

Important: PLEASE READ THESE ONLINE TERMS AND CONDITIONS (THIS “**AGREEMENT**”) CAREFULLY BEFORE YOU USE OR ACCESS ANY SOFTWARE, REPORTS, OR RELATED SERVICES PROVIDED ALONG WITH THIS AGREEMENT BY KARMACHECK, INC. (“**KARMACHECK**”). BY PLACING AN ORDER, CLICKING TO ACCEPT THIS AGREEMENT, OR USING OR ACCESSING ANY SOFTWARE, REPORTS, OR RELATED SERVICES, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS OF THIS AGREEMENT. IF YOU ARE AN INDIVIDUAL ACCEPTING THESE TERMS ON BEHALF OF AN ORGANIZATION, YOU HEREBY REPRESENT THAT YOU ARE AUTHORIZED TO ENTER INTO THIS AGREEMENT ON BEHALF OF AND TO BIND SUCH ORGANIZATION TO THE TERMS OF THIS AGREEMENT.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION CLAUSE AND CLASS ACTION WAIVER. THEY AFFECT YOUR AND KARMACHECK’S RIGHTS CONCERNING THE RESOLUTION OF ANY DISPUTE BETWEEN YOU AND KARMACHECK.

KarmaCheck reserves the right, in its sole discretion, to change, modify, add or remove portions of this Agreement, which changes, modifications, additions, or removals will be applicable to any future software subscription you may purchase from KarmaCheck or any renewal of your current software subscription.

1. Licensed Software Subscription

a. **Access.** The Licensed Software is provided as a “software as a service” only. Subject to the terms of this Agreement, KarmaCheck hereby grants to Licensee (but not any affiliates of Licensee) a non-transferable, limited, non-exclusive right (without the right to sublicense), solely during the applicable term, to permit Authorized Users to access and use the Licensed Software and the Reports provided thereby, in all cases, only: (i) for Licensee’s own internal lawful background screening purposes; and (ii) in accordance with any applicable terms of use mandated by any third-party providers of data in a Report (where applicable). Licensee will remain responsible and liable for all conduct of any Authorized Users. As used in this Agreement, (1) “**Authorized Users**” means employees and contractors whom Licensee has expressly authorized to use the Licensed Software on Licensee’s behalf, (2) “**Licensed Software**” means that software which KarmaCheck has agreed to make available to Licensee, as identified in KarmaCheck’s online portal or otherwise through the use of Licensee’s account; (3) “**Licensee**” means the person or entity who has signed up for an account with KarmaCheck; (4) “**Party**” and/or “**Parties**” means KarmaCheck, Licensee, or both of them collectively, as the case may be; and (5) a “**Report**” means a “consumer report” or “investigative consumer report” (as such terms are defined under the Fair Credit Reporting Act (FCRA) and applicable state laws) made available to Licensee via the Licensed Software.

b. **Restrictions.** Licensee acknowledges that the Licensed Software and Reports contain valuable trade secrets of KarmaCheck and its suppliers. Accordingly, except as permitted under [Section 1\(a\)](#) above, Licensee agrees that it and its Authorized Users will not: (i) modify, adapt, alter, translate, or create derivative works of the Licensed Software or Reports; (ii) disable, disrupt, circumvent, or otherwise interfere with any feature, functionality, or control that prevents, restricts, or otherwise governs access to, or use of, the Licensed Software or Reports; (iii) create Internet “links” to the Licensed Software or “mirror” any data, information, content, or other material of KarmaCheck that is provided to Licensee or its Authorized Users through the use of the Licensed Software; (iv) build a product or service using similar ideas, features, functions, or graphics of the Licensed Software; (v) sublicense, resell, rent, lease, transfer, or assign (except as permitted in [Section 11](#) hereof) the Licensed Software or Reports, or their use, or offer the Licensed Software on a time share basis to any third party, or otherwise permit any person or entity that is not an Authorized User to access or use the Licensed Software or Reports; or (vi) reverse engineer, decompile, decode, disassemble, or otherwise attempt to derive the source code for the Licensed Software.

c. **Licensee Responsibilities.** The Licensed Software requires accurate and complete data to be input by Licensee and its Authorized Users. Licensee is responsible for checking and verifying all data input into the Licensed Software.

d. **Compliance with Laws.** As between the Parties, Licensee shall have sole responsibility to comply with its obligations under applicable laws, including, but not limited to, the Fair Credit Reporting Act (FCRA). Licensee agrees to be bound by and comply with the terms and conditions of the Licensee Legal Compliance Appendix (attached hereto as [Exhibit A](#)), which is incorporated herein. KarmaCheck represents that it will comply with its obligations as a consumer reporting agency under the FCRA as well as any obligations imposed on KarmaCheck under applicable state and

local laws in its role as a consumer reporting agency or in California, as an investigative consumer reporting agency. KarmaCheck may, as a service to Licensee, provide notice of state, city, or county-specific fair chance hiring laws (“**Ban the Box laws or ordinances**”) such as in San Francisco, CA or Philadelphia, PA. This is done only as a convenience to Licensee only, and Licensee is responsible for its own compliance and legal obligations generally, as well as related to any Ban the Box laws or ordinances that may impose legal obligations on Licensee related to its use of criminal history information for employment purposes.

e. **Intellectual Property: No Implied Licenses.** The Licensed Software and Reports and all intellectual property rights therein are exclusively owned by KarmaCheck and its suppliers. All rights in and to the Licensed Software and Reports not expressly granted to Licensee are reserved by KarmaCheck and its suppliers. There are no implied licenses granted under this Agreement.

f. **Support.** KarmaCheck will only provide support or maintenance with respect to the Licensed Software if and to the extent set forth with Licensee’s its order for the Licensed Software, as identified in KarmaCheck’s online portal or otherwise in Licensee’s account (any such support and maintenance, “**Support**”).

2. **Data.** KarmaCheck may use, and share with third parties, any information, data, and documents transmitted by or to Licensee through the Licensed Software or disclosed by Licensee to KarmaCheck in its performance hereunder (collectively, “**Licensee Data**”) in aggregated or anonymized form such that the source of the Licensee Data cannot be identified. KarmaCheck may monitor the usage of the Licensed Software and may collect or generate data and information relating to Licensee’s and its Authorized User’s use of the Licensed Software (“**Usage Data**”). For clarity, the Usage Data does not include any Licensee Data (which at all times remains owned by Licensee). All Usage Data will be owned by KarmaCheck and may be used and disclosed for any lawful purpose.

3. **Feedback.** To the extent Licensee, its employees, or any of its Authorized Users provide KarmaCheck with any suggestions, ideas, enhancement requests, recommendations, or feedback regarding the Licensed Software or Reports, or KarmaCheck otherwise conceives of or creates any ideas, enhancements, improvements, or modifications to the Licensed Software or Reports (collectively, “**Feedback and Improvements**”), KarmaCheck will be free to use, disclose, commercialize, and exploit such Feedback and Improvements without any restriction.

4. **Third Party Services.** Licensee acknowledges that the Licensed Software relies on the services of third parties (such as, for example, Amazon Web Services). Licensee expressly consents to KarmaCheck making all Licensee Confidential Information (including all Licensee Data) available to such third parties for purposes of making the Licensed Software and Reports available to Licensee. Licensee further acknowledges that KarmaCheck has no right or ability to control the security measures of such third-party service providers and that KarmaCheck will not be responsible or liable for any data breaches suffered by such third-party service providers.

