



Operating Rules

Version 5.1

Table of Contents

| | | | |
|---|--|--|--|
| 1. General Participation Requirements and Standards... 1 | | 2.9. Manual Voucher Settlement Submission Rules 6 | |
| 1.1. Introduction 1 | | 2.9.1. Manual Voucher Use Requirements 6 | |
| 1.2. Operation of the Texas EBT Program 1 | | 2.9.2. Limits on Vouchers 6 | |
| 1.3. Participation in the Texas EBT Program 1 | | 2.9.3. Voucher Contents 6 | |
| 1.3.1. Lone Star Cards 1 | | 2.9.4. Voucher Authorization 6 | |
| 1.3.2. Retailer Eligibility 1 | | 2.9.5. Client Copy 6 | |
| 1.3.3. Non-Food Retailer Participation 1 | | 2.9.6. Voucher Submission 7 | |
| 1.3.4. TANF Cash Participation 2 | | 2.9.7. Standing Orders 7 | |
| 1.3.5. Participation Agreements 2 | | 2.9.8. Re-presentation 7 | |
| 1.4. Participation Standards 2 | | 2.9.9. State Liability 7 | |
| 1.4.1. Operations in Conformance with Regulatory Standards 2 | | 2.9.10. EBT Providers' Liability 7 | |
| 1.4.2. Maintenance of Records 2 | | 2.9.11. Additional Procedures 7 | |
| 1.4.3. Cooperation in Error Resolution 2 | | 2.9.12. Dispute Resolution 8 | |
| 1.4.4. Examinations 3 | | 2.10. Electronic Submission of Manual Vouchers 8 | |
| 1.4.5. Remedial Action 3 | | 2.10.1. Processing Rules for Electronic Submission of Manual Vouchers 8 | |
| 1.5. Lone Star Card Standards 3 | | 2.11. No Card Retention 8 | |
| 1.5.1. Encoding and Embossing 3 | | 2.12. Training 8 | |
| 1.5.2. Restriction on Use 3 | | 2.13. Provisions Regarding Liability 9 | |
| 1.5.3. PIN 3 | | 2.13.1. General 9 | |
| 1.5.4. Electronic Funds Transfer Capability 3 | | 2.13.2. Retailer Liability Limitations 9 | |
| 1.6. Non-Discrimination 3 | | 2.13.3. PAN Entry 9 | |
| 1.7. Confidentiality of Client Information 3 | | 2.13.4. Manual Voucher Transactions 10 | |
| 2. Common Retailer Requirements 4 | | 2.13.5. Electronic Voucher Settlement 10 | |
| 2.1. Introduction 4 | | 2.14. Stand-In Processing 10 | |
| 2.2. Honor All Cards 4 | | 2.15. Additional Retailer Provisions 10 | |
| 2.4. No Discrimination 4 | | 2.15.1. Miscellaneous Obligations 10 | |
| 2.5. POS Terminals and Calls 4 | | 3. Requirements for Retailers Operating State-Supplied Terminal..... 12 | |
| 2.5.1. Terminals 4 | | 3.1. Introduction 12 | |
| 2.5.2. No Lane Restrictions 4 | | 3.2. Standard POS Terminal Equipment 12 | |
| 2.5.3. Calls 4 | | 3.2.1. Terminal Allocation 12 | |
| 2.6. Lone Star Service Mark 4 | | 3.2.2. SNAP Participation 12 | |
| 2.6.1. Display at Point of Sale 4 | | 3.2.3. Equipment Provision 12 | |
| 2.6.2. Other Use of Lone Star Mark 5 | | 3.2.4. Minimum Redemptions 13 | |
| 2.7. TANF "Cash Back" Charges; SNAP Charges; Sufficient Cash 5 | | 3.2.5. Courtesy Booth Equipment Supply Provisions 13 | |
| 2.8. On-Line POS Services Requirements 5 | | 3.2.6. Terminal Installation 13 | |
| 2.8.1. Requirement for On-Line Authorization 5 | | 3.2.7. Restricted Use of EBT Terminals 14 | |
| 2.8.2. Off-Line Completion of Transactions 5 | | 3.2.8. Instructions and Assistance 14 | |
| 2.8.3. Entry of Primary Account Number (PAN) 5 | | 3.2.9. Equipment Repairs 15 | |
| 2.8.4. Enforcement of PIN Usage 5 | | 3.2.10. Ownership of Equipment 15 | |
| 2.8.5. No Possession of PIN 5 | | 3.2.11. Right of Inspection 15 | |
| 2.8.6. Off-Line Transaction Capability 6 | | 3.2.12. Protection of Equipment 15 | |
| | | 3.2.13. NO WARRANTY AS TO EQUIPMENT 15 | |
| | | 3.2.14. Removal of Equipment During Term of Agreement 15 | |
| | | 3.3. Terminal Software License 16 | |

| | | | | | |
|-----------|---|-----------|-----------|--|-----------|
| 3.4. | <i>Limitation of Liability for Equipment</i> | 16 | 6.4. | <i>Other Transaction Definitions</i> | 22 |
| 4. | Requirements for Retailers Using Non-State-Supplied Terminals..... | 17 | 6.4.1. | Reversals (Mandatory) | 22 |
| 4.1. | <i>Introduction</i> | 17 | 6.4.2. | Key-entered Transactions (Mandatory) | 22 |
| 4.2. | <i>POS Terminal Equipment</i> | 17 | 6.4.3. | Settlement / Closeout Activities (Mandatory) | 22 |
| 4.2.1. | Keyboard | 17 | 6.4.4. | Void Last Transaction (Mandatory) | 23 |
| 4.2.2. | Magnetic Stripe Reader | 17 | 7. | Transaction Processing Rules..... | 24 |
| 4.2.3. | PIN Functionality | 17 | 7.1. | <i>General Rules</i> | 24 |
| 4.2.4. | PIN Security Implementation | 17 | 7.1.1. | Requirement for Card | 24 |
| 4.2.5. | Receipt Printer | 17 | 7.1.2. | Primary Account Number (PAN) | 24 |
| 4.3. | <i>Retailer Interface System</i> | 17 | 7.1.3. | Personal Identification Number (PIN) | 24 |
| 4.3.1. | Requirement to Operate | 17 | 7.1.4. | Partial Approvals | 24 |
| 4.3.2. | Performance Requirements | 17 | 7.1.5. | Store and Forward of Reversals and Advices | 24 |
| 4.4. | <i>Responsibility for Processing Compliance</i> | 18 | 7.2. | <i>Receipt Requirements</i> | 24 |
| 4.5. | <i>Liquidated Damages ("LDs")</i> | 18 | 7.2.1. | On-Line Transactions | 24 |
| 5. | Requirements for Processors | 19 | 7.2.2. | Benefit Draft Transactions--Manual and Electronic Vouchers | 25 |
| 5.1. | <i>Introduction</i> | 19 | 7.3. | <i>POS Transactions</i> | 25 |
| 5.2. | <i>Interface Standards</i> | 19 | 7.3.1. | Payee Identification | 25 |
| 5.2.1. | Message Formats | 19 | 7.3.2. | Electronic Voucher Submission Period | 25 |
| 5.2.2. | Message Flows | 19 | 7.3.3. | Transaction Limits | 25 |
| 5.2.3. | Date-Related Processing | 19 | 8. | Settlement Procedure | 26 |
| 5.3. | <i>Testing</i> | 19 | 8.1. | <i>General</i> | 26 |
| 5.3.1. | General Testing Requirements | 19 | 8.2. | <i>Daily EBT System Cut-Off Time</i> | 26 |
| 5.3.2. | Testing Schedules and Fees | 20 | 8.3. | <i>Processor Cut-Off</i> | 26 |
| 5.4. | <i>Electronic Submission of Voucher Authorization Advices</i> | 20 | 8.4. | <i>Settlement Day</i> | 26 |
| 5.5. | <i>Performance Standards</i> | 20 | 8.5. | <i>Settlement Accounts</i> | 26 |
| 5.6. | <i>Liquidated Damages ("LDs")</i> | 20 | 8.6. | <i>Management of Settlement Accounts</i> | 26 |
| 5.7. | <i>Provisions Regarding Liability</i> | 21 | 8.7. | <i>Settlement Process</i> | 27 |
| 5.7.1. | General | 21 | 8.8. | <i>Settlement Posting</i> | 27 |
| 5.7.2. | Limitation on Liability | 21 | 8.9. | <i>Settlement Reports</i> | 27 |
| 5.7.3. | Manual Entry of PAN | 21 | 8.10. | <i>Discrepancies and Adjustments</i> | 27 |
| 5.7.4. | Electronic Advice Transactions | 21 | 8.11. | <i>Unsettled Funds</i> | 27 |
| 5.8. | <i>Phone Lines and Calls</i> | 21 | 9. | Resolution Procedure for Disputed EBT Program Transactions..... | 28 |
| 5.8.1. | Communication Lines | 21 | 9.1. | <i>Introduction</i> | 28 |
| 5.8.2. | Calls | 21 | 9.2. | <i>Terminology</i> | 28 |
| 6. | Retailer Management Provider Processing and Support Services | 22 | 9.3. | <i>Funds Flow</i> | 28 |
| 6.1. | <i>Introduction</i> | 22 | 9.4. | <i>Valid Reasons for Dispute</i> | 28 |
| 6.2. | <i>Mandatory and Optional Services -Definition</i> | 22 | 9.5. | <i>Maximum Time to Initiation</i> | 28 |
| 6.3. | <i>POS Service Definitions</i> | 22 | 9.6. | <i>Dispute Resolution</i> | 28 |
| 6.3.1. | Purchase (Mandatory) | 22 | 9.7. | <i>Retrieval Request</i> | 28 |
| 6.3.2. | Return (Mandatory) | 22 | 9.8. | <i>Limitation of Liability</i> | 28 |
| 6.3.3. | TANF Cash Withdrawal (Optional) | 22 | | | |
| 6.3.4. | Balance Inquiries at POS Terminals | 22 | | | |
| 6.3.5. | POS Off-Line Processing (Optional) | 22 | | | |

| | | | |
|--|-----------|--|-----------|
| 10. Fees..... | 29 | <i>12.12. Severability</i> | 36 |
| 10.1 Introduction | 29 | <i>12.13. Relationship of the Parties</i> | 36 |
| 10.2 Fees That May Be Charged By Retailers to Clients | 29 | <i>12.14. Successors; Third-Party Beneficiaries</i> | 36 |
| 10.2.1 SNAP Fees | 29 | <i>12.15. Choice of Law</i> | 37 |
| 10.2.2 TANF Cash Fees | 29 | <i>12.16. Notices</i> | 37 |
| 10.3 Allowances to Retailers | 29 | 12.16.1 Method of Notification | 37 |
| 10.3.1 Processor Fees | 29 | 12.16.2 Confirmation of Notice Delivery | 37 |
| 10.3.2 Supply and Telephone Reimbursement Fees | 29 | 12.16.3 Change of Address or Fax Number | 37 |
| 10.3.3 TANF Cash Withdrawal Fees | 30 | <i>12.17. Arbitration</i> | 37 |
| 10.3.4 Reimbursement of Fees | 30 | | |
| 11. Graphics Standards | 31 | 13. Network Administrative Procedures | 38 |
| 11.1. Network Mark | 31 | 13.1. Variance Procedures | 38 |
| 11.2. Right to Use the Lone Star Mark | 31 | 13.1.1. Requests for Variances | 38 |
| 11.3. Responsibility for Use of Lone Star Mark | 31 | 13.1.2. Action by the Retailer Management Provider | 38 |
| | | 13.1.3. Action by HHSC | 38 |
| | | 13.1.4. Variance Policy | 38 |
| 12. General Business Terms and Conditions | 32 | 13.2. Grievance Resolution | 38 |
| 12.1. Primacy of Operating Rules | 32 | 13.2.1. Complaints | 38 |
| 12.1.1. Texas Uniform Commercial Code | 32 | 13.2.2. Investigation | 38 |
| 12.1.2. Conflict with Federal and State Laws | 32 | 13.2.3. Authority of the Retailer Management Provider | 38 |
| 12.1.3. Conflict with Local Laws | 32 | 38 | |
| 12.1.4. Conflict with EBT Processor Interface Specifications | 32 | 13.2.4. Informal Review by HHSC | 38 |
| 12.1.5. Amendments to Operating Rules | 32 | 13.2.5. Records | 39 |
| 12.2. Concentration Account Security | 32 | 13.3. Procedures for Terminated Retailers and Processors | 39 |
| 12.3. Confidentiality | 32 | 13.3.1. Termination of Use of Lone Star Mark | 39 |
| 12.3.1. Confidential Information | 32 | 13.3.2. Use of Texas EBT System | 39 |
| 12.3.2. Obligations | 33 | 13.3.3. Continued Liability for Disputed Transactions | 39 |
| 12.3.3. Permitted Disclosures | 33 | 13.3.4. Other Rights and Liabilities | 39 |
| 12.3.4. No Right or Title | 33 | | |
| 12.3.5. No Disassembly of Equipment | 33 | 14. Interoperability..... | 39 |
| 12.3.6. Adequate Security | 34 | | |
| 12.3.7. Reasonableness | 34 | 15. Glossary of Terms and Definitions..... | 40 |
| 12.3.8. Survivability | 34 | | |
| 12.4. Representations and Warranties | 34 | | |
| 12.4.1. By the Retailer Management Provider | 34 | | |
| 12.4.2. By Retailer or Processor | 34 | | |
| 12.5. Indemnities | 35 | | |
| 12.6. Limitations of Liability | 35 | | |
| 12.7. Force Majeure | 35 | | |
| 12.7.1. Suspension | 35 | | |
| 12.7.2. Right to Terminate | 35 | | |
| 12.8. Entire Agreement | 35 | | |
| 12.9. Amendments | 35 | | |
| 12.10. Assignment and Subcontracting | 35 | | |
| 12.10.1. By Retailer or Processor | 35 | | |
| 12.10.2. By the Retailer Management Provider | 36 | | |
| 12.11. Waiver | 36 | | |

1. General Participation Requirements and Standards

1.1. Introduction

This Section describes the participants, relationships and general requirements for participation in the Texas Electronic Benefit Transfer (EBT) Program. All capitalized terms in these Operating Rules are defined in the Glossary at the end of this document, or, in some cases, the first time they occur in the body of this document.

1.2. Operation of the Texas EBT Program

The implementation and operation of the Texas EBT Program has been contracted by the Health and Human Services Commission (HHSC) to vendors operating in the roles as Retailer Management Provider, EBT Call Center Provider, and Central Processor, hereinafter referred to in this document as the “EBT Providers”. The EBT Providers’ authority, individually and collectively, with respect to the Texas EBT Program, has been contractually delegated to them by HHSC.

1.3. Participation in the Texas EBT Program

1.3.1. Lone Star Cards

The Retailer Management Provider and the State issue magnetic stripe Lone Star Cards to Clients for benefit account access. HHSC determines Client eligibility for benefits monthly and conveys that information to the Texas EBT System. Lone Star Cards are not returned or collected if a Client is no longer eligible. Therefore, all Lone Star Card usage is validated and updated online, either through terminals connected to the Texas EBT Network or through telephonic Voucher Authorization and manual procedures.

1.3.2. Retailer Eligibility

Participation in the Texas EBT Program is limited to Retailers who are authorized by United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) to provide food purchase services to Texas SNAP Recipients and/or who are authorized by HHSC to deliver Temporary Assistance for Needy Families (TANF) Cash Benefits to TANF Cash Benefit Program Recipients. Retailers must connect to the Texas EBT Network through a Processor. Processors are organizations (e.g., banks, third party data processors, electronic funds transfer switches or

Retailers) connected to the Texas EBT System through their own host systems. A Processor operates on behalf of one or more authorized Retailers.

A Retailer may be its own Processor, and in that role must meet all Processor requirements in these Operating Rules. Subject to Section 3.2.4, Retailers who do not connect to the Texas EBT System through a Processor of their own choice (or do not act as their own Processor) may be supplied point-of-sale (POS) Terminals by the Retailer Management Provider at no additional cost to them for SNAP benefit redemptions. Retailers, whose SNAP benefit redemptions are below the \$100 per month average set forth in Section 3.2.4, may use manual vouchers in conjunction with Voucher Authorizations as their usual method of processing EBT Program Transactions.

1.3.3. Non-Food Retailer Participation

If a Retailer is not a United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) authorized Retailer, but the Retailer will certify in writing that no more than 10% of its gross revenue is derived from Entertainment (see the Texas Administrative Code, Title 1, Part 15, Chapter 372, Subchapter G, RULE §372.1702, (a)) and the Retailer’s participation in the Texas EBT Network is a sound business decision for Texas recipients who receive TANF cash benefits, then the Retailer may be authorized to participate by HHSC in the delivery of TANF Cash Program benefits pursuant to the terms and conditions contained in these Operating Rules. Entertainment is defined as the sale of alcoholic beverages, legalized games of chance, sexually oriented materials, coin-operated amusement machines or amusement services.

