STATE OF CALIFORNIA
STANDARD AGREEMENT
STD. 213 (NEW 02/98)

AGREEMENT NUMBER
DGS MSA PAYMENTECH

1. This Agreement is entered into between the State Agency and the Contractor named below
   STATE AGENCY'S NAME
   Department of General Services
   CONTRACTOR'S NAME
   Paymentech, L.P.
2. The term of this Agreement is: May 1, 2002 through April 30, 2005
3. The maximum amount of this Agreement is: $ 0

The contractor agrees to provide services as set forth in the Terms & Conditions of this Master Services agreement (MSA) and in any and all documents referenced.

The following portions of Paymentech L.P. bid is incorporated into the MSA:
Contractors proposal pages 1-102, Exhibit 8 – Convenience Fee Schedule, Paymentech Organization Chart, Official Payments Management Organization Chart, CCC 201, Select Merchant Payment Processing Agreement, Multiple Entities Addendum, Payee Data Records.

Request for Proposal, RFP-DGS-OFA-01-CPAS is hereby made part of this agreement, incorporated by reference, and on file with the DGS / Office of Fleet Administration (OFA), including all attachments identified and incorporated therein.

General Terms and Conditions (GTC 201), updated 2-20-01, are hereby incorporated by reference and made part of this agreement. GTC 201 can be found at www.dgs.ca.gov/contracts.

The State of California, Department of General Services (DGS) is the agency awarding this MSA. Paymentech L.P. is the contractor that will support credit and debit card processing and is responsible for settling credit card transactions to a bank account designated by the State.

The following fourteen (14) items are incorporated into this MSA and are listed on the following 2 pages.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto.

CONTRACTOR	CALIFORNIA **Department of General Services** Use Only
CONTRACTOR'S NAME *(If other than an individual, state whether a corporation, partnership, etc.)* Paymentech L.P.	bjp APPROVED APR – 9 2002 DEPT OF GENERAL SERVICES
BY *(Authorized Signature)* DATE SIGNED *(Do not type)* 4-4-02 PRINTED NAME AND TITLE OF PERSON SIGNING William G Schaub, Group Mgr.	
ADDRESS 1931 Krameria Street Denver, CO 80220	
STATE OF CALIFORNIA	
AGENCY NAME Department of General Services / Office of Fleet Administration	
BY (Authorized Signature) DATE SIGNED *(Do not type)* PRINTED NAME AND TITLE OF PERSON SIGNING	
ADDRESS 802 Q Street, Sacramento, CA 95814	☐ Exempt per

1. **Term**
   This MSA shall be for a three year term beginning May 1, 2002 through April 30, 2005. In addition, DGS reserves the right, at the conclusion of the contract term, to renew the contract for two additional, one-year periods. A written and approved amendment to extend the contract is required for each extension.

2. **Conflict**
   In the event of a conflict between the RFP language and the MSA language the terms and conditions of the RFP shall prevail. In the event of a conflict between the MSA language and the language of any document(s) incorporated by reference, other than RFP-DGS-OFA-01-CPAS, the MSA language will prevail. In case of conflict between the RFP and the contractor's proposal, the RFP will prevail. In the event of a conflict between the MSA language and any subscription agreement, the terms and conditions of the MSA take precedence.

3. **Purpose**
   Upon approval of this agreement, the basic services to be offered include credit and debit card acceptance and processing services for state agencies, universities, and city/county/local agencies. The State is seeking to implement as many payment vehicles as are practical and secure to improve its efficiency and the level of service experienced by all parties which pay the state money. Accordingly, the contractor may add materials, new features to the services, or offer new electronic information services and payment technologies. Any changes in terms and conditions established by contractor for new materials, features, or electronic information services and payment technologies must be approved by DGS in writing.

4. **Subscription Agreements**
   Under the MSA, individual subscribers should establish subscription agreements with the contractor in accordance with their specific requirements. The contractor will be able to provide solutions to the particular requirements of subscribers regarding accounting practices, information requirements associated with some payments, and recovery of costs associated with card acceptance. The subscription agreements executed between the contractor and the subscribing agency shall incorporate the MSA. Subscribing agencies should complete the Standard Agreement, Standard Form 213 or appropriate equivalent contract form.

   To better meet the specific needs of the subscribing agency, a subscription agreement may contain a particular set of terms and conditions, as mutually agreed, provided that:

   - They comply with, and meet all requirements of the codes and regulations of the State of California,

   - There are no conflicts with the terms and conditions of the MSA and RFP.

5. **Pricing**
   In consideration of the contractor's processing services, subscribers will pay monthly, and in arrears, pricing based on Section XI, pages 95-102 and Exhibit 8 – Convenience Fee Schedule.

6. **Visa and MasterCard Interchange Assessment Rates**
   The pricing specified is subject to fluctuations in the Visa and MasterCard interchange assessment rates. These rates are outside of the control of the State of California and the Contractor. Both increases and decreases in the rates are to be passed on to the State in the form of changes in the official interchange assessment rates from Visa and MasterCard. The contractor will send to each subscriber and to the DGS contact person notices documenting all pricing adjustments resulting from official changes in interchange assessment rates.

7. **Credit Card Acceptance Official Contact Persons**
   Any reports and notices required under the MSA shall be in writing and delivered to the appropriate addresses below. The contractor is responsible for notifying all subscribing agencies

in the form of a written letter of any changes to a contact person, address, phone numbers, or any other information deemed important to the day to day operation of the credit card acceptance program.

James Sapnaro
Department of General Services
Office of Fleet Administration
802 Q Street
Sacramento, CA 95814

E-mail: james.sapnaro@dgs.ca.gov
Phone: (916) 322-9017
Fax: (916) 327-1159

Sylvia Dunham
Paymentech L.P.
Senior Account Executive
1931 Krameria Street
Denver, CO 80220-1556

E-mail: sdunham@paymentech.com
Phone: (303) 399-6985
Fax: (303) 399-9384

8. **Financial Liability**
Each subscriber is responsible for payment for credit card acceptance services, subject to appropriations of their controlling body. The State does not accept liability of non state subscribers (cities, counties, local governments, and political subdivision).

9. **Severability**
If any provisions of this MSA is held by a court of competent jurisdiction to be void or unenforceable, the remainder of this MSA shall remain in full force and effect.

10. **Invoicing**
Each subscriber shall provide billing information (mailing address, contact person, etc.) as requested by the contractor. The contractor shall bill each subscriber monthly for services and equipment, if applicable. The invoice shall reference the MSA number, subscriber's subscription agreement contract number, and month of billing period. The contractor will provide a telephone number, fax number, and address to each subscriber for billing comments or inquiries.

11. **Card Payment Deposits**
All participating state agencies are required to open a zero balance account (ZBA) at a selected Centralized Treasury System (CTS) bank to accept card payment transactions. The contractor shall transmit the total amount to the card payment transactions, less the amount of any convenience fees, for each agency tot he appropriate ZBA each day. Either automated Clearing House (ACH) or Fedwire may be used. The vendor may not debit or reduce any payment transaction in the ZBA. The contractor shall settle in gross daily and process chargebacks and adjustments through invoicing the subscriber.

12. **American Express and Discover Card**
The contractor will provide processing (authorization, capture, and routing) for American Express and/or Discover Card once subscribers have completed a separate subscription agreement with American Express and/or Discover Card. Settlement will be made directly to the State by American Express and/or Discover Card.

13. **No Additional Requirements or Qualifications**
The contractor agrees that no additional requirements or qualifications to the terms and conditions of this agreement beyond what is required by federal and state laws and regulations, or by Visa and MasterCard operating rules, or by prudent operating requirements, shall be made in carrying out the contractor's stated obligations herein.

14. **Debit Card Sales**
The State is permitted to process debit card sales and agrees to comply with the operating rules and regulations of the participating debit card networks.

Paymentech™
the payment solutions company

- Canadian and U.S. electronic check processing (direct debit)
- Marketing support for franchise and association payment processing programs
- Industry recognized integrated VAR support program (STAR VAR)
- Specialized lodging and restaurant products and help desk support
- Multi-level customer service and account management
- Terminal deployment, training, replacement and repair

In providing the payment solution, Paymentech has joined forces with Official Payments Corporation, (OPC), the leading provider of electronic payment options to government entities. In addition to serving the IRS, 19 states, and 900+ local government entities, OPC has been providing Internet and IVR payment solutions to the State of California since 1996. California citizens have already shown their affinity for OPC's payment systems. In 2001, OPC successfully processed more than 27,000 IRS payments from California citizens totaling over $125 million, placing CA first among all states in both number and amount of transactions.

The principal contact for the preparation of this proposal, question resolution, and contract negotiations will be:

Sylvia E. Dunham
Senior Account Executive
Paymentech Strategic Markets Group
1931 Krameria St.
Denver, CO 80220-1556
Phone: (303) 399-6985
FAX: (303) 399-9384
sdunham@paymentech.com

The Official Payments contact is:

Claire N. Mendonca
Regional Account Manager
Official Payments Corporation
2333 San Ramon Valley Blvd, Suite 450
San Ramon, CA 94583
Phone:(208) 939-4902
FAX: (208) 938-1079
cmendonca@officialpayments.com

We are looking forward to working with you as you move forward with the decision and implementation of this new contract.

Sincerely,

Sylvia Dunham

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D. Introduction

Paymentech is a full service electronic payment solution provider and processor of bankcard transactions and the largest processor and acquirer of credit card transactions (3.6 billion annual) in the United States. Paymentech provides credit and debit authorization services and bankcard settlement processing for direct merchant customers, financial institutions and sales agents. Paymentech is also the largest payment provider for direct marketing and Internet retailers and online service providers.

Premier Electronic Payment Solutions Source

- Largest processor and acquirer of credit card transactions (3.6 billion annual transactions)
- Largest payment solutions provider to the direct response industry (Internet commerce, online service providers, cataloguers, telemarketers, etc.) for non-face-to-face POS
- Proprietary point-of-sale network for processing credit and debit card authorization and capture transactions with a wide base of terminal and integrated POS system support
- Bankcard settlement processing for national and regional merchants as well as third-party processing for financial institutions and independent sales organizations (ISOs)
- Premier market-specific products and expertise in non-face-to-face payments (direct marketing and Internet), lodging, restaurant, specialty retail, petroleum/convenience store
- Combined strengths and distinct advantages of Paymentech and Banc One Payment Services, including strong channel relationships with Bank One's lines of business

Market Leadership

- Third largest merchant acquirer as ranked by bankcard sales volume
- 490,000 merchant locations in United States and Canada
- Paymentech's share of total bankcard sales volume: 11%
- Paymentech's share of non-face-to-face bankcard volume: approximately 50%
- Ten largest payment processor's share of 2000 total sales volume: 76% *(Source: 2000 Nilson Report)*

Solid Foundation of Experience

Paymentech was founded in 1985 as First USA Merchant Services. Many current employees helped launch the company. Michael P. Duffy, an experienced industry leader, is president and chief executive officer. Mr. Duffy was formerly Paymentech's chief operating officer.

Company Facilities

Headquartered in Dallas, Paymentech also has offices in Salem, New Hampshire; Tampa, Florida; Columbus, Ohio; New York City; Tempe, Arizona; Irvine, California; and Atlanta, Georgia as well as remote sales offices throughout the country.

Paymentech will be partnering with Official Payments Corporation (OPC) for those agencies that are requesting a "self funded" method of credit card processing that will include the assessment of a convenience fee and also for any agency requesting IVR services. We will include information about OPC throughout this proposal.

Official Payments Corporation

OPC, the leading provider of electronic payment options to government entities, is pleased to present the State of California with the enclosed proposal of the company's award-winning Internet and Interactive Voice Response (IVR) payment solutions. These systems will enable the State to accept credit and PIN-less debit card payments via the OPC's proven and secure systems, engineered specifically for the public sector. The company's payment solutions enable citizens to transact using both leading edge Internet system, and the world's most common and understood terminal, the telephone. This combination of payment channels enables delivery of 96% of California citizens, comfortably supporting an evolution of payments as CA citizens move towards new technology.

OPC is committed to the business of serving government entities with the company's electronic payment systems. OPC is a publicly traded company (NASDAQ: OPAY), and as such have a responsibility to the company's shareholders to maintain the company's strong, scaleable business model with a financially healthy long-term outlook. In addition, the company has over 1,500 systems currently in place for over 900 government clients, with many multi-year contracts signed by the company's government partners. The company takes its responsibility to both parties seriously.