5. Termination.

a. **Term and Termination.** This Agreement will remain in force for the term identified at the time Licensee placed its order for the Licensed Software, as identified in KarmaCheck’s online portal or otherwise in Licensee’s account (the “**Term**”). This Agreement may not be terminated by either Party without cause during the Term. This Agreement may be terminated by either Party immediately upon written notice to the other Party if the other Party materially

breaches this Agreement which breach remains uncured within forty-five (45) days after written notice of such breach is given by the aggrieved Party to the breaching Party.

b. **Effect of Termination.** Upon termination of this Agreement for any reason: (i) all rights and licenses granted by KarmaCheck to Licensee under this Agreement will immediately terminate; (ii) Licensee and all Authorized Users will immediately cease all further use of the Licensed Software and Reports; (iii) any and all amounts owed to KarmaCheck under this Agreement shall immediately become due and payable; and (iv) the Recipient will, at the option of the Discloser, either return or destroy all Confidential Information of the Discloser in the Recipient's possession, and will certify in writing that such return or destruction has been accomplished; however, notwithstanding anything to the contrary herein, in no event shall KarmaCheck be required to destroy, erase or return any Reports or applicant data related thereto in KarmaCheck's files, all of which KarmaCheck shall maintain as a consumer reporting agency in accordance with all applicable federal, state, and local laws, or on behalf of the consumer. The provisions of Sections 1(b), 1(d), 1(e), 2, 3, this 5(b), 6-9, 11, and 12 of this Agreement shall survive termination of this Agreement for any reason.

6. **Payment Terms.**

a. **Fees.** Licensee will pay all fees set forth at the time Licensee placed its order for the Licensed Software, as identified in KarmaCheck's online portal or otherwise in Licensee's account ("**Fees**") in accordance with this Agreement and any additional terms set forth in KarmaCheck's online portal or otherwise in Licensee's account, inclusive of Overage Fees for background checks over the purchased allotment, third party data access fees known as "pass through fees", or fees otherwise specified. Fees are due for the entire Term, and may not be canceled. All payments are non-refundable and Licensee will have no right to set off any amounts due under this Agreement. **All Fees are the Confidential Information of KarmaCheck and may not be shared by Licensee with third parties.**

b. **Overage Fees.** Licensee will pay overage fees for background checks in excess of the subscription amount purchased when checks are ordered and/or run in the allotted time period.

c. **Third Party Data Access Fees.** "Pass through fees" are charges levied by data providers inclusive of courts and are passed through from KarmaCheck to Licensee post-background check as additional charge(s). Pass through fees are determined at run time based on where candidate data is held, fees are standardized, and decided entirely by data providers.

d. **Taxes.** All Fees exclude any sales, use, excise, import, export, value added, universal service charge, withholding or other similar taxes or governmental charges, including any related penalties and interests however designated, other than taxes based on the net income of KarmaCheck (collectively "**Taxes**"), and Licensee agrees to pay any Taxes.

e. **Late Payments.** In the event Licensee fails to make any payments when due under this Agreement, KarmaCheck may charge Licensee a late fee at a rate of one and one-half percent (1.5%) per month or the maximum rate allowed by applicable law, whichever is lower, and may suspend any or all access to the Licensed Software until all amounts due are paid in full.

f. **Refund & Rollover Policy.** Any fees prepaid for background screenings and/or Reports are non-refundable. In the event that Licensee has unused background screenings at the time their license term expires (monthly, annually, or otherwise), those screenings and associated fees already paid will not rollover to a new license term or otherwise be applied to future Licenses. For additional clarity, unused background screenings do not roll over from term to term.

7. **WARRANTY DISCLAIMER.** EXCEPT AS CANNOT BE EXCLUDED PURSUANT TO APPLICABLE LAW, KARMACHECK AND ITS SUPPLIERS MAKE NO, AND HEREBY DISCLAIM ALL, REPRESENTATIONS AND WARRANTIES OF ANY KIND WITH RESPECT TO THE LICENSED SOFTWARE, REPORTS, SUPPORT, AND THIS AGREEMENT, AND THE LICENSED SOFTWARE, REPORTS, AND SUPPORT ARE PROVIDED "AS IS" AND WITH ALL FAULTS, AND KARMACHECK AND ITS SUPPLIERS EXPRESSLY DISCLAIM ANY AND ALL WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, SUFFICIENCY, TITLE, NON-INFRINGEMENT, AND ANY IMPLIED INDEMNITY.

8. **LIMITATION OF LIABILITY.** EXCEPT FOR KARMACHECK'S BREACH OF SECTION 10 HEREOF, IN NO EVENT WILL KARMACHECK, OR KARMACHECK'S SUPPLIERS, BE LIABLE TO LICENSEE OR ANY THIRD PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES, OR FOR LOSS OF USE, LOST PROFITS, OR LOSS OF DATA ARISING OUT OF OR RELATED TO THE LICENSED SOFTWARE, REPORTS, SUPPORT, OR THIS AGREEMENT, HOWEVER CAUSED AND REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, STRICT LIABILITY, OR OTHERWISE, EVEN IF KARMACHECK OR ITS SUPPLIERS HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT WILL THE CUMULATIVE LIABILITY OF KARMACHECK OR ITS SUPPLIERS FOR ANY CLAIMS ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE LICENSED SOFTWARE, REPORTS, OR SUPPORT EXCEED THE CUMULATIVE AMOUNTS PAID TO KARMACHECK BY LICENSEE DURING THE TWELVE (12) MONTH PERIOD IMMEDIATELY PRECEDING THE FIRST EVENT GIVING RISE TO THE FIRST CLAIM UNDER THIS AGREEMENT.

9. **Indemnification.** Licensee agrees to indemnify, defend, and hold KarmaCheck and its suppliers, and their officers, directors, employees, agents, and customers harmless from and against any and all claims, damages, losses, liabilities, costs and expenses (including, but not limited to, court costs and reasonable attorneys' fees) arising out of or in connection with: (i) Licensee's or its Authorized Users' misuse of the Licensed Software (including any use in violation of applicable law); (ii) the Licensee Data; (iii) any Reports or Administrative Services (as defined in Exhibit A of this Agreement); (iv) the content, compliance, method of delivery, or effectiveness of any notices, including but not limited to pre-adverse or adverse action letters; or (v) failure by Licensee, Licensee Affiliates, or its or their Authorized Users to comply with provisions of Exhibit A or any applicable laws.

10. **Confidential Information**

a. **Receipt of Confidential Information.** Any and all confidential or proprietary information: (i) disclosed by either Party (the "**Discloser**") to the other Party (the "**Recipient**") that is labeled as "confidential," "proprietary," or the like; or (ii) otherwise disclosed by the Discloser to the Recipient under circumstances such that the confidential nature of such information is apparent, in each case of (i) or (ii), is "**Confidential Information**" hereunder, unless such information (1) is or becomes publicly available without breach of this Agreement by the Recipient; (2) was in the Recipient's possession prior to disclosure; (3) was or becomes rightfully acquired by the Recipient from a third party who is under no obligation to the Discloser to maintain its confidentiality; or (4) was or is independently developed by the Recipient without access to or use of the Confidential Information of the Discloser. KarmaCheck acknowledges that any Licensee Data is the Confidential Information of Licensee. Licensee acknowledges that this Agreement, all documentation, technical information, and other information pertaining to the Licensed Software, and KarmaCheck's business interests or activities, pricing, methods of operation, or customers that are disclosed to Licensee in the course of performing this Agreement are the Confidential Information of KarmaCheck.

b. **Agreement to Maintain Confidentiality.** Except as provided in Section 2 or as required by applicable law, the Recipient agrees: (i) to protect the Confidential Information of the Discloser from disclosure using the same degree of care that the Recipient uses with its own like information (but, in all events, using reasonable care); (ii) not to use such Confidential Information except to exercise the Recipient's rights and perform its obligations under this Agreement; and (iii) to limit the disclosure of such Confidential Information only to those employees, agents, third-party service providers, and other third parties of the Recipient who have a "need to know" such Confidential Information and who are bound by obligations of confidentiality no less protective to the Discloser than the terms and conditions contained herein.