Non-Food Retailers may be required to pay for their own equipment via either a lease or purchase EBT equipment from the Retailer Management Provider or via use of the services of a Processor certified to process Texas EBT Network Transactions. The Retailer’s participation shall be limited to TANF cash assistance benefits (not SNAP). The Retailer will be required to execute an agreement with the Retailer Management Provider or a Processor.

Retailers participating in the Texas EBT Network as a Non-Food Retailer may be required to pay a transaction fee associated with each TANF Cash Transaction effected via the point-of-sale (POS) Terminal. If the Retailer elects to use the services of a Processor, that Processor’s

participation shall be subject to Section 5 of these Operating Rules.

1.3.4. TANF Cash Participation

Retailers may redeem SNAP benefits (if authorized by FNS), TANF Cash Program benefits, or both. Each retailer that elects to redeem TANF Cash Program benefits must certify in writing that no more than ten percent (10%) of its gross revenue is derived from Entertainment. Entertainment is defined as the sale of alcoholic beverages, legalized games of chance, sexually oriented materials, coin-operated amusement machines or amusement services (see the Texas Administrative Code, Title 1, Part 15, Chapter 372, Subchapter G, RULE §372.1702, (a))

Retailers may redeem TANF Cash Program benefits as follows:

1. redemption of TANF Cash Program benefits to effect a purchase from Retailer and/or to obtain cash (i.e., no purchase required) in any amount up to the account balance;
2. redemption of TANF Cash Program benefits to effect a purchase from Retailer and/or to obtain cash (i.e., no purchase required) once a day in an amount not to exceed a limit (selected by Retailer) in excess of any purchase amount or where no purchase occurs; or
3. redemption of TANF Cash Program benefits only to the extent necessary to effect a purchase from Retailer.

Retailers electing to redeem TANF Cash Program benefits pursuant to option 1 or 2 above may also select the hours during Retailer's regular operating hours in which "cash back" in excess of a purchase or where no purchase occurs will be available, provided that such "cash back" service is available at least during the hours that the Retailer provides regular check cashing and debit card services to other customers.

Retailers must ensure that TANF Cash Program benefits are not redeemed for ineligible products. Ineligible products are goods and services that are not necessary and essential to the welfare of the children, such as alcoholic beverages, tobacco products, lottery tickets, adult entertainment, firearms, ammunition, bingo, illegal substances, etc. Eligible products for purchase with TANF Cash Program benefits are goods and services necessary and essential to the welfare of the children, such as food,

clothing, housing, furniture, transportation, laundry, medical supplies, household supplies, and recreation (see the Texas Administrative Code, Title 1, Part 15, Chapter 372, Subchapter F, Division 1, RULE §372.1509, (b)).

1.3.5. Participation Agreements

All Retailers must sign an agreement (either with the Retailer Management Provider or a Processor) and, by so doing, all parties agree to abide by these Operating Rules and any amendments thereto. All Processors, including Retailer Processors, must sign a Processor agreement with the Retailer Management Provider; and by so doing, all parties agree to abide by these Operating Rules and any amendments thereto.

1.4. Participation Standards

1.4.1. Operations in Conformance with Regulatory Standards

Each Retailer and Processor shall observe operational standards in conducting Texas EBT Network Transaction operations so that such Retailer and Processor will comply with any standards imposed upon them by applicable regulatory authorities from time to time, including, but not limited to the FNS Regulations at 7 CFR § 274. Each Retailer and Processor shall conduct all phases of their EBT program in a financially sound manner so as to ensure ability to meet their obligations to their EBT Clients, with regards to providing cash back services.

1.4.2. Maintenance of Records

Each Retailer or Processor shall maintain all Texas EBT Network Transaction records or copies thereof communicated by Retailer/Processor to the Texas EBT System, or by the Texas EBT System to Retailer/Processor, for a period of five (5) months (or such longer period of time as may be required under applicable state or local laws or regulations), and shall make such records promptly available for examination by representatives of the Retailer Management Provider, HHSC, or other authorized state or federal government agency.

1.4.3. Cooperation in Error Resolution

Each Retailer and Processor is obligated to fully cooperate

with the EBT Providers and/or HHSC in the resolution of disputes and errors in accordance with the procedure for resolution of such disputes defined in Section 9 of these Operating Rules.

1.4.4. Examinations

Each Retailer and each Processor shall be subject to and shall cooperate with special examination by the EBT Providers and/or HHSC to ensure that the Retailer or Processor is complying with the provisions of the Operating Rules, including the EBT Processor Interface Specifications. Such examination shall be for probable cause as determined by the EBT Providers and/or HHSC.

1.4.5. Remedial Action

If any examination described above in Section 1.4.4 reveals a materially adverse condition or discrepancy, such Retailer or Processor shall take appropriate corrective action promptly. In an appropriate case, the Retailer Management Provider and/or HHSC may make a recommendation to FNS to (a) impose conditions upon the Retailer and/or Processor's continued participation or (b) require the Retailer and Processor to withdraw from participation in the Texas EBT Program, subject to Section 13 below. Only FNS has the authority to execute an involuntary withdrawal of a Retailer from the SNAP Program.

1.5. Lone Star Card Standards

All Lone Star Cards will conform to the standards and specifications described in these Operating Rules. In addition, each Lone Star Card must have been issued by the Retailer Management Provider or the State in order to access an individual Client's benefit account(s).

1.5.1. Encoding and Embossing

All Lone Star Cards will comply with the International Standards Organization (ISO) standards for the encoding of Track II of the magnetic stripe and the embossing of the face of the card.

1.5.2. Restriction on Use

The Lone Star Mark will only be used on cards issued by the Retailer Management Provider, or the State and will not be placed on any card which does not qualify for use as

described in Section 11.

1.5.3. PIN

All clients holding Lone Star Cards will use Personal Identification Numbers (PINs). PINs will meet ISO standards, i.e., they must be alphanumeric and be four (4) characters/digits in length.

1.5.4. Electronic Funds Transfer Capability

Each Lone Star Card shall be capable of initiating an electronic funds transfer (as defined in Regulation E, 12 CFR § 205).

1.6. Non-Discrimination

The Retailer (and the Processor) shall treat transactions by Clients in the same manner as transactions effected by other electronic methods and forms of tender (e.g., credit and debit cards), and within applicable laws, except SNAP Program recipients are not required to sign POS terminal receipts generated as a result of a transaction.

1.7. Confidentiality of Client Information

The Retailers and Processors shall not disclose Client information to anyone other than the EBT Providers and/or HHSC for the purpose of completing an EBT Program Transaction, to comply with error resolution procedures or as necessary in connection with examinations as set forth in these Operating Rules, fraud investigations or as otherwise specifically required by law and/or these Operating Rules.

2. Common Retailer Requirements

2.1. Introduction

This Section describes the requirements common to all Retailers who accept Lone Star Cards.

2.2 Honor All Cards

The Retailer shall promptly honor all valid Lone Star Cards when presented by Clients for Texas EBT Network Transactions. In addition, the Retailer must accept valid EBT cards from any State for SNAP transactions.

2.4. No Discrimination

Retailers will not, on the grounds of disability, age, race, color, religion, sex, political belief, or national origin: (i) refuse to process a Client's Texas EBT Network Transaction, or otherwise subject any Client to discrimination, or (ii) discriminate in its employment practices. Retailers shall post in conspicuous places, available to all employees and applicants, notices with respect to such nondiscrimination. Upon request of the Retailer Management Provider and/or the HHSC, Retailer must show proof of such non-discrimination notices.

Retailers will fully comply with the Civil Rights Act of 1964 and the Rehabilitation Act of 1973 as amended.

Retailers will fully comply with all applicable requirements of the Americans with Disabilities Act.

2.5. POS Terminals and Calls

2.5.1. Terminals

The Texas EBT Network will accommodate POS Terminals provided by the Retailer Management Provider (See Section 3) and also POS Terminals purchased or

leased by Retailers (from a party other than the Retailer Management Provider) that interface with a Texas EBT authorized Processor.

2.5.2. No Lane Restrictions

During all of Retailer's store hours of operation, at least some of its check out lanes that are equipped with POS Terminals shall be made available to clients to enable them to access their EBT Program benefits.

Retailers must not establish special checkout lanes that are only for Texas EBT Network Transactions. If special lanes are designated for the purpose of accepting other electronic debit or credit cards and/or other commercial customer transactions employing methods of payment such as checks, Clients with Lone Star Cards may also be assigned to such lanes.

2.5.3. Calls

There will be no charge to Retailers or Clients for on-line transaction communication calls made by Retailers directly to the Texas EBT System (i.e., via State-supplied Equipment directly to the Texas EBT System). There will be no charge to Retailers or Clients for calls made to the EBT Call Center or Retailer Help Desk.

2.6. Lone Star Service Mark

The Lone Star service mark is owned by HHSC.

2.6.1. Display at Point of Sale

The Retailer shall display signs or indicators with the Lone Star service mark to inform the public that Lone Star Cards will be honored at the Retailer's place of business. These signs or indicators will be displayed in locations consistent with current trade practices for sign placement of similar electronic payment transactions. The Retailer Management Provider will make available window decals at no cost to the Retailer. Signs of a special size or color shall be produced and paid for by the Retailer. Artwork for these signs can be obtained from the Retailer Management Provider through the Retailer Help Desk.

2.6.2. *Other Use of Lone Star Mark*

Any state logo (e.g., the Lone Star Mark) used by the Retailer may vary reasonably in size and/or color from those provided by the Retailer Management Provider, provided that Retailer otherwise complies with Section 11 of these Operating Rules regarding Graphics Standards. Upon termination of the Retailer agreement for any reason, the Retailer shall cease using or displaying the Lone Star Mark. (See also Section 11 regarding Graphics Standards.)

2.7. TANF "Cash Back" Charges; SNAP Charges; Sufficient Cash

Except as may be specifically provided in Section 10, Retailers shall not charge Clients for redeeming TANF Cash Program benefits via the Texas EBT Network.

Retailers shall not charge clients for redeeming SNAP benefits via the Texas EBT Network.

Retailers redeeming TANF Cash Program benefits by providing "cash only" transaction (i.e., no purchase required) must use their best efforts to anticipate such "cash only" transaction volumes and to maintain a sufficient amount of cash on hand to accommodate such "cash only" transaction volumes.

2.8. On-Line POS Services Requirements

2.8.1. *Requirement for On-Line Authorization*

A Retailer must submit all Texas EBT Network Transactions for electronic on-line authorization whenever the Texas EBT system is operational and accessible by the Retailer.

2.8.2. *Off-Line Completion of Transactions*

A Retailer may process off-line (manual) SNAP redemptions when it is able to contact the EBT call center by telephone. A Retailer may, at its option, process off-line (manual) TANF Cash Program cash-back or cash withdrawal redemptions when it is able to contact the EBT call center by telephone. Subject to Section 2.14, if authorization cannot be obtained before or at the time of purchase, a Retailer assumes the risk of insufficient benefits being available in the client's account.

Subject to Section 2.14, a Retailer may utilize a Manual Voucher to complete a Texas EBT Network Transaction which was not completed on-line if, and only if, a voucher is fully completed, a Voucher Authorization is obtained via telephone call to the EBT Call Center within 5 days of the date of the transaction and the Voucher Authorization number is entered on the Manual Voucher.

Vouchers must be settled within fifteen (15) calendar days of the date of the transaction. Vouchers that are not settled within fifteen (15) calendar days will not be accepted for reimbursement by the Texas EBT System.

2.8.3. *Entry of Primary Account Number (PAN)*

Other than for the exceptions noted below, the Retailer shall utilize a POS card reader compatible with the Texas EBT card(s) at the point-of-sale for purposes of initiating all Texas EBT Network Transactions. The exceptions are:

1. Manual Voucher transactions-pursuant to Section 2.9.; and
2. Fallback manual PAN entry: Manual entry of the PAN may be used only when all the following conditions are met:
 - a. The magnetic stripe on the Lone Star Card is unreadable, or the Magnetic Stripe Card reader is temporarily inoperative;
 - b. The POS Terminal is operated by, or in conjunction with, Retailer personnel. (This condition disallows manual PAN entry at an unattended terminal); and
 - c. A Client and their Lone Star Card are physically present at the time and location of the Texas EBT Network Transaction.

2.8.4. *Enforcement of PIN Usage*

The Retailer shall require that the Client enter their PIN through the PIN pad at, or in proximity to, the point of sale when initiating a Texas EBT Network Transaction, except for a Manual Voucher, as provided for in Section 2.9.

2.8.5. *No Possession of PIN*

At no time shall a retailer possess a Client's PIN or request a Client to disclose their PIN.

2.8.6. *Off-Line Transaction Capability*

If a Retailer uses Manual Vouchers, the Retailer must provide Manual Voucher services for completion of a Texas EBT Network Transaction using the Client's Lone Star Card when the Processor's system, the Texas EBT System, the POS Terminal, or the PIN pad is inoperative. Manual Vouchers must be submitted for settlement via mail (Section 2.9) or via electronic transmission (Section 2.9). When Manual Voucher Authorizations are not available at the EBT Call Center the Stand-In processing option may be available (see Section 2.14).

2.9. **Manual Voucher Settlement Submission Rules**

The Retailer must submit Manual Vouchers for settlement in one of the following ways:

1. the Retailer may enter the Manual Vouchers into a POS Terminal at the Retailer location and submit them as Electronic Vouchers (in the form of an Advice Transaction); or
2. the Retailer may send the original of Manual Vouchers to the Retailer Management Provider by mail or other means of delivery, who will in turn enter the Texas EBT Network Transaction into the Texas EBT system as specified in Section 2.9.6; or
3. the Retailer may deliver copies of Manual Vouchers to their designated Processor who will enter the Texas EBT Network Transactions and submit them as Electronic Vouchers (in the form of an Advice Transaction).

It is the responsibility of the retailer to ensure delivery to the appropriate location has occurred timely and the voucher has been processed.

2.9.1. *Manual Voucher Use Requirements*

If electronic transaction processing via a POS is not available, for the reasons described in Section 2.8.6, and the EBT Call Center is able to provide transaction authorizations to the Retailer via telephone, the Retailer may process SNAP and/or TANF "cash withdrawal" and/or "cash purchase" Manual Voucher Transactions.

2.9.2. *Limits on Vouchers*

The Texas EBT system does not impose any dollar limits on authorized manual vouchers, other than the current balance available in the account.

2.9.3. *Voucher Contents*

Subject to Section 2.14, Manual Voucher Transactions effected without obtaining a Voucher Authorization number from the EBT Call Center shall be "at the risk of the Retailer." Neither the EBT Providers nor the State shall be liable to Retailers with respect to such Manual Voucher Transactions if insufficient funds exist in the Clients' applicable EBT Program benefit accounts at the time the Manual Voucher is presented for processing and payment. Manual Vouchers are either accepted in total or rejected in total for payment. No partial payments are made for Manual Vouchers.

With respect to each Manual Voucher Transaction, Retailers shall legibly and properly complete the Manual Voucher, including the full names of the Client and sales clerk's initials, the Client's PAN as embossed on the Client's Lone Star Card, the total purchase amount, the date of the transaction, Voucher Authorization number, Card Acceptor Identification Number, FNS Number (if Retailer is authorized by FNS), and Acquiring Institution Code (Retailer Number). Retailers must also obtain the Client's signature on all Manual Vouchers.

2.9.4. *Voucher Authorization*

Prior to completing any Manual Voucher Transaction, the Retailer shall fill out the Manual Voucher as set forth in Section 2.9.3 and (subject to Section 2.14) obtain a Voucher Authorization (including a Voucher Authorization number) for the amount of the Texas EBT Network Transaction via telephone from the EBT Call Center. Voucher Authorization must be obtained no later than 5 calendar days of the date of the transaction.

2.9.5. *Client Copy*

The Retailer shall deliver to the Client a true and complete copy of the Manual Voucher executed in accordance with Section 2.9.3.

2.9.6. Voucher Submission

Manual Voucher Transactions must be submitted (via mail delivery or electronically as an Electronic Voucher) for processing so as to be received by the Retailer Management Provider within fifteen (15) calendar days of the date of the transaction. If by mail, the original Manual Voucher (and not a copy) must be submitted for payment.

The Retailer Management Provider will process Manual Vouchers within three (3) Banking Business Days of its receipt thereof. Manual Vouchers found to be incomplete or otherwise improperly prepared and/or submitted shall be returned by the Retailer Management Provider to the Retailer for completion and/or correction within four (4) Banking Business Days of the date of the Retailer Management Provider's original receipt thereof. The Retailer Management Provider may utilize any reasonable means of obtaining the missing and/or correct information, provided such means are utilized and a determination is made within the four (4) Banking Business Day period, as to whether the Manual Voucher must be returned to the Retailer. Corrections and re-submissions of Manual Vouchers must occur within the 15 calendar days of the transaction—the amount of time allowed for Manual Voucher submission.

The Client's EBT Program accounts shall be encumbered in connection with a Manual Voucher Transaction at the time the EBT Call Center issues to the Retailer a Voucher Authorization number for the amount of the Texas EBT Network Transaction via telephone. The Client's EBT Program account shall be debited and the Retailer's applicable account shall be credited with respect to such Texas EBT Network Transaction, at the time the Texas EBT System processes a complete and properly prepared and submitted Manual Voucher with respect to such Texas EBT Network Transaction. If the Manual Voucher is properly submitted, but is not complete or properly prepared, the Retailer Management Provider or the Texas EBT System will not process the Manual Voucher until the missing and/or correct information with respect to the Texas EBT Network Transaction is received (in accordance with Section 2.9.3).