OPC's business model is unique in that the company creates and funds the company's systems through a convenience-fee supported model. At no point does OPC mix collected convenience fees with government funds. OPC does not rely on the volatile market of advertising revenue to support the company's business. OPC does not sell, market, or otherwise share any transaction or user data. OPC adheres strictly to the rules and regulations of the credit card companies. These standards have earned the company's success as the market leader in electronic government payments, and OPC is confident that the same standards will ensure the company's future success as the company's list of government partners continues to grow.

In offering California's citizens the ability to pay by credit card via telephone or Internet, the State will enjoy several benefits. The company's systems help project **a technologically advanced image** of the State to the public. They **save staff time**, resulting in a reduction of expenses associated with processing mailed-in payments. They enable **acceptance of all major credit cards**, with authorization of each transaction prior to accepting payment. They provide for **quick settlement of funds** via Automated Clearing House (ACH). Finally, OPC's systems provide **comprehensive reporting** for ease in balancing California's books.

OPC continues to grow. The company currently employs 98 people in two offices in San Ramon, CA and Stamford, CT. Since OPC began providing services for California in 1996, the company has grown to serve more than 900 clients, including the Internal Revenue Service.

OPC has had the honor of serving government clients in the State of California since 1996 and looks forward to a continued and successful relationship.

E. Bidder Qualifications

Paymentech affirms that we are an established business firm with all required licenses, bonding, facilities, equipment, and trained personnel necessary to perform the work, as specified in this RFP. We understand that the State reserves the right to require proof of said requirements within ten calendar days from the date of request.

OPC, prior to this proposal and at the time of this proposal, is an established business firm with all required licenses, bonding, facilities, equipment, and trained personnel necessary to perform work, as specified in this RFP.

F. Experience

Paymentech was founded in 1985 as First USA Merchant Services. Many current employees helped launch the company. Michael P. Duffy, an experienced industry leader, is president and chief executive officer and was formerly Paymentech's chief operating officer. On July 27, 1999, First Data purchased the publicly traded outstanding shares of Paymentech. Paymentech combined with Bank One Payment Services, First Data Corporation's merchant bank alliance with BANK ONE CORPORATION, to create the nation's largest merchant acquirer and processor based on number of transactions.

Credit Card Processing Volumes

JUNE 2001 QUARTER	
Total Transactions	924 million (11% increase over March 2000)
Bankcard Sales Volume	$29 billion (8% increase over March 2000)
Employees	1,500
Merchant Locations	490,000 physical and virtual merchants
CALENDAR 2000	
Total Transactions	3.4 billion (14.4% increase over 1999)
Bankcard Sales Volume	$109 billion (16.5% increase over 1999)
Industry Total Bankcard #	14.3 billion transactions
Industry Total Bankcard $	$964.6 billion
Paymentech's Industry Share	11% (Nilson Report, 2000)

OPC (NASDAQ: OPAY) is the leading provider of electronic payment options to government entities. The company's principal business is enabling consumers to pay their government taxes, fees, fines, and utility bills by credit card, via Internet and telephone. The company is unequaled in market penetration and national footprint. OPC has agreements to collect and process credit card payments with the Internal Revenue Service, 18 state governments, the District of Columbia, and over 900 county and municipal governments in 48 states across the United States. In 2000, OPC collected and processed over $925 million in federal, state and local government payments.

OPC has been processing government payments electronically since 1996, when the company began accepting property tax payments in California. As word of the company's innovative systems spread, OPC signed many new government clients, nearly doubling the number of clients year-over-year.

In 1999 OPC contracted with the IRS to accept electronic personal income tax payments through an IVR (telephone) system, and continues to do so. In 2001, the company expanded the contract with the IRS to include electronic payments accepted over the Internet. In addition, the IRS has just exercised an option to renew for an additional calendar year.

In 2000, OPC signed contracts to provide the company's electronic payment services, both IVR and Internet, to eleven states, bringing the company's total to 15 states. In 2001, so far, OPC has signed

three more state partners, bringing the state partner total to 19. In addition, OPC has added services for numerous state clients. And, since the company's inception, OPC has signed more than 900 county and local governments in 48 states.

OPC partners directly with the government on federal, state, and local levels. OPC is the official credit card payment option partner of the IRS. In 2001, the company successfully processed more than 27,000 IRS payments from California citizens totaling nearly $125 million.

In addition to partnering with the State of California since, OPC also partners with the states of Alabama, Arkansas, Connecticut, Illinois, Iowa, Kansas, Maryland, Minnesota, Mississippi, New Jersey, New York, Ohio, Oklahoma, Virginia, Washington, West Virginia, and Wisconsin, as the well as the District of Columbia and 900+ municipalities and counties in 48 states. The company currently provides over 1,500 payment services. For current clients, OPC processes a variety of payments including sales and use taxes: estimated, extension, balance-due, and past-due personal income taxes; real estate, personal property, and school district taxes; fines for speeding and other traffic rule violations; parking rule violations; public university tuition payments; water, electricity, and gas bills; and more.

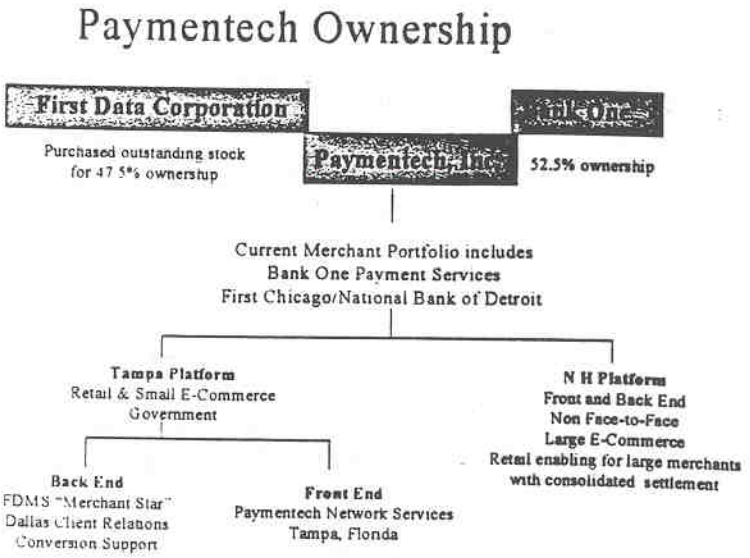
In addition, OPC's technology has proven itself secure for over $925 million in tax and fee transactions in 2000. The company's proven relationships with American Express, MasterCard, Discover, and VISA are continually revisited to ensure OPC is in complete compliance with their rules and regulations.

OPC is confident that the company's cumulative experience in working with government clients enables state-of-the-art Internet and IVR payment solutions, which are unparalleled in the marketplace, with the shortest implementation time frame.

G. Bidder's Profile

Paymentech Company Ownership and Structure

Paymentech is a privately held company with two principal owners as indicated below. Please see Appendix - Exhibit 1 for Paymentech Organizational Chart and staffing information.



Annual Reports for First Data Corporation and Bank One are included in the Appendix section as Exhibit 2.

Paymentech Executive Management Team

Mike Duffy, *President. Chief Executive Officer*

Daniel J. Charron, *President – e-Business Group*

Scott R. Cruickshank, *Chief Marketing Officer*

Roger C. Hart, *General Counsel*

Keith L. Kennedy, *Chief Corporate Strategist. General Manager-Direct Response Unit*

Wayne LeRoux, *Group Executive, General Manager-Network Services*

Laura C. Rogers, *Chief Administrative Officer*

Kathryn J. Smith, *Chief Financial Officer*

George J. White, *Chief Operating Officer*

First Data Corporation is the parent company for a number of other well-known financial services companies including Western Union, TeleCheck and others. First Data Merchant Services (FDMS) will act as the principal provider of credit card processing, settlement and merchant reporting functions under this contract.

First Data Merchant Services
1 Western Maryland Parkway
Hagerstown, MD 21740
Contact: Cathi McMullen
Phone: (301) 766-5799

FDMS will provide settlement merchant processing, merchant statementing, chargeback and retrieval processing, first level customer service for non-equipment issues and electronic reporting.

First Data Merchant Services is a wholly owned subsidiary of First Data Corp. (NYSE: FDC) www.firstdatacorp.com. FDC is also the minority owner of Paymentech. First Data is a global leader in electronic commerce and payment services. FDC serves more than two million merchant locations, more than 1,400 card issuers and millions of consumers. The FDMS new "back end" platform called Merchant Star will be used to support Paymentech merchants.

TeleCheck can provide check authorization/guarantee services or electronic check or check truncation services for state agencies.

Paymentech, LLC will be the prime contractor for the State of California. Paymentech has selected Official Payments to provide the Internet and IVR support, particularly for the "self funded" agency programs.

Official Payments Corporation
2333 San Ramon Valley Blvd., Suite 450
San Ramon, CA 94583
Contact: Claire Mendonca
Phone: (208) 939-4902

Official Payments Company Ownership and Structure

OPC is a publicly traded company (NASDAQ: OPAY) incorporated in the State of Delaware. It is the philosophy of OPC management to provide all of our clients with the same standards of excellence that secured the company's most recent two-year contract with the Internal Revenue Service for Internet and Interactive Voice Response (IVR) payments. The company will build an elegant, scaleable, and intuitive system for each and every one of their clients. OPC has provided information about management as the well as about the company's project team.

Please see Appendix - Exhibit 1 for OPC management organization chart. Following are the names of senior management and board members.

Senior Management:

Thomas R. Evans	Chairman & Chief Executive Officer
Michael P. Presto	Chief Operating Officer
Kenneth Stern	President
Michael G. Barrett	Chief Internet & Sales Officer
Edward J. DiMaria	Chief Financial Officer
Bruce J. Zanca	Senior Vice President, Communications & Administration
Steven R. Johnson	Senior Vice President, Sales
Pete Catalanello	Vice President, West Coast Sales

Board Members:

Thomas R. Evans	Chairman & CEO, OPC
Kenneth Stern	President, OPC
Andrew Cohan	Sr. VP, Marketing & Merchandising, Hyper Entertainment
Christos Cotsakos	Chairman & CEO, E*Trade Group
George L. Graziadio Jr.	Chairman, President & CEO, Imperial Bancorp
John D. Lewis	Vice Chairman, Comerica Inc.
Vernon Loucks Jr.	Retired Chairman & CEO, Baxter International
Lee E. Mikles	Chairman, Mikles/Miller Management
Bruce S. Nelson	EVP, Chief Marketing Officer, Interpublic Group

Other Outsourced Functions

NDC eCommerce
National Data Plaza
Atlanta. GA 30329
Contact: Linda Rosetti
Phone: (770) 631-2988

NDC eCommerce supplies all the voice authorization services for Paymentech. NDC eCommerce was created in early 1996 jointly by MasterCard International and National Data Corp. (NDC). NDC eCommerce comprises MasterCard's MAPP organization and NDC's payment services, point of sale/back office support units, cash management and EDI businesses and voice authorization services. www.ndcorp.com or www.globalpaymentesystems.com

TASQ Technology, Inc.
660 Menlow Dr.
Rocklin, CA 95765
Contact: Jami Mandel
Phone: (800) 827-8297

TASQ is responsible for equipment inventory management, deployment, repair and maintenance services.

Founded in 1994, TASQ Technology Inc has grown to be a leading outsourcing company for the payment processing industry. TASQ consists of 330 employees that provide advancements in credit, debit, ATM, check, Internet and smart card technology and is a leading equipment and service provider for bank and non-bank institutions servicing over a million merchants nationwide.

Card Association Participation

Paymentech works very closely with the card associations as they plan for new rules and regulations. A key factor in our influence with the direction of our industry is our representation on key boards and committees. Having the unique position as both an acquirer and issuer through Bank One, we have the opportunity to participate at all levels, including Internet commerce guidelines, interchange modifications and changing technology requirements.

MasterCard Committees:

Mr. Gary Staub
Acquirers Committee

Mr. Robert Nadeau
- Processor Working Group
- System Enhancement Strategy Group

Mr. Jim Baumgartner
- Corporate Products Committee

Visa Committees

- **Mr. Bob Nadeau**
- Card Operations Advisory Committee
- Acquirer Advisors Council

Mr. Jim Baumgartner
- International Commercial Card Committee

Mr. Philip G. Heasley (Chairman of Paymentech Board or Management Committee)
- Chairman and CEO - First USA
- Visa USA, Inc. - Chairman

Paymentech's Proactive Card Association Relations

As one of the merchant processing and acquiring industry leaders, Paymentech works proactively and aggressively on behalf of our merchant clients with all of the card organizations (Visa, MasterCard, American Express, Discover, JCB, and Diners/Carte Blanche).