11. **Miscellaneous.** This Agreement does not create a relationship of agency, partnership, or joint venture between the Parties. This Agreement shall be governed by and construed in accordance with the laws of the state of California, without reference to conflicts of law principles. **Any dispute of controversy arising from or relating to this Agreement must be arbitrated in the County of Santa Clara, California before a single arbitrator who is jointly selected and mutually approved by the Parties or, if the Parties are unable to or fail to agree on the selection of the**

arbitrator within fifteen (15) days of the demand for arbitration being served, who is appointed by Judicial Arbitration and Mediation Services (JAMS) in accordance with its rules. The arbitrator shall serve as a neutral, independent and impartial arbitrator. The arbitration will be administered by JAMS pursuant to its Comprehensive Arbitration Rules and Procedures (and in accordance with the expedited procedures in those rules), or, if applicable, in accordance with the JAMS International Arbitration Rules. The results of the arbitration procedure will be considered the Confidential Information of both Parties. Any arbitration decision rendered will be final and binding, and judgment thereon may be entered in any court of competent jurisdiction. Notwithstanding the above, neither Party will be required to arbitrate a dispute relating to the misuse or misappropriation or any Confidential Information or the infringement of intellectual property rights, which dispute shall be brought in the federal and state courts in the County of Santa Clara, California, and each Party hereby consents to the jurisdiction and venue of such courts for such disputes. KarmaCheck shall not be in default by reason of any failure in performance of its obligations if such failure arises out of causes beyond the control (whether caused directly or indirectly) of KarmaCheck. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all previous agreements and understandings between the Parties with respect to the subject matter hereof. This Agreement may not be modified or amended without the prior written consent of both Parties. Failure of a Party to

demand compliance or performance of any term of this Agreement shall not constitute a waiver of the rights of such Party hereunder. Licensee may not sell, assign, or transfer any of its rights, duties or obligations under this Agreement without the prior written consent of KarmaCheck. KarmaCheck reserves the right to assign or transfer this Agreement or any of its rights, duties and obligations to any third party. All notices shall be in writing and addressed to the applicable address set forth above. If any provision of this Agreement is declared by a court of competent jurisdiction to be invalid, void or unenforceable, then such provision will be changed and interpreted to accomplish the objectives of such provision to the greatest extent possible under applicable law and the remaining provisions of this Agreement will continue in full force and effect.

12. **WAIVER OF CLASS ACTIONS.** KarmaCheck and Licensee agree that any proceeding to resolve or litigate any dispute hereunder, whether in arbitration or in court, will be conducted solely on an individual basis, and neither KarmaCheck nor Licensee will seek to have any dispute heard as a class action, a representative action, a collective action, a private attorney-general action, or in any proceeding in which either KarmaCheck or Licensee acts or proposes to act in a representative capacity. KarmaCheck and Licensee further agree that no arbitration or proceeding will be joined, consolidated, or combined with another arbitration or proceeding without the prior written consent of all parties to such other arbitration or proceeding.

Exhibit A
LICENSEE LEGAL COMPLIANCE APPENDIX

The provision of Reports by KarmaCheck to Licensee, its affiliates, and its and their Authorized Users, and the ordering, review, and use of Reports through the Licensed Software by each of them shall be subject to the following additional terms and conditions. All references to Licensee herein necessarily shall be read to include reference to Licensee, its affiliates, and its and their Authorized Users.

1. Licensee's Certification of Fair Credit Reporting Act (FCRA) Permissible Purpose(s).

Licensee hereby certifies that all of its orders for Reports through the Licensed Software shall be made, and the resulting Reports shall be used, for the following Fair Credit Reporting Act, 15 U.S.C. § 1681 *et seq.* (FCRA), permissible purposes only:

Section 604(a)(3)(B). For employment purposes including evaluating a consumer for employment, promotion, reassignment or retention as an employee.

Licensee further certifies that each time it orders a Report through Licensed Software, it is automatically reaffirming the above certification regarding the specific permissible purposes at the time the Report is requested.

2. Licensee's Certification of Legal Compliance.

a. Compliance with Federal Laws and Compliance Generally

Licensee hereby certifies to KarmaCheck that the Reports it receives will not be used in violation of any applicable federal, state or local laws, including, but not limited to, the FCRA and Title VII of the Civil Rights Act of 1964. Licensee accepts full responsibility for complying with all such laws and for using the Reports it receives from KarmaCheck in a legally acceptable manner. To that end, Licensee agrees to comply with and provide all statutorily required notices pursuant to the FCRA (15 U.S.C. § 1681m) (related to adverse action) or other federal, state and local laws when using Reports. Licensee further accepts full responsibility for any and all consequences of use and/or dissemination of the Reports. Licensee further agrees that each Report will only be used for a one-time use and for no other purpose.

As a condition of entering into this Agreement, Licensee certifies that it has in place reasonable procedures designed to comply with all applicable local, state and federal laws. Licensee also certifies that it will retain any disclosure and authorization forms for a period of five (5) years from the date the Report was requested, and will make such forms available to KarmaCheck upon request. In addition, Licensee agrees to abide by all Ban the Box laws or ordinances and certifies that it will not conduct a background check until after conditional offer of employment has been provided as applicable by state and local "ban the box" laws.

Licensee shall maintain the confidentiality of the Reports.

The FCRA provides that any person who knowingly and willfully obtains information on a consumer from a consumer reporting agency such as KarmaCheck, under false pretenses, shall be fined under Title 18, United States Code, imprisoned for not more than two (2) years, or both.

Licensee hereby acknowledges that it has received a copy of the "A Summary of Your Rights Under the Fair Credit Reporting Act" (16 C.F.R. Part 601, attached hereto as **Appendix A-1**) and "Notice to Users of Consumer Reports: Obligations of Users Under the FCRA" (16 C.F.R. Part 601, attached hereto as **Appendix A-2**).

b. When Reports Are Used for Employment Purposes and Compliance with the FCRA

If the Reports Licensee obtains from KarmaCheck are to be used for an employment purpose, Licensee certifies that in every case prior to obtaining or causing a "consumer report" to be obtained, (a) a clear and conspicuous disclosure, in a document consisting *solely of the disclosure*, has been made in writing to the consumer explaining that a consumer report may be obtained for employment purposes by the Licensee and the consumer has authorized in writing such procurement; (b) Licensee will comply with the adverse action requirements, if applicable, to provide consumer with a copy of the Report and a description, in writing, of the rights of the consumer entitled "A Summary of Your Rights Under the Fair Credit Reporting Act"; and (c) information from the Report will not be used in violation of any applicable Federal or State equal employment opportunity law or regulation. (15 U.S.C. § 1681b(b)(1)).