2.9.7. Standing Orders

With respect to Manual Voucher Transactions, which involve home delivery to the Client, house-to-house trade

routes which operate on standing orders from Clients or similar circumstances, and for which the Retailer is unable to contact the EBT Call Center by telephone at the time a Client seeks to perform the Transaction, such Retailer may provide the purchase items to the client and obtain the manual Voucher Authorization number at a later time, but no later than five calendar days after the date of the transaction, at the retailers own risk.

Subject to Section 2.14, if Retailer fails to obtain a Voucher Authorization number from the EBT Call Center at or prior to the time of processing the Manual Voucher Transaction, the Retailer shall bear the risk of there being insufficient funds in the applicable client account at the time that the Transaction is submitted to the Retailer Management Provider or the Texas EBT System.

2.9.8. Re-presentation

The Texas EBT System does not allow the re-presentation of a manual voucher for payment.

2.9.9. State Liability

The State shall be liable (i.e., authorize crediting of the Retailer's account) only with respect to those Manual Voucher Transactions performed in accordance with the provisions set forth in the Federal EBT regulations at 7 CFR § 274.3(c)(4) and the processing standards specified by the State of Texas and these Operating Rules.

2.9.10. EBT Providers' Liability

The EBT Providers shall be liable to Retailers with respect to those Manual Voucher Transactions performed in accordance with the terms and conditions of the Retailer agreement, these Operating Rules, State standards and applicable Federal EBT regulations.

2.9.11. Additional Procedures

Retailers shall follow any procedural instructions not in conflict with these Operating Rules with respect to the processing of Manual Voucher Transactions provided to Retailers by the Retailer Management Provider in addition to those set forth in these Operating Rules.

Such instructions will be provided to Retailers in Retailer and/or Processor training materials. The Retailer Management Provider shall solicit comments and suggestions from the Texas EBT-Retailer Stakeholder Group, USDA FNS and HHSC with respect to such materials and shall consider in good faith comments and suggestions received.

2.9.12. Dispute Resolution

Disputes arising under this Section 2.9 shall be resolved in accordance with the procedures set forth in Section 13.

2.10. Electronic Submission of Manual Vouchers

If the Retailer's system, or that of its designated Processor, has the capability to electronically settle a Texas EBT Network Manual Voucher Transaction, the Retailer and/or Processor may opt for this method of Manual Voucher settlement. Voucher Authorization via the EBT Call Center must be obtained for each electronically submitted Manual Voucher Transaction. The Voucher Authorization number must be included in the electronic submission of the Manual Voucher.

2.10.1. Processing Rules for Electronic Submission of Manual Vouchers

1. Fill out Manual Voucher as specified in Section 2.9.
2. Obtain Voucher Authorization and record number on Manual Voucher as specified in Sections 2.9.3 and 2.9.4 (subject, however, to Section 2.14).
3. Give Client a copy as specified in Section 2.9.5.
4. Enter the information from the Manual Voucher into the Retailer and/or Processor system in accordance with procedures for the specific system. (This can occur after the Client leaves the premises.)
5. If the Manual Voucher Electronic Transaction is accepted, settlement for the transaction will be made by the Texas EBT System in that day's batch, as of the time of the electronic submission of the transaction. (e.g., if the Voucher Authorization occurred in Retailer's Banking Business Day 1 and the electronic submission was on Day 2, settlement of the transaction will occur on the same Banking Business Day as other Day 2 transactions).
6. If the Manual Voucher Electronic Transaction is

declined, an error has occurred. The Retailer should verify that the information submitted is correct or contact the Retailer Management Provider.

7. The Retailer must retain a copy of the Manual Voucher for a period of five (5) months.

2.11. No Card Retention

HHSC does not authorize the retention of a Client's Lone Star Card for any reason. Specifically, HHSC does not authorize a Retailer to retain a Lone Star Card following an attempt by an individual to perform Texas EBT Network Transaction which is subsequently denied due to a "lost" or "stolen" status reported back to the POS Terminal by the Texas EBT System.

2.12. Training

The Retailer Management Provider will provide the Retailer with training in the processing of Texas EBT Network Transactions, including the operation of the Equipment (if supplied) and Retailer will cooperate with and attend or participate in such training session. The Retailer Management Provider will work with the Retailer to schedule a time for training if on-site training is necessary or requested by the retailer.

Training shall include the use of POS equipment, settlement and reconciliation procedures, manual voucher procedures, interoperability, and Retailer Help Desk training. The Retailer Management Provider, upon request, will provide Retailer train the trainer training with respect to the teaching of the contents of training materials, to enable Retailer's trainers to train Retailer employees who are subsequently involved in the processing of Texas EBT Network Transactions. Neither HHSC nor the Retailer Management Provider will be held liable or responsible for the training or lack of training provided by a Retailer if said Retailer waives training.

The Retailer may, at its option, waive training, provided that such Retailer certifies (via a logged telephone call with the Retailer Management Provider indicating date, time and Retailer representative making the certification), prior to processing Texas EBT Network Transactions via the Texas EBT System, that the Retailer understands the materials provided, can operate the Equipment (if provided), and has instructed its employees and assumes all liability if their errors result in loss or damage to the Retailer.

The Retailer Management Provider agrees to furnish

instructions to the Retailer concerning records, vouchers and other documentation to be made and/or completed in connection with the processing of Texas EBT Network Transactions. Retailers shall follow any procedural instructions with respect to the completion of such documentation and with respect to the processing of Texas EBT Network Transactions, which are provided to Retailers by the Retailer Management Provider.

2.13. Provisions Regarding Liability

2.13.1. General

1. The EBT Providers shall be liable for each Texas EBT Network Transaction authorized by them, and shall settle for the full amount of such Transaction, subject to the other provisions of these Operating Rules (e.g., Sections 2.9.3, 2.13.4 and 2.13.5).
2. Any Texas EBT Network Transaction that is erroneously authorized by the EBT Providers and executed by Retailer due to defects in the Equipment and/or Software provided by the EBT Providers shall be the responsibility of the EBT Providers, and the EBT Providers shall be liable in the amount of the Transaction. However, any Texas EBT Network Transaction that is erroneously authorized and executed due to Retailer's and/or Retailer's Processor's noncompliance with these Operating Rules shall be the responsibility of Retailer and/or Retailer's Processor, and Retailer and/or Retailer's Processor shall be liable in the amount of the Transaction.
3. Neither the EBT Providers nor the State shall be responsible or liable for any Texas EBT Network Transactions not authorized by the EBT Providers or any Losses incurred by any party in connection therewith.
4. Neither the EBT Providers nor the State shall be responsible or liable for any Losses to any party arising out of Texas EBT Network Transactions with respect to which Retailer and/or Retailer's Processor transmits an approval to a POS Terminal of Retailer after receiving a rejection from the Texas EBT System.
5. Neither the EBT Providers nor the State shall be responsible or liable to any party for any Texas EBT Network Transaction until such Texas EBT Network Transaction has been electronically accepted by the Texas EBT System. Retailer and Retailer's Processor will indemnify and hold HHSC, the EBT Providers, their parent corporations, affiliates, employees,

contractors and agents harmless from and against all Losses incurred as a result of or incident to Texas EBT Network Transactions processed via a Processor and erroneously processed due to the negligence or willful misconduct of the Retailer, the Retailer's employees and/or the Processor.

2.13.2. Retailer Liability Limitations

Retailer shall not be responsible or liable with respect to any Texas EBT Network Transaction (or any Losses incurred in connection therewith) which is shown to be incorrectly or fraudulently initiated or completed directly as a result of actions of the EBT Providers or omissions for which the EBT Providers are specifically responsible under an agreement or these Operating Rules.

The EBT Providers' maximum total liability with respect to any Texas EBT Network Transaction (or any Losses incurred in connection therewith) which is shown to be incorrectly or fraudulently initiated or completed directly as a result of actions of the EBT Providers or omissions for which the EBT Providers are specifically responsible under a Retailer agreement, Processor agreement or these Operating Rules, shall be limited to the amount of the Texas EBT Network Transaction.

2.13.3. PAN Entry

After settlement, the EBT Providers shall have no further responsibility or liability for any Texas EBT Network Transaction involving manual PAN entry, and acceptance and settlement thereof, even under circumstances where the PAN entry is subsequently determined to have been accomplished through fraud and/or unauthorized use of a PIN. Retailer will indemnify and hold HHSC, the EBT Providers, parent corporations, affiliates, employees, contractors and agents harmless from and against all Losses incurred as a result of or incident to all such Texas EBT Network Transactions where the fraud and/or unauthorized PIN use is on the part of the Retailer, Retailer's employees or agents.

2.13.4. *Manual Voucher Transactions*

Manual Voucher Transactions given Voucher Authorization and otherwise processed in accordance with these Operating Rules will be settled by the Texas EBT System. (See Section 8, Settlement Procedures.) Neither the EBT Providers nor the State shall be responsible or liable for Manual Voucher Transactions where such Transactions are not given Voucher Authorization (subject, however, to Section 2.14), or, although given Voucher Authorization, are not processed by Retailer in accordance with Section 2.9 or 2.10.

In addition, after settlement, the EBT Providers and the State shall have no further liability or responsibility for Manual Voucher Transactions given Voucher Authorization by the Texas EBT System and otherwise processed by Retailer in accordance with Section 2.9 or 2.10, and subsequently determined to have been generated through unauthorized use of a Lone Star Card (or the information contained on a Lone Star Card). Retailer will indemnify and hold HHSC, the EBT Providers, parent corporations, affiliates, employees, contractors and agents harmless from and against all Losses incurred as a result of or incident to all such Texas EBT Network Transactions where the unauthorized use of a Lone Star Card (or the information contained on a Lone Star Card) is on the part of the Retailer, Retailer's employees or agents.

2.13.5. *Electronic Voucher Settlement*

Neither the EBT Providers nor the State shall be responsible or liable to any party for any EBT Program Transaction effected using Voucher Authorization and Electronic Voucher settlement capabilities of a Retailer's or Processor's system, which Texas EBT Network Transaction is subsequently rejected by the Texas EBT System upon electronic submission on account of Retailer's and/or Retailer's Processor's failure to follow the procedures set forth in Section 2.10.

2.14. **Stand-In Processing**

Notwithstanding anything in these Operating Rules to the contrary, in the event (i) the Texas EBT System is inoperative, (ii) access to the EBT Call Center is unavailable, and (iii) HHSC has determined the need for implementing Stand-In processing, a Retailer may process Manual Voucher Transactions (SNAP purchases or TANF Cash) without first obtaining prior authorization and a

Voucher Authorization number from the EBT Call Center. If any such Transaction is later rejected as a result of there being insufficient funds in the applicable Client EBT Benefit account at the time the Manual Voucher is presented for processing and payment, the EBT Providers and HHSC will indemnify Retailer for the amount of the Retailer's loss, up to a maximum of twenty-five dollars (\$25) per day per client. Settlement of stand-in vouchers is contingent upon the following: the Manual Voucher Transaction is processed in accordance with the Operating Rules and Retailer's Agreement, excepting (a) the requirement that Retailer receive an authorization and a Voucher Authorization number from the EBT Call Center Provider prior to processing; (b) the Retailer shall submit the Manual Voucher for payment to the Retailer Management Provider as soon as possible, but no later than five calendar days after the date of the Stand-In period; and (c) the Retailer shall not knowingly process Manual Voucher Transactions for the same client in a cumulative amount greater than twenty-five (\$25) dollars per day.

If the Texas EBT Host system is unable to authorize transactions and is expected to be down for more than 30 minutes, HHSC may invoke Stand-In processing. HHSC will notify Retailers of the start and end times for the period during which the stand-in process will be active. If HHSC elects to extend the end time for a Stand-in period, additional notifications will be distributed, as appropriate.

Retailers will not be expected to obtain a Voucher Authorization number for Manual Vouchers processed during the designated Stand-In period, but will need a Voucher Authorization number for any Manual Vouchers processed outside of the Stand-In period. Retailers may attempt to settle each Manual Voucher via the POS Terminal once the system becomes available. Stand-In Manual Vouchers rejected due to insufficient funds must be mailed to the Retailer Management Provider for settlement.

The use of Stand-In processing will be reassessed periodically. HHSC will solicit comments and suggestions from the Texas EBT-Retailer Stakeholder Group in the course of such reassessment and will consider in good faith comments and suggestions received.

2.15. **Additional Retailer Provisions**

2.15.1. *Miscellaneous Obligations*

By entering into an agreement with the Retailer Management Provider or a Processor, each Retailer thereby acknowledges that its participation in the Texas EBT Program is voluntary. In the event a Retailer is suspended or terminated as a redeemer of SNAP benefits and/or TANF Cash Program benefits, respectively, for any reason, such Retailer shall immediately (i) notify the Retailer Management Provider or its Processor of such event, and (ii) cease utilization of the Texas EBT Network to redeem such benefits as to which Retailer's authorization was suspended or terminated.

Retailers shall comply with all applicable standards, orders and/or requirements issued under Section 306 of the Clean Air Act (42 USC 1857(h)), Section 508 of the Clean Water Act (33 USC 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR Part 15).

Retailers shall comply with the requirements of the Immigration Reform and Control Act of 1986 regarding employment verification and retention of verification forms for any individuals hired on or after November 6, 1986, who will perform any labor or services in connection with these Operating Rules.

Retailers shall comply with mandatory standards and policies relating to energy efficiency which are contained in the State energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Public Law 94-163).

By entering into an agreement with the Retailer Management Provider or a Processor, each Retailer thereby certifies that it owes no funds to HHSC or the State of Texas for an unresolved audit exception. An unresolved audit exception is an exception for which the offeror has exhausted all administrative and/or judicial remedies.

In order to comply with the Internal Revenue Service (IRS) requirement to report the Retailer's EBT sales to the IRS, the Retailer shall provide their tax identification number (TIN) to their Third Party Processor. State-supported Retailers will report their TIN to the Retailer Management Provider by submitting a W9 form with their Retailer Agreement. If the Retailer does not provide their TIN to their Processor, the law requires the Processor to hold back money from the Retailer's bank deposits.

3. Requirements for Retailers Operating State-Supplied Terminal

3.1. Introduction

This Section describes the requirements specific to Retailers who operate POS Terminals supplied by the Retailer Management Provider on behalf of HHSC. These requirements are in addition to those defined elsewhere in these Operating Rules, which are applicable to all Texas EBT Program Retailers.

3.2. Standard POS Terminal Equipment

Subject to Section 3.2.5, POS Terminal Equipment will be provided by the Retailer Management Provider to those Retailers that elect to use State-supplied Equipment to process Texas EBT Network Transactions and do not use other equipment for such purpose (except as provided for in Section 3.2.5).

3.2.1. Terminal Allocation

HHSC shall determine the number of terminals to be installed based upon a consideration of the reporting or sales information described in Section 3.2.2 and the Equipment deployment provisions set forth in Section 3.2.3.

3.2.2. SNAP Participation

If the Retailer desires to process SNAP Transactions, the Retailer must be authorized by USDA FNS prior to participating in the Texas EBT Program. At startup and as an ongoing procedure, HHSC and/or FNS will review sales and other retailer location information (from FNS reporting or Retailer reporting) for each retailer location. Data to be reviewed and monitored may include monthly gross sales, monthly total food sales and monthly total SNAP benefit redemptions.

3.2.3. Equipment Provision

Retailer shall be entitled to receive, and the Retailer Management Provider (on behalf of HHSC) shall provide at no additional cost to the Retailer, consisting of up to the number of POS Terminals called for under 7 CFR § 274.3(b), subject however, to Section 3.2.4. Section 274.3(b) of CFR Title 7, provides in part as follows:

1. Retailers whose SNAP benefit redemptions amount to fifteen percent (15 %) or more of their total food sales may request that each of their checkout lanes be equipped with a POS Terminal; and
2. Retailers whose SNAP benefit redemptions amount to less than fifteen percent (15%) of their total food sales are subject to the following.
 - a. Retailers that are supermarkets may request that they be equipped with a second POS Terminal when redemption volume reaches \$22,001 and then one additional terminal for each \$11,000 in monthly SNAP benefit redemptions; and
 - b. Retailers that are not supermarkets may request that they be equipped with a second POS Terminal when redemption volume reaches \$16,001 and then one additional terminal for each \$8,000 in monthly SNAP benefit redemptions.

Retailers not subject to either subparagraphs 1 or 2 above, and who are over the \$100 per month average redemption minimum set forth in Section 3.2.4, shall receive at least one POS Terminal provided by the Retailer Management Provider (on behalf of HHSC) at no additional cost to the Retailer.

The Equipment provided by the Retailer Management Provider must be installed at the Retailer location(s) set forth in the Retailer agreement, and Retailer must keep such Equipment at such locations and must not remove, transfer or transport the Equipment to any other location.

