

The logo consists of the word "KORTA" in white, uppercase, sans-serif font, centered within a dark blue rounded rectangle.

**KORTA**

## **Terms**

**of KORTA's Merchant Framework Agreement  
on Payment Service**

**These terms enter into force on January 14<sup>th</sup> 2016.**

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## 1. DEFINITIONS

For the purposes of this Terms, Merchant Agreement and other Schedules referred to herein, the following definitions apply unless the context explicitly requires otherwise.

**Address Verification:** A service that allows the Merchant to verify the home address of Cardholders with the relevant Issuer.

**Authorisation request:** The process of seeking an authorisation from the card issuer for a certain amount for a certain payment card. Upon receipt of authorisation, the amount is generally deducted from the payment card's authorised payment limit.

**Authorization:** An affirmative response, by or on behalf of an Issuer to a request to effect a Transaction, that a Transaction is within the Cardholder's available credit limit and that the Cardholder has not yet reported the Card lost or stolen. All Transactions require an Authorization.

**Authorization Center:** The facility or facilities designated from time to time by KORTA or ISO to which Merchant shall submit all requests for Authorization.

**Business Day:** Any day other than (i) a Saturday or Sunday, or (ii) a holiday in Iceland and/or in the state where the Merchant has its establishment (iii) a day on which banking institutions in Iceland are authorized by law or by a regulatory order to be closed.

**Card(s):** Shall mean credit cards/payment card.

**Card company:** MasterCard International, Visa International, i.e., the companies setting international rules on payment systems; processing specific brands of credit cards and that have granted KORTA permission to collect payments made with the cards.

**Card information:** The information used to identify a payment card, e.g., name of the cardholder, card number, date of expiration and security number.

**Card payment:** An agreement between a merchant and a cardholder on transferring an amount from the latter's account to the former's account.

**Card present transactions:** Card present transactions mean a card payment made in the actual presence and with the participation of the cardholder and a service provider from the merchant. Examples of card present transactions are those occurring in retail stores, hotels or car rentals, when a customer is actually present and is serviced by an employee of the above parties.

**Cardholder:** The person or the entity identified on the payment card as the one to whom the card was issued.

**Chargeback:** Amount claimed because of objections of a cardholder or card issuer, that KORTA may deduct from a merchant's settlement without consultation.

**Dynamic Currency Conversion (DCC):** DCC entails that a merchant, cf. the definition below, can offer its customers payment in their own currency. A merchant's service equipment or payment solution must be certified and set up for this service. Section 7 of these terms defines the currencies that are permitted in KORTA's DCC solution.

**E-commerce:** Payment made when the cardholder registers a transaction in a payment solution, including an Internet service.

**EMV:** Global standard for card payments based on micro-chip technology. For further details see [www.emvco.com](http://www.emvco.com).

**Floor limit:** The limit of a card transaction, where a merchant must obtain special authorisation for card payments exceeding the amount specified in the floor limit, cf. however, Section 3.3.

**Forced Sale:** A sales Transaction processed without an approved electronic Authorization number being obtained for the full amount of the sales Transaction at the time the Transaction is processed.

**Full Recourse Transactions:** Mail orders, telephone orders, e-commerce (Internet) orders, Pre-Authorized Recurring Order Transactions, and other "card not present" sales.

**Identification:** A procedure to confirm a cardholder's legitimacy by using a password, personal secret password or something comparable. An identification can be an example of "a unique identifier" in the meaning of subpar. 21 of Art. 8 of the Act on Payment Service no. 120/2011.

**Issuer:** A member of a Card company that enters into a contractual relationship with a Cardholder for the issuance of one or more Cards.

**Mail or telephone order:** The card payment made when a merchant enters information on a payment card and a cardholder, on behalf of the cardholder, in a payment solution appropriate for mail and telephone orders.

**Merchant framework agreement:** Agreement on payment service. An application for payment service, a form agreement between a merchant and KORTA (Merchant Framework Agreement on Payment Service) and these terms, as they are each time, along with the use instructions regarding the acceptance of payment cards, are all an inseparable part of a merchant framework

agreement. The words merchant framework agreement are further explained in subpar. 18 of Art. 8 of the Act on Payment Service no. 120/2011.

**Merchant Statement:** A statement of charges and credits to the Operating Account (as that term is defined in Section 8 of this Agreement).

**Merchant:** An individual or legal person accepting payment with payment cards, who has signed a merchant framework agreement with KORTA, as a payment service provider, on making card transactions. A merchant is therefore a payment service user in the meaning of subpar. 15 of Art. 8 of the Act on Payment Service no. 120/2011.

**Non-Qualified Transactions:** shall mean: (i) any Transaction submitted for processing more than 24 hours past the time the Authorization occurred; (ii) any Transaction missing required data.

**PA DSS:** Payment Application Data Security Standard. A security standard for payment equipment in accordance with the security requirements of PCI DSS, cf. below.

**Payment account:** Account in the name of a merchant at KORTA that is used for making payments.

**Payment card:** Domestic debit cards, the international payment cards that an agreement covers, e.g., MasterCard, Maestro, Visa, Visa Electron and V PAY. Payment cards, such as debit and credit cards, are also defined as an example of a payment medium under the Act on Payment Service no. 120/2011.

**Payment service provider:** Service provider handling payment information and card payments on behalf of a merchant. KORTA is a payment service provider, as a payment institution, cf. subpar. 14 (g) of Art. 8 of the Act on Payment Service no. 120/2011.

**Payment system:** A system to transfer amounts of money formally in a standardised arrangement and mutual rules on the handling, clearance and/or settlement of payments.

**PCI DSS (Payment Card Industry Data Security Standard):** Security requirements of payment card companies that all parties handling card information shall all fulfil. See further information on <https://www.pcisecuritystandards.org>.

**PIN:** PIN stands for Personal Identification Number, a personal PIN related to a payment card. A PIN can be an example of a unique identifier, in the meaning of subpar. 21. of Art. 8 of Act on Payment Service no. 120/2011.

**Pre-Authorized Recurring Order Transactions:** mean Transactions that have been pre-authorized by the Cardholder and for which the goods or services are to be delivered or performed in the future by Merchant without having to obtain approval from the Cardholder each time.

**Qualified Transactions:** mean: (i) Visa and MasterCard retail transactions in which the Card is swiped; (ii) Visa Card Not Present telephone, mail or Internet Transactions processed with Address Verification Service (AVS); or (iii) MasterCard telephone, mail or Internet transactions or (iv) Transactions that are part of a special registered program approved by the Associations.

**Receipt:** Confirmation of a card payment, e.g., the receipt that the cardholder has signed, a subscription agreement, rental agreement regarding car rental or another comparable confirmation.

**Sales outlet:** A merchant's business venue or a URL from which a product or service is sold.

**Security code:** A payment card's security code is on, or near, the signature box on the backside of the card. Security codes are the numbers provided after the card number, in a separate area, usually 3 digits and often referred to as a CVC or CVV number.

**Self-service terminals:** Cardholder-activated service terminal, e.g., vending machines, admission ticket or car park fees, i.e., when the cardholder makes payment using a terminal, regardless of whether or not a PIN is used. Self-service terminals are examples of a telecommunications medium in the meaning of subpar. 3 of Art. 8 of Act no. 120/2011.

**Service provider of a merchant:** One servicing a merchant, e.g., with a payment system, cash register system, web page or otherwise.

**Service Web:** These terms include special rules on KORTA 's service web, KORTA Service Web. This means a service web of the subsidiary Korta ehf. More specifically this involves a website directory that a merchant automatically gets access to when a merchant framework agreement is signed. There, for example, information can be found on card transactions and various reports. The application for a merchant framework agreement on payment service contains a section for the access to the service web, which is then also a part of a merchant framework agreement (sic).

**Services:** The transaction processing services provided by KORTA under this Agreement.

**Transaction:** The acceptance of a Card or information embossed on the Card, for payment for goods sold and/or leased and/or services provided to Cardholders by Merchant, and receipt of payment from KORTA, whether the Transaction is approved, declined, or processed as a forced sale. The term "Transaction" also includes credits, errors, returns and adjustments. A transaction may be done only in USD, EURO and/or GBP.

**Transaction currency:** The currency used for a cardholder's payment that appears on the receipt.

**Transaction date:** The date when a transaction between a cardholder and merchant occurs. When E-commerce and mail and telephone orders are involved, the transaction date is the date when a product is sent, or a service is provided.

**Transaction information:** The information used to carry out a card payment. More specifically card and other information that is received during a card payment, e.g., transaction amount, authorisation number and description of what is purchased.

**Use instructions:** Use instructions regarding acceptance of payment cards, which are an inseparable part of a merchant framework agreement, cf. explanation of the term merchant framework agreement below.

**3-D Secure:** Procedure to identify a cardholder during E-commerce. Global standards, covering both MasterCard SecureCode and Verified by Visa.

## 2. INTRODUCTION

These terms, which are part of a merchant framework agreement of parties, cf. the definition above, are intended to shape communications between the merchant and Kortathjonustan hf, hereafter named KORTA. The terms apply to the merchant's acceptance and KORTA's redemption of transactions occurring with one of the payment cards listed below: Domestic debit cards, Visa credit cards, Visa debit cards, Visa business and corporate cards, Visa Electron, V PAY, MasterCard credit cards, MasterCard debit cards, MasterCard business and corporate cards and Maestro.

In addition to these general terms, the merchant framework agreement contains information about the merchant, selected payment card types, prices, use instructions, the merchant's settlements and service equipment/payment solutions.

KORTA has a duty to follow to the rules of Visa Europe and MasterCard Worldwide and the rules of third party processors, e.g. Icelandic Banks' Data Centre hf. (RB) on access to RB's debit card system, and endeavour to take care that the merchant follows all of the important rules as well as legislation in connection with making card payments with the relevant card.

If the aforementioned rules of the third party processors, e.g. Icelandic Banks' Data Centre hf. (RB), and the card companies that are in force each time are not observed, it could result in one or more of them imposing fees on KORTA. If such fees are the result of the merchant's failure to fulfil its duties under the merchant framework agreement, KORTA has a claim for reinforcement against the relevant merchant.

In accordance with Art. 74 of the Act on Payment Service no. 120/2011, KORTA is subject to the monitoring of the Financial Supervisory Authority, Iceland (FME).

### 2.1. Scope

A merchant framework agreement applies to payments with the payment cards that the merchant has decided to accept as a payment medium, cf. further the relevant merchant framework agreement on payment service. The merchant framework agreement on payment service defines the rules applying to card payments in the merchant's payment solutions.

The merchant is responsible for sales that occur and that all transactions in connection with them being in accordance with the relevant laws and rules in both the relevant country and the global context, including that the sale of the products and/or provision of the services involved is in accordance with the current legislation.

The merchant is only authorised to use the merchant framework agreement in connection with payment of the operations, products and/or services that KORTA has received information about and approved when the merchant framework agreement was signed. The merchant may use the location where the aforementioned products are sold and/or the service is provided, whether local premises or a website is involved. The residence shall be registered in the name of the merchant as it appears in the merchant framework agreement. The merchant framework agreement applies to card payments made at the specified residence in accordance with the merchant framework agreement and for the products and/or services specified.

The merchant may not make payments originating from the sales or operations of other parties. Neither may it make payments that are later sent to other parties, e.g., by assigning its balances at KORTA to others or by accepting contributions on behalf of others, et cetera.

Neither may the merchant use the merchant framework agreement in connection with the following:

- The sale of a product or service other than those specified in the merchant framework agreement.
- Activities that can damage the company name and image of KORTA and/or the card companies.
- Goals that are morally or ethically doubtful or goals that are in some way not in accordance with current laws and rules.
- Fund collections, including refinancing of the cardholder's obligations.
- The sale of pornographic films, pornographic pictures or the like that is shown on or downloaded from the Internet, including content with animal abuse, sexual abuse or other kinds of barbarous content.
- Playing cards, gambling, lotteries or comparable activities unless such has been clearly agreed with KORTA.
- Tobacco and products related to tobacco unless it has been clearly agreed with KORTA.

### 2.2. Prepaid sales (prepaid services)

The sale of products or services for later delivery, including deposits, membership and subscription fees, trips, admission tickets, courses, et cetera, requires KORTA's prior approval, in writing, and a contractual sales time in advance shall also be stated in the merchant framework agreement.

### 3. RIGHTS AND DUTIES OF THE MERCHANT

#### 3.1. Acceptance of payment cards

The merchant undertakes to ensure that all its employees, who ought to accept card payments, have received a presentation of the terms of the merchant's framework agreement and necessary training in connection with it.

The merchant is obligated to accept payments with all valid payment cards of the types that the merchant has decided, in accordance with the merchant framework agreement, to accept as payment for the sale of products and services. If a payment card has a chip, the merchant's service equipment shall always read the payment card's chip. If it is not possible to read the chip, the merchant can try to make the transaction with the magnetic stripe if the payment card allows it.

The cardholder has the right to get a receipt for each card payment. The merchant shall deliver/send a receipt to the cardholder after a card transaction has gone through. At least the following information shall appear on a receipt:

Name and address of the merchant, the amount, date of transaction, last four digits of the card number, authorisation number, signature box if applicable, and address also if applicable (E-commerce).

In particular instances, e.g., regarding transactions for low amounts of money at self-service locations, KORTA can authorise sales to be made without a printed receipt.

Further reference is made in the use instructions regarding the acceptance of payment cards in card present transactions (Section 2), at self-service locations (Section 3), in E-commerce sales (Section 4), including the use of 3-D Secure, and in connection with mail and telephone orders (Section 5).

#### 3.2. Registering of payment card information

It is forbidden to register payment card numbers and other information in service equipment unless KORTA has specifically approved doing so, e.g. regarding special rules for hotels and car rentals. Regarding emergency procedures, reference is made to Section 2.2 in Use instructions regarding acceptance of payment cards.

#### 3.3. Authorisations

In card present transactions the merchant must always request an authorisation for card transactions unless specifically agreed otherwise with KORTA. Regarding other transactions, e.g., mail and telephone orders and E-commerce, the merchant must also always get an authorisation for all card transactions, regardless of the amount.