If applicable, Licensee will also follow its obligations under the FCRA related to adverse action as prescribed in 15 U.S.C. § 1681m.

c. When Licensee is Located in California or Reports Pertain to a California Resident or Worker

Licensee hereby certifies that, under the Investigative Consumer Reporting Agencies Act, California Civil Code Sections 1786 *et seq.* (ICRAA), and the Consumer Credit Reporting Agencies Act, California Civil Code Sections 1785.1 *et seq.* (CCRAA), if Licensee is located in the State of California, and/or Licensee's request for and/or use of Reports pertains to a California resident or worker, Licensee will do the following:

- i. Request and use Reports (defined as an "investigative consumer report" under California law) solely for permissible purpose(s) identified under California Civil Code Sections 1785.11 and 1786.12, and specifically related to employment purposes.

- ii. When, at any time, Reports are sought for employment purposes other than suspicion of wrongdoing or misconduct by the consumer who is the subject of the investigation, provide a clear and conspicuous disclosure in writing to the consumer, which solely discloses: (1) that Reports may be obtained; (2) the permissible purpose of the Reports; (3) that information on the consumer's character, general reputation, personal characteristics and mode of living may be disclosed; (4) the name, address, telephone number, and website of KarmaCheck; and (5) the nature and scope of the investigation requested, including a summary of the provisions of California Civil Code Section 1786.22. The disclosure must provide the consumer a means by which he/she may indicate on a written form, by means of a box to check, that the consumer wishes to receive a copy of any Reports that are prepared. If the consumer wishes to receive a copy of the Reports, Licensee shall send (or contract with another entity to send) a copy of the Report to the consumer within three (3) business days of the date that the Report is provided to Licensee.
- iii. When, at any time, Reports are sought for employment purposes other than suspicion of wrongdoing or misconduct by the consumer who is the subject of the investigation, only request Reports if the applicable consumer has authorized in writing the procurement of the Report.
- iv. Under all applicable circumstances, comply with California Civil Code Sections 1785.20 and 1786.40 if the taking of adverse action is a consideration, which shall include, but may not be limited to, advising the consumer against whom an adverse action has been taken that the adverse action was based in whole or in part upon information contained in the Report, informing the consumer in writing of the fact that KarmaCheck was the investigative consumer reporting agency (as that term is defined under California law) preparing the Report and provide KarmaCheck's address and telephone number, and provide the consumer a written notice of his/her rights under the ICRAA and the CCRAA.
- v. Comply with all other requirements under applicable California law, including, but, not limited to any statutes, regulations and rules governing the procurement, use and/or disclosure of any Reports, including, but not limited to, the ICRAA and the CCRAA.

d. New York City Employers – Reports Containing Criminal and Credit History

Pursuant to restrictions on when criminal background reports can be requested under New York City's Human Rights Law, as amended by the Fair Chance Act, as well as consumer credit history under New York City Human Rights Law, as amended by the Stop Credit Discrimination in Employment Act (SCDEA), Licensee certifies that it will request a Report which includes (a) criminal history information only after extending a conditional offer of employment to the job applicant, or, in the alternative that the position for which Licensee is requesting a criminal history search is exempt under the Fair Chance Act; and/or (b) consumer credit history about an applicant or employee only if one of the permissible exemptions under SCDEA applies.

3. Additional Requirements for Motor Vehicle Records (MVRs) and Driving Records

Licensee certifies that Moving Violation Reports and/or Driving Records (MVRs) shall only be ordered in strict compliance with the Driver's Privacy Protection Act (18 U.S.C. § 2721 *et seq.*) including, without limitation, all amendments thereto (DPPA), and any related state laws.

KarmaCheck may require that Licensee furnish signed release authorization forms for compliance purposes. Licensee shall not transmit any data contained in the resulting MVR via the public Internet, electronic mail or any other unsecure means.

Permissible Use: Release and use of certain personal information from state motor vehicle records is controlled by the DPPA. Accordingly, Licensee agrees to be bound by the DPPA and its requirements, as well as applicable state law. KarmaCheck will only provide DPPA protected records for the following permissible uses: (i) for use in the normal course of business (18 U.S.C. § 2721(b)(3)); and (ii) with the written consent of the individual to whom such personal information pertains (18 U.S.C. § 2721(b)(3)).

4. Use of Death Master File Records

Licensee acknowledges that in preparing the Reports, KarmaCheck may include information provided by Experian. Services containing Experian information also contain information from the Death Master File as issued by the Social Security Administration (DMF).

Licensee certifies pursuant to Section 2-3 of the Bipartisan Budget Act of 2013 and 15 C.F.R. § 1110.102 that, consistent with its application of FCRA or Gramm-Leach-Bliley Act (15 U.S.C. § 6801 *et seq.*) (GLB) use of Experian information, Licensee's use of deceased flags or other indicia within the Experian information is restricted to legitimate fraud prevention or business purposes in compliance with application laws, rules, and regulations, or fiduciary duty, as such business purposes are interpreted under 15 C.F.R. § 1110.102(a)(1). Further, Licensee certifies that it will not take any adverse action against any consumer without further investigation to verify the information from the deceased flags or other indicia within the Experian information.

5. Warrants

In the course of completing background checks, KarmaCheck may uncover active arrest warrants which are outstanding against a consumer. In these cases, KarmaCheck may be contacted by the law enforcement agency seeking the subject of that warrant. Licensee understands that KarmaCheck will furnish to law enforcement any information contained within the subject's

file to assist in the apprehension of the subject. Additionally, KarmaCheck may contact Licensee and Licensee agrees to release to KarmaCheck any and all information Licensee may have which will further the apprehension of the wanted subject.

6. Identifiers and Name and Address History Search

KarmaCheck conducts background checks using an industry-standard minimum of two identifiers to ensure the accuracy of the information in the Reports. As a default, KarmaCheck requires applicants' name and Social Security Number (SSN). However, if Licensee or applicant do not provide such data inputs, KarmaCheck will generate a Report based on the provided identifiers, which must be (at a minimum) name and one other identifier (e.g., date of birth, driver's license number, address). Requests that do not include an SSN will not allow KarmaCheck to independently run a name and address history search to ascertain all counties where an applicant may have resided as opposed to using the addresses provided by the applicant. Licensee understands and acknowledges that this will limit the search scope of the Report.

7. Sample Letters and Forms; Administrative Services; Legal Counsel

KarmaCheck does not guarantee Licensee's compliance with all applicable laws in its use of the Reports, and does not provide legal or other compliance related services upon which Licensee may rely in connection with its furnishing of Reports. Licensee understands that any Reports, documents or information provided, or conversations or communications with any representative of KarmaCheck regarding searches, verifications or other services offered by KarmaCheck, or use of such information by Licensee are not to be considered legal counsel or legal opinion.

Any administrative service that KarmaCheck offers, as described in this Agreement and addenda (the "**Administrative Services**"), is at Licensee's request and Licensee represents that in doing so it is complying with all applicable laws and regulations related to such. If KarmaCheck supports candidate self-pay on behalf of Licensee, as described in **Appendix A-3** attached hereto, which is incorporated into and is part of this Agreement, Licensee represents that its request that candidates pay for any background checks conducted by KarmaCheck is permissible pursuant to applicable laws. Any failure by Licensee to comply with any applicable federal, state or local laws, regulations, or codes with respect to the Administrative Services are its own and Licensee agrees that KarmaCheck will not be liable to Licensee, nor any third-party, for such failures.