POS Terminals supplied by the Retailer Management Provider must be placed in easily accessible locations at checkout lane points of purchase (and Retailer's store must be in compliance with Americans with Disabilities Act). POS Terminals may also be installed in readily accessible customer service areas.

Retailers may, in their discretion, lease additional POS Terminals from the Retailer Management Provider, and the Retailer Management Provider shall lease such POS Terminals in accordance with its standard terms and conditions. Any such additional leased terminals acquired from the Retailer Management Provider shall be considered Equipment for purposes of these Operating Rules.

HHSC will review adequacy of terminal deployment and lane coverage on a minimum of an annual basis using the previous 12 months of sales information described in Section 3.2.2. In addition, a Retailer may request such a review at any time during the year. The findings will determine if the Retailer is entitled to receive a greater or lesser number of POS Terminals at a given location. The review is done at no additional charge to the Retailer.

If a Retailer is entitled to additional Equipment, the Retailer Management Provider shall provide Retailer at its applicable Retailer locations, such additional POS Terminals which Retailer requests and to which the Retailer is entitled. If Retailer is entitled to less Equipment, Retailer shall promptly return and/or arrange for the Retailer Management Provider to repossess or remove any excess Equipment and Software provided by the Retailer Management Provider.

3.2.4. *Minimum Redemptions*

In the event a Retailer's SNAP benefit redemptions amount to less than one hundred dollars (\$100) per month on average over a six month period (validated by sales estimates or history provided by the Retailer or derived from the Texas EBT System) the Retailer will not be provided POS Equipment. In such event, however, such Retailer will be permitted to participate in the Texas EBT Program via the Manual Voucher transaction process described in Section 2.9, and such Retailer may, at its cost, choose to lease or otherwise acquire the hardware, software and equipment necessary to interface with the Texas EBT Network and participate electronically in the Texas EBT Program. Redemption reviews will occur not more than every 12 months.

3.2.5. *Courtesy Booth Equipment Supply Provisions*

For each Retailer that provides TANF cash transactions without a purchase ("cash only" transactions) in a courtesy booth in connection with TANF Cash Program benefit redemptions, the Retail Management Provider may provide, upon request, POS Terminal(s) to effect TANF Cash Program benefit redemptions. The number of terminals provided will be based on the number of courtesy booths in a store and the six-month volume history of TANF "cash only" transactions. Redemption reviews will occur no more than every six months. The Retail Management Provider will provide one POS Terminal for each courtesy

booth that has ten (10) or more TANF "cash only" transactions per month, on average over a six-month period. The Retailer Management Provider will also maintain the supplied POS Terminal(s) at no additional cost to such Retailer.

In addition, when Retailers perform electronic processing of Manual Vouchers in their courtesy booths, the Retailer Management Provider may provide, upon request, POS Terminal(s). The number of terminals provided will be based upon the number of courtesy booths in a store and the six-month volume history of electronic submission of Manual Vouchers in the courtesy booth. The Retail Management Provider will provide one POS Terminal for each courtesy booth that has ten (10) or more electronic Manual Voucher transactions per month, on average over a six-month period. The Retailer Management Provider will also maintain the supplied POS Terminal(s) at no additional cost to such Retailer.

In no event shall the Retailer Management Provider provide more than one POS terminal per courtesy booth.

If Retailer ceases to meet the criteria for provision of courtesy booth POS terminals, the Retailer shall promptly return the POS equipment to the Retailer Management Provider and/or arrange for the Retailer Management Provider to remove or repossess all State provided Equipment and Software provided pursuant to Section 3.2.5.

Retailers who do not meet the criteria stated above for State-supplied POS terminals for courtesy booths may lease terminals from the Retailer Management Provider and the Retailer Management Provider shall lease such POS Terminals in accordance with its standard terms and conditions. Any such additional leased terminals acquired from the Retailer Management Provider shall be considered Equipment for purposes of these Operating Rules.

3.2.6. *Terminal Installation*

1. **Counter Space, Terminal Environment**--Retailer shall be responsible for providing adequate checkout lane counter space and, if applicable, customer service area counter space. Retailer shall maintain the environment wherein Equipment is installed. The terminal must be accessible to Clients so that Clients can enter their own Personal Identification Number (PIN).

2. **Phone Lines**—Retailers are expected to provide a telephone line(s) (either new or existing) for use with State-supplied POS Terminals. HHSC will reimburse Retailers who use State-provided equipment for the cost of usage of the telephone line(s) attributed to the processing of Texas EBT Network Transactions as specified in Section 10.3.2.
3. Notwithstanding anything in these Operating Rules to the contrary, the Retailer Management Provider or HHSC will not provide or arrange for electricity to be provided to, or wire, Retailer locations that do not currently have electricity or require additional capacity from a utility. If Retailer chooses to participate in the Texas EBT Program at locations without electricity, Retailer must provide electricity or utilize Manual Vouchers at such locations.

test the POS Terminal(s) after all other measures have been taken.

3.2.7. *Restricted Use of EBT Terminals*

Retailer may only use the State-supplied Equipment for processing Texas EBT Network Transactions that are within the scope of Retailer's participation as set forth in Retailer's agreement(s) with the Retailer Management Provider.

3.2.8. *Instructions and Assistance*

The Retailer must follow the instructions contained in all training materials and other documents accompanying the Equipment and/or separately provided by the Retailer Management Provider with regard to the Equipment, as such may be amended and/or updated from time to time, including but not limited to instructions relating to the necessary environment for the Equipment, the installation of the Equipment (if applicable), and the care and use of the Equipment.

To the extent the Retailer may be responsible for the installation of any State-owned POS Terminals, (i) the Retailer Management Provider will provide clear written installation instructions, (ii) such POS Terminals will have a self-test feature to check its basic functionality, (iii) the Retailer Management Provider will provide a mechanism for Retailer to perform EBT Program test transactions, (iv) Retailer will be permitted to call the Retailer Management Provider's Help Desk for installation and/or testing assistance, and (v) a trained technician will be scheduled within two (2) business days for dispatch to the applicable Retailer location (at no cost to Retailer) to assist Retailer in the event Retailer is unable to successfully install and/or

3.2.9. *Equipment Repairs*

Retailer must not make or attempt to make any repairs to the Equipment (although Retailer shall be responsible for changing the paper used by the Equipment). Retailer will promptly notify the Retailer Management Provider Help Desk of any problems with the Equipment. The Retailer Management Provider Help Desk will either suggest corrective action or send replacement Equipment at no cost to the Retailer.

The Retailer Management Provider will replace Equipment that is not in working order. If a State-supplied POS Terminal cannot operate for EBT, it will be replaced (via mail) with working equipment within forty-eight (48) hours (for stores with one POS Terminal) or seventy-two (72) hours for stores with multiple POS Terminals after the Retailer Management Provider Help Desk receives the call.

3.2.10. *Ownership of Equipment*

At all times, the Equipment shall be the sole property of the Retailer Management Provider, and Retailer shall have no rights in or to the Equipment except the right to use it on the terms and conditions set forth in the Retailer Agreement, including these Operating Rules. The Retailer Management Provider may replace the Equipment with identical equipment or equipment with like or similar functionality at any time and for any reason. If such replacement equipment is not identical to the Equipment it replaces, the change shall be minimal to Retailers and Clients. The Retailer Management Provider will offer information and/or training for the Retailer on any operational changes required when using non-identical equipment.

Retailer must not at any time encumber, transfer, pledge or sublease the Equipment in any way or take any actions which in any way suggest, indicate or imply that Retailer is the owner of the Equipment. In addition, the Retailer must not at any time physically move the Equipment to another location that is different from the retailer location authorized by FNS.

3.2.11. *Right of Inspection*

The Retailer Management Provider will have the right to inspect the Equipment at any time (including, but not limited to, times of emergency, crisis and disaster) during Retailer's normal business hours, in order to ensure the

proper functioning of the Equipment. The Retailer Management Provider will give the Retailer reasonable prior notice of all such inspections and use its best efforts to conduct such inspections at a time and in a manner that results in minimal disruption to Retailer's business.

3.2.12. *Protection of Equipment*

The Retailer must take all reasonable security measures to protect the Equipment from loss, theft, damage (including vandalism), destruction and unauthorized use, and Retailer must immediately notify the Retailer Management Provider Help Desk if any Equipment is lost, stolen, damaged (including vandalized), destroyed or in any way subject to unauthorized use. The terms of this section 3.2.12 shall survive the expiration or termination of any Retailer agreement until the Equipment provided there under is returned and/or repossessed by the Retailer Management Provider.

3.2.13. *NO WARRANTY AS TO EQUIPMENT*

THE RETAILER MANAGEMENT PROVIDER AND HHSC HAVE NOT MADE, AND DO NOT MAKE, ANY REPRESENTATION, WARRANTY OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO DESIGN, CONDITION, DURABILITY, SUITABILITY, FITNESS FOR USE OR MERCHANT ABILITY OF THE EQUIPMENT IN ANY RESPECT, EXCEPT THAT THE RETAILER MANAGEMENT PROVIDER SHALL REPAIR OR REPLACE ANY EQUIPMENT WHICH DOES NOT FUNCTION IN ACCORDANCE WITH THE DESCRIPTIONS FOR THE EQUIPMENT PROVIDED BY THE MANUFACTURER.

3.2.14. *Removal of Equipment During Term of Agreement*

If during the term of a Retailer agreement, the Retailer installs and/or utilizes a POS Terminal system of its own in compliance with these Operating Rules which is sufficient and adequate to enable Retailer to comply with its Texas EBT Program participation commitment as set forth in its Retailer agreement, the Retailer Management Provider shall, at no cost to Retailer, remove the State-supplied Equipment and Software within thirty calendar days of Retailer's written request for removal, and the Retailer Management Provider shall cooperate with Retailer to effect a cutover to Retailer's POS Terminal network and Retailer's Processor.

3.3. Terminal Software License

"Software", as defined in the Glossary, is licensed to Retailers who are provided State-supplied equipment pursuant to the POS Terminal Software License set forth in Appendix A.

3.4. Limitation of Liability for Equipment

1. The Retailer Management Provider shall be responsible for all theft, damage, or destruction to Equipment, except for theft, damage, or destruction to Equipment caused by Retailer (including Retailer's employees) and/or resulting from Retailer's negligence (including that of Retailer's employees). Retailer shall be responsible for theft, damage, or destruction to Equipment caused by Retailer (including Retailer's employees) and/or resulting from Retailer's negligence (including that of Retailer's employees).
2. Subject to paragraph one above, the Retailer Management Provider shall not be responsible for any Losses arising out of the use or possession of Equipment by any Retailer, including but not limited to lost profits. While Equipment is in Retailer's possession, custody or control, Retailer shall bear all liability for the use, possession, operation and storage of such Equipment, including liability for damage or injury to the property or person of Retailer or third parties; provided however, that Retailer shall not be liable for personal injury and or/damages to property resulting from the negligence or willful acts of the Retailer Management Provider, its employees, contractors, or agents.
3. Subject to paragraph one above, Retailer will indemnify and hold the Retailer Management Provider, its parent corporations, affiliates, employees, contractors and agents harmless from and against all Losses incurred as a result of or incident to Equipment, or the use, possession, operation, or storage thereof; provided however, that Retailer's obligation to indemnify and hold harmless shall not apply in cases in which the Retailer Management Provider shall be found liable for personal injury and/or damage to property resulting from the negligence or willful acts of the Retailer Management Provider, its employees, contractors, or agents.
4. The terms of this Section 3.4 shall survive the expiration or termination of any agreement between the Retailer Management Provider and Retailer.

4. Requirements for Retailers Using Non-State-Supplied Terminals

4.1. Introduction

This Section describes the requirements specific to Retailers who operate their own POS Terminals or have POS Terminals operated on their behalf by Processors or other parties. These requirements are in addition to those defined elsewhere in these Operating Rules, which are applicable to all Retailers.

4.2. POS Terminal Equipment

Terminal equipment may be provided by the Retailer or a Processor or party contracted by the Retailer. In any such case the equipment must meet the following standards:

4.2.1. Keyboard

If used for PIN entry, the alphanumeric keyboard layout must be in accordance with ISO standards, and must have alphanumeric keyboards in the following standard format:

0 - None 5 – JKL

1 - QZ 6 – MNO

2 - ABC 7 – PRS

3 - DEF 8 – TUV

4 - GHI 9 - WXY

4.2.2. Magnetic Stripe Reader

An operating magnetic stripe reader shall be an integrated part, or a separate module, of every POS Terminal system.

4.2.3. PIN Functionality

1. **Requirements for PIN Pad**--An operating PIN pad shall be an integrated part, or a separate but cable connected module, of every POS Terminal system.
2. **PIN Pad Keyboard**--The PIN pad keyboard shall be alphanumeric, and its layout shall be in accordance with ISO standards with key assignments as shown in Section 4.2.1.

3. **PIN Handling Capability**--Any POS Terminal/PIN pad designated by the Retailer for the Texas EBT System must be capable of accepting a four digit/character alphanumeric PIN.

4.2.4. PIN Security Implementation

The confidentiality of the Client's PIN must be protected by conformance to the rules below:

1. PINs may never be displayed, transmitted, or stored in non-encrypted form within or between POS Terminals, Equipment, Processors' systems and/or the Texas EBT System.
2. The PIN entered by the client must be encrypted at the point of entry.
3. The Triple Data Encryption Standard (TDES), which uses the Data Encryption Algorithm (DEA), is the preferred standard but other encryption methodologies, e.g., Unique Key Per Transaction (UKPT), will be evaluated by the Retailer Management Provider upon the written request of a Retailer. Such methodologies may only be used if approved by the Retailer Management Provider.

4.2.5. Receipt Printer

A printer must provide a receipt for all approved Texas EBT Network Transactions, which receipt must include transaction data as detailed in Section 7.2.

4.3. Retailer Interface System

4.3.1. Requirement to Operate

Each Retailer shall cause to be operated a Retailer interface system that meets the minimum performance standards contained in Section 4.3.2. and that processes Texas EBT Network Transactions as required by Sections 6 and 7 of these Operating Rules and in accordance with the Texas EBT Processor Interface Specifications.

4.3.2. Performance Requirements

A Retailer's Processor must not have average downtime, including scheduled downtime, exceeding 0.3% during any

calendar month.

1. The measured hours are whenever any EBT-authorized store being serviced by the Retailer's Processor is open for customer business.
2. Downtime caused by communications problems in links provided by the Retailer Management Provider and/or other providers outside the scope of the Retailer's or Processor's control are not counted as system downtime for this purpose.
3. The Retailer Management Provider may determine downtime on the basis of both administrative information logged by Central Processor operations personnel, and as logged by the Texas EBT System electronically.
4. Failure to meet this performance standard may subject the Retailer to suspension of authorization to accept Texas EBT Network Transactions.

4.4. Responsibility for Processing Compliance

The Retailer shall take such actions as are reasonably required to ensure that its Processors and other transaction-handling parties are in compliance with the requirements of these Operating Rules. Processors that are connected directly to the Texas EBT System are certified by the Retailer Management Provider, but other Processors may handle Texas EBT Network Transactions for Retailers, and they must also meet all the standards and follow all the applicable rules in the Operating Rules. All message flows and terminal operations by Processors must be certified by successfully completing the Retailer Management Provider's Certification Test prior to being permitted to interface with the Texas EBT System, and may be required to be re-certified at the Retailer Management Provider's or HHSC's sole discretion.

The Retailer must insure that all Processors utilized by the Retailer for Texas EBT Network Transaction processing will promptly notify the Retailer Management Provider of any changes in their systems that may affect the processing of Texas EBT Network Transactions.

4.5. Liquidated Damages ("LDs")

If, during a calendar month, Texas EBT Network Transactions processed via Retailer owned or provided

POS Terminals cannot be processed within the "Speeds for LD Purposes", as defined below, as a result of such Retailer's system or equipment, then with respect to each such month (a "Failure Month"), other than the single Failure Month that immediately follows a month during which Texas EBT Network Transactions processed via Retailer owned or provided POS Terminals are processed within the Speeds for LD Purposes, the Retailer Management Provider may assess the Retailer liquidated damages up to the amount that the State assesses its EBT Provider(s) in connection with such Failure Month, but in no event more than \$20,000.

To the extent such Failure Month was due partially but not entirely to Retailer's system or equipment, the Retailer Management Provider shall assess liquidated damages in proportion to Retailer's responsibility for the Failure Month. In the event Retailer disagrees with such apportionment, such disagreement shall be resolved in accordance with the dispute resolution procedure set forth in Section 13.2, except that the Retailer Management Provider's assessment of liquidated damages shall be considered a determination by the Retailer Management Provider under Section 13.2.3, and the affected Retailer may proceed immediately under Section 13.2.4.

Retailer may choose the better performance of the current month or the prior two months for the purpose of meeting this downtime standard.

"Speeds for LD Purposes" shall mean the following Texas EBT Network Transaction processing response time (measured as described below):

1. For leased line systems, 98 percent of Texas EBT Network Transactions shall be processed within 10 seconds or less and 99 percent of all Texas EBT Network Transactions shall be processed within 15 seconds; and
2. For dial-up systems, 95 percent of Texas EBT Network Transactions shall be processed within 15 seconds or less and 98 percent of all EBT Program Transactions shall be processed within 20 seconds.

