction date submitted.

Account Maintenance

Please contact Vanco Client Services if you:

- Change your DDA (Settlement Account) Number.
- Change your Legal Name or Structure.
- Change your Company DBA Name, Address or Telephone Number.
- Change your type of business.

If a change occurs to your Settlement Account, you must promptly complete and forward to Vanco a Banking Authorization Change Form. If any change occurs to a Cardholder's Authorization information (i.e., change in credit card number, change in scheduled transaction amount, etc.) or if a

credit needs to be issued, you must promptly enter such information on MyVanco or complete and forward to Vanco a Change-Stop-Credit Form.

Managing Risk

According to Visa and MasterCard rules, Merchants that accept card payments and do not obtain a signature at the time of sale are responsible and liable for transactions in the event of a Cardholder dispute. Cardholder disputes can result in Chargebacks. To help prevent fraud and Chargebacks:

- Make every effort to know your customer. The amount of exposure you have to Internet fraud depends on your business policies, operational practices, fraud prevention and detection tools, and the type of service you sell.
- Make sure all employees have a thorough understanding of the fraud risk associated with any Internet transactions.

Compliance with Visa, MasterCard, & Vanco: Vanco, along with both VISA and MasterCard have Chargeback Monitoring and Fraud Review guidelines that are designed to mitigate fraud risk and curb Chargebacks. Your transaction activity is tracked to ensure compliance within those guidelines. If you generate more Chargebacks than the guidelines allow, VISA and MasterCard will send several warning letters asking that you take steps to decrease your Chargebacks—if there is no improvement, penalties may be assessed. In certain circumstances, fees and fines are immediate. However, it is the responsibility of the Merchant to monitor their account, not Vanco Payment Solutions.

Address Verification Service (AVS): AVS is a valuable tool to help verify Cardholder information. AVS checks the billing address that a Cardholder provides for Authorization against the billing address on file with their Issuing Bank. Vanco requires AVS.

Vanco's Risk Management Tools: Vanco is dedicated to mitigating risk. Some of the ways we help manage risk for you and the Cardholder include:

- Delaying funding** – Instead of immediate funding, Vanco may delay funds up to seven (7) business days. This allows the financial institution an opportunity to review the daily activity prior to releasing the funds.
- Capturing Reserves** – This may be required and can be captured from daily funding holds or from another agreed upon method.
- Monitoring of your account** – Daily transaction monitoring may occur to check for any unusual activity. Our Hawk System is a comprehensive risk management system, which constantly monitors system irregularities for the detection and prevention of fraud.

In addition, Vanco periodically conducts a credit review of your Merchant account. When this occurs, we may contact you for updated financial information.

The risk components discussed above are subject to change.

Reports

Once generated Vanco's operational reports may be accessed 24/7 via MyVanco. It is your responsibility, as a client of Vanco, to review all reports for accuracy.

Confirmation Report:

Description – Details all new Cardholders and transactions as well as any changes and stop payments that have been entered into Vanco's system.

Timing – Generated at 2:40 a.m. Central Time the day after new entries, changes, or stop payments have been entered.

Processing Report:

Description – Lists all credit card payments to be processed. Transactions listed on this report **cannot** be stopped from being settled.

Timing – Generated at 6:00 p.m. Central Time.

Deposit Report:

Description – Shows the dollar amount to be deposited into your bank account. If you prefer, Vanco can add a "transaction detail" section to this report, which details each individual transaction processed (call for details). Transactions listed on this report have already been processed and **cannot** be stopped from being settled.

Timing – Generated at 3:00 p.m. Central Time two business days prior to each settlement date. A "business day" is any calendar day other than a Saturday, Sunday, or Federal holiday.

Credit Card Expiration Date Report:

Description – Shows all Cardholders whose cards have an expiration date in the current month, the following month, and those that have already expired.

Timing – Generated on the 1st of each month.