The merchant may not circumvent a defined floor limit by dividing the amount into more card transactions. The authorisation that the merchant requests must be for the entire purchase price (total amount of the transaction) and therefore be stated as a single total amount. The authorisation number shall be sent with the transaction information to KORTA. If the merchant gets a rejection of the request for authorisation, it may not execute the aforementioned card payment, regardless of the amount.

The merchant may not accept an authorisation number from the cardholder or a third party, but may only accept an authorisation number from KORTA or systems that KORTA has approved. The merchant may not request, or seek, authorisation at the request of a third party. An authorisation number is neither an assurance of KORTA's settlement of a card payment nor confirmation of who the cardholder is. It only involves confirmation that the relevant payment card is open and has a balance for the amount of the transaction.

#### 3.4. Use of payment card/transaction information

Payment card information may only be used for executing transactions, but not at all as an admission ticket or confirmation of who the cardholder is, e.g., at access checkpoints or the like.

#### 3.5. Approved currencies

Transactions may be sent and settled in the currencies specified in the merchant framework agreement. On the Dynamic Currency Conversion transaction system, reference is made to Section 7 in these terms.

#### 3.6. Monitoring process, security instructions and security requirements

The merchant has a duty to follow the monitoring processes and security requirements described in use instructions, which can be found at [www.KORTA.is](http://www.KORTA.is), or that KORTA otherwise makes known each time, to the merchant. The use instructions are in fact part of the parties' merchant framework agreement, cf. definitions in these terms. Even though the merchant uses 3-D Secure, he is obligated to introduce necessary monitoring to prevent fraud, cf. KORTA's security instructions at [www.KORTA.is](http://www.KORTA.is).

### 3.7. Delivery of transactions and data submissions to KORTA

The merchant must send KORTA transaction data as quickly as possible, and they shall arrive at KORTA not later than 3 calendar days after the date of a transaction. However, the merchant may not send KORTA transaction data for settlement before a product has been delivered or sent or services provided to the cardholder or the recipient that the cardholder has specified except only if the merchant has made an agreement in advance on the sales time in connection with a prepaid sale (prepaid services) cf. 2.2. above.

Electronic transactions, transactions for E-commerce and mail and telephone orders are sent to KORTA for settlement via service equipment or the relevant payment solution. The merchant undertakes to clear the service equipment or payment solution daily if transactions have occurred.

### 3.8. Submission of data to KORTA

The merchant shall preserve transaction data for no less than 20 months. If KORTA requests that confirmation of a transaction be sent, e.g., in connection with objections or a request for a receipt from a cardholder or card issuer, the merchant shall always submit the requested data. The merchant shall submit data to KORTA not later than at the end of the period specified in the aforementioned request from KORTA (7-14 calendar days). If the merchant does not submit the requested data, KORTA may without further warning reverse the aforementioned transaction amount of the merchant. This also applies even if the transaction occurred with a chip and a PIN or 3-D Secure.

#### 3.8.1. Communications between the merchant and a cardholder—complaints

The merchant undertakes to receive and handle possible complaints from a cardholder regarding a product and/or services. The merchant and the cardholder shall resolve such complaints without the involvement of KORTA.

#### 3.8.2. Credit transactions

The merchant may only execute a credit transaction for the cardholder when the goal is to partially or completely nullify a card payment that has already been made, e.g. if a customer returns a product that he has purchased from the merchant.

A credit transaction regarding a purchase paid for with a card (previously approved transaction) shall always be executed with a credit transaction on the same payment card as the one used for the purchase involved. The amount credited to the cardholder may never be higher than the total amount of the relevant transaction. When electronic transactions are involved, credit transactions may be sent electronically. The merchant is obligated to deliver/send the cardholder a receipt for the credit transaction.

KORTA debits the total amount of the executed credit transaction and other incidental costs in the next settlement for the merchant or opens a separate account for the merchant for the credit transaction. Service fees that have already been charged are not reimbursed with a credit transaction.

#### 3.8.3. Cancellation of a card payment

If a card payment has been executed by mistake, the merchant is obligated to cancel it, if possible. If it is not possible, the merchant is obligated to execute a credit transaction. On the other hand, if this is impossible, the merchant is obligated to contact KORTA.

### 3.9. Product returns

If the cardholder or recipient of a product and/or services exercises a statutory right of return in connection with E-commerce or a mail or telephone order, or if the cardholder utilises another agreed right of return, the merchant ought to execute a credit transaction or otherwise compensate the cardholder for the aforementioned amount.

### 3.10. Fees for card use

If the merchant charges fees in connection with card use, he is obligated to inform the cardholder of this before the transaction is executed. The merchant undertakes to adhere to current laws and rules each time regarding charging of fees.

### 3.11. Use of and rights in connection with trademarks

The merchant shall, in a visible manner, publish trademarks (logos) of the payment cards that are accepted as payment media. The merchant may use the trademarks in connection with marketing of the products and/or services that may be paid for with a payment card. All other use of trademarks is forbidden.

All rights regarding trademarks connected with the cards that the merchant accepts as payment are the property of the relevant card company and/or KORTA.

KORTA can deliver stickers for placement at sales locations and trademarks to use for publicity. The merchant can view the trademarks at [www.KORTA.is](http://www.KORTA.is). The trademark shall always be published in its correct original form. A card used for publicity may contain neither a valid card number nor the card issuer's name.

The usage of trademarks may not violate the right holders' rights and may not indicate that KORTA and/or the card companies sponsor, manufacture, offer, sell or otherwise support specific products or services. Further trademark requirements/instructions may be stated in use instructions with a description of particular payment solutions. The merchant shall then acquaint itself with and adhere to such requirements/instructions.

The merchant gets no rights in connection with the trademarks except the right of use described above, including both property rights and intangible rights. Upon termination of an agreement, the merchant is obligated to stop all use of the trademarks, including in advertisements on signs, the Internet or other media or other kinds of marketing.

### 3.12. Equipment and security requirements

All service equipment used by the merchant shall be EMV/PA-DSS-certified and approved by KORTA. The service equipment shall be capable of reading the card's chip/magnetic stripe and be equipped with a keyboard to enter PIN-numbers. If the merchant wishes to use self-service stations without a keyboard for inputting PIN-numbers, KORTA's specific consent for this shall be on file.

The merchant executing transactions in connection with E-commerce and/or mail and telephone orders shall use equipment or payment solutions approved by KORTA.

It is the merchant's responsibility to ensure that the service equipment and payment solutions it uses for transactions each time fulfil KORTA's technical and security requirements, including those in connection with obtaining authorisation and submitting transactions. Information on approved service equipment and payment solutions can be found at [www.KORTA.is](http://www.KORTA.is) or at KORTA. The merchant shall ensure that unauthorised individuals do not have access to either service equipment or payment solutions.

KORTA reserves the right to collect from the merchant, not using EMV-certified equipment approved by KORTA, fees charged by the card companies because of this.

### 3.13. Service providers

The merchant is obligated to inform KORTA of its service providers, e.g., regarding website hosting, website service providers, other payment service providers or comparable service providers that handle card information or, for any reason, have access to the merchant's card information. The merchant is also obligated to announce planned changes in connection with service providers, cf. more detailed requirements in Section 4.8.

The merchant bears the risk incurred from what its service providers do or fail to do, and it may only use service providers fulfilling KORTA's security requirements and/or the card companies'.

### 3.14. Treatment of card and transaction information and other data

The merchant is obligated to preserve all data securely, so that an inappropriate party has no access to them.

All merchants shall fulfil requirements in accordance with the card companies' standard on security in handling card information, Payment Card Industry Data Security Standard (PCI DSS). Information on PCI DSS is found at [www.KORTA.is](http://www.KORTA.is) and also at [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org).

The merchant has a duty to inform KORTA of how card information is handled/stored and is obligated to produce a certificate of PCI DSS certification or a filled-out Self-Assessment Questionnaire, in addition to confirmation that it has passed a vulnerability scan by an Approved Scanning Vendor.

The merchant bears responsibility for all costs in connection with its fulfilment of the aforementioned PCI DSS requirements.

Merchants handling their own payment solutions and/or storing card information have a duty to submit quarterly reports on PCI DSS certification in accordance with KORTA's requirements in this regard. For further details see [www.KORTA.is](http://www.KORTA.is). The aforementioned reports shall be submitted electronically to the service provider seeing to PCI DSS reporting services for KORTA.

The security number of a payment card and other sensitive card information may not, under any circumstances, be saved after authorisation has been provided.

Responsibility rests with the merchant to ensure that all service parties/3rd parties handling card information for it are PCI DSS-certified each time. If PCI DSS requirements are not fulfilled, KORTA can demand fees, fines and/or compensation for damages from the merchant equal to those demanded by the card companies and/or others from KORTA regarding the relevant instances. If the merchant and KORTA, in instances like these, are judged to be mutually responsible for damages to the payment card companies and/or others that have made a claim against KORTA, the merchant and KORTA shall bear the damages equally. Section 6.1 has more details on KORTA's liability and liability limits.

### 3.15. Systems jeopardised

If access is granted to the merchant's systems containing payment card information, if systems are jeopardised, or payment card information is suspected of being jeopardised, notice of this shall immediately be given to KORTA.

If systems containing card information are jeopardised at the merchant's or at the merchant's service providers', KORTA can demand fees, fines and/or compensation for damages from the merchant equal to those demanded by the card companies and/or others of KORTA regarding the relevant instances. If the merchant and KORTA, in instances like these, are judged to be mutually responsible for damages to the payment card companies and/or others that have made a claim against KORTA, the merchant and KORTA shall bear the damages equally. Section 6.1 has more details on KORTA's liability and liability limits.

The merchant is responsible for each and every instance of damage incurred from the fraudulent use of payment cards, costs regarding the issue of new payment cards and costs regarding the investigations launched because of the risk situation involved here. Only a certified data security company recognised by the payment card companies can be engaged in such investigations and submit reports on them.

The merchant also declares its consent that if a risky situation develops, it can lead to a demand that the merchant framework agreement with the relevant merchant be closed pending completion of an investigation, and it has been confirmed that the merchant fulfils PCI DSS security requirements.

### 3.16. Deletion of transaction data

After the custodial period has passed, transfer data/receipts shall be deleted in accordance with the security requirements of PCI DSS, so that it is assured that inappropriate parties shall not have access to the information that the data contain. Transaction data on various media, such as hard disks, diskettes and magnetic tapes, shall be deleted or written over (at least 8 times) or the relevant media shall be destroyed before they are turned over to others or thrown out.

### 3.17. Forgotten payment cards

If a payment card is forgotten at a sales location, the merchant shall send it to either KORTA or the issuer of the relevant payment card.

## 4. THE RIGHTS AND DUTIES OF KORTA

### 4.1. Contribution of KORTA

KORTA's contribution in connection with the redemption of card payments entails, among other things, the following:

- Servicing of authorisation requests.
- Servicing and sending of authorisation responses.
- Registering and servicing of card payments.
- Settlement of payments with cards that the merchant framework agreement covers.
- Support as described in the use instructions.
- Servicing of objections from the card issuers/cardholders.

### 4.2. Risk assessment

When KORTA receives an application for a merchant framework agreement regarding payment service, a risk assessment of the merchant is carried out in accordance with the company's risk policy each time. KORTA also reserves the right each time, and without notice, to carry out a risk assessment of the merchant, including gathering information on the debts and credit rating and of its representatives and/or an authorised signer for the company, in addition to formally requesting delivery of annual accounts and all of the information that KORTA deems necessary to assess the merchant's credit rating and risk. This could for example involve data in confirmation of necessary permits and information on turnover in connection with prepaid sales.

If KORTA deems it necessary, it can:

- Request a bank guarantee.
- Withhold part or all of the merchant's turnover.
- Extend the settlement period for all or part of the merchant's turnover.
- Determine a special risk fee that the merchant is obligated to pay.

If the merchant's turnover is stopped without prior warning to KORTA, or if a deviation from the merchant's current agreement with KORTA is involved, e.g., with respect to turnover, use of equipment or products and services that are sold and prepaid sales, KORTA also reserves all rights to withhold settlement.

As part of regular risk assessment, KORTA, the card companies, or a representative nominated by them, can carry out inspections, without prior notice, on the merchant's premises and/or at a sales location, or resort to other measures regarding a security assessment and/or a general assessment of the following factors:

- Premises and/or sales locations.
- Accessibility to the merchant's computer system and accessibility to data.
- Product inventories, if relevant.
- Business processes, etc.
- Adherence to all security requirements, etc.

With all changes that the merchant gives notice of, KORTA may have to carry out a new risk assessment of the merchant, cf. Section 4.8.2. for further details.

The merchant bears all costs incurred from the inspections.

#### 4.3. Rules on precautions against money laundering and financing of terrorist acts

Before establishing a contractual relationship, and to enable establishment of a merchant framework agreement with the merchant on payment card settlements, the merchant agrees to provide KORTA all of the information it deems necessary, so that requirements are fulfilled regarding precautions against money laundering and financing of terrorist acts. For this purpose KORTA prepares a special form that is filled out with an application for a merchant framework agreement on payment service, if KORTA demands it, and it will then become an inseparable part of the merchant framework agreement. At the same time the merchant also provides KORTA with a full power of attorney to call for information, on its own initiative, and immediately be provided with confirmed information, so that KORTA will be able to fulfil its duties, including a survey of customers' reliability, in accordance with Act No. 64/2006 on measures against money laundering and terrorist financing and rules in force in this area.

#### 4.4. Settlements and reversals on card payments

KORTA's settlements with the merchant are regarding payments executed with the cards that the merchant framework agreement covers in accordance with the terms of the agreement.

Without consulting the merchant, KORTA has the right to debit or reverse card transactions in the following instances:

- The merchant knew or ought to have known that the cardholder had no right to use a payment card.
- The merchant did not obtain an authorisation number, cf. Section 3.3.
- The merchant did not follow directions on monitoring, cf. use instructions and special rules in these terms.
- A card issuer/cardholder makes an objection on a card payment that becomes a chargeback, cf. Section 4.6.