Paymentech's Association Relations department was formed to provide the company and its merchants with a focused and dedicated voice into the credit card companies with which we do business. The dedicated and industry experienced group provides for the following:

- New product updates
- Transactional research and problem resolution

- Rules interpretation
- Program implementation (CVV2, AVS, e-Commerce Indicator)
- Interchange qualification guidelines
- Bi-annual association system modifications
- Chargeback monitoring programs
- Merchant voice into the card companies
- Merchant sales opportunity development
- Merchant participation in card marketing and promotions

In addition to the work of this group, key Paymentech executives as shown above, sit on Visa and MasterCard committees that review and, in some cases, establish operating procedures for merchant acquiring. For example, Paymentech was instrumental on a development committee for issuers and acquirers to improve the rules and regulations for the petroleum industry's cardholder activated terminals. The new rules reduced chargebacks to oil companies by 50%. Paymentech successfully lobbied Visa to establish an Installment Billing Program for Direct Marketers, and shortly thereafter other major card companies followed suit.

Paymentech remains well positioned to voice merchant issues and concerns before all levels and areas within the major card entities, as well as retains the respect of these organizations as a partner in the processing and acquiring markets.

OPC currently partners with American Express, MasterCard and Discover and has done so since 1996. In addition to the merchant relationship, OPC has also developed in-depth marketing partnerships with each of the credit card companies to build program awareness and usage among credit card member. In the 2001 tax season, OPC succeeded in getting the credit card companies to market the Official Payments program in over 31 million card member inserts, newsletters, postcard direct mail reminders and card member statement messages. In addition, OPC secured cooperative advertising dollars from both American Express and MasterCard to increase the level of OPC television advertising during the critical tax season time period.

In addition, OPC complies with all credit card association rules and regulations, and plans to work to enhance and strengthen these relationships even further.

OPC is a member of many professional associations. Following is a list of some of those organizations:

California Association of Treasurers and Tax Collectors
Federation of Tax Administrators (FTA)
Florida Association of Counties
Florida Tax Collectors Association (FTA)
Government Finance Officers Association (GFOA)
National Association of Counties (NACO)
National Association of State Treasurers (NAST)
North Carolina Tax Collectors and Assessors Association
Virginia Treasurers Association

References

Paymentech Government References

The following are six references representing state and local government financial transaction services provided by Paymentech.

Governmental Agency	State of Colorado - Department of Revenue, Department of Regulatory Agencies, Dept of Transportation and others. Also Cities of Boulder, Arvada and Colorado Springs.
Principal Contact	Mr. Doug S. Windes, CCM Cash Manager State of Colorado Department of Treasury 140 State Capitol Denver, CO 80203 Phone: (303) 866-3253
Processing Services Provided	Processing services include In-Office, Internet, phone and mail processing. The contract is a "master contract" which allows for other Colorado political sub-divisions to participate.
Term of Support	Contract was executed on May 3, 2000 for three years with two one-year renewals.

Governmental Agency	State of Kansas - mandated that all state agencies must accept credit card if they take payments from the public including Dept. of Revenue, University Regents, Regulatory Boards, Dept. of Agriculture, Division of Parks and Wildlife and over 50 others
Principal Contact	Mr. Chris Howe, CPPB Procurement Officer Department of Administration Division of Purchasing 900 SW Jackson, Room 102N Topeka, KS 66612-1286 Phone: (785) 296-2374
Processing Services Provided	Processing services include In-Office, Internet, IVR, phone and mail processing. The contract is a "master contract" which allows for other Kansas political sub-divisions to participate
Term of Support	Contract was executed on November 18, 2000 for three years with two one-year renewals.

Governmental Agency	State of Montana - The University of Montana, Montana State University, Dept. of Transportation, Fish & Wildlife Dept.
Principal Contact	Mr. Brad Sanders State of Montana Dept. of Administration Purchasing Bureau 165 Mitchell Bldg. Helena, MT 59620 Phone: (406) 444-2575
Processing Services Provided	Processing services include principally In-Office point of sale systems including terminal and PC programs with universities beginning to discuss Internet.
Term of Support	Contract has been in place for 4 years and was recently extended for an additional two years.

Governmental Agency	State of Alaska — Alaska Marine Highway System, Dept. of Trans., Dept. of Motor Vehicles, Dept. of Labor, Dept. of Natural Resources, Fish & Game, Dept. of Commerce, Dept. of Administration, Dept. of Education, Dept. of Health & Services
Principal Contact	Ms. Sue Bump State of Alaska Dept. of Revenue 333 Willoughby Ave. Juneau. AL 99811 Phone: (907) 465-2362
Processing Services Provided	Processing services include principally In-Office point of sale systems including terminal and PC programs with limited Internet
Term of Support	Contract has been in place for 4 years.

Governmental Agency	City of Boulder, Colorado
Principal Contact	Ms. Cappie Fine Treasury Director City of Boulder 1777 Broadway Boulder, CO 80306 Phone: (303) 441-3014
Processing Services Provided	City of Boulder is accepting credit cards for Parks and Recreation, Parking Services, Courts, Senior Centers and a newly established Website for Utility Billing.
Term of Support	They began processing with Paymentech in May 2001.

Governmental Agency	City of Arvada, Colorado
Principal Contact	Lisa Yagi Controller City of Arvada 8101 Ralston Road Arvada, CO 80001-8101 Phone: (303) 431-3381
Processing Services Provided	Arvada uses a variety of point-of-sale solutions including terminals, PC software and customized cash register interfaces in support of city owned golf courses, Arvada Performing Arts Center, courts, building and planning, engineering and utilities.
Term of Support	Arvada began processing in July of 2000.

Paymentech Retail References

Retail Merchant	Zales Jewelers
Principal Contact	Mark Lenz Controller 901 W Walnut Hill Lane Irving, TX 75038 Phone: (972) 580-4670
Processing Services Provided	Retail jewelry sales via dial POS cash registers.
Term of Support	2 years

Retail Merchant	Tractor Supply Company
Principal Contact	Randy Guiler Assistant Treasurer Nashville, TN Phone: (615) 366-4632 Email: rguiler@tractorsupply.com
Processing Services Provided	Farming and gardening supply retailer/wholesaler with 300 locations in 28 states selling to customers ranging from homeowners to agri-businesses. They process credit cards via leased line connectivity to proprietary cash register system.
Term of Support	Since February 1999

OPC References

Client	Since	Contact Information	Services
Internal Revenue Service Electronic Payments Processing	1998	Mr. Larry Faulkner 5000 Ellin Road Lanham, MD 20706 202-283-4783	Taxpayers can pay **Form 1040 – Tax Year 2000 Individual Income Tax Return, Form 4868 – Tax Year 2000 Application for Automatic Extension of Time to File**, and **Form 1040ES – Tax Year 2001 Estimated Taxes for Individuals** with a credit card via IVR by dialing **1-800-2PAY-TAX** or connecting to the Internet at www.officialpayments.com. A new contract was recently signed that runs through October 2002.
California Franchise Tax Board Electronic Payments Processing	1998	Mr. Chris Reali PO Box 1468 Sacramento, CA 95812 916-845-4445	California taxpayers can pay Individual Income **Balance Due, Estimated** and **Extension Taxes,** as the well as **Delinquent Taxes.** In addition, Sales and Use Taxes and Benefits Overpayments can be made. Taxpayers can pay with a credit card via IVR by dialing **1-800-2PAY-TAX** or connecting to the Internet at www.officialpayments.com.
State of New Jersey Electronic Payments Processing	1999	Ms. Janice Eckstein PO Box 628 Trenton, NJ 08625 609-777-2809	Taxpayers can now pay Individual Income **Balance Due, Fiduciary, Estimated,** and **Extension taxes.** NJ also accepts the following tax payments: **Sales and Use, Gross Withholding, Unemployment and Disability Contributions,** and **Deficiency Payments** for many types of tax. Taxpayers can pay with a credit card via IVR by dialing **1-800-2PAY-TAX** or connecting to the Internet at www.officialpayments.com.
State of Illinois Electronic Payments Processing	2000	Mr. Gary Miller 101 W. Jefferson. 5-247 Springfield, IL 62702 217-524-4760	**Balance Due, Estimated** and **Extension Taxes,** as the well as **Delinquent Taxes.** Taxpayers can pay with a credit card via IVR by dialing **1-800-2PAY-TAX** or connecting to the Internet at www.officialpayments.com.
State of Connecticut Electronic Payments Processing	1999	Mr. Kevin Forsa 25 Sigourney St. Hartford, CT 06106 860-297-5660	Connecticut taxpayers can pay **Individual Income Balance Due, Estimated and Extension Taxes.** Taxpayers can pay with a credit card via IVR by dialing 1-800-2PAY-TAX or connecting to the Internet at www.officialpayments.com.
State of New York Electronic Payments Processing	2000	Mr. Andy Morris Harriman Office Campus Bldg. 8 Albany, NY 12227 518-485-7058	New York taxpayers can pay **Individual Income Balance Due, Estimated and Extension Taxes.** Taxpayers can pay with a credit card via IVR by dialing 1-800-2PAY-TAX or connecting to the Internet at www.officialpayments.com.

For a complete listing of OPC's State of California clients, please see Exhibit 3.

H. Contract and Administrative Requirements

Include a precise statement of compliance or exception to each of the contractual requirements as specified in Sections V - XII of this RFP. Sample copies of your standard contract forms may also be included. It must, however, be clear as to your willingness to modify or amend your standard contract.

Please reference our responses to the requirements of Sections V – XII beginning on page 23.

I. Functional and Technical Presentation

Present all aspects and details of the proposed fulfillment of DGS's specific functional, technical, performance and support requirements as delineated in this RFP, specifically Sections VII - X. For ease of evaluation, please refer to the requirements and numbered paragraphs as presented in this RFP. Proposals should reference each identified requirement (including paragraph number), indicating that the specified requirement is currently supported, is planned to be supported, or will not be supported, with a brief explanation as appropriate.

Please reference our responses to the requirements of Sections VII – X beginning on page 51.

J. Pricing Information

Include a price schedule as described in Section XI, Pricing. Unless otherwise indicated, it is assumed that the cost of all development necessary to meet the stated requirements is included in the pricing. If specific features or functions are not to be included in this pricing, such items and the associated cost must be indicated and clearly identified. The pricing schedule must depict fully bundled pricing for each level of service indicated.

Please reference our pricing schedule in Section XI beginning on page 92

K. Unique Capabilities

Provide a summary of any unique expertise, products or services that distinguish your organization.

What makes Paymentech Unique?

Some of the key factors that would make us an excellent choice for the State of California's credit card merchant services' requirements include:

- Dual site (both proprietary) authorization services for maximum capacity management and availability with prompt problem resolution
- Broad range of proprietary POS products with both host-based and terminal-based software solutions and extensive certified third party value added reseller (VAR) vendor list
- Comprehensive merchant support, with a huge investment in the newest, most advanced customer service training, monitoring and problem tracking and resolution software and techniques.

- An extensive list of "first to market" new products and services which keep us always on the leading edge of our industry
- A commitment to providing the best solution for our merchants which means not just selling the same old "cookie cutter" products.
- On-going investment in technical solutions to match the ever changing ways that merchants want to be able to deliver transactions, including new dial terminal products, leased line, frame relay, satellite, CDPD and wireless and Internet e commerce.
- New product offerings recently released or in the pipeline include
  - Paymentech Gift Card (stored value and merchandise return)
  - Paymentech proprietary V-I Net Payment Gateway
  - Expanded support of the TeleCheck Eclipse terminal to include Gift Card
  - Data Warehouse capability to be able to provide consolidated proprietary reporting (ReSource Online and Data File Reporting) for all card types
  - Derived Unique Key per Transaction (DUKPT) technology for improved encryption of cardholders PIN numbers
- A newly formed team dedicated to the support of state government programs including Colorado and Kansas

Official Payments Unique Capabilities

OPC systems are currently working for more than 900 clients in 48 states. OPC is the leader in IVR and Internet electronic payment solutions. OPC listens to its clients and their citizens and uses their feedback to better its services.