Licensee agrees that (a) it will consult with its own legal or other counsel regarding the use of the Reports, including but not limited to, the legality of using or relying on reported information, (b) it will consult with its own legal or other counsel regarding the Administrative Services it requests KarmaCheck conduct on its behalf, including but not limited to the legality or permissibility of such Administrative Services, (c) it will review any forms as well as the content of prescribed notices, adverse or pre-adverse action letters and any attachments to this Agreement for compliance with all applicable laws and regulations, and (d) the provision of such notices, disclosures, pre-adverse or adverse action letters and the contents thereof is the sole responsibility of Licensee and not KarmaCheck.

8. Security of Information

Licensee certifies that it shall implement and maintain a comprehensive information security program written in one or more readily accessible parts and that contains administrative, technical, and physical safeguards that are appropriate to Licensee's size and complexity, the nature and scope of its activities, and the sensitivity of the information provided to Licensee by KarmaCheck. Licensee certifies that such safeguards shall include the elements set forth in 16 C.F.R. § 314.4 and shall be reasonably designed to (a) insure the security and confidentiality of the information provided to KarmaCheck; (b) protect against any anticipated threats or hazards to the security or integrity of such information; and (c) protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any consumer.

Licensee agrees that Reports shall be requested by, and disclosed by Licensee only to its designated and authorized employees having a need to know and only to the extent necessary to enable Licensee to use the Reports in accordance with this Agreement. Licensee agrees to have reasonable procedures for the fair and equitable use of background information and to secure the confidentiality of Confidential Information (as defined in the Agreement), Reports and otherwise private information. Licensee agrees to take precautionary measures to protect the security and dissemination of all Reports (including consumer report or investigative consumer report information) including, for example, restricting terminal access, utilizing passwords to restrict access to terminal devices, and securing access to, dissemination, disposal and proper destruction of electronic and hard copy Reports.

Licensee agrees to abide by **Appendix A-4** (Access Security Requirements) attached hereto, which is incorporated into and is part of this Agreement.

9. Audit

Upon request from KarmaCheck, during the Term and for a period of twelve (12) months thereafter, Licensee agrees to (a) certify to KarmaCheck and/or (b) authorize KarmaCheck or an independent third party auditor selected by KarmaCheck to verify that Licensee's (non-financial) systems, procedures, and use of the Reports comply with this Agreement and all applicable laws. Licensee shall cooperate fully in connection with any such certification and/or audit, and will allow, or obtain, access to such systems, properties, records, and personnel as KarmaCheck or such independent third party auditor may reasonably require for such certification and/or audit.

10. Terms of Service

To the extent that the Licensed Software web site portal states that its use is subject to additional terms and conditions in the form of "Terms of Service," Licensee shall ensure that each of its Authorized Users additionally comply with all such terms and conditions.

APPENDIX A-1

Para información en español, visite www.consumerfinance.gov/learnmore o escribe a la Consumer Financial Protection Bureau, 1700 G Street N.W., Washington, DC 20552.

A Summary of Your Rights Under the Fair Credit Reporting Act

The federal Fair Credit Reporting Act (FCRA) promotes the accuracy, fairness, and privacy of information in the files of consumer reporting agencies. There are many types of consumer reporting agencies, including credit bureaus and specialty agencies (such as agencies that sell information about check writing histories, medical records, and rental history records). Here is a summary of your major rights under FCRA. **For more information, including information about additional rights, go to www.consumerfinance.gov/learnmore or write to: Consumer Financial Protection Bureau, 1700 G Street N.W., Washington, DC 20552.**

- **You must be told if information in your file has been used against you.** Anyone who uses a credit report or another type of consumer report to deny your application for credit, insurance, or employment – or to take another adverse action against you – must tell you, and must give you the name, address, and phone number of the agency that provided the information.
- **You have the right to know what is in your file.** You may request and obtain all the information about you in the files of a consumer reporting agency (your “file disclosure”). You will be required to provide proper identification, which may include your Social Security number. In many cases, the disclosure will be free. You are entitled to a free file disclosure if:
 - a person has taken adverse action against you because of information in your credit report;
 - you are the victim of identity theft and place a fraud alert in your file;
 - your file contains inaccurate information as a result of fraud;
 - you are on public assistance;
 - you are unemployed but expect to apply for employment within 60 days.

In addition, all consumers are entitled to one free disclosure every 12 months upon request from each nationwide credit bureau and from nationwide specialty consumer reporting agencies. See www.consumerfinance.gov/learnmore for additional information.

- **You have the right to ask for a credit score.** Credit scores are numerical summaries of your credit-worthiness based on information from credit bureaus. You may request a credit score from consumer reporting agencies that create scores or distribute scores used in residential real property loans, but you will have to pay for it. In some mortgage transactions, you will receive credit score information for free from the mortgage lender.
- **You have the right to dispute incomplete or inaccurate information.** If you identify information in your file that is incomplete or inaccurate, and report it to the consumer reporting agency, the agency must investigate unless your dispute is frivolous. See www.consumerfinance.gov/learnmore for an explanation of dispute procedures.
- **Consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information.** Inaccurate, incomplete, or unverifiable information must be removed or corrected, usually within 30 days. However, a consumer reporting agency may continue to report information it has verified as accurate.
- **Consumer reporting agencies may not report outdated negative information.** In most cases, a consumer reporting agency may not report negative information that is more than seven years old, or bankruptcies that are more than 10 years old.
- **Access to your file is limited.** A consumer reporting agency may provide information about you only to people with a valid need – usually to consider an application with a creditor, insurer, employer, landlord, or other business. The FCRA specifies those with a valid need for access.
- **You must give your consent for reports to be provided to employers.** A consumer reporting agency may not give out information about you to your employer, or a potential employer, without your written consent given to the employer. Written consent generally is not required in the trucking industry. For more information, go to www.consumerfinance.gov/learnmore.
- **You may limit “prescreened” offers of credit and insurance you get based on information in your credit report.** Unsolicited “prescreened” offers for credit and insurance must include a toll-free phone number you can call if you choose to remove your name and address from the lists these offers are based on. You may opt out with the nationwide credit bureaus at 1-888-5-OPTOUT (1-888-567-8688).
- The following FCRA right applies with respect to nationwide consumer reporting agencies:

CONSUMERS HAVE THE RIGHT TO OBTAIN A SECURITY FREEZE

You have a right to place a “security freeze” on your credit report, which will prohibit a consumer reporting agency from releasing information in your credit report without your express authorization. The security freeze is

designed to prevent credit, loans, and services from being approved in your name without your consent. However, you should be aware that using a security freeze to take control over who gets access to the personal and financial information in your credit report may delay, interfere with, or prohibit the timely approval of any subsequent request or application you make regarding a new loan, credit, mortgage, or any other account involving the extension of credit.

As an alternative to a security freeze, you have the right to place an initial or extended fraud alert on your credit file at no cost. An initial fraud alert is a 1-year alert that is placed on a consumer's credit file. Upon seeing a fraud alert display on a consumer's credit file, a business is required to take steps to verify the consumer's identity before extending new credit. If you are a victim of identity theft, you are entitled to an extended fraud alert, which is a fraud alert lasting 7 years.

A security freeze does not apply to a person or entity, or its affiliates, or collection agencies acting on behalf of the person or entity, with which you have an existing account that requests information in your credit report for the purposes of reviewing or collecting the account. Reviewing the account includes activities related to account maintenance, monitoring, credit line increases, and account upgrades and enhancements.

- **You may seek damages from violators.** If a consumer reporting agency, or, in some cases, a user of consumer reports or a furnisher of information to a consumer reporting agency violates the FCRA, you may be able to sue in state or federal court.
- **Identity theft victims and active duty military personnel have additional rights.** For more information, visit www.consumerfinance.gov/learnmore.