Without consulting the merchant KORTA reserves the right to reverse card transactions executed on service equipment that does not read chips if:

- The payment card used proves to be invalid or falsified, and/or
- the cardholder argues that he has not made the aforementioned card payment.

Payments that are not settled are capitalised to the merchant's payment account at KORTA.

If the merchant has not sent KORTA a card payment for settlement in accordance with provisions in Section 3, KORTA can refuse to settle the aforementioned payment.

#### 4.5. Settlement of debit card transactions

Settlements of Icelandic (domestic) debit card transactions go through the payment system of Icelandic Banks' Data Centre (RB), and processing and settlement are governed in accordance with RB's current arrangement and rules of RB's debit card systems. Payments are deposited into the merchant's bank account the day after they are sent in. Without consulting the merchant, KORTA may debit the merchant's disbursement account at its commercial bank for service fees and other fees in accordance with the price list and the merchant framework agreement regarding the merchant's debit card transactions, cf. in this regard the traditional arrangement at RB. The authorisation also covers debit transactions on refunds, reversals and corrections as well as other overdue costs. KORTA may also debit the above-specified fees, refunds and costs against the proceeds of the merchant's card transactions without consulting it.

#### 4.6. Objections on a card payment

If KORTA receives a notification that a cardholder maintains he has not made a card payment, KORTA, without consulting the merchant, may execute a chargeback, i.e. deduct the corresponding amount disputed from the merchant's payment account at KORTA

If the card payment has been made with the card's chip and PIN, or the cardholder has received a Verified by Visa or MasterCard SecureCode (3-D Secure) confirmation in an online E-commerce transaction, and the card payment has otherwise been approved, KORTA will settle the card payment, unless the merchant knew or ought to have known that the cardholder had no right to use the payment card, or the merchant does not present necessary confirmation of the relevant transaction at the request of KORTA

In the following instances KORTA can refuse to settle transactions with the merchant even if the merchant uses a payment solution accepting a PIN or 3-D Secure:

- The payment has been made with "new media" (for example through a mobile telephone or digital television).
- Payment has been made with a prepaid (anonymous) payment card.
- Payment has been made with a Visa business card issued outside the Visa Europe area.
- Payment has been made with a MasterCard payment card issued outside MasterCard's EEA area.

If KORTA receives notice from a cardholder that,

- an amount was paid in another manner,
- a subscription agreement was terminated,
- a card payment is higher than the amount that the cardholder has approved,
- sending of a product and/or dispensing of services is not in accordance with what it should have been, or
- the cardholder or recipient of a product and/or services exercised their statutory or contractual right of return in connection with distant sales,

KORTA, without consulting the merchant, can reverse or deduct the corresponding amount from the merchant's payment account at KORTA, provided that the merchant has not refunded the aforementioned amount.

If KORTA receives notice from a cardholder that the cardholder did not know precisely how much the amount was when the current payment occurred, and the card payment is higher than it is reasonable for the cardholder to expect would be charged to the payment card, KORTA, without consulting the merchant, can deduct the entire transaction amount from the merchant's payment account at KORTA, unless KORTA can immediately dismiss the aforementioned objection, on the grounds that it is unfounded.

If KORTA requests that the merchant send confirmation of a card payment because of received objections, the merchant is obligated to submit to KORTA confirmation of the card payment in accordance with what is stated in Section 3.8. If KORTA can dismiss an objection on the grounds of data from the merchant, the amount is again deposited into the merchant's payment account at KORTA.

If the merchant does not deliver a confirmation in accordance with what is asked for in the relevant request, KORTA can withhold the reversal. This applies even if the transaction occurred with a chip and a PIN or 3-D Secure.

KORTA has no duty to present confirmation of a cardholder's objection to the merchant.

#### 4.7. Monitoring and fraud

KORTA performs monitoring of the authorisations and transactions it receives from the merchant. In addition, KORTA performs monitoring of the transactions defined as chargebacks or fraud. If monitoring brings to light evident departure from normal operations of the relevant merchant, or if KORTA deems there to be reason to suppose that fraudulent use of cards has occurred at a merchant location, or if notified fraud exceeds the limits that KORTA views as normal, KORTA can contact the merchant's representatives and further check into the matter. In such instances KORTA reserves the right to change settlement terms, postpone payment settlements or terminate the agreement, temporarily or permanently. KORTA additionally reserves the right to reverse transactions that the issuer of the payment card has confirmed are unauthorised, insofar as the merchant has not already delivered a product or provided the services paid for.

KORTA can demand that the merchant take measures to reduce unauthorised transactions, refunds, issuing of credit notes, etc. Within a specified period, the merchant shall follow instructions from KORTA to reduce the fraudulent use of payment cards. If refunds, unauthorised transactions or credit transactions become so frequent that KORTA incurs additional costs for this reason, e.g., regarding service fees to one or more card companies, KORTA reserves the right to collect these fees from the merchant in accordance with the price list each time.

The merchant's right to capitalise transactions, where 3-D Secure is used for identification, but the cardholder denies having executed a transaction, can be cancelled if notified fraud with VISA and/or MasterCard exceeds 0.5% of the merchant's total turnover of the VISA and MasterCard cards. Fraudulent use of payment cards and refunds are calculated equally on transactions in Iceland, Europe and the entire world and/or on the number of transactions. The merchant gets notices from KORTA on this when deemed necessary.

#### 4.8. Changes to a merchant framework agreement, including a change in commission and changes in the merchant's circumstances

##### 4.8.1. Changes in the merchant framework agreement, including a change in commission

KORTA can change authorisation limits without notice, cf. Section 3.3.

KORTA can otherwise change the merchant framework agreement, including the agreed commission, with 30 days' notice. The notice can be shorter if the change is based on demands from governmental parties and/or payment card companies or is prompted because of important security factors.

If the merchant provided an email address, KORTA may give notice of a planned change electronically. The merchant has a duty to immediately notify KORTA of all changes to its address and email address from the signed merchant framework agreement. Consequently if the merchant neglects this duty, it is his responsibility if he does not get the aforementioned notification of a planned change from KORTA.

When agreements are changed, this is deemed agreed unless the merchant notifies KORTA in a provable manner, not later than before the day the changes are scheduled to enter into force, that it does not want to be bound by them. In such instances, upon entry into force of a changed agreement, the merchant framework agreement is deemed to be cancelled. It shall be noted that prepaid subscription and monthly fees are not refunded.

#### 4.8.2. Changes in the merchant's circumstances

The merchant shall notify KORTA immediately in writing of all changes occurring in its operations after signing an agreement. This includes changes occurring in the merchant's ownership, in addition to changes in the Board of Directors, managing director/daily manager, authorised signer for the company, address, email, telephone number, bank account, use of external service providers or other changes in circumstances. For further details see [www.KORTA.is](http://www.KORTA.is) on changes in the merchant's agreement.

If the merchant's operations change and/or it makes major changes in product selection or payment and delivery terms in connection with E-commerce or mail and telephone orders, e.g., regarding prepayments, the merchant is obligated to notify KORTA at once of this in writing.

Notice of a change in the settlement account shall be given in writing, with confirmation from a bank, or by sending an account summary. Such data shall be signed by a party authorised to sign on behalf of the merchant, or an authorised signer for the company.

It shall be noted that upon all changes the merchant gives notice of, KORTA may need to carry out a new risk assessment of the merchant, among other things because of the duties that KORTA has as a mandatory notifier in accordance with Act No. 64/2006 on measures against money laundering and terrorist financing. Regarding rules on measures against money laundering and terrorist financing, reference is made to further details in Section 4.3.

On the effect of the merchant's failure to notify KORTA of changes in accordance with this section, reference is made to Section 6.3. on termination of the merchant framework agreement.

#### 4.9. Public discussion

For purposes of publicity, KORTA may name a specific merchant publicly as one of its customers, without the merchant's specific consent, including sending out press releases, publishing the relevant merchant's logo, etc. KORTA may also send its customers newsletters and press releases, e.g., to the customers' provided email addresses.

### 5. FEES AND SETTLEMENTS

#### 5.1. Price list

In addition to a commission, which is agreed to in the merchant framework agreement on payment service, and costs of doing business in other countries, KORTA's general price list applies to services, as relevant. KORTA publishes the price list on its website ([www.KORTA.is](http://www.KORTA.is)), and it may change without notice.

#### 5.2. Settlement and monitoring of settlement

At a regular settlement KORTA will each time deduct from the merchant's payment account all costs due, including a commission, fees in accordance with the price list, corrections regarding a previous settlement, etc. If a chargeback is registered, cf. definitions in these terms, KORTA may deduct from the merchant's settlement, without consulting it, a corresponding amount in addition to the related costs of the chargeback. KORTA may correct all mistakes regarding the registering of transactions, their execution or settlement, including reversed transactions, without consulting the merchant. KORTA may also deduct from a settlement costs regarding service equipment, service solutions and fees/costs of a third party, based on an agreement between parties in this regard. If the merchant's balance in respect of KORTA is negative because of chargebacks, refunds or other reasons, a debt because of this is deemed due when this happens and is payable immediately. KORTA may debit a negative balance from other merchant framework agreements and/or payment accounts registered to the same merchant identity or owner. The merchant authorises KORTA to register arrears older than 40 days with Creditinfo Lánstraust hf.'s arrears register, etc., whether involving arrears because of payment processing or other services provided by KORTA or Korta ehf.

KORTA is authorized to collect all fees from the merchant that the card companies charge KORTA and is attributable to the merchant. This can for example be registration fees, fees for conduct which is not approved, fraud fees, fees regarding security breach, monitoring fees and/or other fees that the card companies can charge KORTA for the merchant's act or omission.

When a settlement occurs in a currency other than that of the original transaction, exchange-rate calculations are made in accordance with KORTA's settlement exchange rate, which is the exchange rate published by the Central Bank of Iceland, with a minimal surcharge.

Regarding settlement and reversals of payments, reference is made to Section 4.4 and regarding objections on a card payment to Section 4.6.

Settlement of debit card transactions is governed by Section 4.5.

The merchant monitors whether a settlement is received from KORTA, and it is obligated to make comments in writing to KORTA if a settlement has not been made within a month from the agreed settlement date. If such comments have not been received within 6 months from the date of the transactions, KORTA has no duty to settle the transactions involved, with the sole exception that the reason that the transactions were not settled can be attributed to circumstances for which KORTA is responsible. KORTA reserves the right to reject transactions received 30 days after the transaction date.

### 5.2.1. Further on settlement

KORTA completes settlement of outstanding amounts directly with the merchant's banking institution, as specified in the merchant framework agreement on payment service. KORTA sends the merchant a summary with information on settlement amounts and dates of settlement.

The following information is stated in KORTA's summary:

- Date that KORTA received transaction information.
- Reference number of a transaction or batch number.
- Number of transactions in a specified batch.
- Currency in which the transaction is made.
- Transaction amount.
- Settlement currency.
- Total amount of settlement.
- The commission and transaction fees that shall be paid to KORTA.
- Date of KORTA's payment of the settlement amount.
- Amount that the merchant shall pay to KORTA when that is relevant, and it is offset against debt in the next merchant's settlement.
- Amount for which no authorisation is received or is withheld will also be offset against the merchant's settlement.

In instances when the merchant's transactions are settled in different currencies and/or in different accounts, KORTA may make an offset in the same or another currency and/or different accounts. The merchant therefore only gets settlement from KORTA when a difference is in favour of the merchant unless otherwise specifically agreed. If an amount is not sufficient for settlement by KORTA, it sends a collection claim for the difference due. The cost of payment in foreign currency shall be paid by the recipient of the payment.

## 6. OTHER PROVISIONS

### 6.1. Liability and limits to liability

KORTA is liable for damage that its employees cause by their gross negligence or by intention, causing KORTA's duties not to be fulfilled under the merchant framework agreement. The liability extends only to direct damage, and KORTA's liability for damages is limited to the amount of the merchant's total fees the previous month regarding the merchant framework agreement. The criterion is the combined amount of damage claims should there be more than one each month.

Under no circumstances does KORTA bear any liability for any direct or consequential damage that the merchant may incur, including operational damage, loss of data, turnover and profit and/or loss of interest.

KORTA is never reliable for damage incurred because of force majeure, e.g., regarding:

- Breakdown and/or lack of accessibility to IT equipment or damage to data in such systems that may be attributable to events specified below, whether KORTA sees to operation of the payment systems or an external service provider that KORTA has a contractual relationship with.
- Lack of current or breakdown in KORTA's telecommunication system, sudden governmental measures or law enactment, natural catastrophe, war, uprising, civil unrest, sabotage, terrorist acts or vandalism, including computer disruptions and computer break-ins.
- Strikes, lockouts, commercial embargo or union workplace ban, even if struggles are directed at or originate at KORTA or within its entire organisation, regardless of the cause of the struggles. This also applies if the struggles affect only part of KORTA's operations.
- Circumstances beyond KORTA's sphere of authority

If not otherwise determined in these terms, KORTA is not liable for damage resulting from unlawful use by a cardholder, or by others, of the cards covered by the merchant framework agreement.

## 6.2. Assignment

KORTA can assign the merchant framework agreement to a company within the Group or to a third party if KORTA sells part or all of the operations that the agreement covers to a third party. If it comes to this, the agreement continues in force with the new owner as a party to the agreement. Likewise, KORTA may overtake other valid agreements, whether from within the Group or from a third party. The same terms then continue to apply as they are in the relevant agreement.

The merchant may not assign or otherwise transfer an agreement, whether in part or in whole, to a third party. The same applies to card payments accepted on the basis of the merchant's agreement with KORTA.

## 6.3. Termination of the merchant framework agreement

The merchant can terminate the merchant framework agreement with 3 months' notice, and it shall do so in writing. Likewise, KORTA can terminate an agreement and shall also do so in writing and with 3 months' notice. A prepaid annual subscription is not refunded.

In the event that the merchant stops doing business, the agreement then expires automatically. KORTA reserves the right to terminate an agreement that has not been used for 6 months.

If the merchant's circumstances have changed, cf. Section 4.8.2, but no notice has been made in writing to KORTA as stipulated, KORTA can terminate the agreement.