Currently, consumers can use their American Express, Discover, MasterCard and Visa credit cards to pay for their transaction using OPC IVR and Internet payment solutions. PIN-less debit cards are accepted as well. As OPC continues to grow it looks to expand its electronic payment options for consumers. Thus, OPC is currently developing an e-check payment solution, which will be available in the fourth quarter of this year.

SECTION IV

ADMINISTRATIVE & CONTRACTUAL REQUIREMENTS

A. Contractual Responsibility

DGS intends to select a contractor or several contractors to supply credit and charge card acceptance services as specified in this RFP. Contractors are contractually responsible for all services provided.

Paymentech acknowledges and accepts the Contractual Responsibility.

B. Subcontractor

The bidder is the responsible party without recourse to the State regarding settlement and satisfaction of all contractual and administrative issues arising out of subcontracts as a result of this RFP. This includes, but is not limited to, disputes, claims, protests of award, or other matters of a contractual nature.

Paymentech acknowledges that it is totally responsible for the settlement and satisfaction of all contractual and administrative issues arising out of subcontracts and for all actions and work performed by its subcontractors and vendors.

C. Funds Availability

Any contract(s) awarded under this RFP will be valid and enforceable only if sufficient funds are made available to the State for the fiscal year(s) covered by any contract. In addition, any contract(s) is subject to any additional statutory restrictions, limitations, or conditions enacted by the Legislature or any statute enacted by the Congress which may affect the provisions, terms or funding of any resulting contract(s) in any manner.

Paymentech acknowledges and accepts the Funds Availability requirement.

D. Prompt Payment Act

With respect to late payment penalties, the California Prompt Payment Act (Government Code Section 927 et seq.) provides that payments on undisputed invoices must be made within 45 days of receipt, or is subject to an interest penalty fee. The penalty is typically calculated at a rate of one (1) percent above the rate accrued on June 30 of the prior year by the Pooled Money Investment Account, not to exceed 15 percent; however, the law provides that the penalty is waived if it amounts to seventy-five dollars ($75) or less. The provisions of the Prompt Payment Act may not be waived.

Paymentech acknowledges and accepts the Prompt Payment Act requirement.

E. Phase-In and Phase-Out Services

Prior to contract termination, successful bidder(s) must furnish phase-out services for up to 120 working days. Additionally, the successful bidder(s) must negotiate in good faith a plan with a successor to determine the nature and extent of phase-in, phase-out services required.

Paymentech acknowledges and commits to reasonable Phase-In and Phase-Out Services.

F. Applicable Law

Any contracts resulting from this RFP shall be subject to and construed in accordance with the laws of the State of California.

Paymentech acknowledges and accepts the Applicable Law jurisdiction

G. Contractor Certification Clauses (CCC 201)

The State of California is engaged in an effort to standardize certain contracting formats and procedures. The enclosed "Contractor Certification Clauses" contain standardized language and conditions that will apply to any contract awarded under this RFP.

As part of its proposal, each bidder must sign and return page one of CCC 201, acknowledging its understanding of and agreement to be bound by such terms and conditions if awarded a contract.

Paymentech and OPC accept and acknowledge the Contractor Certification Clauses (CCC 201). Please see Exhibit 4 for signed copies of CCC 201.

H. Payee Data Record (Std. 204)

Each bidder must fully complete, sign, and return the enclosed Payee Data Record (Std. 204) as part of its proposal. See Attachment 1.

Paymentech and OPC acknowledge and accept the Payee Data Record. Please see Exhibit 5 for the signed copies of Payee Data Record (RFP Attachment 1).

I. Standard Agreement (Std. 213)

Any bidder awarded a contract pertaining to this RFP will be required to sign a Standard Agreement (Std. 213), which is the contract entered between DGS and the successful bidder for services requested herein. (Additions/modifications may be made to the Agreement prior to execution, depending on the particulars of the successful bidder's proposal.) Submission of a proposal to this RFP indicates the bidder's familiarity with, and agreement to be bound by, all terms and conditions set forth in the sample Standard Agreement.

Paymentech acknowledges and accepts the Standard Agreement except where the terms of that Agreement rules may be in direct conflict with the governing rules and regulations established by MasterCard and Visa or established business practices within the credit card industry. We have noted two areas for discussion and further negotiation below. **(Please note that the comments below are not a formal exception to the Standard Agreement, but only identification of areas that need further discussion).**

(ii) Standard Terms, Section 3 (Assignment). We would like clarification of the position of the State in the event of a sale or assignment of substantially all of Paymentech's processing agreements. Paymentech should be entitled to make such assignment without the State's consent, provided that the State receives notice of such assignment and, if the State has a reasonable objection to the assignment, the State would then be entitled to terminate the agreement within 30 days of the State's receipt of such notice of assignment.

(iii) Standard Terms, Section 7 (Termination For Cause). The section should be clarified to insure that if the State terminates the agreement for cause, you will remain subject to legitimate "trailing activity" (i.e. refunds, chargebacks) relating to transactions that occurred prior to termination.

We have enclosed a copy of the Select Merchant Agreement, Multiple Entities Addendum and Exhibit 1 as Exhibit 6 in Appendix of this proposal. Language from this agreement will also

need to be incorporated into the final Master Services Agreement. These documents allow us to add other state and local government entities under a "master contract" as requested in this RFP. In addition to the documents above, the final agreement will include a Pricing Schedule that will be Schedule A to the Agreement. A copy of the Schedule A will be included in the documents that will need to be signed by the participants along with an application form.

OPC has read and accepts the Standard Agreement. However, with respect to GTC 201 #5, OPC would seek a contractual covenant that it will not be liable for lost profits, special, indirect, exemplary or consequential damages.

In addition OPC will seek contractual protection for OPC's proprietary information, subject to California's open records laws, and intellectual property.

J. Small Business Preference

Section 14835, et seq. of the California Government Code requires that a preference be given to bidders who qualify as a small business. Those verified as a small business are granted a preference in an amount equal to five percent (5%) of the highest scored bid if the high bid has been submitted by a bidder who is not verified as a small business.

Paymentech and OPC acknowledge and accept the Small Business Preference, but affirm that we do not qualify.

K. Target Area Contract Preference Act (TACPA)

Government Code Section 4530, Et. Seq., provides that California based companies shall be granted a 5% preference, not to exceed a maximum of $50,000, whenever a state agency prepares a solicitation:

- **For a goods contract in excess of $100,000 and the worksite(s) is not fixed by the terms of the contract if they demonstrate and certify under penalty of perjury that at least 50 percent of the total hours required to manufacture the goods and perform the contract shall be performed at an identified worksite(s) located in a distressed area.**
- **For a services contract in excess of $100,000 and the worksite(s) is not fixed by the terms of the contract demonstrate and certify under penalty of perjury that at least 90 percent of the total labor hours required to perform the contract shall be performed at an identified worksite(s) located in a distressed area**

Paymentech and OPC acknowledge and accept the Target Area Contract Preference Act but affirm that we do not qualify.

L. Local Agency Military Base Recovery Area (LAMBRA) Act

Government Code Section 7118, et. seq., provides that whenever a state agency prepares a solicitation for a goods or services contract in excess of $100,000 and the worksite(s) is not fixed by the terms of the contract, a 5 percent bid preference will be granted to California-based bidders if they certify under penalty of perjury that no less than 50 percent of the labor required to perform a contract for goods, or 100 percent of the labor hours required to perform a contract for services are performed at an approved worksite(s) located in a local agency military base recovery area.

Paymentech and OPC acknowledge and accept the Local Agency Military Base Recovery Act but affirm that we do not qualify.

M. Enterprise Zone Act (EZA)

Government Code Section 7070, Et. Seq., provides that California based bidders, shall be granted a 5% preference, not to exceed a maximum of $50,000,whenever a state agency prepares a solicitation:

- For a goods contract in excess of $100,000 and the worksite(s) is not fixed by the terms of the contract, if they demonstrate and certify, under penalty of perjury, that 50 percent of the labor hours required to manufacture the goods and perform the contract shall be accomplished at an approved worksite(s) located in an enterprise zone (Gov. Code 7084(a)).
- For a services contract in excess of $100,000, and the worksite(s) is not fixed by the terms of the contact, if they demonstrate and certify, under penalty of perjury, that 90 percent of the labor hours required to perform the contract shall be accomplished at an approved worksite(s) located in an enterprise zone (Gov. Code 7084(b)).
- Where a bidder complies with Gov. Code Sections 7084(a), or 7084(b), and certifies, under penalty of perjury, to hire a specified percentage of persons living within a targeted employment area, or are enterprise zone eligible employees, those bidders shall be granted additional preferences according to the hiring percentages specified as follows:
- An additional one percent (1%) preference by certifying to hire employees equal to 5 to 9 percent of the workforce
- An additional two percent (2%) preference by certifying to hire employees equal to 10 to 14 percent of the workforce
- An additional three (3%) preference by certifying to hire employees equal to 15 to 19 percent of the workforce
- An additional four (4%) preference by certifying to hire employees equal to 20 or more percent of the workforce
- The maximum that can be awarded for this and any other provision of law is limited to 15 percent, nor shall the combination of all preferences allowable by law exceed one hundred thousand ($100,000) dollars.

Paymentech and OPC acknowledge and accept the Enterprise Zone Act but affirm that we do not qualify.

SECTION V

CONVENIENCE FEES & CARD PAYMENT DEPOSITS

A. Convenience Fees (MR)

Convenience fees are assessed to card users (consumers) to offset the cost of card acceptance. Assessment of the fee occurs at the time of the transaction. Individual State agencies, based on their individual requirements, will determine whether or not to pass on the convenience fee on card transactions to the cardholder.

Convenience fees are subject to the constraints of the card associations and card companies and, in some cases, by State regulations. In general, card payments, and specific card brands, may not be disadvantaged at the point-of-sale relative to other payments. All of the following convenience fee types are (MR).

- **Convenience fees may be levied as a flat fee and not tied to the amount of the payment transaction.**

  Paymentech, in conjunction with OPC, has the capability of assessing the convenience fee as a flat fee, not tied to the amount of the payment transaction.

- **Convenience fees may be levied as a percentage of the transaction amount.**

  Paymentech, in conjunction with OPC, has the capability of assessing the convenience fee as a percentage of the transaction amount. OPC currently provides a flat fee of 2.5% to California citizens paying their taxes through the company's current system. The California Franchise Tax Board, Board of Equalization and Employment Development Department all currently use the company's system based on the 2.5% convenience fee.

  Please note that convenience fees that are charged as a percentage of the transaction amount are not allowed under Visa's rules and regulations.

- **Convenience fees may be levied based on tiered schedule associated with the transaction amount.**

  Paymentech, in conjunction with OPC, has the capability of assessing the convenience fee based on a tiered schedule associated with the transaction amount. OPC has, in fact, provided services based on a tiered schedule associated with the transaction amount for California agencies in the past.

  Please note that convenience fees that are based on a tiered schedule associated with the transaction amount are not allowed under Visa's rules and regulations.

- **Contractors must support convenience fee policies at the individual agency level.**

  Paymentech, in conjunction with OPC, can support convenience fee policies at the individual agency level. OPC currently provides this capability to the State of California. For example, the FTB, BOE, and EDD currently support a 2.5% convenience fee per transaction model; however, the decision to use this model was made on an individual agency basis. As noted above, when supporting this model, Paymentech, OPC and the State must comply with credit card agency regulations.

- **Contractors must support convenience fee assessment by type of payment channel (i.e., telephone, over-the-counter) within each agency.**

  Paymentech, in conjunction with OPC and on its own, can support convenience fee

assessment for other payment channels. OPC currently provides support for IVR and Internet payment channels only.

Paymentech can support the assessment and processing of convenience fees for the telephone or over-the-counter payment channels when OPC's services are not utilized. The agency would enter the fee as a separate transaction that would be credited to an account maintained by Paymentech to offset against processing expenses. Please note that all card companies, with the exception of Discover Card, prohibit the assessment of fees on card transactions that serve to "disadvantage" the acceptance of their card brands against other payment types. What this means in plain English is, if the agency is charging a fee for mail or over the counter credit card transactions, they must charge an equal fee for all other types of accepted payments such as cash, check or electronic checks.

- **Contractors must support variations in the convenience fee at the agency level.**

  Paymentech, in conjunction with OPC, can support convenience fee policies at the individual agency level. OPC currently provides this capability to the State of California. For example, the FTB, BOE, and EDD currently support a 2.5% convenience fee per transaction model: however, the decision to use this model was made on an individual agency basis. As noted previously, when supporting this model, Paymentech, OPC and the State must comply with credit card agency regulations.