States may enforce the FCRA, and many states have their own consumer reporting laws. In some cases, you may have more rights under state law. For more information, contact your state or local consumer protection agency or your state Attorney General. For information about your federal rights, contact:

TYPE OF BUSINESS:	CONTACT:
<p>1.a. Banks, savings associations, and credit unions with total assets of over \$10 billion and their affiliates</p> <p>b. Such affiliates that are not banks, savings associations, or credit unions also should list, in addition to the CFPB:</p>	<p>a. Consumer Financial Protection Bureau 1700 G Street, N.W. Washington, DC 20552</p> <p>b. Federal Trade Commission Consumer Response Center 600 Pennsylvania Avenue, N.W. Washington, DC 20580 (877) 382-4357</p>
<p>2. To the extent not included in item 1 above:</p> <p>a. National banks, federal savings associations, and federal branches and federal agencies of foreign banks</p> <p>b. State member banks, branches and agencies of foreign banks (other than federal branches, federal agencies, and Insured State Branches of Foreign Banks), commercial lending companies owned or controlled by foreign banks, and organizations operating under section 25 or 25A of the Federal Reserve Act.</p> <p>c. Nonmember Insured Banks, Insured State Branches of Foreign Banks, and insured state savings associations</p> <p>d. Federal Credit Unions</p>	<p>a. Office of the Comptroller of the Currency Customer Assistance Group 1301 McKinney Street, Suite 3450 Houston, TX 77010-9050</p> <p>b. Federal Reserve Consumer Help Center P.O. Box 1200 Minneapolis, MN 55480</p> <p>c. FDIC Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106</p> <p>d. National Credit Union Administration Office of Consumer Financial Protection (OCFP) Division of Consumer Compliance Policy and Outreach 1775 Duke Street Alexandria, VA 22314</p>
<p>3. Air carriers</p>	<p>Asst. General Counsel for Aviation Enforcement & Proceedings Aviation Consumer Protection Division Department of Transportation 1200 New Jersey Avenue, S.E. Washington, DC 20590</p>
<p>4. Creditors Subject to the Surface Transportation Board</p>	<p>Office of Proceedings, Surface Transportation Board Department of Transportation 395 E Street, S.W.</p>

	Washington, DC 20423
5. Creditors Subject to the Packers and Stockyards Act, 1921	Nearest Packers and Stockyards Administration area supervisor
6. Small Business Investment Companies	Associate Deputy Administrator for Capital Access United States Small Business Administration 409 Third Street, S.W., Suite 8200 Washington, DC 20416
7. Brokers and Dealers	Securities and Exchange Commission 100 F Street, N.E. Washington, DC 20549
8. Federal Land Banks, Federal Land Bank Associations, Federal Intermediate Credit Banks, and Production Credit Associations	Farm Credit Administration 1501 Farm Credit Drive McLean, VA 22102-5090
9. Retailers, Finance Companies, and All Other Creditors Not Listed Above	Federal Trade Commission Consumer Response Center 600 Pennsylvania Avenue, N.W. Washington, DC 20580 (877) 382-4357

APPENDIX A-2

All users of consumer reports must comply with all applicable regulations. Information about applicable regulations currently in effect can be found at the Consumer Financial Protection Bureau's website, www.consumerfinance.gov/learnmore.

NOTICE TO USERS OF CONSUMER REPORTS: OBLIGATIONS OF USERS UNDER THE FCRA

The Fair Credit Reporting Act (FCRA), 15 U.S.C. §1681-1681y, requires that this notice be provided to inform users of consumer reports of their legal obligations. State law may impose additional requirements. The text of the FCRA is set forth in full at the Bureau of Consumer Financial Protection's website at www.consumerfinance.gov/learnmore. At the end of this document is a list of United States Code citations for the FCRA. Other information about user duties is also available at the Bureau's website. **Users must consult the relevant provisions of the FCRA for details about their obligations under the FCRA.**

The first section of this summary sets forth the responsibilities imposed by the FCRA on all users of consumer reports. The subsequent sections discuss the duties of users of reports that contain specific types of information, or that are used for certain purposes, and the legal consequences of violations. If you are a furnisher of information to a consumer reporting agency (CRA), you have additional obligations and will receive a separate notice from the CRA describing your duties as a furnisher.

I. OBLIGATIONS OF ALL USERS OF CONSUMER REPORTS

A. Users Must Have a Permissible Purpose

Congress has limited the use of consumer reports to protect consumers' privacy. All users must have a permissible purpose under the FCRA to obtain a consumer report. Section 604 contains a list of the permissible purposes under the law. These are:

As ordered by a court or a federal grand jury subpoena.	<u>Section 604(a)(1)</u>
As instructed by the consumer in writing.	<u>Section 604(a)(1)</u>
For the extension of credit as a result of an application from a consumer, or the review or collection of a consumer's account.	<u>Section 604(a)(3)(A)</u>
For employment purposes, including hiring and promotion decisions, where the consumer has given written permission.	<u>Sections 604(a)(3)(B) and 604(b)</u>
For the underwriting of insurance as a result of an application from a consumer.	<u>Section 604(a)(3)(C)</u>
When there is a legitimate business need, in connection with a business transaction that is <u>initiated</u> by the consumer.	<u>Section 604(a)(3)(F)(i)</u>
To review a consumer's account to determine whether the consumer continues to meet the terms of the account.	<u>Section 604(a)(3)(F)(ii)</u>
To determine a consumer's eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant's financial responsibility or status.	<u>Section 604(a)(3)(D)</u>
For use by a potential investor or servicer, or current insurer, in a valuation or assessment of the credit or prepayment risks associated with an existing credit obligation.	<u>Section 604(a)(3)(E)</u>
For use by state and local officials in connection with the determination of child support payments, or modifications and enforcement thereof.	<u>Sections 604(a)(4) and 604(a)(5)</u>

In addition, creditors and insurers may obtain certain consumer report information for the purpose of making “prescreened” unsolicited offers of credit or insurance. [Section 604\(c\)](#). The particular obligations of users of “prescreened” information are described in Section VII below.

B. Users Must Provide Certifications

Section 604(f) prohibits any person from obtaining a consumer report from a consumer reporting agency (CRA) unless the person has certified to the CRA the permissible purpose(s) for which the report is being obtained and certifies that the report will not be used for any other purpose.

C. Users Must Notify Consumers When Adverse Actions Are Taken

The term “adverse action” is defined very broadly by Section 603. “Adverse actions” include all business, credit, and employment actions affecting consumers that can be considered to have a negative impact as defined by Section 603(k) of the FCRA – such as denying or canceling credit or insurance, or denying employment or promotion. No adverse action occurs in a credit transaction where the creditor makes a counteroffer that is accepted by the consumer.

1. Adverse Actions Based on Information Obtained From a CRA

If a user takes any type of adverse action as defined by the FCRA that is based at least in part on information contained in a consumer report, Section 615(a) requires the user to notify the consumer. The notification may be done in writing, orally, or by electronic means. It must include the following:

- The name, address, and telephone number of the CRA (including a toll-free telephone number, if it is a nationwide CRA) that provided the report.
- A statement that the CRA did not make the adverse decision and is not able to explain why the decision was made.
- A statement setting forth the consumer’s right to obtain a free disclosure of the consumer’s file from the CRA if the consumer makes a request within 60 days.
- A statement setting forth the consumer’s right to dispute directly with the CRA the accuracy or completeness of any information provided by the CRA.