KORTA can terminate an agreement in writing or change the terms of one or more payment card types without notice if:

- The merchant has provided wrong or incomplete information on occupational ties or the company when making the agreement.
- The merchant has grossly violated its duties under the agreement, e.g., by not observing security requirements.
- The merchant has repeatedly violated its duties under the agreement, and amends have not been made within the period KORTA gave the merchant in a written warning.
- The number of chargebacks from the merchant is abnormally high.
- The number of credit transactions that KORTA gets from the merchant is abnormally high.
- The merchant's website entails unlawful use, including games that are forbidden, illegal pornographic pictures or other things of that nature.
- The merchant does not reply to KORTA's request for information or does not take necessary measures when fraud is suspected.
- KORTA's risk assessment of the merchant is unacceptable.
- KORTA receives instructions from a payment card company to change the agreement, temporarily suspend it or terminate it.
- In KORTA's opinion the merchant's operations are likely to damage KORTA's reputation or the payment card companies'.
- The merchant is declared bankrupt; a request for authorisation of a payment moratorium has been made, or composition has been sought, or comparable debt measures have been resorted to in accordance with the Act on Bankruptcy, etc. no. 21/1991. If the bankruptcy estate thinks it has a right to take over the merchant framework agreement and chooses to do so, a reasoned request in writing to this effect shall be sent to KORTA within 24 hrs. from sending a notice of termination without notice. The merchant is responsible for the notice being received by the right party, e.g., the trustee in bankruptcy, so that it is possible to respond within the period.

Even though the merchant framework agreement has been terminated, the claims that are outstanding when the merchant framework agreement expires are still valid. In connection with termination, dissolution or another end to the merchant framework agreement, KORTA can demand security or, without consulting the merchant, withhold the relevant portion of transaction amounts to pay a chargeback that may later be received from card issuers and/or cardholders.

The security amount is determined by KORTA. KORTA can stop the settlement of submitted transactions until the security amount has been met.

If the merchant has been declared bankrupt, or if a request for authorisation of a payment moratorium has been submitted in accordance with the Bankruptcy Act, etc., no. 21/1991, KORTA can stop settlement of received transactions until the bankruptcy estate can take over the merchant framework agreement, or an assistant or the trustee in bankruptcy has approved continuing the agreement, and security has conceivably been presented in respect of KORTA, cf. Section 4.2.

## 6.4. Duty of confidentiality

All information regarding the contractual relationship of the merchant and KORTA shall be handled confidentially. The duty to handle information confidentially applies unless laws, instructions of governmental parties or governmental decisions require that

information be provided, or if the information is generally known and accessible on the market, and the other party's negligence is not to blame. The merchant may not provide information to a third party on the payment card companies that is not already generally known.

The merchant may not, under any circumstances, provide information on payment cards and/or transactions to others unless necessity requires it, e.g. in connection with a correction to payment card transactions, to the police, or if required by mandatory legislation.

KORTA has the right to convey information on the content of the merchant framework agreement, the merchant's transactions, etc., to the card companies and/or to the government even after the merchant framework agreement expires.

#### **6.5. Registration of fraudulent or terminated merchant framework agreements**

If the end of the agreement can be traced to the merchant's gross default or to the merchant's allowance of or participation in some kind of fraud, KORTA has a duty to give notice of the relevant merchant to the card companies' notification system. This applies whether KORTA or the merchant terminated the merchant framework agreement, or KORTA has rescinded it.

KORTA also has the right to register information on the merchant for internal use.

#### **6.6. Jurisdiction and resolution of disputes**

The merchant framework agreement falls under Icelandic law. If a dispute arises between the parties to the merchant framework agreement or on its construction that cannot be resolved by agreement, the dispute may be brought before the District court in Reykjavik. Attention is also called to the fact that merchants can also refer a dispute regarding financial claims and private legal interests to the Complaints Committee on Transactions with Financial Firms. The committee is housed at the Financial Supervisory Authority, Iceland, see [www.fme.is](http://www.fme.is).

## 7. SPECIAL RULES FOR MERCHANTS USING THE DCC PAYMENT TRANSFER SYSTEM

### 7.1. DCC payment transfer system

If the merchant offers a DCC payment transfer system with conversion of payment card transfers into the cardholder's currency, i.e., before a payment card transfer is turned over to KORTA, the following procedure shall be followed.

With the cardholder's agreement the DCC payment transfer system may be used to convert transactions from ISK to the following currencies: EUR, USD, GBP, SEK, NOK, CHF, CAD, DKK.

Before a payment is executed, the cardholder shall select the currency in which he wishes to pay, and the cardholder's consent shall also already be established on the basis of the declared exchange rate. If the cardholder does not agree to the conversion, the merchant shall execute the aforementioned card transaction in ISK.

The foreign exchange listing that shall be used for conversion comes daily from the Central Bank of Iceland.

The approved surplus on the foreign exchange listing appears in an offer displayed on a POS device or a printed receipt slip.

Settlement of DCC card transactions is based on the original transaction amount in ISK. The commission in a DCC conversion is based on the original transaction amount in ISK and is in accordance with the merchant framework agreement on payment service.

A DCC conversion can only occur when payment is made with MasterCard and Visa payment cards. KORTA reserves the right to set a minimum amount for a transactions, where DCC is offered.

## 8. SPECIAL RULES—CAR RENTAL

### 8.1. General

The operation of car rentals requires a permit in accordance with the Act on Car Rentals no. 64/2000. If changes occur in the merchant's operating permit, the merchant is obligated to immediately notify KORTA of this.

The following rules apply to MasterCard and Visa since it is not possible to debit domestic debit cards, Maestro, Visa Electron and V PAY retrospectively.

It is possible to accept domestic debit cards, Maestro, Visa Electron and V PAY, as payment for a car rental when the customer picks up/returns a car. These cards must always be read electronically, and a PIN or signature shall be used.

### 8.2. Authorisation when a car is picked up

When the cardholder picks up a rented car, the car rental shall apply for authorisation regarding payment of the rental agreement. The authorised amount shall be determined on the basis of the following information:

- Planned length of the rental period.
- Rental price of car involved.
- Taxes and fees.
- Kilometer charge.

If the cardholder does not sign a separate insurance agreement, the car rental may not calculate into the amount a deductible or an amount estimated for compensation of possible damage. A car rental shall inform the cardholder what amount has been authorised at the same time as the car is rented. If the cardholder's use exceeds the authorised amount for the rental period, e.g., regarding extension of the rental period, the relevant car rental can, up to the time the car is returned, apply for further authorisation for the difference between the previously authorised amount and the new estimated amount.

### 8.3. Final transaction amount

If the final transaction amount does not exceed 15% of the authorised total amount, the car rental does not have to apply for further authorisation. On the other hand, if the final transaction amount exceeds 15% of the already authorised total amount, the car rental shall apply for authorisation of the part of the transaction amount that has not been authorised. The last received authorisation code shall be entered into the transaction information that is sent to KORTA.

### 8.4. Retrospective debit transaction

The car rental can retrospectively debit or change the transaction amount if the cardholder has consented unequivocally to this in writing when signing the rental agreement. A car rental may only debit retrospectively or change an amount regarding:

- Fuel.
- An addition to an already paid car rental.
- Costs/fees regarding parking places.
- Other small amounts.

A retrospective debit transaction shall be made not later than 90 calendar days after the date of the original transaction.

When making a retrospective debit transaction, e.g. regarding a fine for a stopping violation, the car rental shall deliver to the cardholder documents from the relevant authority, including the car's registration number, time and place of the violation and the amount in the currency of the state where the violation occurred, e.g., ISK.

A car rental shall file the transaction receipt (sales receipt slip) regarding a retrospective debit transaction and write "signature on file" in the signature box. A car rental shall notify the cardholder in writing, e.g. by email, of a retrospective debit transaction as soon as it is made and send a copy of the receipt to the cardholder. The notice shall specify the reason for the retrospective debit transaction.

A retrospective debit transaction because of damage to or theft of an car may only be executed when the cardholder has consented to this, in writing and unequivocally, when signing the rental agreement. The car rental shall notify the cardholder of a retrospective debit transaction regarding the above within 10 days from the agreed return date of the car. This shall be done in writing, e.g. by email, and the car rental shall deliver the following to the cardholder:

- Copy of the rental agreement.
- Estimated cost of repairs. The estimate shall be confirmed by a recognised repairer.
- A copy of the police report in connection with the cause of the damage, if available.
- Documents showing that the cardholder has agreed to pay for damage to or theft of the car with his payment card.
- Other important documents.

- Copy of the car rental's insurance policy if the car rental demands that the cardholder pay deductible in connection with damages.
- Otherwise the car rental can enclose a copy of the aforementioned rental agreement, where the payment card holder, by signing the relevant provisions of the agreement, has clearly agreed to pay a deductible.
- Copy of transaction receipt for the amount debited retrospectively.

## 9. SPECIAL RULES—HOTELS AND OVERNIGHT ACCOMMODATIONS

### 9.1. General

The operation of establishments offering overnight accommodations requires a permit in accordance with the Act on Restaurants, Overnight Accommodations and Entertainment no. 85/2007. If changes occur in the merchant's operating permit, the merchant is obligated to immediately notify KORTA of this.

The following rules apply to MasterCard and Visa, regarding provisions on booking confirmation, no-shows, prepayment/security deposit, expedited checkout and retrospective debit transactions. The rules do not apply to domestic debit cards, Maestro, Visa Electron and V PAY.

It is possible to accept domestic debit cards, Maestro, Visa Electron and V PAY, as payment for accommodations when a guest comes to the place, i.e. is present. These cards must always be read electronically, and a PIN or signature shall be used.

### 9.2. Confirmed booking

If the merchant requests the use of card numbers as security for bookings, the merchant shall follow the rules on confirmed bookings.

#### 9.2.1. Cardholder's booking

When the cardholder books accommodations, the relevant merchant shall inform him of the price of the room booked and provide the full name and address of the merchant. The merchant shall also inform the cardholder that authorisation will be applied for when he arrives and tell him the rules on cancellations, including the fact that the cardholder's account will be debited for the accommodations if cancellation is not made by the cancellation deadline.

When booking, the merchant shall register the cardholder's name, address, card number and the card's expiration date. Finally, the merchant shall deliver to the cardholder the booking number for his files. If the cardholder requests, the merchant shall prepare a written confirmation, stating the following:

- Name of the cardholder, part of the card number and the card's expiration date.
- Booking number.
- Full address of the merchant.
- Important rules, including rules on cancellation.
- Other important information.

#### 9.2.2. Cancellations

The merchant shall approve all cancellations received before expiration of the cancellation deadline.

**Visa:** The cancellation deadline shall not be more than 72 hours before arrival time. If the cancellation deadline is 6 PM local time on the planned arrival date, the merchant shall send its cancellation rules (including information on the cancellation deadline) to the cardholder. If the cardholder orders less than 72 hours from the arrival time, the cancellation deadline may at the earliest be until 6 PM local time for the planned arrival date.

**MasterCard:** The cancellation deadline is always until 6 PM local time on the planned arrival date.

#### 9.2.3. All cards

When accommodations are cancelled at the correct time, the merchant involved shall deliver to the cardholder the cancellation number for his files.

If the cardholder requests confirmation of the cancellation in writing, the merchant shall send the cardholder confirmation, stating the following information:

- Name of the cardholder.
- Part of the card number.
- Expiration date of card.
- Cancellation number.
- Other important information.

#### 9.2.4. No-show

In the event the cardholder does not show up and has not cancelled his accommodations before the cancellation deadline expires, the merchant can debit the cardholder's account for his accommodations in accordance with the reservation made. The merchant shall prepare a transaction receipt, stating the following:

- Name of merchant
- Cost of accommodations in addition to any taxes and fees.
- Date of no-show.
- Cardholder's name.
- Part of the card number.
- Expiration date of card.
- The words "guaranteed reservation/no-show" in the signature box of the receipt.

The merchant shall follow the regular procedures regarding authorisation and submission of payment receipts. The merchant shall send a copy of the payment receipt to the cardholder not later than three work days after the date of the transaction.

The merchant shall keep registration forms/documents, showing the assigned accommodations, at least 20 months from the date the payment receipt is sent to KORTA.

#### 9.2.5. Overbooking

If booked accommodations are not available for the cardholder during regular registration hours, the merchant shall, at no cost to the cardholder,

- Procure for the cardholder comparable overnight accommodations elsewhere.
- See to moving to those accommodations at no cost to the cardholder.
- Offer the cardholder a three-minute phone call (local or long distance) if the cardholder requests it.
- Send a message to the cardholder's new accommodations if the cardholder requests.

### 9.3. Prepayment/security deposit

If the merchant requests to use a card number for prepayment/payment of a security deposit for accommodations, it shall observe the rules on prepayment/security deposits.

#### 9.3.1. Cardholder's booking

When a cardholder books accommodations, the merchant shall register the cardholder's name, address, telephone number, card number and the expiration date of the card, planned arrival date and length of stay.

The merchant shall provide the cost of the accommodations along with the merchant's full name and address and estimate the transaction amount, on the basis of the planned length of stay (however, for no more than 14 days). If a security deposit is paid, it is included in the total amount the cardholder is obligated to pay.

The merchant shall inform the cardholder of its rules on cancellation. Here shall be stated whether the merchant will keep the entire prepaid amount/security deposit or part of it, should the cardholder fail to show up, at the latest, by checkout time on the intended final date of his stay and has not cancelled the accommodations within the cancellation period stated.

The merchant may retain the entire prepaid amount/security deposit, or part of it, if this does not conflict with the legislation in force. However, the merchant may not execute a transaction regarding a no-show.

Finally, the merchant shall deliver to the cardholder the booking number for his files. If the cardholder requests, the merchant shall send the cardholder confirmation in writing if there are changes in the booking.

If a dispute arises and, with respect to viewpoints on proof, objection, et cetera, KORTA recommends that the merchant request the cardholder to sign a confirmation of the booking.