Convenience Fee Assessment (All MR)

Functions/Capabilities	Currently Available	Planned Availability Date	Comments
V.1 Assess a flat convenience fee	X		
V.2 Assess a percentage convenience fee	X		Except for Visa
V.3 Assess a tiered convenience fee	X		Except for Visa
V.4 Provide flexibility for each agency to assess or not assess a convenience fee	X		
V.5 Provide flexibility for each agency to assess or not assess a convenience fee by payment channel	X		Except where fees are not charged to other payment channels such as checks or cash.
V.6 Support variations in convenience fees at the agency level	X		

Card Payment Deposits (All MR)

The State of California has financial and accounting policies and requirements that contractors must comply with under the MSA. These requirements include:

- **All participating State agencies are required to open a Zero Balance Account (ZBA) at a selected Centralized Treasury System (CTS) bank to accept card payment transactions. The contractor shall transmit the total amount of the card payment transactions, less the amount of any convenience fees, for each agency to the appropriate ZBA each.**

  Paymentech will settle the total of the credit card payments to the designated ZBA account for each agency. Where convenience fees are assessed, those fees will be credited to a separate account managed by the vendor to offset the cost of merchant discount and processing.

  OPC currently provides electronic payment services to the State of California and more than 900 other government clients, including the IRS. The company's policy requires it to process, settle and deposit the transaction amount separately from the convenience fee. The company therefore will continue to transmit the total amount of the card payment transactions, less the amount of any convenience fees, for each agency to the appropriate ZBA.

- **The contractor may not debit or reduce any payment transactions in the ZBA.**

  As mentioned, both Paymentech and OPC would process the transaction amount separately from the convenience fee for every transaction. At no point does the processor or OPC come into direct contact with the State's funds. The transaction amount is processed and settled directly to the client account. Thus, neither Paymentech nor OPC would debit or reduce any payment transactions in the ZBA.

- **Discount fees will be paid monthly. Contractors must submit an itemized monthly invoice for discount fees and any other fees to the individual State agency.**

  Paymentech will invoice each agency that is not assessing a convenience fee on a monthly basis for merchant discount and processing fees.

- **The contractor must transmit timely detailed analysis to each of the participating State agencies, providing sufficient information for each of the agencies to reconcile deposits transferred into its respective ZBA.**

  Paymentech can provide several options for the reconcilement of credit card deposits to the ABA including:

  - Monthly merchant statements by mail, fax or web access
  - Internet reporting for large and small agencies which would allow for daily access to data
  - Data file transmissions for larger volume accounts with a desire to integrate into in-house accounting systems.

  Additionally, for those agencies that use the OPC service, following is a description of their deposit reconcilement process.

  OPC's payment solutions are specifically engineered to facilitate single or multi-level merchant type transaction processing, settlement, and reporting. The company simply adds payment types to a single merchant type or add merchant types for each different agency or departments.

All transaction processing, settlement, reconciliation, and reporting is completed in the same fashion for all merchant levels. This type of multi and single level merchant processing is common among the company's 19 state clients and the IRS.

The company's systems maintain a daily transaction log detailing each payment processed. Overnight, the company's master control system downloads files from both the State agencies account and the credit card clearing facility for the nightly batch balancing procedure. The systems automatically transmit a "mirror" balanced report to the State each day to ensure that the payments posted are in Automated Clearing House (ACH) processing. The daily report totals can be used by the State and its agencies for deposit slip information, to compare with their banks' records.

OPC systems also produce a monthly transaction log that outlines the total number of payments processed and the total collected by the company's systems during the period covered by the report. The report is then balanced against bank deposit statements as a final audit check.

- **The contractor must provide a directory of representative(s) and phone number(s) to resolve problems and respond to inquiries. Any problems or inquiries regarding the direct reconciliation of an agency's payment transactions, the transfer to the ZBA or any other payment transactions involving the contractor shall be resolved by the contractor within three business days from the date of the original inquiry. Other problems and inquiries will be addressed within one week from the date of the original contact.**

Paymentech's approach to merchant implementation and customer support starts with the assignment of a cross functional team that includes representatives from marketing, conversions, technical sales support, product management and on-going client relations. The following individuals or their subordinates would play important roles in the contract execution, implementation and on-going account management for the State of California Card Payment Acceptance program.

Paymentech's State of California Project Team

Sylvia E. Dunham, *Senior Account Executive* – Denver, CO

Phone: (303) 399-6985, Fax: (303) 399-9384, Email: sdunham@paymentech.com

Sylvia Dunham has had a long career in the Credit Card Industry. She has held positions in Customer Service and Merchant Sales at First Interstate Bank of California, Security Pacific Bank, Mellon Bank, and Paymentech, Inc. During her tenure at Security Pacific she was instrumental in winning the first federal government merchant credit card processing contract and introducing credit card acceptance to many government agencies. At Mellon Bank, she opened the Los Angeles office and expanded their marketing to the West Coast.

A California native, Ms. Dunham relocated to Denver in 1994 to accept a position with ProCard, Inc., the originator of purchasing card programs for large corporations, universities and government agencies. Her efforts were targeted at increasing merchant acceptance for purchasing card transactions and processing support among acquiring banks and processors.

For the 6 years she has been at Paymentech Ms. Dunham has targeted larger and more complex merchant sales opportunities and emerging markets including government and has sold and implemented accounts such as La Quinta Inns, See's Candies, Mail Boxes, Etc., Successories, Golfsmith, Anheuser-Busch Companies, Crate and Barrel, Domino's Pizza, American Institute

of CPAs, and the States of Colorado and Kansas.

Harry Johnson, *Paymentech Director, Technical Sales Support* – Tampa FL

Phone: (813) 354-4206, Fax (813) 348-4083, Email: hjohnson@paymentech.com

Harry started as Employee #3 with TransNet, which became *GENSAR* Technologies and was later acquired by Paymentech as their primary network provider, Paymentech Network Services. Harry has 16 years of data processing and project management experience, and has been in the credit card industry for the past 11 years. Harry has been Vice President of Systems and Programming for the PNS system, and has focused on project and product management for the last 8 years.

Kevin Sisk Sr., *Paymentech Director, Client Enrollment, National Conversions & Equipment Services.* - Dallas, TX

Phone: (214) 849-3680, Fax: (214) 849-3726, Email: ksisk@paymentech.com

Kevin joined Paymentech in March of 1995. Prior to his arrival at Paymentech he served as a Captain in the United States Marines Corps and was deployed with a reconnaissance unit in Saudi Arabia and Kuwait during Operations Desert Shield/Desert Storm. Kevin earned a Bachelor of Arts degree (Business Administration/Economics) from Austin College in Sherman, Texas. He is also working on his M.B.A at the University of Dallas with a concentration in Corporate Finance. He expects to graduate in May 2001.

Kevin started his credit card processing career as a POS Technical Support representative. He has held positions as Supervisor of Merchant Supplies and POS Technical Support Help Desk. Kevin then took on additional departments over the next couple of years including Equipment Services, Client Enrollment, National Accounts Conversions and most recently the Client Enrollment group in Columbus, Ohio.

Jennifer Henefey - *Client Relations Government Accounts* - Dallas, TX

Phone: (214) 849-2383 – FAX: (214) 849-3507 – Email : jhenefey@paymentech.com

Jennifer Henefey has been with Paymentech for 2 years. She is a Client Relationship Manager supporting our Government Accounts, which include, the State of Colorado and State of Kansas. She earned her Bachelor of Science from Southwest Texas State University and is currently working on her M.B.A at the University of Dallas.

OPC's State of California Project Team

Regional Account Manager ("RAM") — Claire Mendonca
208-939-4902
cmendonca@officialpayments.com

The RAM is the single point of contact for the government entity. The RAM is responsible for overall implementation management and any follow-up account administration. The RAM's role is to act as the overall project implementation manager and overall relationship manager for the government entity.

CLAIRE MENDONCA came to OPC from Discover Novus Network where she was responsible for account acquisition, relationship development, and responding to RFP's as well as providing and implementing total credit card solutions in the Western U.S. While at Discover,

she was awarded the credit card processing contract for the State of California and has managed the account since that time.

Claire is currently one of OPC's Regional Account Managers. Her territory includes western region states including Alaska, Arizona, California, Hawaii, Idaho, Nevada, New Mexico, Oregon, Utah, and Washington. She has played an integral part in helping OPC grow to its current level of more than 900 clients throughout the U.S.

Previously she worked at American Express. She has more than 23 years of experience in the credit card industry.

Project Manager ("PM")

Pete Catalanello
925-855-5043
pcatalanello@officialpayments.com

The PM is responsible for developing and executing the project implementation plan. The PM's role is to coordinate and manage all aspects of the implementation which include but are not limited to: coordination of funds flow, coordination of engineering resources, implementation of marketing programs and implementation of customer service programs.

PETE CATALANELLO has served as OPC's Vice President of Sales, Western Region, since October 1999. Mr. Catalanello is responsible for managing the acquisition of and participation of the 23 western states in OPC's services. Additionally, Mr. Catalanello is responsible for business development and strategic partnership development with financial partners to deliver OPC services. From May 1994 to September of 1999, Mr. Catalanello was Bay Area Manager at Renaissance Worldwide Inc., responsible supplemental IT staffing (application development, database development and network architecture), managed solutions (CORBA software development and Lotus Notes collaborative solutions) and strategic management consulting services.

Program Engineer ("PE")

Brad Belton
925-855-5010
bbelton@officialpayments.com

The PE is responsible for programming the software, programming the reporting, and system testing. The company's proposed application is housed in the company's facilities and requires no additional hardware installation. The company's Internet and IVR payment solutions are user-friendly and require no training.

BRAD BELTON is responsible for development of all electronic government payment systems, both Interactive Voice Response and Internet-based, at OPC. He joined the company in 1992 and has managed the growth of the company from its beginnings to its current client base of 900+ government clients, including 19 states and the Internal Revenue Service. Prior to joining Official Payments, Mr. Belton was a software engineer at Zendex Corporation, where he programmed, coded and developed systems in a variety of programming languages. Mr. Belton is well-versed in C/C++, Visual Basic, SQL, PL/M, Pascal, COBOL, and Assembly languages; 3270, 5250, HTML, Telecom, TCP/IP, Ethernet, T1, IBM PC, Intel Minis, OS/2, Windows/95, Windows NT, MS-DOS, iRMX, and UNIX systems; and Access, Paradox, Dbase, and Btrieve databases.

Customer Service Manager ("CSM") — Beverly Derounian
925-855-5042
bderounian@officialpayments.com

The CSM is responsible for ensuring that customer service for both the government entity and the users of the system is available during the time periods negotiated in the contract. The company offers a toll-free automated customer service line and on-line support in addition to "live" customer service representatives during normal business hours (5:30 a.m. - 6:00 p.m. Pacific Time Zone).

Ms. Derounian handles all Customer Service and Support directives within OPC, including Account Management, Customer Service, Help Desk, Implementations and Training, Sales Support, Project Management, and Product Support. Ms. Derounian is a senior manager with recognized ability to improve productivity and reduce expenses through creative marriage of legacy systems with state-of-the-art technology improvements, and efficient use of resources. Prior to joining Official Payments in November 1999, Ms. Derounian worked in similar positions at CyberCash, Global Payments, MasterCard International, Visa, National Transactions Systems, and McDonnell Douglas.

Any problems or inquiries regarding the direct reconciliation of an agency's payment transactions, the transfer to the ZBA or any other payment transactions involving the contractor shall be resolved by Paymentech/OPC within three business days from the date of the original inquiry. Other problems and inquiries will be addressed within one week from the date of the original contact.

- **The contractor must identify revenue/payment data according to classification and source identification codes assigned by the State.**

  No longer applicable based on Answers to Submitted Questions dated July 31, 2001. Paymentech will work with each agency to help them identify credit card data that will assist with reconciliation.