Processing response time shall be measured at the POS terminal from the time the "Enter" or "Send" key is pressed to the receipt and display of authorization or disapproval information.

5. Requirements for Processors

5.1. Introduction

This Section describes the requirements specific to Processors. These requirements are in addition to those defined elsewhere in these Operating Rules, which are applicable to all participants in the Texas EBT Program.

5.2. Interface Standards

5.2.1. Message Formats

The Retailer Management Provider maintains all message formats in its Texas EBT Processor Interface Specifications document, available upon request from the Retailer Management Provider. Processors are required to meet all requirements and conditions outlined in the EBT Processor Interface Specifications. In cases where there are conflicts between the Texas EBT Processor Interface Specification and these Operating Rules, these Operating Rules will prevail.

5.2.2. Message Flows

The message flow and the message protocols are defined in the Texas EBT Processor Interface Specification.

5.2.3. Date-Related Processing

1. Processors must warrant that their products operate accurately, in the manner in which it was intended as it relates to the date related operations when given a valid date containing century, year, month, and day.
2. For the purpose of this section, the following definitions shall apply:
 - a. Products: include but are not limited to any supplied or supported hardware, software, firmware and/or micro code.
 - b. Accurately: refers to correct processing according to the following:
 - calculations must execute using dates with a four digit year;
 - functionality (e.g., on-line and batch) including but not limited to entry, inquiry, maintenance and update must support four digit year processing;
 - interfaces and reports must support four digit year processing;
 - leap year must be calculated correctly; and

- correct results in forward and backward data calculation spanning century boundaries must be provided, including the conversion of previous years currently stored as two digits.

3. Valid Date: a date which contains a two digit month, a two digit day and a four digit year.
4. Extraordinary Action: any action outside the normal documented processing steps identified in the product's reference manual.

5.3. Testing

HHSC and/or contractors may not elect to stop production of Texas EBT Network Transaction processing to accomplish testing of Processor's system.

5.3.1. General Testing Requirements

1. The Retailer Management Provider and HHSC determine the minimum testing requirement and acceptance criteria for the certification of Processors.
2. The HHSC or its contractor must have certified the Processor's data communications prior to any EBT Program Transaction testing. Once certified for communications by the HHSC or its contractor, the Processor will be connected to the production network, but only permitted to connect with a test machine.
3. All testing is performed on a special test machine with transaction simulators and special monitoring facilities. The HHSC or its contractor will supply test scripts, test cards and an EBT Processor Testing guide. HHSC or its contractor staff will schedule and monitor all testing.
4. No Processor will be allowed to begin production of Texas EBT Network Transaction processing prior to meeting the minimum test requirements.
5. The HHSC or its contractor may require Processors to be re-certified in the event of more than one "Failure Month" (as defined in Section 4.5) with respect to such Processor and in the event material changes are made to Processors' systems. Processors shall notify the HHSC or its contractor as soon as possible prior to the implementation of any changes in their systems that may affect the processing of Texas EBT Network

Transactions, and shall include with such notice(s) a schedule describing such changes in reasonable detail and specifying the date(s) of such changes.

5.3.2. *Testing Schedules and Fees*

Testing and any applicable fees are coordinated through HHSC.

5.4. **Electronic Submission of Voucher Authorization Advices**

The EBT Providers and/or HHSC shall be liable to the Retailer for any Manual Voucher Transaction properly authorized pursuant to Voucher Authorization procedures and properly submitted by that Retailer or Processor to the Texas EBT System as Electronic Vouchers. (See Section 2.10.) The Texas EBT System shall settle for the full amount of such Electronic Voucher Advices. Subject to Section 2.14, Manual Vouchers and Electronic Voucher Advices must contain the proper Voucher Authorization number, as given by the EBT Call Center at the time of authorization.

5.5. **Performance Standards**

Each Processor's system must perform at speeds fast enough to permit the Texas EBT Network Transactions processed via such system to be processed within the time limits set forth in FNS regulations 7 CFR 274.8(b)(1)(i), as follows:

1. for leased line systems, 98 percent of EBT Transactions shall be processed within 10 seconds or less and all EBT Program Transactions shall be processed within 15 seconds; and
2. for dial-up systems, 95 percent of EBT Transactions shall be processed within 15 seconds or less and all EBT Transactions shall be processed within 20 seconds.

Processing response time shall be measured at the POS terminal from the time the "Enter" or "Send" key is pressed to the receipt and display of authorization or disapproval information.

5.6. **Liquidated Damages ("LDs")**

If, during a calendar month, Texas EBT Network Transactions processed via a Processor's system cannot be processed within the "Speeds for LD Purposes", as defined below, on account of such Processor's system or equipment, then with respect to each such month (a "Failure Month"), other than the single Failure Month that immediately follows a month during which Texas EBT Network Transactions processed via a Processor's system are processed within the Speeds for LD Purposes, the Retailer Management Provider may assess the Processor liquidated damages up to the amount the State assesses its EBT Provider(s) in connection with such Failure Month, but in no event more than \$20,000.

To the extent such Failure Month was due partially but not entirely to Processor's system or equipment, the Retailer Management Provider shall assess liquidated damages in proportion to the Processor's responsibility in the Failure Month. In the event Processor disagrees with such apportionment, such disagreement shall be resolved in accordance with the dispute resolution procedure set forth in Section 13.2, except that the Retailer Management Providers' assessment of liquidated damages shall be considered a determination by the Retailer Management Provider under Section 13.2.3, and the affected Processor may proceed immediately under Section 13.2.4

"Speeds for LD Purposes" shall mean the following Texas EBT Network Transaction processing response time (measured as described above):

1. for leased line systems, 98 percent of Texas EBT Network Transactions shall be processed within 10 seconds or less and 99 percent of all Texas EBT Network Transactions shall be processed within 15 seconds; and
2. for dial-up systems, 95 percent of Texas EBT Network Transactions shall be processed within 15 seconds or less and 98 percent of all Texas EBT Network Transactions shall be processed within 20 seconds.

Processing response time shall be measured at the POS terminal from the time the "Enter" or "Send" key is pressed to the receipt and display of authorization or disapproval information.

5.7. Provisions Regarding Liability

5.7.1. General

1. The EBT Providers and/or HHSC shall be liable for each Texas EBT Network Transaction authorized by them, and shall settle for the full amount of such transaction, subject to the other provisions of these Operating Rules (e.g., Sections 2.13.4 and 2.13.5)
2. Neither the EBT Providers nor the State shall be responsible or liable for any Losses to any party arising out of Texas EBT Network Transactions with respect to which Retailer's Processor transmits an approval to a POS Terminal of Retailer after receiving a rejection from the Texas EBT System.
3. Neither the EBT Providers nor the State shall be responsible or liable to any party for any Texas EBT Network Transactions until such Texas EBT Network Transaction has been electronically accepted by the Texas EBT System. Retailer and Retailer's Processor will indemnify and hold HHSC, the EBT Providers, and their parent corporations, affiliates, employees, contractors and agents harmless from and against all Losses incurred as a result of or incident to Texas EBT Network Transactions processed via a Processor and erroneously processed due to the negligence or willful misconduct of the Retailer and/or the Retailer's Processor.

5.7.2. Limitation on Liability

Processor shall not be responsible or liable with respect to any Texas EBT Network Transaction (or any Losses incurred in connection therewith) which is shown to be incorrectly or fraudulently initiated or completed directly as a result of actions of the EBT Providers or omissions for which the EBT Providers are specifically responsible under a Processor agreement or these Operating Rules.

The EBT Providers' and/or HHSC' maximum total liability with respect to any Texas EBT Network Transaction (or any Losses incurred in connection therewith) which is shown to be incorrectly or fraudulently initiated or completed directly as a result of actions of the EBT Providers and/or HHSC or omissions for which the EBT Providers are specifically responsible under a Retailer agreement, Processor agreement or these Operating Rules, shall be limited to the amount of the Texas EBT Network Transaction.

5.7.3. Manual Entry of PAN

After settlement, the EBT Providers and/or HHSC shall have no further responsibility or liability for any Texas EBT Network Transaction involving manual PAN entry, and acceptance and settlement thereof by the Retailer Management Provider, where the PAN entry is subsequently determined to have been accomplished through fraud and/or unauthorized use of a PIN. Retailer will indemnify and hold HHSC, the EBT Providers, and their parent corporations, affiliates, employees, contractors and agents harmless from and against all Losses incurred as a result of or incident to all such Texas EBT Network Transactions where the fraud and/or unauthorized PIN use is on the part of the Retailer, Retailer's employees or agents.

5.7.4. Electronic Advice Transactions

Neither the EBT Providers nor the State shall be responsible or liable to any party for any Texas EBT Network Transaction effected using Voucher Authorization and Electronic Voucher settlement capabilities of the Processor's system, and which is subsequently rejected by the Texas EBT System upon electronic submission on account of Retailer's and/or Retailer's Processor's failure to follow the procedures set forth in Section 2.10.

5.8. Phone Lines and Calls

5.8.1. Communication Lines

Processor is responsible for procuring and arranging for installation of telecommunications interfaces (primary and backup) from the Processor's location to the Texas EBT System. Processor is responsible for monthly charges associated with such lines and for the management of such lines.

5.8.2. Calls

The Processor is responsible for any charges associated with the transmission of on-line transaction communication calls made directly to the Texas EBT System.

6. Retailer Management Provider Processing and Support Services

6.1. Introduction

This section defines services provided by the Retailer Management Provider and indicates whether their support is "mandatory" or "optional" for Retailers and Processors.

6.2. Mandatory and Optional Services -Definition

The terms "mandatory" and "optional" indicate whether a particular service must be supported (mandatory) by all Retailers and their Processors or may be supported at the choice of Retailers and their Processors (optional). This designation is dependent on the particular service and is indicated below.

6.3. POS Service Definitions

6.3.1. *Purchase (Mandatory)*

An EBT Program Transaction in which funds are debited from a Client's benefit account and credited to a Retailer's account in consideration for goods or services obtained from the Retailer by the Client.

6.3.2. *Return (Mandatory)*

An EBT Program Transaction in which funds equivalent to, or less than, the amount of an earlier SNAP purchase (in an amount no greater than \$200) by the Client, may be debited from the Retailer's account and credited to the Client's account with the Retailer's approval. The Texas EBT System allows for only \$200 in returns, cumulative, per calendar month, per Client. Returns of TANF Cash Program benefit-purchased items will be reimbursed with cash by the Retailer.

6.3.3. *TANF Cash Withdrawal (Optional)*

An EBT Program Transaction at a POS Terminal in which the Client debits a TANF cash benefit account and is issued cash equal to the amount approved.

6.3.4. *Balance Inquiries at POS Terminals*

To facilitate tracking of benefit account balances, Clients will be trained to retain their receipts and/or to call the EBT Call Center for an account balance inquiry. Balance inquiries at POS terminals are also allowed.

6.3.5. *POS Off-Line Processing (Optional)*

When the electronic link between the Retailer and the Texas EBT System is temporarily not operational. The Retailer may process off-line by using Manual Vouchers submitted to the Texas EBT System electronically in the form of an Advice Transaction or submitted on paper to the Retailer Management Provider or Processor for processing.

6.4. Other Transaction Definitions

6.4.1. *Reversals (Mandatory)*

A "Reversal" is a type of Transaction that is initiated by a POS in the Texas EBT System to correct a variety of system communication issues. A reversal may be initiated by a POS device to "cancel" the most recent Transaction from the device. This would typically be necessary when no authorization to complete a Transaction was received by the POS Terminal from the EBT system within a predetermined period of time (usually around 30 seconds). A Reversal Transaction must include enough information to allow it to be unambiguously matched with the Transaction that is being reversed.

6.4.2. *Key-entered Transactions (Mandatory)*

A key-entered transaction is completed by entering the card account information into the terminal. This is used in the case that the card cannot be read by the attached card-reader.

6.4.3. *Settlement / Closeout Activities (Mandatory)*

An EBT Program Transaction at a POS Terminal in which

the Retailer can generate periodic transaction summary reports and meeting settlement requirements (if applicable).

6.4.4. *Void Last Transaction (Mandatory)*

Allows the Retailer to void the last successful transaction performed on the terminal.

7. Transaction Processing Rules

7.1. General Rules

The following rules apply to all Client-initiated Texas EBT Network Transactions.

7.1.1. Requirement for Card

All Client-initiated Texas EBT Network Transactions must be initiated with the physical use of a Lone Star Card.

7.1.2. Primary Account Number (PAN)

All Client Texas EBT Network Transactions must include the Client PAN. The Client PAN must always be read electronically from the magnetic stripe on the Lone Star Card by the use of the POS Terminal's magnetic stripe reader. Manual entry of the PAN is only allowed as a fallback measure for Texas EBT Network Transactions. Retailers and/or the Retailer's Processor must indicate the method by which the PAN is entered into the POS device (either via swipe or manual entry). Manual entry of the PAN is governed by Section 2.13.3.

7.1.3. Personal Identification Number (PIN)

With only two exceptions, all Client Texas EBT Network Transactions must include a PIN. The exceptions are:

1. transactions processed with a Manual Voucher; and
2. POS Advice transactions resulting from Electronic Vouchers.

7.1.4. Partial Approvals

The Texas EBT System will either approve or deny the total funds transfer request it receives for TANF Cash Withdrawal and Purchase EBT Program Transactions. No approvals for partial amounts are permitted for these Transactions.

7.1.5. Store and Forward of Reversals and Advices

In accordance with the provisions set forth under SNAP Regulation 7 CFR 274.8(e), the Texas EBT System will allow Retailers, at the Retailer's own choice and liability, to perform Store-and-Forward Transactions when the EBT

system cannot be accessed for any reason. The Retailer would be able to forward the Transaction to the host one time within 24 hours of when the system again becomes available. Should the 24-hour window cross into the beginning of a new benefit issuance period, Retailers may draw against all available benefits in the account.

In instances where there are insufficient funds to authorize an otherwise approvable Store-and-Forward Transaction, Retailers are allowed to collect the balance remaining in the Client's account.

7.2. Receipt Requirements

7.2.1. On-Line Transactions

At the time of any Client-initiated on-line Texas EBT Network Transaction involving a movement of funds among participating Retailers and/or Processors, a Texas EBT Network Transaction receipt shall be made available to each Client. This receipt shall comply fully with all applicable state and federal laws and regulations such as (but not limited to) Regulation E (12 CFR § 205) and SNAP Regulation 7 CFR 274.7(d)(3) and shall contain the following **mandatory** information:

1. the store location and the name of the Retailer providing the goods, services, or money to the clients;
2. the Texas EBT Network Transaction date;
3. the type of Texas EBT Network Transaction (e.g., SNAP, TANF Cash);
4. a number or code that uniquely identifies the Client initiating the Texas EBT Network Transaction, such as the last four digits of the Client's PAN (the entire PAN is not to be used);
5. the amount of the Texas EBT Network Transaction;
6. the balance remaining in the account accessed for the Texas EBT Network Transaction;
7. an employee number or other unique identifier for the employee operating the POS Terminal at which the Texas EBT Network Transaction was initiated; and,
8. the POS Terminal location number or, at the Retailer's option, one of the other required location descriptions specified by applicable federal and state law and

regulation.

The following information is recommended on all POS receipts:

1. a transaction trace number; and
2. the balance remaining in other EBT accounts.

Language requiring Clients to pay the transaction amount or authorizing the transfer of the Transaction amount must not be printed on POS receipts. Signature lines must not be printed on the POS receipts and Retailers shall neither request nor require Clients to sign POS receipts in order to receive goods, services and/or TANF cash. In addition, Retailers must not charge sales taxes or Transaction fees for any SNAP benefit purchases.

NOTE:

IMMEDIATELY INVESTIGATE ANY POS TRANSACTION IF A POS RECEIPT DOES NOT HAVE THE ABOVE REQUIRED ITEMS SINCE THIS MAY BE AN INDICATION OF TAMPERING OR OTHER PROBLEM.

A POS RECEIPT WITH "TRAINING MODE" INDICATES A TRAINING MODE TRANSACTION ONLY. RETAILERS ARE RESPONSIBLE FOR ANY GOODS DISPENSED DURING POS TRAINING MODE OPERATIONS.

The requirements of this Section 7.2.1 shall apply only to Texas EBT Network Transactions involving the transfer of funds.

Retailers must provide information, either on a receipt or otherwise at the POS Terminal, for each declined Texas EBT Network Transaction, which information must include, at a minimum, the information transmitted to the Retailer in accordance with the Texas EBT Network Interface Specifications.

Retailers are required to transmit Texas EBT Network Transaction records to the Texas EBT System in accordance with the EBT Processor Interface Specifications and in compliance with all applicable federal and state laws and regulations.

Subject to any contrary provisions in Section 10, Retailers

are not permitted to add a Texas EBT Network Transaction fee to the amount of the Transaction.

7.2.2. Benefit Draft Transactions--Manual and Electronic Vouchers

The Retailer shall deliver to the Client a true and complete copy of the Manual Voucher. (Every Electronic Voucher must originate with a Manual Voucher.) The receipt shall fully comply with all applicable federal, state and local laws, rules and regulations and contain the information required in Section 2.9.