#### 9.3.2. Transaction receipt

The merchant shall fill out a transaction receipt, stating the following information:

- Security amount.
- Name of the cardholder, part of the card number and the card's expiration date.
- Cardholder's telephone number and address.
- The words "advance deposit" in the signature box of the transaction receipt.
- Booking number.

- Planned arrival date.
- Date and time of the deadline the cardholder has for cancelling without losing the security deposit.

The merchant shall send a copy of the transaction receipt and rules of cancellation to the cardholder, at the latest, three work days after the date of the transaction.

### 9.3.3. Cancellations and confirmation of cancellations

The merchant shall approve all cancellations received before the cancellation deadline expires. When accommodations are cancelled at the correct time, the merchant shall deliver to the cardholder the cancellation number for his files.

Regarding repayment of a prepayment/security deposit, the merchant shall prepare a credit transaction receipt, stating the following:

- Transaction amount.
- Cardholder's name.
- Part of the card number.
- Expiration date of card.
- Cancellation number.
- The words "deposit cancellation" in the signature box the transaction receipt.

The merchant shall send the credit transaction to KORTA and send a copy of the transaction receipt to the cardholder not later than three working days after the date of the transaction.

### 9.3.4. Overbooking

If ordered accommodations are not available for the cardholder during regular registration hours, the merchant shall, without cost to the cardholder:

- Refund the entire transaction amount to the cardholder's account. The merchant shall deliver a copy of the transaction receipt to the cardholder.
- Procure comparable accommodations for the cardholder for as many nights as the planned stay (14 days maximum), or until the accommodations originally booked are available at the merchant's.
- See to moving to other accommodations.
- Offer the cardholder a three-minute phone call (local or long distance) if the cardholder requests it.
- Send a message to the cardholder's new accommodations if the cardholder requests.

## 9.4. Express checkout

### 9.4.1. Cardholder's agreement

Express checkout is advance authorisation by the cardholder, allowing the merchant to debit his account retrospectively, without a signed invoice, enabling the cardholder to leave the place of accommodation on short notice. During signing in, the payment card shall be read or run through a POS device. If a cardholder requests express checkout, he shall fill out and sign a separate form for express checkout. The merchant can get information from KORTA about the requirements for a form for express checkout.

### 9.4.2. Execution of transactions

During or after the cardholder's departure, the merchant shall prepare a payment receipt, stating the following:

- Total cost of accommodations.
- Cardholder's name.
- Part of the card number.
- Expiration date of card.
- The words "express checkout/signature on file" in the signature box of the payment receipt.

The merchant shall ensure that the payment card numbers on the form for express checkout and the payment receipt are identical.

Within three work days from the cardholder's departure, the merchant shall deliver to the cardholder a copy of the payment receipt, an itemised invoice and a copy of the signed form for express checkout.

The merchant shall follow the regular procedures regarding authorisation and submission of payment receipts. The authorisation numbers last received shall be entered into the transaction information.

The merchant shall keep the itemised invoice along with all accompanying documents and the signed form for express checkout. The documents shall be kept for at least 20 months from the date of the transaction.

## 9.5. Authorisation and final transaction amount

### 9.5.1. Authorisation

The merchant shall apply for authorisation on the arrival date or on the date when a security deposit shall be paid.

The authorised amount shall be determined on the basis of the following information:

- Planned length of stay.
- Cost of accommodations.
- Taxes and fees.
- Cost of other services.
- Cost of the services that may be debited retrospectively, with reference to the agreement with the cardholder.

Right up to the time of departure, the merchant can seek further authorisation of the difference between the previously authorised amount and the new planned amount.

### 9.5.2. Final transaction amount

When the cardholder checks out, the merchant shall calculate the final transaction amount. If the final transaction amount does not exceed 15% of the authorised total amount, the merchant does not have to apply for further authorisation.

If the final transaction amount exceeds 15% of the authorised total amount, the merchant shall apply for separate authorisation for the portion of the transaction amount that has not been authorised. The last received authorisation number shall be entered into the transaction information that will be sent to KORTA.

## 9.6. Retrospective debit transaction

If the cardholder has clearly approved this during registration, the following expense items may be debited to the cardholder's payment card after departure:

- Cost of accommodations.
- Food and beverages, e.g. use of a mini-bar.
- Telephone costs.
- Other comparable expense items.

The merchant shall enter the words "signature on file" (SOF) into the signature box on the payment receipt. The transaction information shall be sent to KORTA as soon as possible and not later than 60 calendar days after the cardholder's stay. The merchant shall notify the cardholder in writing, e.g., by email, of a retrospective debit transaction as soon as it is made and send a copy of the receipt to the cardholder. The notice shall specify the reason for the retrospective debit transaction. A copy of the payment receipt, along with documents showing the amount, shall be sent to the cardholder, at the latest, as soon as they are sent to KORTA.

## 10. DISBURSEMENT IN CASH

### 10.1. General

These rules apply to disbursement in cash and to the sale of gambling chips. Only financial institutions and registered currency brokers may make cash disbursements.

### 10.2. Procedure

A disbursement in cash can only be done with a POS device using a PIN number or a signature and with a direct connection to KORTA. An authorisation shall be sought for each and every payment card transaction.

For further details see user instructions on executing payment card transactions supported with either a PIN number or a signature, as applicable.

The following procedure shall also be followed for each and every payment card transaction:

- The merchant shall confirm that the cardholder is who he says he is by requesting him to present valid official identification papers with a picture and possibly a signature (e.g., on a passport or driver's license).

The merchant shall write the following information by hand on the transaction receipt:

- The four digits printed on the front side of the payment card.
- Type of the identification documents presented.
- Serial numbers of the identification documents.
- Possible expiration date of the identification documents (it shall be noted that the identification documents may not be expired).
- The place of issue—city and/or country—of the identification documents.
- Name of the customer.
- Clerk's signature or stamp.

With payment card transactions supported by a signature, the merchant shall compare the cardholder's signature on the receipt with the signature on payment card as well on identification documents of the person involved if they are signed.

All of the above information shall be registered on the receipt. If this is not done, the said amount may be reversed on the merchant's account at KORTA.

If the above procedure is not satisfactorily followed, the card transaction shall be rejected. The use of paper receipts/manual payment card machines is not permitted in connection with cash disbursements and/or sale of gambling chips.

## 11. SPECIAL RULES—KORTA SERVICE WEB

### 11.1. General

The following rules apply to KORTA's KORTA Service Web (KSW). Part of an application for a merchant framework agreement on payment service is access to the KORTA Service Web. Since these special rules and other provisions of the terms, cf. above, may overlap, these special rules shall apply to the KORTA Service Web. Otherwise, the provisions of the terms apply.

### 11.2. Usernames and passwords

In its transactions the merchant uses a unique username and password to KORTA's KORTA Service Web (KSW) that it has been assigned regarding data sent in to KORTA, or it has been assigned upon approval of the merchant framework agreement.

The merchant guarantees to keep all security information impregnable and be responsible for them not falling into inappropriate hands or otherwise becoming accessible. The merchant is responsible for all transactions where the correct username and password are used since such use is equivalent to the merchant's signature.

The merchant is obligated to notify KORTA immediately if it has reason to suppose that an inappropriate party has gotten hold of information on its username and/or password to KORTA's KORTA Service Web and simultaneously be assigned a new username and/or password. The above notification shall be conveyed to KORTA by telephone, +354 558 8000.

If the merchant is a legal person, it may provide further specified employees access to KORTA's KORTA Service Web. If a legal person utilises this authorisation, it must notify KORTA of the names and ID numbers of these employees. A legal person bears full responsibility for all of its employees' transactions executed with its username and password. A legal person's representatives are obligated to notify KORTA immediately if one of its employees, with access to the KORTA's KORTA Service Web, quits work. The same applies if a legal person decides to rescind the access authorisation of its individual employees. If KORTA receives such a notification, it may rescind said password immediately and temporarily suspend the user's transactions, or until it has been assigned a new password.

In order to safeguard data security, strong passwords are required. Regarding passwords on KORTA's KORTA Service Web, the following rules apply:

- A password must be changed at least every 90 days.
- A password must be changed when an inappropriate party is suspected of having gotten hold of access information.
- A password may not contain a name or username.
- A password must be at least 7 characters long.
- A password must contain both alphabetical and numerical characters.
- A password must contain both capital and lowercase letters.
- A new password cannot be the same as the previous 4 passwords.
- Access is temporarily suspended after 6 unsuccessful attempts to log in. To reactivate access, KORTA must be called.

### 11.3. Computer connection to the KORTA Service Web

The merchant bears full responsibility for the procedure and equipment it chooses to use for connecting to KORTA's KORTA Service Web regarding its customers.

KORTA is authorised to examine the merchant's technical environment and computer connections, as well as every other point related to a computer connection with KORTA regarding transactions on the KORTA Service Web.

The merchant supplies the hardware and software necessary to receive information found on KORTA's Service Web. The merchant is responsible for all use of the equipment. KORTA is not responsible for damage that may be caused directly or indirectly because of defects in or breakdown of its computer equipment and/or software or the merchant's or from other causes that could result in transactions on KORTA's KORTA Service Web not being able to complete or becoming something other than was intended.

### 11.4. Execution of transactions

The merchant cannot handle transactions in accordance with the special rules other than those registered in its name and in KORTA's custody each time. If the merchant thinks that he has gotten access to wrong data, he shall immediately notify KORTA of this. He shall also maintain the utmost confidentiality regarding the content of the data.

The merchant shall convey directions or queries to KORTA in a provable manner. Generally directions shall be given through input in a closed directory of KORTA's KORTA Service Web, i.e., after the merchant has provided its username and password. If directions are given in another manner, e.g., by telephone, KORTA has no duty to follow them. KORTA reserves the right, in all instances, to call for security information before the merchant's directions are enforced and to request confirmation of the directions given. If a dispute arises, the merchant bears the burden of proving that instructions have been given.

KORTA reserves the right not to follow directions that its employees think have not been given by the merchant if they are suspicious; the transactions are unique or unusual, relative to previous transactions, or they are unusual, relative to what is customary in comparable transactions, or it could in some way violate current laws and or rules to enforce them.

### **11.5. Notifications**

KORTA sends all notifications to the merchant by email. Email is deemed to have reached the merchant when it has the first possibility of opening the email. The merchant is responsible if its server fails to deliver email, e.g., because of computer system breakdowns.

The merchant shall notify KORTA as soon as a change is made in its address, telephone number, email address or other comparable information already provided. If KORTA does not receive a notification of a change, messages and other notifications from KORTA are deemed to be properly received by the merchant if they have been sent to an already registered and/or provided email address. In this context the merchant's domicile shall be considered a registered address unless another residence has specifically been provided in writing in an application.

### **11.6. Settlement and monitoring of settlement**

The customer undertakes to carefully monitor the balance of its payment account and all corrections that may be made to it. KORTA may correct all mistakes regarding the registering of transactions, their execution or settlement, including reversed transactions, without consulting the merchant. Otherwise, reference is made to Section 5.2 Settlement and monitoring of settlement.

### **11.7. Commissions and service fees**

Commissions and service fees regarding access to KORTA's KORTA Service Web or particular service solutions are in accordance with KORTA's current price list each time.

### **11.8. Consent to special rules on the KORTA Service Web**

KORTA reserves the right to unilaterally determine the services provided in connection with a payment account in accordance with this merchant framework agreement and on KORTA's KORTA Service Web each time and either increase or reduce them. KORTA also reserves the right to momentarily interrupt access to the KORTA's KORTA Service Web, if necessary, without notice, e.g., regarding an update, changes to a system and any kind of breakdown. KORTA reserves the right to change and/or add to these special rules without notice.

A merchant getting access to KORTA's KORTA Service Web electronically consents at the start of business relations to the special rules and usage rules by clicking on the button "Agree to terms". This consent is the equivalent of signing transactions and consent to the special rules for the transactions the merchant executes on KORTA's KORTA Service Web, if its password is used for transactions.

The parties to the agreement can at any time terminate an agreement on access to the KORTA Service Web.

KORTA may rescind an agreement on access to its KORTA Service Web without advance notice, if the merchant fails in any way to perform its duties in accordance with these special rules, such as by fraud, attempted fraud or violation of the special rules.

### **11.9. KORTA's responsibility**

These special rules govern KORTA's responsibility under Section 6.1 in the terms, cf. above.

### **11.10. Duty of confidentiality**

These special rules govern the parties' duty of confidentiality under Section 6.4 of the terms, cf. above.

### **11.11. Jurisdiction and resolution of disputes**

In these special rules Icelandic law shall apply to relations between the customer and KORTA.

These special rules govern the resolution of disputes in accordance with Section 6.6. in the general terms, cf. above.

## 12.SPECIAL RULES – FOR INTERNATIONAL E-COMMERCE

### 12.1. General

The following terms and rules are an inseparable part of a KORTA merchant agreement and apply specially for all merchants using international E-commerce payment services. An application for a merchant framework agreement on payment service includes international E-commerce payment services. Since these special terms and rules and other provisions of the terms, cf. above, may overlap, these terms and rules shall apply to the international E-commerce payment services. What these rules do not cover is covered by other provisions of the terms. In some of the following terms, a reference is made to ISO's, these references only apply to ISO's in the cases where ISO's are used, which also includes the services of other payment service providers, processors or gateways.

### 12.2. International E-commerce rules

In consideration of the mutual promises and covenants contained in the Merchant Framework Agreement ("Agreement"), the parties agree as follows:

12.2.1 The Merchant agrees to participate in the card processing services program established by KORTA.

12.2.2 During the term of this Agreement, subject to the terms and conditions of this Agreement, the ISO agrees to perform certain services, on behalf of the Merchant in order to allow the Merchant to accept and process Transactions. The ISO shall provide the Merchant with the Services indicated in the Merchant Application Form, as amended from time to time by KORTA, during the term of this Agreement, subject to the terms and conditions of this Agreement.

12.2.3 KORTA agrees to provide the Merchant with the Services indicated in the Merchant Application Form, as amended from time to time by KORTA, during the term of this Agreement, subject to the terms and conditions of this Agreement.

12.2.4 In the performance of its duties hereunder, the ISO shall be an independent contractor, and not an employee or agent of KORTA.

