

## UNDERWRITING GUIDELINES

iPayment seeks merchant bankcard relationships that produce a fair return to the company without incurring more than an acceptable level of risk. Our activities are directed toward the development of qualified merchants who are expected to provide long-term profitable relationships.

Product type definitions:

**Retail merchants** process “face to face” transactions with their customers. The customer presents the credit card at the time of the purchase and signs a sales draft that is generally produced electronically.

**Audiotext** merchants provide one or more “pay per call” services that customer’s access by telephone or fax. The customer initiates the transaction. This category includes Information Providers (IP) who sell adult and other information services over the telephone. This merchant type is on the iPayment, Inc. prohibited merchant list.

**Direct Marketing** and **Mail/Telephone** merchants sell products or services through a variety of direct response methods, such as catalogs, brochures, radio and television direct response ads, television “infomercials” and via the Internet.

**Telemarketing** merchants sell products either by telephoning potential customers or sending a direct mail offer that provides an incentive for prospective buyers to telephone the merchant. Telemarketing products vary from promotion to promotion. This merchant type is on the iPayment, Inc. prohibited merchant list.

**Internet and on-line services** merchants provide electronic bulletin board access, information services or computer network access. Often these services are provided or sold on the Internet. Transactions are generally completed on-line, so the customer does not sign a sales draft.

**Videotext** services involve transactions where content is delivered via the internet. These services are often adult in nature and include on-line pictures, film or live performances. This merchant type is on the iPayment, Inc. prohibited merchant list.

### 1.0 Prohibited Merchants

iPayment recognizes that certain types of merchants carry more risk than others, or require specialized expertise to monitor merchant activity and control risk. For these reasons, the following merchant types are generally excluded unless specific approval from management is obtained for a particular account. This list is not meant to be all-inclusive. Other types of products and services may be declined due to their nature. Accounts will be reviewed on a case-by-case basis:

## **Prohibited Merchant List**

### **Prohibited Merchant Types**

- Age Verification
- Airlines
- Alcohol or Tobacco Sales (Non-Face-to-Face)
- Animal Sales and Breeding
- Any Product / Service Considered Illegal
- Audiotext
- Benefit Programs
- Charities through Outbound Telemarketing
- Check Cashing and Payment Related Services
- Coin and Collectable Dealers, Stamp Dealers or Those Who Sell Precious Metals and / or Precious Stones
- Collection Agencies
- Construction
- Currency / Commodity Exchange
- Credit Card Protection
- Credit Counseling, Restoration
- Credit Repair Agencies
- Dating Services
- Discount Membership Clubs
- Drug Paraphernalia
- E-Cash Merchants
- Escort Services
- Freight Forwarders
- Future Delivery Beyond Three Months
- Gaming, Lottery or Raffles
- Gift Certificates
- Golf Clubs / Accessories
- Health Insurance Providers
- Home Based Gun Dealers
- Import / Export
- Insurance
- Investment / Stock Advisors
- Law Offices and Legal Services
- Multilevel or Pyramid Marketing
- Merchants Offering Incentives or Enticements
- Online Pharmacy
- Outbound Telemarketing / Direct Mail Campaigns
- Pawn Shops
- Prepaid Legal Services
- Programs on How to Apply for Low Interest Credit Cards
- Rehabilitative Diet or Smoking Patches / Programs
- Replica Handbags, Sunglasses, Watches, Etc.
- Sexually Explicit Products and Services
- Timeshare Programs (Includes Advertising for Timeshares)
- Third Party Processors (Aggregators)
- Travel / Tour Agencies
- Travel Clubs
- Videotext
- Warranty

## **2.0 Restricted Merchants List.**

Other businesses, while presenting increased risks due to the nature of their products or services, can be structured to mitigate the exposure to loss. Special conditions and rates apply to merchants providing such products or services as detailed later. This list is not meant to be all-inclusive. Other types of products and services may be classified as restricted due to their nature. Accounts will be reviewed on a case-by-case basis:

### **Restricted Merchant List**

#### **Restricted Merchant Types**

- Alcohol and Tobacco Sales (Retail Face-to-Face)
- Apartment and Property Management Companies
- Auctions of Any Type
- Bail Bond Services
- Barter Services
- Car Consulting, Sales and / or Leasing
- Employment Agencies
- Financial Services (Such as Accounting or Billing Services, Investment Consulting, etc...)
- Gun Dealers
- Long Distance and Teleservices
- Marketing Lists and Leads
- Massage Services (Must be Licensed Massage Therapists)
- Prepaid Phone Cards and Cell Phones
- Seminars
- Ticket Agencies
- Water / Air Purification Systems

## **3.0 Approach to Underwriting**

The purpose of underwriting is to ensure that merchant businesses are financially sound, the business and its principals have satisfactory credit and/or bankcard processing histories, and there is nothing in the merchant's background that would preclude the business from being a customer.