7.3. POS Transactions

7.3.1. Payee Identification

The electronic message transmitted by the Retailer must contain in the payee field of the message the Card Acceptor Code (identifying the retailer location) and the unique Terminal Identification Code of the POS Terminal on which the transaction was processed.

7.3.2. Electronic Voucher Submission Period

The period within which the Retailer or Processor may submit the Electronic Voucher (Advice) transaction to the Texas EBT System shall not exceed fifteen (15) calendar days from the date of the original Texas EBT Network Transaction.

7.3.3. Transaction Limits

In accordance with the provisions set forth in the Federal EBT regulations at 7 CFR 274.7(c) no minimum dollar amount per transaction nor maximum limit on the number of transactions shall be established. In addition, no transaction fees shall be imposed on SNAP households utilizing the EBT system to access their benefits.

8. Settlement Procedure

8.1. General

Settlement will be performed each Banking Business Day at the settlement time established by the Texas EBT System. Entries to the Retailer's or Processor's settlement account may include:

Daily (Net) Food Totals (total, less returns)
 Daily (Net) Cash Totals (total, less voids)
 Manual Voucher Totals
 Adjustment Debit Totals
 Adjustment Credit Totals

In case of settlement discrepancies between the Texas EBT System and the Retailer and/or Processor, settlement will be for the Texas EBT System-reported amounts **or**, in the case of Retailers that interface with the Texas EBT System through a regional network (e.g., PULSE); settlement will be for the regional network's reported amounts.

8.2. Daily EBT System Cut-Off Time

To determine the amount due each Retailer or Processor for EBT benefit redemption, Texas EBT System will cut-off its settlement day at 2:30 p.m. Central Time (the "EBT System Cut-Off Time"), regardless of what time zone the transaction was initiated. The Texas EBT System Cut-Off Time will allow the Retailer Management Provider the time needed to meet deadlines established by the state and federal government for automated draw down and by ACH for next Banking Business Day settlement.

8.3. Processor Cut-Off

Each Processor will establish the daily time at which their Banking Business Day ends for purposes of Texas EBT Network Transactions (the "Processor Cut-Off Time"). Processor will be free to select its Processor Cut-Off Time, provided however, Processors that interface with the Texas EBT System through a regional network must conform to the cut-off time established by such regional network. Based on the time selected, the settlement funds will flow as follows:

If the Processor Cut-Off Time is on or before the Texas EBT System Cut-Off Time reimbursement to Processor's designated account at a financial institution will occur on

the next Banking Business Day.

If the Processor Cut-Off Time is after the Texas EBT System Cut-Off Time, reimbursement will occur in two (2) Banking Business Days.

If a Processor is the designated settlement point on behalf of Retailer(s), settlement reimbursement will be given in accordance with the contractual arrangement between the Processor and the Retailer.

8.4. Settlement Day

ACH settlement (funds flow) will be performed only on Banking Business Days. However, the Texas EBT System will report daily settlement totals even if settlement does not occur.

8.5. Settlement Accounts

Each Retailer or Processor shall maintain a settlement account with a federally insured financial institution capable of accepting credits and debits in the ACH format. Except with respect to Processors that interface with the Texas EBT System through a regional network, the Retailer Management Provider will send ACH pre-notification transactions to the designated settlement account to ensure the accuracy of the account information. Retailer or Processor changes to settlement account information must be resubmitted to and agreed to by the Retailer Management Provider at least thirty (30) days prior to any changes to settlement account information.

8.6. Management of Settlement Accounts

Settlement accounts maintained by Retailers and/or Processors shall be managed by their designated financial institution according to its usual banking procedures with respect to such accounts.

8.7. Settlement Process

To facilitate reconciliation on each Settlement Day, the Texas EBT System will transmit electronically to Retailer or Processor the Settlement total records as described in Section 8.1 (except with respect to Retailers or Processors that interface with the Texas EBT System through a regional network). This transmission will take place shortly after Processor Cut-Off Time.

Retailers using State-provided Equipment may retrieve Settlement totals via a POS Terminal at Settlement time. The different totals reflect the dollar amounts that will be posted to the Retailer's or Processor's Settlement account.

8.8. Settlement Posting

After the Texas EBT System Cut-Off Time, on each Settlement day, the Retailer Management Provider will instruct its Concentrator Bank to debit or credit each Settlement account for net redemption food totals, net redemption cash totals, Manual Vouchers and Adjustments (except with respect to Retailers or Processors that interface with the Texas EBT System through a regional network). This instruction will be performed via ACH transmission.

8.9. Settlement Reports

Except with respect to Processors that interface with the Texas EBT System through a regional network, reports will be retrievable from the Texas EBT System on a next Banking Business Day basis to assist Processors in their reconciliation effort. A Daily Redemption-EBT Program Transaction Detail Report will provide net food and net cash totals, Manual Voucher Transaction totals and adjustment totals for Retailers and Processors. A Reconciliation Data File, containing the detail of all Texas EBT Network Transactions performed and Settlement totals for the previous day's business will also be provided. Distribution of the aforementioned reports and files will be made in accordance with procedures in the EBT System Processor Specifications. Such reports will be available for a period of at least 180 days from Settlement date.

8.10. Discrepancies and Adjustments

Any discrepancy between a Texas EBT System Settlement total and a Processor's total shall be communicated by the Processor within ten Banking Business Days of discovery (but no more than ninety days from the Settlement date). Adjustment requests will be reported in writing, with the applicable documentation to the Retailer Management Provider.

Discrepancies or adjustments reported after ninety days from the Settlement date will be rejected by the Retailer Management Provider.

8.11. Unsettled Funds

The EBT System and Processors shall adhere to FNS policy and regulation regarding unsettled funds to Retailer accounts.

9. Resolution Procedure for Disputed EBT Program Transactions

9.1. Introduction

This Section describes the procedure for resolution of a disputed Texas EBT Network Transaction between the Retailer Management Provider and the Retailer and/or the Processor. In addition to the procedures discussed here, clients have the right to request an adjustment within ninety (90) calendar days of the error transaction.

9.2. Terminology

For purposes of this Section, the following definitions apply:

- **Initiator**--The party initiating the process to resolve a dispute with a Respondent. (As this resolution procedure is not applicable to Clients, a Client may not be an "Initiator.")
- **Respondent**--The second party to the dispute identified by the Initiator.
- **Chargeback**--A food or TANF cash account adjustment entry, against the Respondent's settlement account, made as a result of the resolution of the dispute in favor of the Initiator.

9.3. Funds Flow

Funds flow is initiated only on resolution of the disputed Texas EBT Network Transaction and is effected by use of the chargeback transaction. Under the terms of these rules a chargeback may be issued against the Retailer Management Provider's, the Retailer's or the Processor's settlement account. All chargebacks will be entered by the Retailer Management Provider against the appropriate account and funds will transfer.

9.4. Valid Reasons for Dispute

The following are recognized reasons for disputes specific to Texas EBT Network Transactions and Processors and Retailers should design internal procedures to accommodate their efficient resolution within the time frames of this procedure. Texas EBT Network Transaction disputes are not limited to the reasons set forth below, and may be initiated for any reason deemed valid by the Initiator.

1. Processing Errors, including duplicate processing; and
2. Incorrect Manual Voucher.

9.5. Maximum Time to Initiation

All Texas EBT Network Transaction disputes must be initiated with Respondent as soon as the Initiator knows or has reason to know of the dispute, but no later than ninety calendar days thereafter, to allow time for investigation of the dispute and timely resolution.

9.6. Dispute Resolution

All Texas EBT Network Transaction disputes must be responded to within 10 business days from the date the error occurred. The failure of a party to respond to the dispute within the time specified will be treated as an acceptance of the position of the Initiator. If the Initiator is not satisfied with Respondent's timely response, the dispute shall be considered a complaint, and shall be resolved in accordance with Section 13.2.

9.7. Retrieval Request

If requested by the Retailer Management Provider, the Respondent must produce the original receipts (including, but not limited to cash register and POS Terminal receipts) and/or the Manual Voucher used with a Voucher Authorization number as evidence that the Transaction occurred. The maximum time to respond is noted in Section 9.6.

Warning: Failure to retain and produce the Manual Voucher seriously diminishes the probability that the Retailer will be able to prevail in a dispute.

9.8. Limitation of Liability

Any liability on the part of the EBT Providers and/or HHSC incurred in this Section 9 shall be limited to the amount of the Texas EBT Network Transaction(s) involved.

10. Fees

10.1 Introduction

This section details the fee structures for both Retailers and Processors, including fees chargeable by Retailers to Clients for TANF cash withdrawal transactions.

10.2 Fees That May Be Charged By Retailers to Clients

10.2.1 SNAP Fees

Retailers may not charge fees or sales taxes for SNAP benefit Transactions.

10.2.2 TANF Cash Fees

Retailers providing TANF cash only to TANF Cash Program Recipients will receive \$0.50 from the Retailer Management Provider via daily Settlement for each of the first two TANF cash only Transactions (no purchase included) of \$50 or more in a calendar month for each recipient. Retailers, at their option, may charge the recipient \$0.50 for each \$50 or more TANF cash only Transaction beyond the first two for a recipient in a calendar month. The TANF cash only Transaction receipt will indicate whether the TANF cash only Transaction is one of the first two or after the first two TANF cash only Transactions meeting the above criteria. A Retailer is not permitted to charge a TANF Cash Program Client any other fee in connection with the Client's use of his TANF Cash Program Benefit account.

Notwithstanding anything in the Retailer Agreement to the contrary, if Retailer routinely permits commercial customers (i.e., not recipients of benefits covered by these rules) making a substantial purchase, to cash checks for no fee and receive the excess of the check amount over the purchase amount in cash (up to any Retailer-set limit), Retailer shall treat TANF Cash Program Benefit recipients in a consistent manner (i.e., if making a purchase, TANF Cash Program Benefit recipients shall be permitted to debit their TANF Cash Program Benefit accounts and receive cash up to the Retailer-set limit, if any, for no fee).

10.3 Allowances to Retailers

10.3.1 Processor Fees

Retailers acting as self-Processors or Retailers using third party Processors to process Texas EBT Network Transactions and not using state-supplied Equipment will receive two cents (\$0.02) for each TANF Cash and SNAP EBT Program Transaction effected via its POS Terminals.

10.3.2 Supply and Telephone Reimbursement Fees

For so long as a Retailer utilizes Equipment provided by the State, the State will provide Retailer with a credit per Transaction for supplies and telephone line usage necessary in connection with the use of such Equipment. Such credit shall cover costs for required printer paper and the processing of Texas EBT Network Transactions. A credit per Transaction, as determined by HHSC and the Retailer Management Provider, will be deposited within ten (10) business days after the end of the calendar month during which the allowance was earned via ACH settlement to Retailer's bank account in a separate line item from the normal Settlement. If the total credit amounts to less than \$2.50 in a calendar month, the credit will carry over each month until a \$2.50 minimum is met. Every six months, the Retailer Management Provider will settle all Transaction credits (credits totaling less than \$2.50), regardless of the amount accumulated by the Retailer.

The credit amount per Texas EBT Network Transaction will be reassessed as significant changes are made to the Texas EBT Program. HHSC and the Retailer Management Provider will solicit comments and suggestions from the Texas EBT-Retailer Stakeholder Group in the course of such reassessment and will consider in good faith comments and suggestions received.

In the event a Retailer (i) withdraws from participation in the Texas EBT Program and/or FNS or State authorization to participate is withdrawn or suspended, or (ii) deploys POS Terminals other than State-supplied POS Terminals, then credits for supplies and telephone line usage necessary in connection with the use of POS Terminals shall not be credited by the Retailer Management Provider, effective with the date of the withdrawal, suspension, or acquisition of POS Terminals (other than those supplied by the Retailer

Management Provider).

Retailers provided with State-supplied Equipment will receive seventy-seven hundredths of one cent (\$0.0077) for each TANF Cash and SNAP EBT Program Transaction effected via its POS Terminals.

10.3.3 TANF Cash Withdrawal Fees

HHSC shall reimburse Retailers fifty cents (\$0.50) for each of the first two TANF cash only (no purchase included) Client TANF Cash Program benefit withdrawals equal to or greater than fifty dollars (\$50.00) in a calendar month. (See Section 10.2.2.)

10.3.4 Reimbursement of Fees

If Section 10.3.1, or 10.3.2 is applicable to Retailer, Retailer's Processor shall receive the allowance due under the applicable Section within ten (10) business days after the end of the calendar month during which the allowance was earned, and Retailer shall receive such allowance from its Processor or the Retailer Management Provider at such time and pursuant to such terms as set forth in Retailer's agreement with its Processor or the Retailer Management Provider.

If Section 10.3.3 is applicable to Retailer, Retailer's Processor shall receive the allowance due under Section 10.3.3 within the next business day after which the allowance was earned, and Retailer shall receive such allowance from its Processor or the Retailer Management Provider at such time and pursuant to such terms as set forth in Retailer's agreement with its Processor or the Retailer Management Provider.

11. Graphics Standards

11.1. Network Mark

HHSC is the owner of the Lone Star Mark, consisting of the mark "Lone Star" and the distinctive logo. The Retailer Management Provider will make available to participating Retailers camera-ready artwork for full-color reproduction of the Lone Star Mark along with other information regarding Lone Star signage.

11.2. Right to Use the Lone Star Mark

The protection of the Lone Star Mark is vital to everyone involved in Lone Star, as it identifies the exact EBT services being provided. It is an essential responsibility of all Retailers to ensure that the nature and quality of services identified by the Lone Star Mark be maintained in a manner consistent with the standards established by the Retailer Management Provider and the State, and that the Lone Star Mark be used only according to these Operating Rules and any other Operating Rules published by the State.

1. The right to use the Lone Star Mark in any form or manner will be granted only to participating Retailers and their designated Processors. The Lone Star Mark may not be used in any form or manner not clearly consistent with the Lone Star graphic standard.
2. No material displaying the Lone Star Mark shall contain any matter that would tend to denigrate, obscure or confuse the Mark or the nature and function of the Texas EBT Program.
3. Any use of the Lone Star Mark by any Retailer or Processor which is not in compliance with the EBT Graphics Standards requires prompt remedial action by the Retailer or Processor. If such use is not terminated and satisfactory evidence of such termination is not given to the Retailer Management Provider within 10 calendar days after receiving a notice to cease, further action will be initiated by the Retailer Management Provider.
4. The right to use the Lone Star Mark cannot be sublicensed or assigned, whether by sale, consolidation, merger, amalgamation, operation of law, or otherwise.

11.3. Responsibility for Use of Lone Star Mark

Any Processor or Retailer granted the right by the Retailer Management Provider to use the Lone Star Mark shall obtain no interest in the Lone Star Mark except the right to use it in connection with the Texas EBT Program and only in accordance with the requirements of the EBT Graphics Standards. In addition, with respect to the Lone Star Mark, each Retailer or Processor shall:

1. whenever and however voluntarily incurred, bear all costs and expense of, and full responsibility with respect to, and all liability for, its use (and any removal from its use) of the Lone Star Mark;
2. assume all liability and responsibility for its compliance with all applicable federal, state, and local laws and regulations;
3. comply strictly with all specifications, directives and requirements concerning copyright, patent, trademark, or service mark use, as from time to time a Retailer or Processor may be advised of by the Retailer Management Provider and/or HHSC.

12. General Business Terms and Conditions

12.1. Primacy of Operating Rules

12.1.1. *Texas Uniform Commercial Code*

1. **Definition of Item**--Neither the electronic messages relating to Texas EBT Network Transactions, nor the receipts to be provided to Clients pursuant to these Operating Rules constitute "items" as defined in the Texas Uniform Commercial Code.
2. **Conflict with Operating Rules**--In the event of any conflict or discrepancy between the provisions of these Operating Rules and any otherwise applicable provision of the Texas Uniform Commercial Code, then the parties shall be deemed to have agreed that the Texas Uniform Commercial Code shall not apply and that these Operating Rules shall govern.

12.1.2. *Conflict with Federal and State Laws*

In the event of any conflict or discrepancy between the provisions of these Operating Rules and any otherwise applicable provisions of federal or state laws, those laws shall govern.

12.1.3. *Conflict with Local Laws*

In the event of any conflict or discrepancy between the provisions of these Operating Rules and otherwise applicable provision of local law, these Operating Rules shall govern, unless state law applicable to such local law requires otherwise.

12.1.4. *Conflict with EBT Processor Interface Specifications*

In the event of any conflict between the provision of these Operating Rules, and the EBT Processor Interface Specifications, these Operating Rules shall govern.

12.1.5. *Amendments to Operating Rules*

Subject to FNS approval, these Operating Rules may be amended at any time by the Retailer Management Provider. The Retailer Management Provider shall submit proposed amendments to the Texas EBT Retailer Stakeholder Group and shall solicit the Texas EBT-Retailer Stakeholder Group's comments and suggestions thereon. The Retailer

Management Provider shall consider in good faith comments and suggestions received.

Such amendments shall become effective as to a Retailer or Processor upon FNS approval but no sooner than on the fifteenth (15th) calendar day after such Retailer or Processor receives notice thereof in accordance with such Retailer's or Processor's agreement with the Retailer Management Provider.