12.2.5 Compliance with association rules: The Merchant agrees to comply with the bylaws, rules, regulations, policy statements and guidelines of the Card companies.

12.2.6 Term: This Agreement shall become effective when signed by all parties and, unless sooner terminated, shall remain in effect for a term of three (3) years. This Agreement shall renew automatically for a successive terms of three (3) years each, unless any party provides written notice of termination to the other parties at least 90 days prior to the end of the then-current term. All existing obligations, warranties, indemnities and agreements with respect to Transactions entered into before such termination shall remain in full force and effect, and the Merchant shall remain liable for all obligations to the Cardholders and KORTA incurred while this Agreement was in effect.

12.2.7 A Merchant Operating Account ("Operating Account") is established for each merchant at KORTA, through which fees, charges and credits due in accordance with this Agreement may be processed. The Merchant authorizes KORTA to debit all amounts the Merchant owes KORTA or ISO hereunder from the Operating Account, at times deemed appropriate by KORTA. The Merchant waives any claims for loss or damage arising out of any charges or debits to the Operating Account.

12.2.8 Upon, or at any time after, execution of this Agreement, KORTA may establish a Merchant Reserve Account within its own account structure or at any financial institution designated by KORTA ("Merchant Reserve Account"), for all future indebtedness of the Merchant to KORTA or the ISO that may arise out of or relate to the obligations of Merchant under this Agreement, including, but not limited to, Chargebacks and fees, in such amount as determined by the Card companies or KORTA from time to time may determine in its sole discretion. KORTA may fund the Merchant Reserve Account by deduction from payments due to Merchant or a charge against the Operating Account or against any of Merchant's accounts at KORTA. The Merchant Reserve Account will be maintained for a minimum of 12 months after the date on which this Agreement terminates or until such time as KORTA determines that the release of the funds to the Merchant is prudent, in the best interest of KORTA, and commercially reasonable, and that the Merchant's account with KORTA is fully resolved. Upon expiration of this 12-month period (or longer, as the case may be), any balance remaining in the Reserve Account will be paid to the Merchant. KORTA will inform the Merchant in writing of any charges debited to the Merchant Reserve Account during this period. The calculation of the Merchant Reserve Account shall be as described in the Agreement. The Merchant may not make changes in the Merchant Reserve Account without KORTA's consent.

12.2.9 The Merchant hereby agrees that if the Merchant Reserve Account is held at a financial institution, KORTA may appoint a trustee, on its own discretion, to manage the Merchant Reserve Account with accordance to the terms specified in this agreement with regard to the Merchant Reserve Account.

12.2.10 The Merchant shall pay KORTA all fees specified in the Agreement, as amended by KORTA, from time to time. For each Transaction, KORTA will e.g. charge the Merchant as :

- a. An amount equal to a specified percentage of the total cash price of each Transaction ("Merchant Discount Rate" or "Merchant Service Fee");

- b. A specified amount per Transaction ("Transaction Fee");
- c. A specified amount per Authorization ("Authorization Fee").

The Merchant Discount Rate, Authorization Fees and Transaction Fees are set forth in the Agreement. The Merchant Discount Fees are based on sales, not net sales. Different Merchant Discount Rates may apply to Qualified and Non-Qualified Transactions, as defined in the Merchant Agreement. The Merchant agrees that KORTA will deduct Merchant Discount Fees from the Operating Account or the Merchant Reserve Account on a daily basis. The Merchant also agrees to pay KORTA the amount of any fees, charges, fines or penalties assessed against KORTA by any Card company or Issuer for the Merchant's violation of the by-laws, rules, regulations, guidelines, policy statements or threshold requirements of such parties. The Merchant shall pay KORTA for any other services provided to the Merchant by KORTA and for all other fees, including, but not limited to monthly service fees, Chargebacks and set-up fees provided for in this Agreement, as shown in the Merchant Framework Agreement.

12.2.11 All amounts that the Merchant owes KORTA may be charged to the Operating Account or the Merchant Reserve Account, recouped by adjustment to any credits due to the Merchant, or set off against any account or property KORTA holds for, or on behalf of, the Merchant.

12.2.12 As security for the performance by the Merchant of all of its obligations under this Agreement, the Merchant hereby grants to KORTA a security interest in the funds held in the Operating Account and in the Merchant Reserve Account. The Merchant will execute and deliver to KORTA such documents, in a satisfying form, as KORTA may reasonably request in order to perfect KORTA's security interest in the Operating Account and the Merchant Reserve Account, and will pay all costs and expenses of filing the same or of filing this Agreement in all public filing offices, where filing is deemed by KORTA to be necessary or desirable. KORTA is authorized to file financing statements relating to the Operating Account and the Merchant Reserve Account without the Merchant's signature where authorized by law.

12.2.13 The Merchant appoints KORTA as its attorney-in-fact to execute such documents as are necessary or desirable to accomplish perfection of any security interests. This appointment is coupled with an interest and shall be irrevocable as long as the Merchant owes any amount to KORTA or the ISO.

12.2.14 In processing Transactions, the Merchant shall use only software programs provided by the ISO or approved by the ISO ("Software") and related equipment installed or approved by the ISO, subject to KORTA's approval, and the following additional terms:

- a. The software to be provided or installed, the quantity of such Software and the location for installation shall be specified in the Merchant Application Form. The Software shall be suitable for processing the Services;
- b. The Merchant will provide, at the Merchant's expense, suitable electric power and telephone services and will pay for any alterations to the Merchant's premises required to properly locate the Merchant's computer hardware running the Software;
- c. The Merchant shall permit telephone equipment installers and computer hardware installers to enter its premises to install, replace, retrofit, inspect, relocate, disconnect, remove, repair or maintain telephone lines and equipment and computer hardware;
- d. The Merchant shall provide the information required by the merchant input form provided to the Merchant by the ISO and shall promptly notify the ISO and KORTA of any changes in this information;
- e. If the Merchant is using Software, the Merchant acknowledges receipt of a copy of the Software User's Guide. Merchant will use and operate the Software only in accordance with the Software Users' Guide, as amended from time to time by KORTA or the ISO;
- f. The Merchant acknowledges that the installation of the Software and equipment is subject to: (1) the availability of suitable communication lines, equipment terminals and related equipment; and (2) the cooperation of the Merchant with the electric and communication companies. KORTA will have no liability to the Merchant if any installation is delayed or cannot be completed. The ISO will not have liability to the Merchant if any installation is delayed or cannot be completed for reasons not caused by the act or neglect of the ISO;
- g. All Software shall be installed and operated in accordance with the instructions provided by the ISO.

12.2.15 The Merchant acknowledges that its use of the Software is in accordance with the terms of the license granted by the ISO or the owner of the Software. It is licensed to the Merchant and not sold. The Software and accompanying printed materials, if any, are protected by copyright laws and international copyright treaties, as well as other intellectual property laws and treaties. The Merchant is prohibited from copying the Software and accompanying printed materials. The Merchant shall not sell, lease, encumber or otherwise dispose of the Software. The Merchant acknowledges that the

proper functioning of the Software requires computer hardware suitable to operate the Software application. The ISO will not have any liability to the Merchant if the Software fails to operate because of the Merchant's inappropriate, inadequate or faulty computer hardware, because of the failure of the Merchant, its employees and agents to operate the Software properly in accordance with the instructions provided by the ISO or because of the neglect or misuse of the Software by the Merchant, its employees or agents. If the Software fails to operate for any other reason not attributable to the Merchant, the liability of the ISO shall be limited to the repair or replacement of the Software. KORTA shall have no liability to the Merchant for any Software.

12.2.16 Data Connection: In the event the Merchant requires the installation of a dedicated data connection for electronic transmissions to the ISO, the Merchant shall make arrangements for such installation and the maintenance thereof with the ISO. The ISO shall coordinate the installation and maintenance of the dedicated data connection. The Merchant shall pay the ISO for all costs related to the installation and maintenance of the dedicated data connection.

12.2.17 Documenting Transactions. The Merchant shall submit the following information to KORTA in connection with Transaction processing:

- a. The DBA ("Doing Business As") name of the Merchant, name of the Merchant and the Merchant's address;
- b. The Merchant's customer service telephone number if the Transaction is a mail, telephone or Internet Transaction;
- c. The Merchant's Internet address and e-commerce indicator;
- d. The Merchant Number assigned to the Merchant by KORTA;
- e. The Card account number, validation date and/or expiration date of the Card, if one appears on the Card;
- f. The address and telephone number of the Cardholder and Visa CVV2 or MasterCard CVC2 number if the Transaction is a mail, telephone or Internet Transaction;
- g. The Name, address and telephone number of Cardholder; and
- h. Such additional information as may from time to time be required by KORTA and/or the relevant Issuer.

The Merchant shall not submit a Transaction to KORTA (electronically or otherwise) until the Merchant has performed its obligations to the Cardholder in connection with the Transaction or obtained Cardholder's consent for a Pre-Authorized Recurring Order Transaction. The Merchant shall not transmit any Transaction to KORTA that the Merchant knows or should have known to be fraudulent or not authorized by the Cardholder. The Merchant is responsible for its employees' actions. The Merchant may transmit a Transaction that effects a prepayment of services or full prepayment of custom-ordered merchandise, manufactured to a Cardholder's specifications, if the Merchant advises the Cardholder of the immediate billing at the time of the Transaction and within time limits established by the Card companies.

12.2.18 Authorization for Full Recourse Transactions. The Merchant shall obtain Authorization of Transactions as follows:

- a. All Full Recourse Transactions are at the Merchant's risk. As to each Full Recourse Transaction, the Merchant warrants to KORTA that the person whose name is submitted to KORTA as Cardholder made the purchase. Upon breach of this warranty, KORTA may charge back the Transaction to the Merchant. If KORTA charges back the Transaction to the Merchant: (i) the Merchant shall pay KORTA the amount of the Transaction, any Chargeback fee in the Agreement, plus any Card company fine or assessment; and (ii) KORTA may charge all such amounts to the Operating Account or Merchant Reserve Account without prior notice to the Merchant;
- b. All Full Recourse Transactions must be electronically authorized via Software application and, in addition to the information required in Section 19 of this Agreement, each such request for Authorization also shall include: (i) an Authorization code, if required; (ii) the Cardholder's address and Address Verification results; and (iii) in lieu of the Cardholder's signature, a notation of (A) mail order (MO), (B) telephone order (TO), (C) e-commerce order (EO), or (D) pre-authorized order (PO) on the signature line;
- c. If the Merchant accepts a Pre-Authorized Recurring Order Transaction, the Cardholder shall execute and deliver to the Merchant a written request for this pre-authorization. This written request shall be maintained by the Merchant and made available upon request to KORTA. All annual billings must be reaffirmed at least once each year. The Merchant shall not deliver goods or perform services covered by a pre-authorization order after receiving notification from the Cardholder that the pre-authorization is canceled or from KORTA that the Card covering the pre-authorization is not to be honored; and
- d. The Merchant shall verify Cardholder's address with the Card company network. For telephone or mail order sales, the Merchant shall transmit a ticket/invoice number and shall perform address verification in order to qualify for the Qualified Merchant Discount Rate.

12.2.19 The Merchant shall not do any of the following with respect to any Transaction:

- a. Impose a surcharge on a Cardholder who elects to use a Card in lieu of payment by cash, check or other mode of payment;

- b. Charge a Cardholder more than the amount the Cardholder would pay if payment were made by cash or check;
- c. Establish a minimum or maximum dollar Transaction amount;
- d. Obtain multiple Authorizations for amounts less than the total sale amount;
- e. Obtain Authorization for purposes of setting aside Cardholder's credit line for use in future sales;
- f. Extend credit for or defer the time of payment of the total cash price in any Transaction;
- g. Honor a Card except in a Transaction where a total cash price is due and payable;
- h. Make any special charge to or extract any special agreement or security from any Cardholder in connection with any Transaction;
- i. Transmit or accept for payment any Transaction that was not originated directly between the Merchant and a Cardholder for the sale or lease of goods or the performance of services of the type indicated in the Merchant's application for card processing services initially submitted to and approved by KORTA;
- j. Honor or accept a Card as payment for any legal services or expenses arising out of or related to: (i) the defense of any crime other than a traffic violation; (ii) any domestic relations matter where such services or expenses are furnished to a person whose name is not embossed on a Card; or (iii) any bankruptcy, insolvency, compromise, composition or other process affecting Cardholder's creditors;
- k. Use the Merchant's own Card, or one to which the Merchant has access, to process a Transaction for the purpose of obtaining credit for the Merchant's own benefit;
- l. Redeposit a previously charged Transaction, regardless of whether the Cardholder consents;
- m. Initiate a Transaction credit without a balance in the Operating Account equal to the credit;
- n. Use the Software or any data received thereon for any other purpose other than for determining whether or not the Merchant should accept checks or Cards in connection with a current sale or lease of goods or services;
- o. Use the Software or any data received thereon for credit inquiry purposes or any other purpose not authorized by this Agreement;
- p. Draw or convey any inference concerning a person's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living when any Card or check is processed as non-accepted;
- q. Disclose any information obtained through the Software to any person except for necessary disclosures to affected Cardholders, KORTA and/or the Issuer;
- r. Add any tax to Transactions unless applicable law expressly requires that the Merchant be permitted to impose a tax. Any tax, if allowed, must be included in the Transaction amount and not collected separately;
- s. Disburse funds in the form of travelers checks, if the sole purpose is to allow the Cardholder to make a cash purchase of goods or services from the Merchant;
- t. Disburse funds in the form of cash;
- u. Accept a Card to collect or refinance an existing debt;
- v. Issue a transaction credit for returned goods or services acquired in a cash transaction;
- w. Make any cash refund to a Cardholder who has made a purchase with a Card. All transaction credits will be issued to the same Card account number as the sale; or
- x. Accept a card for sales by third parties.

12.2.20 Prohibition of Furnishing Account Information: The Merchant shall not, without the Cardholder's consent, sell, purchase, provide or exchange Card account number information in the form of Transaction documents, carbon copies of imprinted Transaction documents, mailing lists, tapes, journal rolls or other media obtained by reason of a Card to any third party.