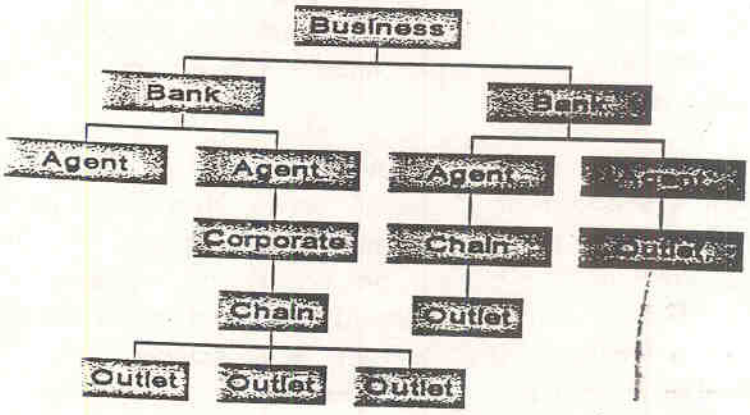
  OPC will identify revenue/payment data according to classification and source identification codes assigned by the State.

- **All accounting information must be able to be electronically transmitted to all participating agencies.**

  Paymentech has two types of Internet reporting which allows the participating agencies to import summary deposit information as well as transaction detail. Moneta is designed for merchants that process up to $5 million annually and ReSource Online is for larger merchants processing over $5 million. Information can be delivered at multiple levels in a designated hierarchy, depending on the agency's structure and number of locations.

  If desired by the State, we could designate an overall program manager as the Agent in the above hierarchy. That allows us three additional hierarchical levels to use for participant's use, i.e. Dept. of Revenue (Corporate level), Dept. of Motor Vehicles (Chain level) individual DMV offices using in-office services (Outlet level). Merchant Statements are available at the Chain and Outlet level and Internet reporting is available at the Corporate and Agent levels in addition to Chain and Outlet.

System Structure Hierarchy



OPC's payment solutions are specifically engineered to facilitate single or multi-level merchant type transaction processing, settlement, and reporting. The company simply adds payment types to a single merchant type or add merchant types for each different agency or departments. All transaction processing, settlement, reconciliation, and reporting is completed in the same fashion for all merchant levels. This type of multi and single level merchant processing is common among the company's 19 state clients and the Internal Revenue Service (IRS).

The company's solutions provide seamless integration with existing government systems for reporting and settlement. OPC will provide accounting information to all participating agencies in a flat file via e-mail.

- **The contractor must provide ad hoc reporting capabilities.**

Paymentech provides information via the Internet or in one of our Data File transmission products that can be filtered or formatted by the agency into any desired format.

OPC's systems maintain a daily transaction log detailing each payment processed. Overnight, the company's master control system downloads files from both the State's account and the credit card clearing facility for the nightly batch balancing procedure. The company's systems automatically transmit a "mirror" balanced report to the State each day to ensure that the payments posted are in Automated Clearing House (ACH) processing. The daily report totals can be used by the State for deposit slip information, to compare with their banks' records.

OPC systems also produce a monthly transaction log that outlines the total number of payments

processed and the total collected by the company's systems during the period covered by the report. The report is then balanced against bank deposit statements as a final audit check.

OPC will work with the State to provide all required reports.

Card Payment Deposits (All MR)

Functions/Capabilities	Currently Available	Planned Availability	Comments
V.7 Deposit card transactions, less convenience fee, into agency ZBA	X		
V.8 Submit monthly invoices for discount fees and any other fees to individual agencies	X		
V.9 Transmit timely detailed analysis necessary to reconcile ZBA and convenience fee deposits	X		
V.10 Provide a directory of representatives for inquiry and problem resolution	X		
V.11 Identify revenue classification and source	N/A		
V.12 Electronically transmit all accounting information to the State and participating agencies	X		
V.13 Provide ad hoc reporting	X		Data is available via transmission and Internet for import into custom formats by agencies. OPC will work with agencies to provided ad Hoc reporting

SECTION VI

LEVELS OF SERVICE

Due to the diversity of requirements across the over 250 State agencies to be represented by the Master Services Agreement, the following levels of service should be described in the proposal. Support for each of these levels of service must be verified.

A given level of service that is proposed need not match perfectly with the description given to be acceptable for evaluation. For evaluative purposes, however, each proposed service must be categorized into the service level it most closely approximates and the bidder should provide explanatory comments as appropriate to offer a clear understanding of the service to be provided.

A. Manual Processing (MR)

Includes the use of imprinters only, call-in voice authorizations over the telephone, and physical deposit of sales drafts at a bank branch. The cash register operation is separate from the card transaction.

Since manual processing of paper transactions is almost totally phased-out as a normal method of credit card processing in the 21'st century, Paymentech would only support this through a mail-in process. This method of processing should be discouraged as very expensive and resulting in several days' delay before funding. As an option, to very low volume agencies that do not wish to invest in POS equipment or software, we offer a Touchtone Capture service that uses the telephone for entry.

B. Authorization Only (MR)

Includes authorization-only terminals, with physical deposit of sales drafts at a bank branch. The cash register operation is separate from the card transaction.

Please see the answer to "A"

C. EDC - Electronic Data Capture (MR)

Electronic data capture terminals are used for both transaction authorization and electronic credit draft capture. Electronically stored sales drafts are transmitted to the processor/acquirer. There is no in-person deposit of credit drafts at a bank branch. The cash register operation is separate from the card transaction.

Credit Card Support

Paymentech's Credit Card Support service provides cost-effective, point-of-sale (POS) transaction handling of credit card payments for merchants requiring a simple, accurate host or terminal based, electronic payment authorization and capture service. The Credit Card service supports all types of transactions including sale return, void, authorization only and prior authorized (forced) sales, tip edit. Paymentech's service can interface with the agency's in-lane POS system, whether stand-alone or dial terminal or Electronic Cash Register (ECR) terminals, the individual communications controller or the corporate Information Systems facility.

The service operates in an either on-line "host capture" or "terminal capture" environments depending on the industry application and equipment: authorizing Visa, MasterCard, American Express, Discover, other travel and entertainment cards, fleet cards, stored value cards and private label transactions.

Payment Processing Options

Point of Sale Terminals

- VeriFone, Hypercom and Nurit Wireless terminals
- TeleCheck Eclipse terminal for integrated E-Check
- Choice of integrated or stand beside printer
- PIN pads available for Online Debit Acceptance
- Terminal software supports Purchasing Card additional data requirements and Address Verification Service
- Software applications to fit all needs including retail, mail order/phone order, restaurant, hotel and others
- Support for third party Web terminal product through Atomic Software as well as proprietary Paymentech Web terminal product soon to be released

Processing Environment

Paymentech is one of the few processors in the U.S. that is well versed in both host capture and terminal capture environments. We highly recommend host capture as the preferred method of transaction processing for merchants with immediate product or service delivery. Following is a discussion of the differences between host and terminal capture

Differences in Host Capture and Terminal Capture

The POS terminal, PC software or Electronic Cash Register (ECR) with a credit card processing module are devices that operate like a smart telephone. They have phone numbers programmed within their memory that call what is known as the "Host". The "Host" is a large computer capable of obtaining approvals and recording credit card and check guarantee transactions. The terminal/PC/ECR calls the "Host" and communicates with it. For a credit card transaction, the terminal/PC/ECR gives the "Host" the merchant number, type of card, card number, expiration date, and amount of each transaction.

Under the Host Capture System (HCS), the "Host" computer stores (or captures) the approved transactions in its memory. All transactions must be dialed to the "Host" including credits or refunds and voids. The terminal/PC/ECR stores the transaction record for the purpose of printing reports only. Because the "Host" has a record of all transactions, the "Host" will automatically close the batch that eliminates the terminal's deposit procedure. Transactions are processed and settled without the delay that could be caused by a manual close and will qualify for the lowest possible interchange category.

RECAP OF HOST CAPTURE

1. All transactions must dial the host.
2. Batch and deposit reports are available
3. Auto Close will occur at a single set time each day.
4. Previous batch transaction detail remains in the terminal for several days for report printing.
5. Requires less memory to operate
6. There is never a delay in settlement and transactions qualify for the lowest interchange.
7. Reduces the chances of duplicate processing that can occur when the terminal/ECR sends a batch twice.

Under the Terminal Capture System (TCS), the terminal/PC/ECR stores (or captures) the transactions in its memory. Credits, voids and adjustments do not dial to the "Host" computer. The terminal/PC/ECR stores these transactions until the batch is closed. The batch must be submitted to the "Host" through the deposit procedure. Until the merchant manually closes the batch, the "Host" does not have a record of all the transactions and the merchant will not be funded for the transactions. Therefore, settlement cannot occur without the terminal close/deposit step.

RECAP OF TERMINAL CAPTURE

1. Terminal capture does not dial out for credits, post authorizations or adjustments.
2. Separate Restaurant, Lodging and Retail packages are available.
3. Terminal capture is always manual close and the merchant MUST CLOSE DAILY.
4. Batch and Deposit Reports available. The receipt of the settlement file must by 5:00 A.M. Eastern Time or 2:00 AM Pacific Time on a calendar day basis for optimum deposit timing.

Paymentech Network Services (PNS) Processing Environment

All on-line and batch processing services provided by Paymentech are supported by computer systems manufactured by Tandem Computers, the world's leader in non-stop, fault tolerant architecture. On-line systems include Tandem's new Himalaya (K2000) processor, with Cyclone processors serving all batch processing operations. These systems are fully redundant and fault tolerant. The hardware and software environment can be considered state of the art for the transaction processing industry. Paymentech utilizes a load-balanced, multiple data center processing arrangement to assure the highest possible availability and business continuity. We use two geographically separate data centers and process roughly 50% of our volume at each site. In the event of a disaster that disrupts a processing center, all transaction processing will be moved to the alternate, surviving site.

The Tampa data center is identically replicated in our Salem, New Hampshire data center, providing a hot site backup in the event of a system disaster. This system is constantly being updated over high capacity T1 communication lines, to ensure the backup site is current within seconds of the primary system. This means there will be no customer downtime for system maintenance/upgrade enhancements, as transaction volume can be routed to the alternate data center, while one system is down for maintenance. This also means in the event of a disaster of one data center, all transactions could immediately be routed to the alternate system. Each system is sized, to accommodate 100% of the transaction volume during system down periods.

Paymentech is committed to providing a fault tolerant technology platform that is state of the art, and is flexible enough to meet the demanding needs of today's customer base. Paymentech accomplishes this through the use of many different technologies. On-line systems are separated from batch processing to insure integrity and segregation of these unique processing methodologies. All on-line and batch systems are run through Tandem Computers, the worlds recognized leader of fault tolerant processing systems. IP transport over Frame Relay connectivity is used whenever possible for its inherent low cost, high performance, high availability benefits. Paymentech encourages the use of FTP for file transfers for its inherent speed, performance, and ease of use. The hardware and software environment is considered state of the art for the transaction processing industry.

Telecommunications Support

Paymentech Network Services offers the following options for communication:

- Dial 800 and 950 "toll free" services
  - TNS
  - AT & T
  - CompuServe
  - NXT
- Local Dial
- Direct Leased Lines
- Frame Relay (TCP/IP)
- Leased Lines to nearest TNS Point of Presence "POP"
- Satellite
- RAM Mobile
- Wireless-CDPD/ARDIS
- TouchTone entry into dial terminals
- Web Terminal-IP communications

D. Check Authorization Services

Please describe your check authorization services and the type of verification and/or guarantee options available.

We support many of the leading check guarantee/verification services most commonly used by retailers via a split dial facility in the terminal. We have two preferred check partners SCAN and TeleCheck.

SCAN is a Deluxe Payment Protection Systems, Inc. (DPPS) service SCAN is the acronym for the Shared Check Authorization Network. SCAN was created in 1985 as the cooperative efforts of major retailers, financial institutions, and Deluxe Payment Protections Systems to share returned check information among the SCAN members to reduce the possibility of accepting an uncollectible check, tendered at the point-of-sale.

Check Verification/Authorization

To support check verification we store, on our host computer in Tampa, a negative check file provided directly to us by SCAN. DPPS collects the data contribution from its members which consists of returned check information from major national and regional department stores, general merchandise stores, discounters and catalogue companies, supermarkets, drug stores, specialty home and building retailers, specialty apparel retailers, specialty shoe retailers and other specialty retailers. In addition to information from its members, DPPS also collects "closed for cause" information from 71% of in the nation's financial institutions through ChexSystems, a sister company to DPPS. The database maintained on Paymentech's host system in Tampa is a national file, which is, updated daily.

In order to receive verification the information from the MICR line on the check can be keyed into the POS terminal/ECR or read by a check reader connected to the terminal/ECR that reads the magnetic print line on the bottom of the check.