12.2. Concentration Account Security

The requirement to maintain a financial guaranty and or the form of the financial guaranty will be reassessed by HHSC annually. HHSC and the Retailer Management Provider will solicit comments and suggestions from the Texas EBT Retailer Stakeholder Group in the course of such reassessment and will consider in good faith comments and suggestions received.

12.3. Confidentiality

12.3.1. *Confidential Information*

As used herein, "Confidential Information" shall mean any information, in any form (e.g., written, oral, magnetic tape or disc, etc.) directly or indirectly provided by the EBT Providers and/or HHSC to the Retailer and/or Processor, or by the Retailer and/or Processor to the EBT Providers and/or HHSC (the receiving party hereinafter referred to as the "Disclosee") pursuant to or in connection with an agreement between the Retailer Management Provider and Retailer, or the Retailer Management Provider and Processor (and/or the negotiation of such agreement), whether before or after the date of the agreement that relates to any aspect of the disclosing party's (the "Discloser") business, products (hardware and software), services, equipment, technologies, know-how, personnel, finances, sales and/or marketing. However, the following shall not be "Confidential Information":

1. information that is or has been generally available to the public or comes into the public domain other than as a result of Disclosee's breach of such agreement;
2. information already known to the Disclosee at the time it is or was disclosed by Discloser, as documented by

records in the Disclosee's possession predating Discloser's disclosure;

3. information subsequently received by the Disclosee in good faith from an entity other than Discloser having the prior right to make such subsequent disclosure;
4. information independently developed by the Disclosee without use of Discloser's Confidential Information; and,
5. information approved by Discloser in writing for unrestricted release or unrestricted disclosure by the Disclosee.

12.3.2. *Obligations*

Each Disclosee acknowledges that all Confidential Information disclosed by or belonging to Discloser is vital to the business of Discloser and shall remain strictly confidential. Each Disclosee shall keep strictly confidential and shall not (directly or indirectly, in whole or in part, individually or in conjunction with others) disclose or otherwise provide to anyone (other than to the Disclosee's employees or subcontractors with a need to know for the purposes contemplated by an agreement between Disclosee and Discloser, provided that all such employees or subcontractors shall be advised of their obligations to protect Discloser's interests, which obligations shall be identical to Disclosee's hereunder), or in any way use, reproduce in any medium, disclose or provide any Confidential Information unless Discloser has in its sole discretion previously and specifically authorized such use, reproduction, disclosure or provision in writing. Any reproduction, in whole or in part, in any medium, of documents or other media containing Confidential Information made by each Disclosee shall bear all copyright, trademark, patent and other proprietary notices appearing on the original.

12.3.3. *Permitted Disclosures*

Notwithstanding anything in a Retailer agreement or Processor agreement to the contrary, Confidential Information may be disclosed if, in the reasonable opinion of Disclosee's legal counsel, disclosure is required to be made by law or government rule or regulation, or by court order; *provided however,*

1. that prior to any such disclosure, Disclosee shall provide to Discloser a written opinion of their legal counsel supporting its conclusion that such disclosure

is necessary, and shall cooperate insofar as commercially reasonable with Discloser regarding the manner of such disclosure or with any action taken by Discloser (entirely at Discloser's own cost) to challenge the validity of such requirement; and,

2. that such disclosure shall be made only to the extent determined necessary in the opinion of Disclosee's legal counsel, or by the governmental body requiring disclosure (the latter determination to have priority).

Notwithstanding anything in these Operating Rules to the contrary, the EBT Providers may disclose Confidential Information of Retailer to the State and/or FNS, to the extent the EBT Providers may be required to do so under contract with HHSC or under State and/or FNS regulations applicable to EBT; provided, however, that to the extent the EBT Providers may be required to disclose any such Confidential Information of Retailer, the EBT Providers shall use their best efforts to present only that information specifically requested by the State and/or FNS and to present it in a form that protects in so far as possible the confidentiality of Retailer's sales information.

12.3.4. *No Right or Title*

Each Disclosee acknowledges that all Confidential Information of Discloser is a valuable and unique asset and trade secret of Discloser and it has no right, title or interest therein, other than as otherwise specifically set forth in an agreement between Disclosee and Discloser and other than the right to use it as necessary to effect the purposes of such agreement(s).

12.3.5. *No Disassembly of Equipment*

Retailer and Processor further acknowledges that Confidential Information might be obtained through examination of the interior or disassembly of Equipment, and therefore each agrees that, without the prior specific written approval of the Retailer Management Provider, each Retailer and Processor shall neither permit the display of the interior of any Equipment to others nor permit transfer of possession of any Equipment to others.

12.3.6. *Adequate Security*

Each Disclosee shall take all reasonable measures to protect the confidentiality of Confidential Information. Without limiting the foregoing, each Disclosee shall employ security measures and a degree of care regarding Confidential Information which is at least as protective as those employed by that Disclosee regarding its own proprietary and Confidential Information.

12.3.7. *Reasonableness*

Each Disclosee acknowledges that the restrictions on the use, reproduction and disclosure of Discloser's Confidential Information set forth in this Section 12.3 are reasonable to protect Discloser's business interests.

12.3.8. *Survivability*

This Section 12.3 shall survive the termination or expiration of the last expiring agreement between Disclosee and Discloser and continue in effect for ten (10) years thereafter.

12.4. Representations and Warranties

12.4.1. *By the Retailer Management Provider*

By entering into a Retailer agreement or Processor agreement, the Retailer Management Provider thereby represents and warrants to the Retailer or Processor as follows:

1. it is a corporation organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power and authority to execute, deliver and perform such agreement;
2. the execution, delivery and performance of such agreement by it has been duly authorized by all necessary corporate action on its part;
3. such agreement has been duly and validly executed by it, and such agreement constitutes the valid and binding obligation of it, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency or other similar laws relating to creditor's rights generally, and to general principles of equity; and

4. the execution, delivery and performance by it of such agreement will not, with or without the giving of notice or the lapse of time, or both, (i) violate any provision of any law, rule or regulation to which it is subject, (ii) violate any order, judgment or decree applicable to it, (iii) conflict with, or result in a breach of, any provision of its Certificate of Incorporation, Bylaws or other similar charter document, or (iv) conflict with or result in any violation of any provision of any contract, agreement, lease, franchise, permit, license or other instrument, which conflict or violation could materially adversely affect the ability of it to perform such agreement.

12.4.2. *By Retailer or Processor*

By entering into a Retailer agreement or Processor agreement, the Retailer or Processor thereby represents and warrants to the Retailer Management Provider as follows:

1. it is validly existing and in good standing under the laws of the jurisdiction of its organization, and has the requisite power and authority to execute, deliver and perform such agreement;
2. the execution, delivery and performance of such agreement by it has been duly authorized by all necessary action on its part by the governing body of Retailer/Processor;
3. such agreement has been duly and validly executed by it and constitutes the valid and binding obligation of it, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency or other similar laws relating to creditor's rights generally, and to general principles of equity; and,
4. the execution, delivery and performance by it of such agreement will not, with or without the giving of notice or the lapse of time, or both, (i) violate any provision of any law, rule or regulation to which it is subject, (ii) violate any order, judgment or decree applicable to it, (iii) conflict with, or result in a breach of, any provision of its Certificate of Incorporation, Bylaws or other similar charter document, or (iv) conflict with or result in any violation of any provision of any contract, agreement, lease, franchise, permit, license or other instrument, which conflict or violation could materially adversely affect the ability of it to perform such agreement.

12.5. Indemnities

In addition to the indemnities set forth elsewhere in these Operating Rules, Retailer and Processor, respectively, shall indemnify the Retailer Management Provider and the HHSC for any Losses incurred by either of them based upon or arising out of (i) breaches of any of the representations, warranties, covenants or agreements contained in its respective agreement with the Retailer Management Provider (including the appendices thereto), or (ii) claims by any person or entity if and to the extent such Losses to such other person or entity resulted from the negligent acts or omissions of the Retailer or Processor, respectively, or its directors, officers, employees or agents. The terms of this Section 12.5 shall survive the expiration or termination of the applicable Retailer agreement or Processor agreement.

12.6. Limitations of Liability

Absent fraud or intentional misconduct, in no event shall any party to a Retailer or Processor agreement be liable for special, indirect, consequential or punitive damages of any kind or nature whether alleged to be attributed (i) to a breach of such agreement, (ii) to tort or negligence or (iii) to some other cause.

12.7. Force Majeure

12.7.1. Suspension

In the event that any party to a Retailer agreement or Processor agreement shall be rendered unable to carry out the whole or any part of its obligations under such agreement by reason of an Event of Force Majeure, such party shall immediately give notice to the other, such notice to contain details of the circumstances giving rise to the Event of Force Majeure. During the Event of Force Majeure, the operation of the agreement, only in so far as is necessary, shall be suspended without liability for damage, it being understood that the causes of such interruption shall be remedied with all immediate dispatch and performance resumed at the earliest possible time by the party declaring an Event of Force Majeure.

12.7.2. Right to Terminate

If a party's inability to fulfill its obligations under a Retailer agreement or a Processor agreement due to an Event of Force Majeure shall continue for more than six (6) weeks,

then a party not suffering from such inability shall be entitled (after due consultation with the other party) to terminate such agreement in its entirety, at the discretion and/or direction of FNS.

12.8. Entire Agreement

A Retailer agreement or Processor agreement, including all Appendices hereto and the Operating Rules (and, as to the Processor agreement, the Interface Specifications), represents the entire agreement and understanding of the parties with respect to the subject matter of such agreement, and supersedes and cancels in all respects all prior agreements, understandings, representations, undertakings and prior negotiations of the parties with respect to the subject matter of such agreement, whether such be written or oral.

No other terms or conditions (including any written on or attached to any form, document or correspondence) shall be included or implied unless agreed upon in writing signed by an authorized officer or representative of each of the parties to such agreement.

12.9. Amendments

Except with respect to the Operating Rules (which may be amended as set forth herein), a Retailer agreement or Processor agreement shall not be amended except by a writing of subsequent date thereto, executed by duly authorized representatives of the parties thereto.

12.10. Assignment and Subcontracting

12.10.1. By Retailer or Processor

A Retailer agreement or Processor agreement, or any interest in either, may not be assigned or sub-contracted by Retailer without the prior written consent of the Retailer Management Provider and notification to USDA FNS. The Retailer Management Provider shall respond to Retailer requests for consent within thirty calendar days of receipt. The following shall be considered assignments for purposes of either of such agreements: (i) a transaction involving the sale, pledge, or other transfer of fifty percent (50%) or more of the Retailer's/Processor's stock or other ownership interest constituting an interest in the control of Retailer/Processor; (ii) a merger of Retailer/Processor into another entity; (iii) a sale or other transfer of all or a

substantial part of Retailer's/Processor's business; (iv) if Retailer/Processor is a partnership or joint venture of any form, a sale or transfer of ownership therein or assets thereof or any other transaction, which sale, transfer or other transaction has the effect of dissolving the partnership or joint venture and/or creating a new one, regardless whether the owners and their respective ownership interests are the same as before; (v) if Retailer/Processor is a corporation, any reorganization that results (by its own terms, or by operation of law) in a different legal entity being responsible for Retailer's/Processor's obligations.

12.10.2. By the Retailer Management Provider

A Retailer agreement or Processor agreement, or any interest in either, may not be assigned by the Retailer Management Provider without the prior written consent of both the Retailer/Processor and HHSC, provided however, that: (i) the Retailer Management Provider may assign any such agreement to any person, firm or other entity which may become a successor in interest to the Retailer Management Provider by purchase, merger or otherwise, or which acquires all or substantially all of the assets of the Retailer Management Provider; and/or (ii) the Retailer Management Provider may assign any such agreement or subcontract any of its obligations under any such agreement to any person, firm or other entity in which the Retailer Management Provider owns a majority of the ownership interest, or which owns a majority of the ownership interest in the Retailer Management Provider; and/or (iii) the Retailer Management Provider may subcontract any of its obligations hereunder to any person, firm or other entity, provided that the Retailer Management Provider retains primary responsibility for the performance of the obligations subcontracted to such subcontractor.

12.11. Waiver

The failure of any party to enforce at any time any of the provisions of a Retailer agreement or Processor agreement shall in no way be construed to be a waiver of such provisions, nor in any way affect the validity of such agreement or any part thereof, or the right of that party thereafter to enforce each and every provision.

12.12. Severability

The parties to each Retailer agreement and Processor agreement acknowledge that the provisions contained therein (including without limitation any relating to Confidential Information) are required for the reasonable protection of the business interests of such parties. If any provision contained in any such agreement shall for any reason be held invalid, illegal or unenforceable in any respect, then such provision shall not apply where such invalidation, illegality or unenforceability applies, and such invalidation, illegality or unenforceability shall not affect other provisions hereof which can be given effect without the affected provisions, and to this end the provisions hereof are declared to be severable. If any provision contained in any such agreement shall for any reason be held to be unlawful or unenforceable because it is excessively broad as to duration, scope, activity or subject, it shall be construed, by limiting or reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear, in accordance with the original intent of the parties as herein expressed.

12.13. Relationship of the Parties

The parties to each Retailer agreement and to each Processor agreement are independent contractors. Nothing contained in any such agreement shall be construed so as to create the relationship of employer and employee, partnership, principal and agent, or joint venture company between the parties. No party to any such agreement shall have any authority to bind the other party as an agent or in any other capacity for any purpose, nor shall any party directly or indirectly represent to any person that it has such authority.

12.14. Successors; Third-Party Beneficiaries

Each Retailer agreement and each Processor agreement shall be binding upon and endure for the benefit of the successors in title or the permitted assigns of either of the parties to such agreement. No such agreement shall be construed as giving any person or entity, other than the parties thereto and their permitted successors and assigns, any legal or equitable right, remedy or claim under or in respect of such agreement, such agreement being for the sole and exclusive benefit of said parties and their permitted successors and assigns, provided however, that the HHSC shall be deemed a third-party beneficiary of each such agreement with respect to the representations,

warranties, covenants and agreements made by Retailer/Processor therein.

12.15. Choice of Law

Each Retailer agreement and Processor agreement (including these Operating Rules), the rights, duties, and obligation of the parties thereunder, shall be construed in accordance with and governed by the laws of the State of Texas applicable to agreements made and to be performed wholly within such jurisdiction.

12.16. Notices

12.16.1 Method of Notification

All notices, requests and other communications required or permitted to be given under the Retailer or Processor Agreements shall be in writing and shall be (i) delivered in person, obtaining a signed receipt; or (ii) sent by private express delivery service, obtaining a signed receipt, or (iii) transmitted by fax, with confirmation of satisfactory sending. If to the EBT Processor, such notices, requests and other communications shall be sent to the address or fax number set forth in Appendix 1 of the executed Processor Agreement. If to the EBT Retailer, such notices, requests and other communications shall be sent to the address or fax number set forth in Appendix 1 of the executed Retailer Agreement. If to Xerox State & Local Solutions, Inc. such notices, requests and other communications shall be sent to:

Xerox State & Local Solutions, Inc.
P.O. Box 80469
Austin, TX 78708
Fax: 512-401-8221

12.16.2 Confirmation of Notice Delivery

Notices delivered in person shall be deemed given when delivered, notices sent by private express delivery service shall be deemed given the next Banking Business Day after sending, and notices sent by fax shall be deemed given on the date transmitted if a Banking Business Day (and if not, on the first Banking Business Day thereafter).

12.16.3 Change of Address or Fax Number

Any party may at any time give notice in writing to the other party of a change of address or fax number of the party giving the notice and, effective ten (10) business days

after such notice is given, the address or fax number therein specified shall be deemed to be the new address or fax number of the party for purposes hereof.

12.17. Arbitration

The parties to each Retailer agreement and Processor agreement shall use their best efforts to solve by mutual agreement and disputes, controversies, or claims which may arise between them. Disputes, controversies, or claims that cannot be so resolved, other than those involving disputed Texas EBT Network Transactions (which shall be resolved in accordance with Section 9) and other than those which are grounds for a complaint (which shall be resolved in accordance with Section 13.2), shall be settled by final and binding arbitration before a single arbitrator of the Austin, Texas, Judicial Arbitration and Mediation Services, in accordance with its arbitration rules; provided, however, that disputes, controversies, and claims which involve the State or United States government, or any agency of either, and/or are subject to a resolution procedure provided in State or Federal law or regulations, shall not be subject to the arbitration procedure contemplated in this Section 12.17. Judgment upon any award rendered by the arbitrator in any such arbitration may be entered in any court having jurisdiction thereof.

13. Network Administrative Procedures

13.1. Variance Procedures

13.1.1. Requests for Variances

Any Processor may request a variance so that it is permitted not to comply with a provision of these Operating Rules. Requests for variances should be submitted to the Retailer Management Provider in writing, together with a statement of the reasons for the request and any supporting evidence.

13.1.2. Action by the Retailer Management Provider

The Retailer Management Provider shall consider each request for a variance that is referred to it and shall make a recommendation to HHSC as to whether the request should be granted or denied.