12.2.21 Reconciliation of Transactions:

- a. Electronically Transmitted Transactions: Transactions will be settled in accordance with the settlement terms of the Agreement. KORTA shall deliver payment to the Merchant as soon thereafter as practicable by a credit to the Operating Account equal to the reconciled summary Transaction total of all of the Merchant's total summary Transactions since the previous credit. This credit will be reduced, if necessary, by: (i) the sum of all Cardholder charges denied, refused or charged back; (ii) all refunds processed on account of Cardholders during said time period; (iii) the fees and charges, including Chargebacks, the Merchant owes KORTA or the ISO hereunder; (iv) all taxes, penalties,

finest, charges and other items incurred by KORTA that are reimbursable pursuant to this Agreement; and (v) all rates, fees and charges described in the Agreement.

- b. **Reconciliation of Transactions:** The Merchant shall reconcile each settled Transaction within fifteen (15) days after the date on which such Transaction is submitted to KORTA for payment, and shall notify KORTA and the ISO immediately of any discrepancies or errors the Merchant notes as a result of such reconciliation. Neither KORTA nor the ISO shall have any responsibility or liability for Transaction-related errors or omissions that are brought to their attention more than thirty (30) days after the date on which the Transaction to which such error or omission relates is first presented to KORTA for settlement.
- c. **Provisional Credit:** Any credits to the Operating Account are provisional only and subject to revocation by KORTA until such time that the Transaction is final and no longer subject to Chargeback by the Issuer, Cardholder or Associations. KORTA may withhold payment for a Transaction to Merchant, for any reason, for a period of time not to exceed seven Business Days from the processing date of a Transaction.

12.2.22 **Adjustments and Returns:** The Merchant will maintain a fair exchange and return policy and make adjustments with respect to goods and services sold and/or leased to its customers whenever appropriate. If goods are returned, or services are terminated or canceled, or any price is adjusted, the Merchant will prepare and transmit a credit or return Transaction, either electronically or by paper, for the amount of the adjustment as a deduction from the total amount of Transactions transmitted that day. If the amount of credit or return Transactions exceeds the amount of sales Transactions, the Merchant shall pay KORTA the excess. The Merchant shall make no cash refunds on Transactions and shall handle all credit adjustments as provided in this Section. If no refund or return will be given, Cardholder must be advised in writing that the sale is a "final sale" and "no returns" are permitted at the time of the Transaction. Cardholder also must be advised in writing of any policy of the Merchant that provides for no-cash refunds and in-store credit only. The Merchant shall follow Card company reservation/no-show policies. The Merchant shall notify Cardholders in writing of this policy on all advance reservations. The Merchant also shall notify Cardholders at the time of the reservation of the exact number of days required for reservation deposit refunds.

12.2.23 **Chargebacks.** The acceptance by KORTA of any Transaction processed in accordance with the terms of this Agreement shall be without recourse to the Merchant, except for: (i) Full Recourse Transactions; (ii) as otherwise indicated in this Agreement; and (iii) as follows:

- a. No specific prior Authorization for the Transaction was obtained from the Authorization Center, the approval number does not appear in the electronic transmittal that is maintained by KORTA, or the Transaction was submitted to KORTA or the ISO thirty (30) days or more after the date on which the goods and/or services to which the Transaction relates were purchased or leased by the relevant Cardholder;
- b. The Transaction was based on a pre-authorization form and the Card on which the Authorization was based has been canceled and the Merchant was so notified prior to the Transaction;
- c. The Card giving rise to the Transaction was canceled and prior to, or at the time of, the Transaction, the Merchant received notice of the cancellation through the electronic terminal, in writing or otherwise;
- d. The Card expired prior to the date of the Transaction or the date of Transaction was prior to the validation date;
- e. The information required in Sections 18 and 19(b) above was not submitted to KORTA;
- f. KORTA or the Issuer has received a complaint from or on behalf of a Cardholder stating that there is an unresolved dispute or defense to a charge (whether or not valid) between the Merchant and the Cardholder;
- g. The Cardholder makes a written complaint to KORTA or the Issuer that the Cardholder did not make or authorize the Transaction;
- h. A setoff or counterclaim of any kind exists in favor of any Cardholder against the Merchant that may be asserted in defense of an action to enforce payment against the Cardholder in a Transaction;
- i. The Transaction was made at or by a Merchant other than the Merchant named in this Agreement;
- j. The Transaction otherwise violates the terms of this Agreement or any other Association or Issuer bylaw, rule, regulation, policy or guideline;
- k. A Transaction is charged back by an Issuer;
- l. Any representation or warranty made by the Merchant in connection with the Transaction is false or inaccurate in any respect.

In any such case, KORTA shall not be obligated to accept a Transaction for credit to the Operating Account. If KORTA has credited the Operating Account or Merchant Reserve Account for such a Transaction, KORTA may return the Transaction to the Merchant, and the Merchant shall pay KORTA the amount of the Transaction. The Merchant agrees that KORTA, without prior notice to the Merchant, may (i) charge the amount of the Transaction to the Operating Account or Merchant Reserve Account;

(ii) recoup the amount of the Transaction by adjustment of the credits due to the Merchant; or (iii) set off the amount of the Transaction against any account or property KORTA holds for or on behalf of the Merchant. If the Merchant disagrees with KORTA's decision to charge back a Transaction, the Merchant must so notify KORTA in writing within 10 days of the Chargeback, and provide documentation that the dispute has been resolved to Cardholder's satisfaction or proof that a credit has been issued.

Without limiting the generality of any other provision of this Agreement, if KORTA or the ISO, take legal actions against the Merchant for any Chargebacks or any amounts due to KORTA or the ISO hereunder, the Merchant shall pay the costs and attorneys' fees incurred by KORTA and/or the ISO, whether suit is commenced or not.

12.2.24 Merchant Statement. At least once per month, KORTA, or the ISO under KORTA's direction, shall provide the Merchant with a Merchant Statement. All information appearing on the Merchant Statement shall be deemed accurate and affirmed by the Merchant unless the Merchant objects by written notice specifying the particular item in dispute within 30 days of the date of the Merchant Statement.

12.2.25 Retention of Original Sales Information: The Merchant shall retain the information required by Sections 18 and 19(b) for seven years from the date of the Transaction. At the request of KORTA, the Merchant shall provide such information to KORTA or the ISO, as directed by KORTA, within five (5) days of receipt of a request from KORTA. Failure to meet such time frame or non-delivery of any item or delivery of an illegible copy of an item requested by an Issuer shall constitute a waiver by the Merchant of any claims and may result in an irrevocable Chargeback for the full amount of the Transaction.

12.2.26 Recovery of Cards. The Merchant will use its best efforts to reasonably and peaceably recover and retain any Card for which the Merchant receives notification of cancellation, restrictions, theft or counterfeiting. This notice may be given: (i) electronically through the terminal or Software; (ii) by the Authorization Center through any means; or (iii) by listing on any canceled Card or restricted Card list. The Merchant shall also take reasonable steps to recover a Card that it has reasonable grounds to believe is counterfeit, fraudulent or stolen.

12.2.27 Customer Complaints. The Merchant shall respond promptly to inquiries from Cardholders and shall resolve any disputes amicably. If unresolved disputes occur with a frequency unacceptable to KORTA, KORTA may terminate this Agreement. KORTA reserves the right to charge the Merchant reasonable fees and reimbursement on account of excessive Cardholder inquiries, refunds or Chargebacks. The Merchant agrees to maintain the following information in writing with respect to each claim or defense asserted by a Cardholder for which the Merchant has received notice:

- a. The Cardholder's name;
- b. The Card account number;
- c. The date and time the Cardholder asserted the claim or defense;
- d. The nature of the claim or defense; and
- e. The action that the Merchant took in an attempt to resolve the dispute.

Upon request, the Merchant shall furnish KORTA with this information in writing within 10 days.

12.2.28 The Merchant shall treat all information received in connection with this Agreement as confidential. The Merchant shall prevent the disclosure of this information except if required so by this Agreement or by law, and not before KORTA and the ISO are notified of the disclosure.

12.2.29 Card companies' and Issuers' Requirements. The Merchant shall comply with all bylaws, rules, regulations, policies and guidelines of the Card companies and any Issuer whose Cards are used to process Transactions in accordance with this Agreement. The Merchant will display prominently at its place of business Card emblems and other promotional material and literature provided by KORTA directly or through the ISO. Subject to the prior written consent of KORTA and upon such conditions as authorized by KORTA, the Merchant may use Card service marks or design marks in its own advertisement and promotional materials.

12.2.30 Compliance with Applicable Law. The Merchant represents and warrants that it has obtained all necessary regulatory approvals, certificates and licenses to sell any product or provide any service it intends to offer. The Merchant shall comply with all present and future federal, state and local laws and regulations.

12.2.31 Taxes. Each party shall pay all taxes imposed on it and of all payments made hereunder taxes shall be withheld and deducted in strict accordance with applicable law, including withholding taxes at source unless receiving Party presents the paying Party a valid exemption from such withholding. Furthermore, the ISO and/or the Merchant agree to indemnify and hold KORTA and/or the ISO harmless against and from any and all liability for any such tax or interest or penalty thereon, including without limitation, liabilities relating to the necessity to withhold, or to have withheld, any such tax from any payment made to the Merchant and/or the ISO. If KORTA is required to pay any taxes, interests, fines or penalties owed by the Merchant and/or the ISO, said amount shall become immediately due and payable to KORTA or if the ISO is required to pay any taxes, interests, fines or penalties owed by the Merchant, said amount shall become immediately due and payable to ISO. If excise, sale or use taxes are imposed on any payment due or paid to the Merchant and/or the ISO,

the ISO shall be responsible for the collection and payment thereof. KORTA shall be entitled to recover any of said taxes paid by it on behalf of the Merchant and/or the ISO from the Merchant and/or the ISO immediately after payment.

12.2.32 Limitation of Liability. In addition to all other limitations on the liability of KORTA and the ISO contained in this Agreement, neither KORTA nor the ISO shall be liable to the Merchant or the Merchant's customers or any other person for any of the following:

- a. Any loss or liability resulting from the denial of credit to any person or the Merchant's retention of any Card or any attempt to do so;
- b. Any loss caused by a Transaction downgrade resulting from defective or faulty Software regardless if owned by KORTA, the ISO or the Merchant;
- c. The unavailability of Services caused by the termination of contracts with computer hardware vendors, processors or installers, whether terminated by KORTA, the ISO or any other person for any reason; or
- d. Interruption or termination of any Services caused by any reason except for failure of ISO to repair or replace Software or to use due care in selecting computer hardware installers; and in such cases, any liability shall be solely that of the ISO and the liability of the ISO shall be limited to a waiver of terminal or software fees due under this Agreement.

NEITHER KORTA NOR THE ISO SHALL BE LIABLE FOR ANY LOST PROFITS, PUNITIVE, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES TO THE MERCHANT OR TO ANY THIRD PARTY IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE SERVICES TO BE PERFORMED BY KORTA OR THE ISO PURSUANT TO THIS AGREEMENT.

THE MERCHANT ACKNOWLEDGES THAT KORTA HAS PROVIDED NO WARRANTIES, EITHER EXPRESSED OR IMPLIED, WRITTEN OR ORAL, INCLUDING, BUT NOT LIMITED TO, ANY IMPLIED WARRANTY OF THE MERCHANT ABILITY, NON-INFRINGEMENT OR FITNESS FOR A PARTICULAR PURPOSE, WITH RESPECT TO ANY SOFTWARE INSTALLED OR PROVIDED BY THE ISO AND THAT KORTA HAS NO LIABILITY WITH RESPECT TO ANY SOFTWARE. KORTA MAKES NO REPRESENTATIONS OR WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE SERVICES IT PROVIDES HEREUNDER. SHOULD THERE BE ERRORS, OMISSIONS, INTERRUPTIONS OR DELAYS RESULTING FROM KORTA'S OR THE ISO'S PERFORMANCE OR FAILURE TO PERFORM OF ANY KIND, KORTA'S AND THE ISO'S LIABILITY SHALL BE LIMITED TO CORRECTING SUCH ERRORS IF COMMERCIALY REASONABLE OR SUPPLYING SUCH OMISSIONS IN THE WORK PRODUCT IN WHICH THEY HAVE OCCURRED.

12.2.33 Limitation on Damages. In no case shall the Merchant be entitled to recover damages from the ISO or KORTA that exceed the fees retained by KORTA and the ISO pursuant to this Agreement during the one month period immediately prior to the event giving rise to the claim for damages.

12.2.34 Indemnification. The Merchant agrees to indemnify and hold KORTA and the ISO harmless from any and all losses, claims, damages, liabilities and expenses, including attorneys' fees and costs (whether or not an attorney is an employee of KORTA or KORTA's affiliates, the ISO or affiliates of the ISO) arising out of any of the following:

- a. The Merchant's failure to comply with this Agreement;
- b. Any act or omission of the Merchant;
- c. The Merchant's failure to comply with the Software User's Guide;
- d. The Merchant's failure to comply with any bylaw, rule, regulation, guideline or policy of any Association or Issuer;
- e. The Merchant's failure to comply with any applicable law, rule or regulation;
- f. Fees and fines levied against KORTA or the ISO as the result of the Merchant exceeding one or more Association thresholds or standards. If any such fee or fine is imposed on KORTA or the ISO as a result of the activities of more than one merchant, such fee or fine will be assessed to the merchant proportionately, as determined by KORTA.
- g. Any dispute concerning the quality, condition or delivery of any merchandise or the quality of performance of any service;
- h. The fraud or dishonesty of the Merchant or the Merchant's employees, licensees, successors, agents and/or assigns;
- i. The Merchant's selection of an Internet service provider or other telecommunication services provider;
- j. The theft of or damage or destruction to any Software; or
- k. Full Recourse Transactions, unauthorized Transactions and prohibited Transactions.