A separate SCAN service, called SCAN OnLine employs additional databases and two different scoring models to calculate the risk of taking high dollar checks. The additional databases include:

- the check printing history of over half of the checking accounts in the United States
- the historical SCAN database of all accounts that have ever had their account reported to SCAN due to returned checks

- the account scores, updated nightly, of all MICR accounts that are sent to the SCAN OnLine host each day by SCAN Members using this real-time risk management system for authorization...

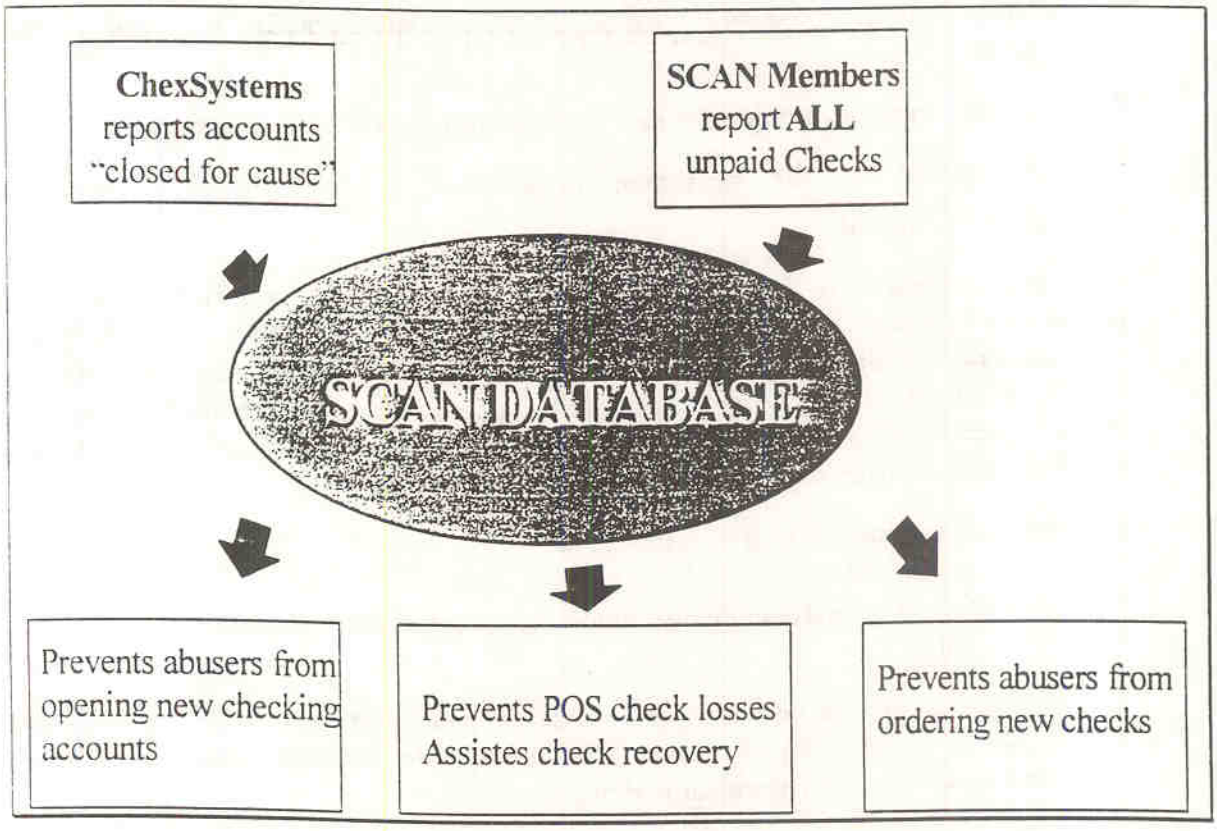
Collection Services

For merchants with less than $50 million in total annual sales, SCAN offers check collection services as an add-on to the verification service.

For larger accounts, the returned check process performed by DPPS is sold separately and is best presented in a face-to-face meeting in which the management of the recovery services group is present to discuss specific processes and answer questions.

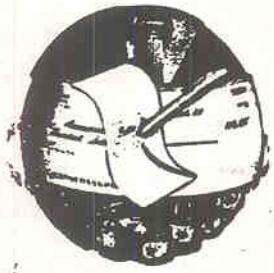
One of the elements of the SCAN program is the strong reporting that DPPS provides to SCAN members. These reports are sorted by store and offer the retailer a valuable tool in determining whether there are stores requiring more training on the system.

DPPS views its role as being more that just the steward of the shared negative file. They also provide on-going support and input through their sales and service team, the various reports, the annual SCAN Member Conference, and regional SCAN user meetings. Their mission is to assist SCAN members in reducing check losses while maintaining or even improving service levels to good customers.



Check Guarantee and Electronic Check Acceptance/Truncation

For those agencies that would like the additional support of a guarantee service we would recommend the services of TeleCheck. Telecheck is also the leader in electronic check truncation services.



Paymentech can provide for the acceptance of e-check payments through the Internet/IVR and for face-to-face services. Paymentech uses the services of TeleCheck, a leading check guarantee company for the guarantee and e-Check services for State of California participants. The TeleCheck Electronic Check Acceptance ECA service is a process that converts paper checks into electronic items at the point-of-sale. The electronic check transaction is authorized and settled in a similar manner to credit card transactions. The e-Check transactions are processed through the Automated Clearing House system and funds are automatically deposited into the participant's bank account, cutting paperwork and helping to improve cash flow.

This service is combined with the TeleCheck Check Guarantee Program so the agency will never see a returned check or returned check fee. The bad check transaction becomes the responsibility of TeleCheck, who pays the agency the face value or the warranty maximum, whichever is lower.

How ECA Works

- The customer presents a check as paymentThe clerk authorizes the checkThe clerk gives the customer a printed receipt for signatureThe check is automatically voided and returned to the customer
- Funds are deposited into the merchant's account usually within 2 business days
- A description of the transaction is included in the customer's bank statement.

The Eclipse Terminal

The Eclipse terminal is the first integrated payment terminal to securely; conveniently and economically capture the name and address information from a check. The Eclipse payment terminal reads the check MICR line both magnetically and optically, virtually eliminating errors reading the MICR number. The Eclipse's imaging capabilities enhance the ECA service allowing capture of all four quadrants of the check which can dramatically reduce the rejected ACH transactions all too common with many electronic check programs.

- Check writer name and address information
- Bank name and address
- MICR information (account number, transit/routing and check number)
- Check number

TeleCheck is currently the only check acceptance company offering an imaging terminal solution for e-Check services. The Eclipse has been developed by TeleCheck and VeriFone and is certified on the Paymentech Network Services authorization network.

The terminal automatically voids the ECA checks and franks non-ECA or paper checks. The result is a more efficient transaction flow and reduced time preparing bank deposits. The Eclipse terminal utilizes an integrated inkjet printer that uses single ply non-thermal paper. The terminal supports all

major credit cards, debit cards with optional PIN Pad 1000 and Purchasing Card Level II data, Address Verification Service and CVV2 standards.

E. Electronic ECR/POS Interface

Automated electronic interface with cash registers (point-of-sale) system to support on-line, interactive verification of charges and receipt of approval codes. No in-person deposit of credit sales drafts.

Paymentech can support a wide variety of ECR and POS interfaces through our aggressive efforts to certify a wide variety of third party VARs. These companies provide hardware/software and integrations services to a wide range of industry markets.

Value Added Reseller (VAR)

- System or software provider that integrates credit card processing functionality with their retail, accounting or specialized software products
- We have certified over 125 leading VARs on our proprietary Paymentech Network Services network
- Specialized hardware and software for targeted industries.
- Paymentech can also certify proprietary government agency software to communicate directly with our network
- Industry recognized integrated VAR support program (STAR VAR) that provides Paymentech Help Desk support for "Class A" certified vendor participants.

F. PC Interface

State agency personal computers interface by modem with bank computers to provide batched data transmission and storage of sales draft information. The transaction authorization and data capture functions are incorporated in the PC, which acts as the POS terminal.

Paymentech can provide or support software from one of several third party developers of PC software. Companies such as IC Verify, Tellan, Go Software, Atomic and many others offer products that are certified on our network.

PC Software

- Use existing PC equipment
- Reduces hardware investment
- Transactions can be "batched" for later transmission or authorized individually
- Software can be operated "stand alone" or can interface with existing accounting software to eliminate duplicate entry
- Software available for DOS, Windows, MAC or Unix operating systems
- Networked or HUB software available for multiple payment windows
- PC software supports Purchasing Card additional data requirements and Address Verification Service

- Multi-Merchant feature allows single or networked PCs to handle payments for multiple revenue types by assigning unique Merchant Identification Number to each type of payment. This also aids in reconcilement.

- With the addition of a separate card reader, the PC can qualify transactions at the lowest card present Interchange rates.

G. Plural Interface Processing

Routes bankcard transactions to third party processors and charge card transactions directly to American Express or Discover. Identify if plural interface processing is supported. If it is not supported, identify the amount of the fee that will be charged to the agency for forwarding the transaction.

Plural Interface Processing (PIP) is supported in most of the newer POS terminal applications for the Hypercom and Omni terminals as well as in many of the software products offered for PC and customized ECR/POS programs. For those agencies using older Tranz generation equipment a fee of $.10 would be charged to authorize, capture and convey transactions to American Express. Paymentech does not support a PIP-type of program for Discover.

Many of our existing customers, including other state agencies have opted to forgo PIP processing in favor of consolidated reporting and access to transaction detail and summary settlement information from one source. If the American Express or Discover transactions are not routed through Paymentech, we cannot incorporate information regarding that activity into our various reporting products. This can greatly complicate the reconcilement process.

H. Mail Order Telephone Order (MOTO) (MR)

Support of mail/phone order transactions recorded without physical access to the card (no magnetic stripes to be read).

Transactions can be keyed into a Point of Sale terminal, PC or VAR hardware/software or Touchtone phone using options described above. Address Verification Service is supported for all card types.

Address Verification Service

Address Verification Service (AVS) offers the merchant the capability of verifying the customer's numeric street address and ZIP code against the information in the issuing bank's cardholder database. AVS "match or non-match" responses will be returned along with the authorization approvals/declines.

Currently an average of 1 in 12 AVS inquiries results in a "non match". No match responses are sometimes received on valid transactions because of cardholder address changes, confusion between residence or business address, data entry errors, etc. Most users typically require additional investigation before making a determination whether to complete the sale. On the other hand, a no match response may indicate that the customer is using a stolen card or card number and does not know the correct cardholder address.

The use of AVS also protects the merchant against certain types of chargebacks and provides for representment if they should occur.

State of California agencies might be advised to use AVS for their non face-to-face transactions

if they are concerned that the acceptance of credit cards might open them up for fraudulent use of stolen card numbers. In actuality, experience has shown that the most prevalent use of stolen card numbers occurs when there is delivery of goods of value or for resale. It is unlikely that a consumer would use a stolen card to pay for licenses, fees or the type of transactions that would require a record of the cardholder's address or other personal information.

For Visa transactions in the following Merchant Category Codes, the use of AVS is not required to qualify for the VISA CPS/Retail for Select Emerging Markets interchange rate for your non-face-to-face transactions.

- 9211 - Court Costs, including alimony and Child Support
- 9222 - Fines
- 9399 - Government Services (Not Elsewhere Classified) for Dept. of Motor Vehicles, other fees or licenses

The Visa Emerging Markets interchange category does not apply to transactions in 9311-Tax Payments, and the state agency would need to provide AVS information in the authorization request in order to qualify for the Visa CPS/Card Not Present category for tax payments. Visa transactions without AVS would qualify for EIRF, which, at the current interchange rates, would carry an additional 0.20% in cost.

For MasterCard, there is no special government category and all non face-to-face transactions, which meet the settlement requirements, will qualify for Merit I. MasterCard will support an AVS request with the authorization, but does not require AVS for interchange qualification.

I. Internet Processing (MR)

Support Internet credit card and off-line debit card processing in a fully secured environment.

Paymentech can support Internet credit card and off-line debit card transactions through the connectivity to a number of Internet "gateway" providers. One of our partners, Official Payments Corporation (OPC) currently provides its secure Internet payment solution to various State of California agencies.