2. Adverse Actions Based on Information Obtained From Third Parties Who Are Not Consumer Reporting Agencies

If a person denies (or increases the charge for) credit for personal, family, or household purposes based either wholly or partly upon information from a person other than a CRA, and the information is the type of consumer information covered by the FCRA, Section 615(b)(1) requires that the user clearly and accurately disclose to the consumer his or her right to be told the nature of the information that was relied upon if the consumer makes a written request within 60 days of notification. The user must provide the disclosure within a reasonable period of time following the consumer’s written request.

3. Adverse Actions Based on Information Obtained From Affiliates

If a person takes an adverse action involving insurance, employment, or a credit transaction initiated by the consumer, based on information of the type covered by the FCRA, and this information was obtained from an entity affiliated with the user of the information by common ownership or control, Section 615(b)(2) requires the user to notify the consumer of the adverse action. The notice must inform the consumer that he or she may obtain a disclosure of the nature of the information relied upon by making a written request within 60 days of receiving the adverse action notice. If the consumer makes such a request, the user must disclose the nature of the information not later than 30 days after receiving the request. If consumer report information is shared among affiliates and then used for an adverse action, the user must make an adverse action disclosure as set forth in I.C.1 above.

D. Users Have Obligations When Fraud and Active Duty Military Alerts are in Files

When a consumer has placed a fraud alert, including one relating to identify theft, or an active duty military alert with a nationwide consumer reporting agency as defined in Section 603(p) and resellers, Section 605A(h) imposes limitations on users of reports obtained from the consumer reporting agency in certain circumstances, including the establishment of a new credit plan and the issuance of additional credit cards. For initial fraud alerts and active duty alerts, the user must have reasonable policies and procedures in place to form a belief that the user knows the identity of the applicant or contact the consumer at a telephone number specified by the consumer; in the case of extended fraud alerts, the user must contact the consumer in accordance with the contact information provided in the consumer’s alert.

E. Users Have Obligations When Notified of an Address Discrepancy

Section 605(h) requires nationwide CRAs, as defined in Section 603(p), to notify users that request reports when the address for a consumer provided by the user in requesting the report is substantially different from the addresses in the consumer’s file. When this occurs, users must comply with regulations specifying the procedures to be followed. Federal regulations are available at www.consumerfinance.gov/learnmore.

F. Users Have Obligations When Disposing of Records

Section 628 requires that all users of consumer report information have in place procedures to properly dispose of records containing this information. Federal regulations have been issued that cover disposal.

II. CREDITORS MUST MAKE ADDITIONAL DISCLOSURES

If a person uses a consumer report in connection with an application for, or a grant, extension, or provision of, credit to a consumer on material terms that are materially less favorable than the most favorable terms available to a substantial proportion of consumers from or through that person, based in whole or in part on a consumer report, the person must provide a risk-based pricing notice to the consumer in accordance with regulations prescribed by the Consumer Financial Protection Bureau.

Section 609(g) requires a disclosure by all persons that make or arrange loans secured by residential real property (one to four units) and that use credit scores. These persons must provide credit scores and other information about credit scores to applicants, including the disclosure set forth in Section 609(g)(1)(D) ("Notice to the Home Loan Applicant").

III. OBLIGATIONS OF USERS WHEN CONSUMER REPORTS ARE OBTAINED FOR EMPLOYMENT PURPOSES

A. Employment Other Than in the Trucking Industry

If the information from a CRA is used for employment purposes, the user has specific duties, which are set forth in Section 604(b) of the FCRA. The user must:

- Make a clear and conspicuous written disclosure to the consumer before the report is obtained, in a document that consists solely of the disclosure, that a consumer report may be obtained.
- Obtain from the consumer prior written authorization. Authorization to access reports during the term of employment may be obtained at the time of employment.
- Certify to the CRA that the above steps have been followed, that the information being obtained will not be used in violation of any federal or state equal opportunity law or regulation, and that, if any adverse action is to be taken based on the consumer report, a copy of the report and a summary of the consumer's rights will be provided to the consumer.
- Before taking an adverse action, the user must provide a copy of the report to the consumer as well as the summary of consumer's rights. (The user should receive this summary from the CRA.) A Section 615(a) adverse action notice should be sent after the adverse action is taken.

An adverse action notice also is required in employment situations if credit information (other than transactions and experience data) obtained from an affiliate is used to deny employment. [Section 615\(b\)\(2\)](#)

The procedures for investigative consumer reports and employee misconduct investigations are set forth below.

B. Employment in the Trucking Industry

Special rules apply for truck drivers where the only interaction between the consumer and the potential employer is by mail, telephone, or computer. In this case, the consumer may provide consent orally or electronically, and an adverse action may be made orally, in writing, or electronically. The consumer may obtain a copy of any report relied upon by the trucking company by contacting the company.

IV. OBLIGATIONS WHEN INVESTIGATIVE CONSUMER REPORTS ARE USED

Investigative consumer reports are a special type of consumer report in which information about a consumer's character, general reputation, personal characteristics, and mode of living is obtained through personal interviews by an entity or person that is a consumer reporting agency. Consumers who are the subjects of such reports are given special rights under the FCRA. If a user intends to obtain an investigative consumer report, Section 606 requires the following:

- The user must disclose to the consumer that an investigative consumer report may be obtained. This must be done in a written disclosure that is mailed, or otherwise delivered, to the consumer at some time before or not later than three days after the date on which the report was first requested. The disclosure must include a statement informing the consumer of his or her right to request additional disclosures of the nature and scope of the investigation as described below, and the summary of consumer rights required by Section 609 of the FCRA. (The summary of consumer rights will be provided by the CRA that conducts the investigation.)
- The user must certify to the CRA that the disclosures set forth above have been made and that the user will make the disclosure described below.
- Upon the written request of a consumer made within a reasonable period of time after the disclosures required above, the user must make a complete disclosure of the nature and scope of the investigation. This must be made in a written statement that is mailed or otherwise delivered, to the consumer no later than five days after the date on which the request was received from the consumer or the report was first requested, whichever is later in time.

V. SPECIAL PROCEDURES FOR EMPLOYEE INVESTIGATIONS

Section 603(x) provides special procedures for investigations of suspected misconduct by an employee or for compliance with Federal, state or local laws and regulations or the rules of a self-regulatory organization, and compliance with written policies of the employer. These investigations are not treated as consumer reports so long as the employer or its agent complies with the procedures set forth in Section 603(x), and a summary describing the nature and scope of the inquiry is made to the employee if an adverse action is taken based on the investigation.

VI. OBLIGATIONS OF USERS OF MEDICAL INFORMATION

Section 604(g) limits the use of medical information obtained from consumer reporting agencies (other than payment information that appears in a coded form that does not identify the medical provider). If the information is to be used for an insurance transaction, the consumer must give consent to the user of the report or the information must be coded. If the report is to be used for employment purposes – or in connection with a credit transaction (except as provided in regulations issued by the banking and credit union regulators) – the consumer must provide specific written consent and the medical information must be relevant. Any user who receives medical information shall not disclose the information to any other person (except where necessary to carry out the purpose for which the information was disclosed, or a permitted by statute, regulation, or order).