It is recognized that there are varying degrees of risks associated with different types of merchants, different processing limits and different transaction amounts. Because of this, it is appropriate to apply varying levels of scrutiny to different merchants, ranging from basic due diligence for those with an established low risk profile, to a thorough and detailed review for merchants deemed to present the greatest risks.

## **4.0 General Provisions**

General provisions that are applicable to all merchants are:

- 48 hour ACH holds or longer as dictated by policy.
- No open or unresolved Bankruptcies.
- Business must be established in the United States and settle in US currency. US territories are not acceptable.
- All transactions must be in U.S. Dollars.
- No prior terminations by any bank or processor.

## **5.0 MERCHANT APPLICATION APPROVAL GUIDELINES**

Below is a list of required documentation and guidelines for approval under each underwriting tier. iPayment, Inc. reserves the right to request additional documentation, information, impose restrictions if necessary or decline an account for reasons including but not limited to applicant's creditworthiness, financial condition, business model, or any combination of factors.

### **Tier I Fast Track Program**

All accounts with a monthly processing limit of \$10,000 or less and an average ticket of \$500 or less.

#### **Recommendations**

- Additional requirements for Restricted Merchants

#### **Required documentation:**

- 1) Merchant application/Merchant Agreement
  - a) If signer(s) do not represent a significant percentage of ownership, a corporate resolution or copy of corporate bylaws indicating authorization to sign is required.
- 2) Personal guaranty.
- 3) Voided check.
- 4) Site inspections are required. Site photos are not required. Home-based businesses are exempt from this requirement. Site inspections may be performed by the sales rep or by an independent third party.
- 5) ID required: driver's license, passport, and/or alien card, as applicable, for each principal.

Approval of unconventional merchants and merchants with inconsistencies in the file will be at the sole discretion of iPayment Inc.

### **Tier II Accelerated Underwriting**

Accounts with a monthly processing limit of \$10,001 to \$100,000 and an average ticket of 1,000 or less.

#### **Recommendations**

- 5.00%, six month rolling reserve (In some cases)
- Additional requirements for Restricted Merchants

**Required documentation:**

- 1) Merchant application/Merchant Agreement
  - a) If signer(s) do not represent a significant percentage of ownership, a corporate resolution or copy of corporate bylaws indicating authorization to sign is required.
- 2) Personal guaranty.
- 3) Voided check.
- 4) Site inspections are required. Site photos may be requested. Home-based businesses are exempt from this requirement. Site inspections may be performed by the sales rep or by an independent third party.
- 5) ID required: driver's license, passport, and/or alien card, as applicable, for each principal.
- 6) Articles of Incorporation / Partnership Agreement (or Fictitious Business Name Statement or business license for sole proprietorship).

Approval of unconventional merchants and merchants with inconsistencies in the file will be at the sole discretion of iPayment Inc.

**Tier III Comprehensive Underwriting**

Accounts with monthly processing limits of \$100,001 and over.

**Recommendations**

- A 5.00%, six month rolling reserve (In some cases).
- Dun and Bradstreet report showing at least 70% of the merchant's payments to vendors are within terms.
- Requested monthly processing limit must not exceed three times the total available cash, trade receivables and marketable securities of the business entity.
- Requested monthly processing limit must not exceed twice a sole proprietor's or aggregate guarantors' outside net worth (defined as net worth less interests in closely held businesses or assets of limited marketability).
- Debt to tangible net worth ratio for a business must not exceed 4:1.
- Operational cash flow must equal at least 25% of the processing limit.