12.2.35 Credit Investigation and KORTA Auditing. KORTA may audit, from time to time, the Merchant's compliance with the terms of this Agreement. The Merchant shall provide all information requested by KORTA to complete KORTA's audit. The Merchant authorizes parties contacted by KORTA to release the credit information requested by KORTA, and the Merchant agrees to provide KORTA a separate authorization for release of credit information, if requested. The Merchant

shall deliver to KORTA such information as KORTA may reasonably request from time to time, including without limitation, financial statements and information pertaining to the Merchant's financial condition. Such information shall be true, complete and accurate. Upon request by KORTA or the ISO, the Merchant shall provide to KORTA and the ISO its balance sheet and income statements not less frequently than every three Calendar months during the term of this Agreement

12.2.36 Termination of Agreement by KORTA and ISO. KORTA may terminate this Agreement upon 30 days' prior written notice to the other parties. In addition, KORTA and the ISO jointly may terminate this Agreement without notice to the Merchant under any of the below listed circumstances. Any such notice of termination by KORTA is effective upon mailing. Any information concerning the Merchant obtained by KORTA is unsatisfactory to KORTA in KORTA's sole discretion;

- a. Any act of fraud or dishonesty is committed by the Merchant, its employees and/or agents, or the ISO or KORTA believes in good faith that the Merchant, its employees and/or agents have committed, are committing or are planning to commit any acts of fraud or misrepresentation;
- b. Chargebacks are excessive in the opinion of KORTA;
- c. Breach of this Agreement by the Merchant;
- d. Any representation or warranty made by the Merchant in this Agreement is not true and correct;
- e. The Merchant files a petition under any bankruptcy or insolvency law;
- f. The Merchant fails to maintain sufficient funds in the Operating Account to cover the amounts due to KORTA hereunder;
- g. The Merchant's percentage of error Transactions or retrieval requests is excessive in the opinion of KORTA;
- h. Any insurance policy obtained by KORTA, the ISO or the Merchant relating to Transactions and/or Chargebacks is cancelled or terminated for any reason;
- i. The Merchant fails to provide financial statements suitable to KORTA on request;
- j. The ISO does not or cannot perform its duties under this Agreement and KORTA determines that it is not feasible to provide to the Merchant the Services contemplated by this Agreement. KORTA is not obligated to provide replacement of Services if the ISO does not or cannot perform; or
- k. The card schemes Visa Europe, Visa Inc or MasterCard Worldwide order the closing of the merchant agreement.

KORTA may selectively terminate one or more of the Merchant's approved locations without terminating this entire Agreement. In the event of termination, all obligations of the Merchant incurred or existing under this Agreement prior to termination shall survive the termination. The Merchant's obligations with respect to any Transaction shall be deemed incurred and existing on the transaction date of such Transaction.

12.2.37 Termination of Agreement by the Merchant. The Merchant may terminate this Agreement upon at least 30 days prior written notice to the other parties if KORTA amends the Agreement pursuant to Section 40 to increase the rates, fees or charges the Merchant pays hereunder, except for changes originating from a Card company.

12.2.38 Setoff. In addition to any other legal or equitable remedy available to it in accordance with this Agreement or by law, KORTA and/or the ISO may set off any amounts due to KORTA and/or the ISO under this Agreement against any property of the Merchant in the possession or control of KORTA or the ISO.

12.2.39 Exclusivity. The Merchant shall submit all Transactions made during the term hereof solely to KORTA for processing. At KORTA's discretion, KORTA shall permit the Merchant to process with KORTA on a non-exclusive basis, provided that the Merchant provide to KORTA, prior to the execution of this Agreement and at any time during the term of the Agreement upon request by KORTA, processing statements indicating the total amount and volume of Transactions processed with other banks (detailing settlements, refunds and chargebacks).

12.2.40 Amendments to this Agreement. From time to time KORTA may amend this Agreement as follows:

- a. Amendment to Cards and/or Services. KORTA may amend or delete Cards or Services listed in the Merchant Application Form by notifying the Merchant in writing of any amendment. All provisions of this Agreement shall apply to Cards or Services added to this Agreement. KORTA shall notify the Merchant of the fees to be for processing the additional Cards and Services. Acceptance by the Merchant of a new approved Card as payment for a Transaction or use of a new Service after KORTA has sent the Merchant notice of an amendment shall constitute the Merchant's agreement to the amendment and the fees or charges related to these additions.
- b. Amendment to Fees and Charges. From time to time, KORTA may change all rates, fees and charges set forth in the Agreement. KORTA will provide written notice to the Merchant of all amendments. KORTA may change the rates, fees and charges without prior written notice for due cause, such as the Merchant's sales volume or average Transaction amount not meeting the Merchant's projections as contained in the Merchant's application for card processing services. If notice is required, KORTA will give written notice on the Merchant Statement or in a separate letter. All new rates, fees

and charges will become effective for the month immediately following the month in which the notice appeared on the Merchant Statement or in the separate letter, unless the Merchant terminates this Agreement in accordance with Section 38.

- c. Amendments to all other Provisions. KORTA may amend this Agreement in any manner other than as described in Section 41(a) or 41(b) above simply by providing written notice of such amendment to the Merchant, and such amendment shall become effective on the latter of: (i) the date on which such written notice is received by the Merchant; or (ii) a date specified by KORTA in such written notice.

12.2.41 Assignment. This Agreement may not be assigned by the Merchant without the prior written consent of KORTA. KORTA may assign this Agreement without limitation. Assignment of this Agreement by KORTA shall relieve KORTA of any further obligations under this Agreement.

12.2.42 Financial Accommodations. KORTA, the ISO and the Merchant intend this Agreement to be construed as a contract to extend financial accommodations for the benefit of the Merchant.

12.2.43 Waiver. To the extent that the Merchant becomes a debtor under any law regarding liquidation and/or bankruptcy, and such event does not result in the termination of this Agreement, the Merchant hereby unconditionally and absolutely waives any right or ability that the Merchant may otherwise have had to oppose, defend against or otherwise challenge any motion filed by KORTA for relief from any automatic stay granted by law, to enforce any of KORTA's rights or claims under this Agreement.

12.2.44 In their dealings with one another, each party agrees to act reasonably and in good faith and to fully cooperate with each other in order to facilitate and accomplish the transactions contemplated hereby.

12.2.45 This Terms, together with the Agreement and other Schedules attached hereto, supersedes any other agreement, whether written or oral, that may have been made or entered into by any party (or by any officer or officers of any party) relating to the matters covered herein and constitutes the entire agreement of the parties hereto. Notwithstanding, an agreement between KORTA and the ISO or between KORTA and the Merchant that explicitly provides otherwise shall prevail.

12.2.46 Severability. If any provisions of this Agreement shall be held, or deemed to be, or shall in fact be, inoperative or unenforceable as applied in any particular situation, such circumstance shall not have the effect of rendering any other provision or provisions herein contained invalid, inoperative or unenforceable to any extent whatsoever. The invalidity of any one or more phrases, sentences, clauses or sections herein contained shall not affect the remaining portions of this Agreement or any part hereof.

12.2.47 Notices. Except for notices provided by KORTA to the Merchant on the Merchant Statement or in a separate letter, all notices, requests, demands or other instruments which may or are required to be given by any party hereunder shall be in writing and each shall be deemed to have been properly given when (i) served personally on an officer of the party to whom such notice is to be given, (ii) upon expiration of a period of three (3) Business Days from and after the date of mailing thereof when mailed postage prepaid by registered or certified mail, requesting return receipt, or (iii) upon delivery by a nationally recognized overnight delivery service, addressed to the registered addresses in KORTA's systems as given in the Agreement.

Any party may change the address to which subsequent notices are to be sent by notice to the others given as aforesaid.

12.2.48 This Agreement shall be governed by and shall be construed in accordance with the laws of Iceland, without regard to its conflicts of law provisions and any dispute among the parties shall be brought solely and exclusively before the competent courts in Reykjavik.

The above shall not derogate from KORTA's right to file Third Party Notice or to take any other legal means in the framework of proceedings between KORTA and any third party with regard to this Agreement, in any court such proceedings shall be pending.

12.2.49 Captions in this Agreement are for convenience of reference only and are not to be considered as defining or limiting in any way the scope or intent of the provisions of this Agreement.

12.2.50 No Waiver. Any delay, waiver or omission by KORTA to exercise any right or power arising from any breach or default of the other party in any of the terms, provisions or covenants of this Agreement shall not be construed to be a waiver of any subsequent breach or default of the same or any other terms, provisions or covenants on the part of the other party. All remedies afforded by this Agreement for a breach hereof shall be cumulative.

12.2.51 Force Majeure. The parties shall be excused from performing any of their respective obligations under this Agreement which are prevented or delayed by any occurrence not within their respective control including but not limited to strikes or other labor matters, destruction of or damage to any building, natural disasters, accidents, riots or any regulation, rule, law, ordinance or order of any federal, state or local government authority.

**Communication Banking**

12.2.52 For the purpose of this chapter:

- a. "Device" - computer, communications equipment [including modem], telephone, cellular phone, and any other equipment, computer equipment and software in use by the MERCHANT for communicating with KORTA, computers and any other related functions, including information security.
- b. "Orders" - orders / requests directly issued to process various banking transactions and operations and / or receiving information, through the System.

12.2.53 The MERCHANT requests to receive the services provided through KORTA's online banking communications system, which is based on direct / Internet computer communication [the "systems"] [the "services"]. The service may include, according to the type of system - receiving information and forwarding it and / or orders / issuing requests for operations / transactions [hereinafter: "operations / transactions"].

12.2.54 Use of the services by the MERCHANT will be in accordance with KORTA guidelines, as will be provided to it from time to time. The MERCHANT understands that it will be entitled to receive from KORTA and through its systems, only those services that KORTA will approve from time to time. That said in this document will be binding on every order and / or request, which will relate to every operation, transaction or other issue that will be commonly processed from time to time with KORTA or through it - including and without derogating from the generality of that said above:

- a. Requests for credits of all types.
- b. Requests for information.
- c. Other banking operations, which KORTA will offer in the future for processing through the Systems.

12.2.55 Processing every operation and / or receiving information as part of the Service, will be as if processed through the telephone.

12.2.56 The MERCHANT understands that any order will be final and binding and cannot be canceled.

12.2.57 The MERCHANT understands that choosing a type of operation, through any of the Systems by entering the relevant System, is outright proof of the choice of operation, software and its details.

12.2.58 The MERCHANT understands that the Systems, as they are based on communication networks, are exposed to risks common to them, including disclosure and / or change of information entered therein, by any person who is not authorized for same. KORTA invests significant resources in protecting against said risks, however it is understood that there is no possibility for total elimination. In order to lessen said risks, the MERCHANT must stress information security, as detailed below.

12.2.59 The systems work with a secret code / membership number / password and / or PIN [personal identification number] and / or private and public keys [the "Information Security Mediums"], all as detailed in the guidelines that KORTA will provide from time to time - the MERCHANT will be required to act according to KORTA guidelines, including any change, at least as often as he will be required by KORTA, of his code with a new code, which will be random and difficult to deduce as much as possible.

12.2.60 The MERCHANT undertakes to hold the Information Security Mediums [including the physical KORTA mediums on which they are recorded] in absolute secrecy, which should not be available to anyone who is not authorized by it to use the System, not to provide it to anyone other than whoever is authorized on its behalf, to ensure that anyone who receives Information Security Mediums from him or with his approval, will act in a manner as detailed in this document. The MERCHANT states that he accepts full responsibility for maintaining and operating in accordance with that said in this section.

12.2.61 The MERCHANT is aware of the risks involved from his standpoint should the Information Security Mediums fall into the hands of someone who is not authorized for said by it and who will make use of the information to his detriment, and states that it is aware that KORTA has agreed to allow it to participate in this System only further to his agreement and express commitment that any use of any of the Information Security Mediums for the purpose of receiving any service through the Systems, will bind it for all intents and purposes as if made by it.

12.2.62 The MERCHANT confirms and declares that it is aware of the risks in participating in the Systems and receiving services through it, and that KORTA has agreed to allow it to operate on condition that it agrees and commits itself as follows:

- a. The MERCHANT will be exclusively responsible for maintaining all information that it will receive through the Systems and any untoward consequences and / or the direct and / or indirect results of each of the following:
  - i. Illegal use of the Systems, whether through the Information Security Mediums, or in any other manner.

- ii. Use of the Systems not according to written provisions of this document or guidelines that will be provided to it by KORTA.
  - iii. Its transmission of incorrect and / or unreasonable data.
  - iv. Sabotage, changes, copying, use without permission of the Information Security Mediums.
- b. Without derogating from that said in this document, KORTA will be exempt from any responsibility for damage, loss or any expense that may be caused by the MERCHANT, directly or indirectly, pursuant to any of the following events / conditions:
- v. Disruption of data or instructions, or non - execution or delayed processing of any provision due to faults or disruptions of any kind in the communication lines and / or electronic operation or mechanical defect, on its part, on the part of KORTA, or by any third-party that through it the orders and information are transferred.
  - vi. Inadequate operation of any software and / or hardware in its possession.
  - vii. Exposure and disclosure of information by it to any third party, pursuant to use of the Systems.

12.2.63 The MERCHANT is aware that all rights of any type and nature, including and without derogating from the generality of that said, copyrights, patents, commercial secrets, commercial trademarks or any propriety right existing and / or that will be developed and / or that will be designed by or for KORTA as part, and / or relating to the Systems [above and hereinafter: "Software"] will be under the sole and absolute ownership of KORTA or of any third party from whom KORTA purchased the rights to use the Software.

12.2.64 The MERCHANT undertakes not to violate the rights of KORTA and / or third party as stated in section 15 above, to any Software that he will be provided by KORTA [including by downloading] and to take every step in order to prevent any violation as stated, by any of his customers, employees, agents or any of his representatives. The undertaking by the MERCHANT under this subsection is not limited in time.

12.2.65 The MERCHANT hereby undertakes not to make any copy of the Software, save for the purpose of backup, and not to allow any person and or body to make use any use of the Software or part of it.

12.2.66 The MERCHANT is aware that KORTA is authorized at any time, and at its discretion, to stop either permanently or temporarily, in full or in part, providing services to the MERCHANT through the Systems.