VII. OBLIGATIONS OF USERS OF “PRESCREENED” LISTS

The FCRA permits creditors and insurers to obtain limited consumer report information for use in connection with unsolicited offers of credit or insurance under certain circumstances. Sections 603(1), 604(c), 604(e), and 614(d). This practice is known as “prescreening” and typically involves obtaining a list of consumers from a CRA who meet certain pre-established criteria. If any person intends to use prescreened lists, that person must (1) before the offer is made, establish the criteria that will be relied upon to make the offer and grant credit or insurance, and (2) maintain such criteria on file for a three-year period beginning on the date on which the offer is made to each consumer. In addition, any user must provide with each written solicitation a clear and conspicuous statement that:

- Information contained in a consumer’s CRA file was used in connection with the transaction.
- The consumer received the offer because he or she satisfied the criteria for credit worthiness or insurability used to screen for the offer.
- Credit or insurance may not be extended if, after the consumer responds, it is determined that the consumer does not meet the criteria used for screening or any applicable criteria bearing on credit worthiness or insurability, or the consumer does not furnish required collateral.
- The consumer may prohibit the use of information in his or her file in connection with future prescreened offers of credit or insurance by contacting the notification system established by the CRA that provided the report. The statement must include the address and toll-free telephone number of the appropriate notification system.

In addition, the Consumer Financial Protection Bureau has established the format, type size, and manner of the disclosure required by Section 615(d), with which users must comply. The relevant regulation is 12 CFR 1022.54.

VIII. OBLIGATIONS OF RESELLERS

A. Disclosure and Certification Requirements

Section 607(e) requires any person who obtains a consumer report for resale to take the following steps:

- Disclose the identity of the end-user to the source CRA.
- Identify to the source CRA each permissible purpose for which the report will be furnished to the end-user.
- Establish and follow reasonable procedures to ensure that reports are resold only for permissible purposes, including procedures to obtain:
 - (1) the identity of all end-users;
 - (2) certifications from all users of each purpose for which reports will be used; and
 - (3) certifications that reports will not be used for any purpose other than the purpose(s) specified to the reseller.Resellers must make reasonable efforts to verify this information before selling the report.

B. Reinvestigations by Resellers

Under Section 611(f), if a consumer disputes the accuracy or completeness of information in a report prepared by a reseller, the reseller must determine whether this is a result of an action or omission on its part and, if so, correct or delete the information. If not, the reseller must send the dispute to the source CRA for reinvestigation. When any CRA notifies the reseller of the results of an investigation, the reseller must immediately convey the information to the consumer.

C. Fraud Alerts and Resellers

Section 605A(f) requires resellers who receive fraud alerts or active duty alerts from another consumer reporting agency to include these in their reports.

IX. LIABILITY FOR VIOLATIONS OF THE FCRA

Failure to comply with the FCRA can result in state government or federal government enforcement actions, as well as private lawsuits. Sections 616, 617, and 621. In addition, any person who knowingly and willfully obtains a consumer report under false pretenses may face criminal prosecution. Section 619.

The CFPB's website, www.consumerfinance.gov/learnmore, has more information about the FCRA, including publications for businesses and the full text of the FCRA.

Citations for FCRA sections in the U.S. Code, 15 U.S.C. § 1681 et seq.:

Section 602	15 U.S.C. 1681	Section 615	15 U.S.C. 1681m
Section 603	15 U.S.C. 1681a	Section 616	15 U.S.C. 1681n
Section 604	15 U.S.C. 1681b	Section 617	15 U.S.C. 1681o
Section 605	15 U.S.C. 1681c	Section 618	15 U.S.C. 1681p
Section 605A	15 U.S.C. 1681cA	Section 619	15 U.S.C. 1681q
Section 605B	15 U.S.C. 1681cB	Section 620	15 U.S.C. 1681r
Section 606	15 U.S.C. 1681d	Section 621	15 U.S.C. 1681s
Section 607	15 U.S.C. 1681e	Section 622	15 U.S.C. 1681s-1
Section 608	15 U.S.C. 1681f	Section 623	15 U.S.C. 1681s-2
Section 609	15 U.S.C. 1681g	Section 624	15 U.S.C. 1681t
Section 610	15 U.S.C. 1681h	Section 625	15 U.S.C. 1681u
Section 611	15 U.S.C. 1681i	Section 626	15 U.S.C. 1681v
Section 612	15 U.S.C. 1681j	Section 627	15 U.S.C. 1681w
Section 613	15 U.S.C. 1681k	Section 628	15 U.S.C. 1681x
Section 614	15 U.S.C. 1681l	Section 629	15 U.S.C. 1681y

[77 FR 67754, Nov. 14, 2012]

APPENDIX A-4
ACCESS SECURITY REQUIREMENTS

The Parties acknowledge that they must work together to protect the privacy of consumers. The following measures are designed to reduce unauthorized access of Reports, including consumer and investigative consumer reports. In accessing Reports, Licensee agrees on behalf of itself, Licensee Affiliates, and Authorized Users, to the following:

1. Licensee will take reasonable procedures to protect its account number and password so that only Authorized Users know this sensitive information, including, without limitation, not posting this information anywhere in its facility. Licensee agrees to change account passwords and to require each Authorized User to change their account passwords at least every ninety (90) days, and to do so immediately if a person who knows the password leaves Licensee or no longer needs to have access due to a change in duties; Licensee will notify KarmaCheck immediately of each such event.
2. Licensee is solely responsible for, and will be billed for, all Reports purchased using its account number.
3. Licensee agrees that system access software, whether developed by Licensee or purchased from a third party vendor, will have Licensee's account number and password "hidden" or embedded and be known only by supervisory personnel. Licensee will assign each user of its system access software a unique logon password. If such system access software is replaced by different access software and therefore no longer is in use or, alternatively, the hardware upon which such system access software resides is no longer being used or is being disposed of, or if the password has been compromised or believed to be compromised in any way, Licensee will change its password immediately and Licensee will notify KarmaCheck immediately of each such event.
4. Licensee agrees that Authorized Users will not discuss their account number or password by telephone with any unknown caller, even if the caller claims to be an employee of KarmaCheck.
5. Licensee will restrict the ability to obtain Reports to a few key personnel.
6. Licensee agrees to place all terminal devices used to obtain Reports in a secure location within its facility so that unauthorized persons cannot easily access them.
7. Licensee agrees it will turn off and lock all devices or systems used to obtain consumer information when not in use.
8. Licensee will secure hard copies and electronic files of Reports within its facility so that unauthorized persons cannot easily access them.
9. Licensee agrees to shred and/or destroy all hard copy Reports when they are no longer needed and erase and overwrite or scramble electronic files containing consumer information when no longer needed and when applicable regulation(s) permit destruction.
10. Licensee agrees to notify its employees that Licensee can access credit information only for the permissible purposes listed in the Fair Credit Reporting Act (FCRA).
11. Licensee and its personnel may not access their own reports. Nor should Licensee or its employee's access the report of a family member or friend unless it is in connection with a permissible purpose, as listed in the Agreement.
12. Licensee agrees to properly destroy and dispose of any Reports or information derived from such Reports pursuant to the Federal Trade Commission's Disposal Rule. The Disposal Rule requires disposal practices that are reasonable and appropriate to prevent the unauthorized access to—or use of—information in Reports. For example, reasonable measures for disposing of Report information could include establishing and complying with policies to (i) burn, pulverize, or shred papers containing consumer report information so that the information cannot be read or reconstructed; (ii) destroy or erase electronic files or media containing consumer report information so that the information cannot be read or reconstructed; (iii) conduct due diligence and hire a document destruction contractor to dispose of material specifically identified as Reports.