**Required documentation:**

- 1) Merchant application/Merchant Agreement
  - a) If not a sole proprietorship, written authorization to sign is required, i.e., a corporate resolution, copy of corporate bylaws, partnership agreement, articles of organization.
- 2) Personal guaranty.
- 3) Voided check.
- 4) Site inspections are required. Site photos may be requested. Home-based businesses are exempt from this requirement. Site inspections may be performed by the sales rep or by an independent third party).
- 5) ID required: driver's license, passport, and/or alien card, as applicable, for each principal.
- 6) Articles of Incorporation / Partnership Agreement (or Fictitious Business Name Statement or business license for sole proprietorship).
- 7) 2 years business financial statements - signed and dated within last 90 days.
- 8) 2 years business tax returns.
- 9) Personal financial statement - signed and dated within last 90 days.
- 10) 2 years personal tax returns.
- 11) 3 months bankcard processing statements.

- 12) 3 months business bank statements.
- 13) Sample of advertising / product.
- 14) Copy of web page.

#### **Tier IV Restaurant Program**

All restaurant accounts regardless of requested processing limit up to \$500,000/month.

#### **Required documentation:**

- 1) Merchant application/Merchant Agreement
  - a) If signer(s) do not represent a significant percentage of ownership, a corporate resolution or copy of corporate bylaws indicating authorization to sign is required.
- 2) Personal guaranty.
- 3) Voided business check.
- 4) Site inspections are required. Site photos may be requested. Site inspections may be performed by the sales rep or by an independent third party.

### **6.0 SITE INSPECTIONS**

Site inspections, when required, should be completed in their entirety. Whether the site inspection is from an outside source or included on the Merchant Application, all pertinent information regarding the building type, square footage, business type, inventory or merchandise sold must be filled in. It is not sufficient for the sales representative to sign and date the inspection without completing the required information.

### **7.0 RESERVES**

Reserves may be required for any keyed account with an average ticket greater than \$500. Reserves may be required for any account when the risk associated with the type of business warrants additional safeguards.

#### **7.1 "UPFRONT" RESERVE DEPOSITS**

Upfront deposits may be required when:

- 1) Principal(s) resides outside the U.S.
- 2) Principal(s) did not sign personal guaranty.

#### **Canadian Principals:**

Fast Track - \$10,000 or less:

These accounts may require an upfront deposit requirement.

Accelerated Underwriting - \$10,001 - \$100,000:

These accounts may require a 10% six (6) month rolling reserve and a 10% upfront deposit.

Comprehensive Underwriting - \$100,001 or greater:

These accounts may require a 10% six (6) month rolling reserve and a 10% upfront deposit.

**All Others:**

All of these accounts are potentially subject to a 5% six (6) month rolling reserve and a 40% upfront deposit.

**8.0 HIGH RISK TELEMARKETING MERCHANTS (HRTM)**

Merchants in the 5962 (direct marketing travel related services), 5966 (outbound direct marketing) or 5967 (inbound teleservices and video services) category codes are considered “high risk” and must register with the associations. iPayment is not currently accepting merchants that fall into these categories.

**Additional Requirements & Conditions for Restricted Merchants**

**Tier I**

- Time in Business requirement – One Year
- Up-Front Reserve – Generally not required except for Travel, Audio and Video Text Merchants
- Rolling Reserve Requirement – Generally required, to be determined by Underwriting
- Prior Processing Requirement – Three months prior statements if applicable
- Financial Information Requirement – Not required at this monthly volume level.
- Hard cap on processing limits.
- High Risk Registration required as applicable.
- Travel form if applicable

**Tier II**

- Time in Business requirement – One Year
- Up-Front Reserve – Generally not required except for Travel, Audio and Video Text Merchants
- Rolling Reserve Requirement – Generally required, normally 5-10% for 180 days.
- Prior Processing Requirement – Three months prior statements if applicable
- Financial Information Requirement – Not required at this monthly volume level, but may be requested. Required of Travel, Audio and Videotext merchants,
- Hard cap on processing limits.
- High Risk Registration required as applicable.
- Travel form if applicable

**Tier III**

- Time in Business requirement – Two Years
- Up-Front Reserve – Generally required. Amount will vary in relation to processing limit and other qualifications.
- Rolling Reserve Requirement – Generally required, normally 5-10% for 180 days.

- Prior Processing Requirement – Six months prior statements if applicable
- Hard cap on processing limits.
- High Risk Registration required as applicable.