13.1.3. Action by HHSC

HHSC shall consider each recommendation by the Retailer Management Provider on a variance request and may, at its discretion, grant or deny a request for a variance. Each variance granted by HHSC shall be subject to modification by HHSC at any time and from time to time.

13.1.4. Variance Policy

If a variance is requested for a change in these Operating Rules which would constitute a generalized operating procedure for other Retailers or Processors, the variance request will normally be denied, and an amendment proposed to these Operating Rules. Variances will be considered only in cases where special circumstances make an exemption appropriate for the Retailer or Processor.

13.2. Grievance Resolution

13.2.1. Complaints

Any interested party subject to these Operating Rules, including a Retailer, Processor, the Retailer Management Provider or HHSC, may initiate a complaint. Grounds for a complaint include, but are not limited to the following:

1. a Processor or Retailer or EBT Provider has violated the Operating Rules;

2. the application of the Operating Rules resulted in prejudicial and materially unequal treatment of the complainant; or
3. any Processor or Retailer has been or is prejudicially and materially discriminated against with respect to its use of EBT Providers' services.

Complaints are initiated by submission to the Retailer Management Provider. Complaints may be initiated orally or in writing, but if initiated orally, a written version of the complaint must be submitted to the Retailer Management Provider within three (3) Banking Business Days after oral submission. Complaints must include the full name, address and telephone numbers of all initiators and all respondents, a detailed description of each matter complained of, the relief sought and grounds for such relief. A copy of the written complaint shall be sent to each Respondent at the same time and in the same manner as the original complaint sent to the Retailer Management Provider.

13.2.2. Investigation

1. Upon receipt of a written complaint, the Retailer Management Provider shall immediately investigate the matter.
2. All Retailers and Processors shall fully cooperate with any investigation by the Retailer Management Provider and shall make available any relevant records, except that Retailers and Processors may choose to withhold those records which are legally privileged or where the furnishing of such records would violate any applicable federal, state, or local laws or regulations.
3. Upon completion of the investigation, the Retailer Management Provider will notify all affected parties of the investigation results and decision.

13.2.3. Authority of the Retailer Management Provider

The Retailer Management Provider shall have the authority to make a determination as to the resolution of any complaints submitted in accordance with this Section 13.2, to order Settlement adjustments among Retailers and Processors and, in consultation with HHSC and FNS, to suspend or terminate Processors or Retailers for cause.

13.2.4. Informal Review by HHSC

Any affected Processors or Retailers that are dissatisfied with resolution of a complaint by the Retailer Management Provider may request that the complaint be determined anew by HHSC. A written request for such determination must be filed with HHSC so HHSC receives it within 15 Calendar days after the Retailer or Third Party Processor receives the official notice of action from the Retailer Management Provider. The request must be addressed to HHSC; ATTENTION: Lone Star Business Services, (Mail Code 2033); PO Box 13247; Austin, Texas 78711.

Upon receipt of the request by HHSC, the HHSC EBT Program Operations Manager will resolve the complaint in an informal review procedure governed by its informal review processes and procedures.

13.2.5. Records

The Retailer Management Provider shall maintain records of all complaints and subsequent resolutions for three years or such longer period of time as applicable federal or state law may require. Such records shall be made available for inspection by any affected Retailer or Processor upon reasonable notice to the Retailer Management Provider during the Retailer Management Provider's normal business hours.

13.3. Procedures for Terminated Retailers and Processors

13.3.1. Termination of Use of Lone Star Mark

Upon the termination (either voluntary or involuntary) of its participation in the Texas EBT Program, the terminated Retailer or Processor shall take all necessary action to cease all use of the Lone Star Mark. If any action required of a terminated Retailer or Processor by this Section 13.3 is not promptly taken by the Retailer or Processor, the Retailer Management Provider, on not less than three business days of prior written notice to the Processor, may take such action itself at the expense of the terminated Retailer or Processor.

13.3.2. Use of Texas EBT System

A terminated Retailer or Processor shall have no right to submit transactions to the Texas EBT System after the date of termination of its participation in the Texas EBT Program except as provided below in Sections 13.3.3 and 13.3.4.

13.3.3. Continued Liability for Disputed Transactions

A terminated Retailer or Processor shall continue to be liable for Chargebacks and disputed Transactions pursuant to these Operating Rules.

13.3.4. Other Rights and Liabilities

Subject to the conditions and limitations, including limitations of time, stated in applicable Operating Rules, a terminated Retailer or Processor may continue to assert any rights accorded it by these Rules, and shall remain subject to the rights against a Retailer or Processor accorded to any other Retailer or Processor with respect to any matter occurring prior to the termination of its participation.

14. Interoperability

Interoperability is the free movement of SNAP benefits across state lines. To accept EBT cards from other states requires the Retailer to have an agreement with its processor.

Processors must load and manage EBT Card Issuer Identification Numbers (IINs) from all States, District of Columbia, Guam, and the Virgin Islands.

15. Glossary of Terms and Definitions

Capitalized terms used in these Operating Rules shall have the meanings ascribed to them in this Section.

ACF

The Administration for Children and Families. The part of the United States Department of Health and Human Services which administers the Temporary Assistance to Needy Families (TANF) program.

ACH

Automated Clearing House Network. The ACH network is operated by the Federal Reserve and financial institutions to electronically process funds transfers between financial institutions.

Acquiring Institution Code (Retailer Number)

A number determined by the Retailer Management Provider that identifies the Processor. Retailers use and must know this number when processing certain Transactions (i.e., Manual Vouchers).

Adjustment

A financial Transaction that corrects the amount of a previous financial Transaction and results in a debit or credit to the Client's account. Adjustments are manually initiated to correct a problem and are subject to audit and special controls. (See also *Reversal*.)

Advice

Message that notifies a party of an action that has already been taken and that requires no approval, but requires acknowledgment of receipt. An Advice may be declined if the Transaction data does not match the corresponding Voucher Authorization.

ANSI

American National Standards Institute. United States standards group responsible for issuing United States standards and maintaining consistency with similar international standards.

Balance Inquiry

A non-financial transaction that permits the Client to learn its available balance in its EBT Program Benefit account(s). (Balance Inquiries are permitted via POS Terminal.)

Banking Business Day

A calendar day (i.e., beginning at 12:00 midnight and ending the following 12:00 midnight) other than a calendar day that is a Saturday, Sunday or day on which banks and financial institutions are closed.

Card Acceptor Code

A fifteen- (15) digit (alpha/numeric) identifier that is sent in electronic messages that identifies the specific store processing the Transaction.

Cardholder

An individual who has been issued or authorized to use a Card to affect EBT Program Transactions.

Certification Testing

The detailed set of procedures followed by the Retailer Management Provider and a Processor which produces a determination concerning the Processor fitness to participate in the Texas EBT Program and interface with the Texas EBT System.

CFR

United States Code of Federal Regulations.

Client

A household member and/or their authorized representative eligible to receive EBT Program Benefits and to perform transactions using a Lone Star Card.

EBT

Electronic Benefit Transfer. The delivery of government benefits through electronic means and media.

EBT Call Center

The facility operated by the EBT Call Center Provider to provide 24 hour, 7 day telephone assistance to Clients and Retailers related to Texas EBT Network Transactions and Program Benefits and to retailers related to Manual Voucher processing.

EBT Program Benefits

SNAP benefits and TANF Program benefits. Other government benefits may be distributed or conducted via the Texas EBT Network in the future.

EBT Program Transactions

Transactions involving the authorization, issuance, redemption, accounting, settlement and/or reconciliation of, and/or query with respect to EBT Program Benefit accounts. Balance inquiries shall not be permitted via POS Terminals.

EBT Providers

Vendors contracted by the HHSC to operate in the roles as Retailer Management Provider, EBT Call Center Provider, Application Software Provider, and Central Processor.

EBT System Cut-Off Time

Time at which all Transaction activity is captured for Settlement. All Processor and Retailer Cut-Off after the last EBT System Cut-Off and prior to the current EBT System Cut-Off will be Settled for next day funds availability. (See Section 8.2.)

Electronic Voucher

A method to electronically transmit Voucher Authorization Transaction information from a Retailer terminal or a Processor host link to the Texas EBT System.

Entertainment

The sale of alcoholic beverages, legalized games of chance, sexually oriented materials, coin-operated amusement machines or amusement services.

Equipment

State-supplied Hardware or Equipment, the use of which will be provided by the Retailer Management Provider to the Retailer pursuant to the terms and conditions of a Retailer agreement.

Event of Force Majeure

An Event of Force Majeure is any of the following:

- Act of God, defined as unusual, extraordinary or overwhelming natural phenomena, such as fire, earthquake, lightning, flood, which produces severe losses of properties or lives resulting in severe stoppages of production or assembly capability;
- War, civil commotion, acts of public enemies, revolution resulting in severe damages of properties and lives;
- Government act or omission, including but not limited to the enactment of laws, the approval of rules or regulations, executive orders;
- Freight embargoes, general blockades, strikes, lock-outs, slow down, sabotages at the plants or railway or port of loading or discharge including breakdown of plant and machinery causing severe stoppages of production or assembly; and/or epidemic causing severe losses of lives and/or any other events which no human precaution could have foreseen or averted.

FNS

Food and Nutrition Service of the United States Department of Agriculture, the federal program agency responsible for SNAP and other types of benefits.

Graphics Standards

The standards which apply to the use of the Lone Star Mark, logo, and signage by Retailers and Processors. Included are rules regarding size, placement, color, background and copy.

HHS

United States Department of Health and Human Services.

HHSC

The Texas Health and Human Services Commission.

Initiator

The party initiating the process to resolve a dispute with a Respondent.

ISO 8583

International Standards Organization (ISO) standard for retail financial Transactions. Adopted and modified by the American National Standards Institute (ANSI) X9.2-1988.

LSBS

Lone Star Business Services manages and supports the Electronic Benefit Transfer (EBT) system for SNAP food benefits and Temporary Assistance for Needy Families (TANF) programs.

Losses

Collectively, liabilities, losses, damages, claims, judgments, fines, penalties, amounts paid in Settlement, costs and expenses (including the reasonable fees of counsel, consultants and other experts).

Texas EBT-Retailers Stakeholders Group

"Stakeholders Group" shall refer to the Texas EBT-Retailers Stakeholders Group.

Magnetic Stripe Card

Benefit access card that contains encoded information on a magnetic stripe. The stripe may contain three information tracks. Track II is most often used for payments and benefits.

Manual Voucher

A paper document used to record customer information, Transaction data and the customer's signature.

Manual Voucher Transaction

A Texas EBT Network Transaction effected manually (i.e., not via a POS Terminal), and including a Manual Voucher Authorization number.

Operating Rules

This document.

PAN

Primary Account Number -- Client's EBT number embossed and encoded on the Lone Star Card.

PIN

Personal Identification Number issued to or selected by the Client.

POS Terminal

A device located at a Retailer point-of-sale that is capable of processing debit and/or credit Transactions and includes a magnetic stripe reader, a communication modem, a number pad (and sometimes also a PIN pad or barcode reader), whether or not such device is also used in connection with other purposes.

Pre-notification

A zero dollar amount entry sent through the ACH network to verify settlement account information for a Processor or Retailer.

Processing Time

Typically, the amount of time required to process a Texas EBT Network Transaction. In an on-line system, processing time includes several components: 1) time required to transmit messages over the telecommunications network; 2) time that messages spend in the system processing queue, and 3) time to actually process the message in the central computer.

Processor

An entity, that, through means of a computer system that directly or indirectly interfaces with the Texas EBT System, transmits (directly or indirectly) Texas EBT Network Transaction requests from and responses to POS Terminals owned or controlled by one or more Retailers, and performs Settlement services with respect to such POS Terminals (i.e., at the POS Terminal level) for the Retailers owning or controlling such POS Terminals.

Processor Agreement

A written agreement executed between the Retailer Management Provider and a Processor.

Processor Interface Specifications

The document provided by the Retailer Management Provider to Processors which details the methods, techniques, and standards which must be observed by Processors within the Texas EBT Program in order to effect EBT and interface with the Texas EBT System.

Re-Installation Fee

A one-time fee charged by the Retailer Management Provider as a reimbursement for the expense of restoring Equipment and service to a Retailer site, after it has been de-installed, calculated on a "time and material" basis.

Respondent

The second party to the dispute identified by the Initiator.

Retailer

An entity currently authorized by the Food and Nutrition Services (FNS) to participate in the SNAP food program, or a non-food (non-FNS-authorized) entity that redeems TANF cash benefits (either cash or in exchange for goods and/or services). To be a non-food retailer, no more than ten percent (10%) of the retailer's gross revenue may be derived from entertainment.

Retailer Cut-Off Time

Each Processor will establish the daily time at which their Business Banking Day ends for purposes of EBT Program Transactions. (See Section 8.3.)

Retailer Help Desk

The facility operated by the Retailer Management Provider to provide 24-hour, 7-day telephone assistance to Retailers and Processors related to Texas EBT Network Transactions and/or POS Terminals.

Retailer Management Provider

The organization contracted by the Texas Health and Human Services Commission for Texas EBT Retailer Management Services.

Retailer Processor

A Retailer who acts as its own processor and who does use the services of a commercial processor for the purposes of processing

Texas EBT Network Transactions.

Retrieval Request

Request by the Retailer Management Provider to the Retailer and Processor to provide proof that an EBT Program Transaction has occurred. Used with off-line EBT Program Transactions to retrieve a signature image in lieu of the PIN if a Client disputes the Transaction.

Reversal

A "Reversal" is a type of Transaction that is initiated by a POS in the Texas EBT System to correct a variety of system communication issues. A Reversal may be initiated by a POS device to "cancel" the most recent Transaction from the device. This would typically be necessary when no authorization to complete a Transaction was received by the POS terminal from the EBT system within a predetermined period of time (usually around 30 seconds). A Reversal Transaction must include enough information to allow it to be unambiguously matched with the Transaction that is being reversed. (See also *Adjustment*.)

Settlement

Process by which funds are transferred between a participating Retailer or Processor and the Retailer Management Provider as a result of Texas EBT Network Transaction activity.

Settlement Account

Account maintained by a Retailer or a Processor for the purposes of settlement.

Software

Software operating on and/or in connection with the Equipment.

State

The State of Texas, including but not limited to the HHSC and other agencies and departments of the State of Texas, and the executive, legislative and judicial branches of the State of Texas government.

Store-and-Forward

An alternative to manual transactions

SNAP

Effective October 1, 2008 Supplemental Nutrition Assistance Program (SNAP) is the new name for the federal Food Stamp Program.

SNAP Benefits

An electronic medium of exchange which enables eligible households to acquire food products approved by FNS as government benefits in accordance with applicable FNS policies and regulations. The current benefit schedule is available at http://www.hhsc.state.tx.us/providers/LoneStar/EBT/EBHowto.html#When_are_Food_Stamp_benefits_available.

Stand-In Processing

A complete description of Stand-In Processing can be found in Section 2.14.

System Availability

Percentage of time a system is able to process Transactions measured on either a full time (24 hours, 7 days a week) or scheduled time basis.

TANF

Temporary Assistance to Needy Families A recipient of TANF benefits must use the money to purchase goods and services necessary and essential to the welfare of the children, such as food, clothing, housing, furniture, transportation, laundry, medical supplies, household supplies, and recreation. (TAC RULE §372.1509)

TANF Cash Program Benefits

TANF Cash Program benefits are benefits that are used to purchase goods and services necessary and essential to the welfare of the children, such as food, clothing, housing, furniture, transportation, laundry, medical supplies, household supplies, and recreation (see the Texas Administrative Code, Title 1, Part 15, Chapter 372, Subchapter F, Division 1, RULE §372.1509, (b) Ineligible products are goods and services that are not necessary and essential to the welfare of the children, such as alcoholic beverages, tobacco products, lottery tickets, adult entertainment, firearms, ammunition, bingo, illegal substances, etc.

Texas EBT Network

The combination of the Texas EBT System, the POS Terminals, the

participating Processors and all communication links and devices.

Texas EBT Network Transactions

EBT Program Transactions and such other electronic funds transfer (EFT) transactions (commercial or involving governmental benefits).

Texas EBT Program

The implementation and operation with respect to an on-line EBT system for the electronic issuance and redemption of EBT Program Benefits.

Texas EBT System

A part of the Texas EBT Network, the computer and telecommunication systems that perform authorization, Settlement, and other services related to Texas EBT Network Transactions.

Transaction

A Texas EBT Network Transaction.

Triple DES

Triple Data Encryption Standard. An encryption/decryption algorithm published by ANSI as Standard X3.92-1981. Used to encrypt PIN data in EBT and EFT Transactions for secure transmission. DES is classified as a non-linear, interactive block product cipher.

USC

United States Code.

USDA

United States Department of Agriculture.

Voucher Authorization

The process of a Retailer requesting via EBT Call Center that the EBT Call Center Provider authorize the Retailer to execute a Manual Voucher Transaction and receiving an affirmative response thereto; or the EBT Call Center's affirmative response itself.

Xerox State and Local Solutions, Inc. EBT Retailer

Agreement

The written agreement executed between the Retailer Management Provider (Xerox State and Local Solutions, Inc.) and retailers electing to operate POS Terminals supplied by the Retailer Management Provider on behalf of HHSC.