Official Payments Corporation

The company utilizes a 128-bit Secure Socket Layer (SSL) encryption technology from the user's browser service to www.officialpayments.com, to prevent unauthorized access. At the OPC website, customer/user data and credit card information is stored in an encrypted manner in an internal file that is further protected by a secure firewall utilizing most advanced technology currently available. The company's server has internal monitoring and reporting features to prevent unauthorized intrusions.

Other Internet Gateway Providers

Paymentech anticipates that some State of California agencies, that do not enroll with Official Payments Corporation, may be accepting payments via the Internet using other third party "gateway" service providers. We currently support four such vendors and will be certifying others.

Although Paymentech is the largest provider of e commerce credit card processing services

through our Salem data center, most of our clientele on the Salem platform are very large relationships. We are building support for smaller volume and "start up" Website" merchants through our Tampa PNS data center. Today this capability is still under development but is a very high priority for us. In the interim we may utilize the services of First Data Corporation's Nashville network for a temporary solution for some gateway providers. As soon as the Tampa development is completed all merchants using an alternate authorization provider will be switched to PNS. Since this change is made at the "gateway" the change will be of little impact to the merchant or their site.

Atomic Software (iAuthorizer)
Alpharetta, GA
Contact: Tom McCole
(678) 942-2618

Authorize.net Corporation
Provo, UT
Contact: Jeffrey Marcous
Phone: (801) 818-3311

CyberSource
Mountain View, CA
Contact: Patrick Herning
Phone: (650) 965-6118

Verisign
Redwood Shores, CA
Contact: Colleen Isaacs
(650) 622-2215

In addition to the gateway providers listed above, Paymentech is also building a proprietary gateway service called *V-INet* Payment Gateway. This product is currently in beta testing but should be available for use by California agencies not using OPC when the new Master Service Agreement takes affect in January 2002. Information about that program follows.

E-Commerce Payment Processing Just Got Easier With Paymentech's *V-1Net* Payment Gateway

Paymentech, the single largest processor of E-Commerce and direct marketing payment transactions in the nation and the acknowledged technology leader in the field, has developed a proprietary payment gateway for Internet merchants. Our ***V-1Net*** release 1.0 enables merchants to establish secure online transaction processing in a true one-stop-shop environment.

Merchants can deploy the *V-1Net* interface to fully commerce enable their storefront. All service, support, processing, technology, billing and customer care is provided by Paymentech. The *V-1Net* Payment Gateway supports the full set of payment options – MasterCard, Visa, American Express, Diners Club, Discover Card and JCB.

Features	Functions
Multiple Payment Interfaces	*V-1Net* has been designed to enable payment processing for the most basic storefronts right up to a highly integrated E-Commerce system. Our integration options include: 1. Virtual Terminal – Small merchants can simply harvest their orders off their web site and login to our virtual terminal to initiate card authorizations, settlements, refunds, etc. No technical integration is required. 2. XML Interface – Paymentech has adopted XML as its standard to process transactions over the Internet. A complete specification is available to allow merchant integration on any XML capable platform. 3. Software Development Kits – An SDK for the industry leading Kurant shopping cart system is currently available. Other software and shopping cart SDKs will be deployed over time.
High Scalability & Throughput	Already known for our high capacity and up-time payment processing, *V-1Net* offers the same levels of throughput, response time, and 24 x 7 availability. As a combined gateway and merchant processing service, merchants are not exposed to the risks of additional "transaction hops" inherent in the use of third party gateways.
High Service Availability	Redundant Internet connections and servers eliminate single points of failure at the hardware, network and application levels. Networking equipment is installed in identical, cross-connected, auto-fail over pairs, with identical sets for each service provided. At the application level, servers provide both load balancing and auto-fail over when using network and database resources. The result: high service availability that automatically recovers -- all without interruption of service delivery.

Wide Range of Payment Methods	*V-1Net* supports the full range of payment methods offered by Paymentech. They include: • American Express • Carte Blanche • Diners Club • Discover Card • MasterCard • JCB • Visa
Variety of Payment Types	*V-1Net* allows merchants to accept and process Purchasing Card (Level II) transactions. Also, *V-1Net* is fully enabled to allow merchants to manage split shipments, back orders, and reversals.
Commerce Solution Integration	The XML interface can be deployed with virtually any commerce server.
Flexible Payment Capture Options	Merchants typically want their payment process to run itself. At time of set up, merchants can elect to have authorized transactions "auto captured" at end of day, or can securely login to the Virtual Terminal and manage the process. In either case, the merchant has complete control over end of day processing. In auto capture mode, the merchant can even specify a time of day (within their local time zone) to close out activity. This important feature helps the merchant reconcile payments processed with their internal order logs.
Transaction Security	Data transmission is protected with the industry standard Secure Sockets Layer (SSL) protocol. The SSL communications capability is built into our transaction interface, with all transmissions encrypted. The *V-1Net* system authenticates transactions by checking the user name, password and merchant identification.
Network Security	Paymentech's production network is protected with a set of firewalls that prevent any unauthorized access to our servers. Sensitive transaction data is secured behind internal layered defenses that prevent direct access to transaction databases.
Hosted Storefront and E Commerce Solution Partners Already Integrated	Paymentech has already integrated its combined payment processing and online merchant enrollment processes with leading e commerce solution providers. • Homestead.com • Interbex.com • Kurant.com • Mercantec.com • SmartOnline.com • Yahoo Stores!

Fully Integrated Merchant Account Application	For additional ease of use, merchants can build storefronts with number of hosting and software partners. Once completed, an online merchant application is provided to allow new merchants to apply for a Paymentech merchant account. The merchant completes the application and can be approved within 24 hours. Upon approval, the merchant is boarded on to the *V-INet* payment gateway and is ready to do business. Current solutions typically require a merchant to obtain a merchant account, select a payment gateway and select a payment processor – up to three different relationships. By Paymentech providing the merchant account, the gateway interface and the actual payment processing, the lead-time and complexity of going live are greatly reduced. A complete one-stop solution!!
Electronic Merchant Reporting	All merchants are provided a logon to a secure site where they can view their merchant statements. Additionally, the Virtual Terminal retains all transaction history for merchants to access from anywhere and at any time.
True 24 X 7 Technical Support	It's the middle of the night and a merchant is trying to go live but encountered a problem. *V-INet* provides around the clock application support by phone and e mail. A team of specialists can assist partners and merchants with both initial integration and operational problems.

J. Debit Card Processing (On-line, PIN-based ATM card and signature-based debit) (MR)

The transaction is charged to the cardholder deposit account and funds are guaranteed to the merchant provided the transaction is authorized.

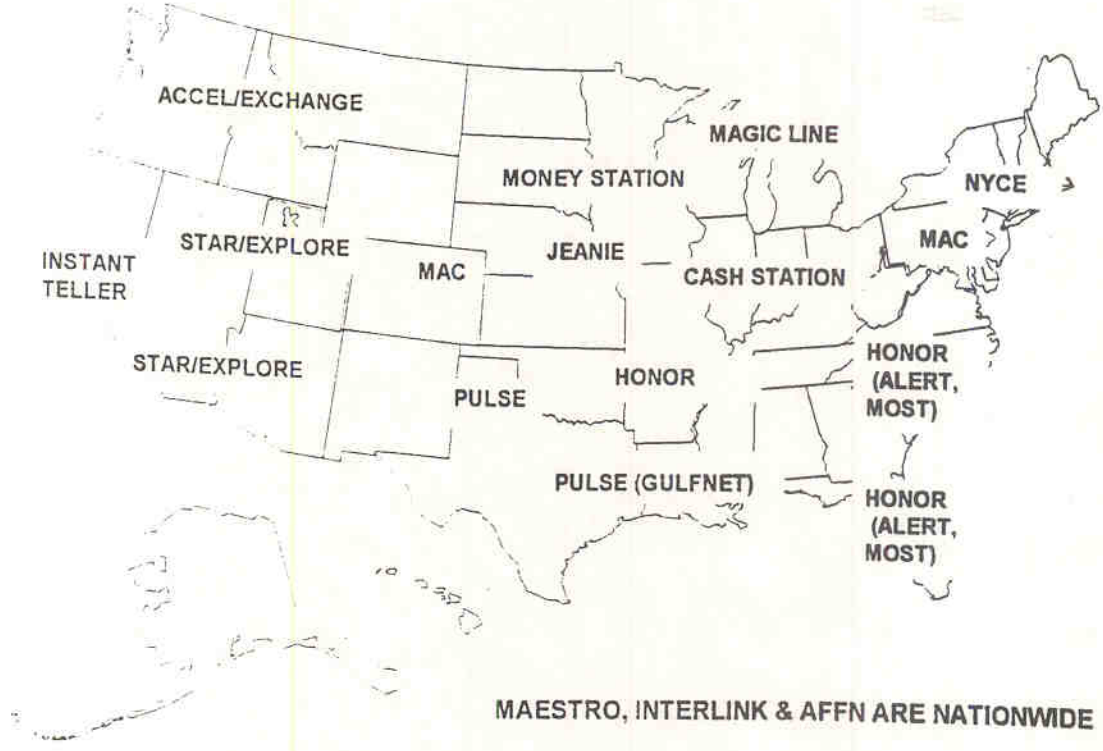
Debit Card Support

Paymentech's Debit Card Support service provides cost effective, POS transaction handling of debit cards for merchants who want to offer debit card (ATM) card acceptance to their customers.

When a merchant is set up for MasterCard and Visa acceptance they will automatically be able to accept the MasterCard and Visa branded "off-line" debit cards without the need for additional equipment.

The On-Line Debit Card service supports all types of transactions including sale, return and cash back. Paymentech's service interfaces with the merchant's POS and/or ECR. This service operates in an on-line, "host-capture", PIN encryption supported environment authorizing, capturing and settling bankcard, ATM card, proprietary card and other direct debit POS cards. We can coordinate a single settlement and funding that will simplify and consolidate all of the disparate network cutoffs and funding schedules.

Debit Networks



We currently provide on-line debit card processing and sponsorship for the following national and regional debit networks:

ACCEL	AFFN
BankMate	Cash Station
Honor/Alert/Most	Interlink
JEANIE	MAC
Magic Line	Money Station
NYCE	Pulse/GulfNet
Star/Explore/Instant Teller	

We are adding other networks, as demand requires.

- Cashback can be offered for on-line "PINNED" transactions.
- On-line debit card transactions fees are usually quoted at flat cents per transaction and are often much lower than those of credit card transactions. By comparison, the off-line debit card is processed in the same manner as a credit card transaction and carries the same percentage plus a per item pricing structure as a credit card, although Visa does have a separate and slightly lower interchange rate for the Visa Check Card.

In order to accept the "on-line" ATM or debit, the agency would need a PIN pad, which encrypts and sends the consumer's "secret code" with each transaction. For Debit transactions, Paymentech has direct links with the MAC network and utilizes the MPS debit gateways for all other Debit networks. Refer to the previous map for debit networks currently supported by Paymentech. Smaller networks are added as demand justifies the need to integrate these services. You may set up as many networks for each location as you want.

K. Interactive Voice System (IVR) Interface (MR)

Some State agencies use established IVR systems. The contractor will develop and support an interface to the existing IVR system to support electronic card payments via the IVR.

Official Payments currently provides IVR payment solutions to various California state agencies. In the cases where the company does not, and the agency is using or chooses to use another IVR provider, OPC can develop and support an interface to the existing IVR system to support electronic card payments via the IVR.

L. IVR Support and Fulfillment (MR)

Some State agencies will require IVR systems provided by the contractor to support card acceptance. The contractor provides and implements IVR systems and support.

Official Payments currently provides IVR payment solutions to various California state agencies.

Levels of Service

Levels of Service	Currently Available	Planned Availability Date	Comments
VI.1 Manual (MR)	X		Mail-in only-not branch deposit.
VI.2 Authorization only (MR)	X		Mail-in only-not branch deposit
VI.3 EDC (MR)	X		
VI.4 Check Authorization Services	X		Through Scan and Telecheck that also includes guarantee and electronic check truncation and Internet/IVR E check acceptance.
VI.5 Electronic ECR/POS Interface	X		
VI.6 PC Interface	X		
VI.7 Plural Interface Processing	X		
VI.8 Mail Order Telephone Order (MOTO) (MR)	X		
VI.9 Internet Processing (MR)	X		
VI.10 Debit Card Processing (MR)	X		

Levels of Service	Currently Available	Planned Availability Date	Comments
VI.11 Interactive Voice Response (IVR) Interface (MR)	X		Through Official Payments
VI.12 IVR Support & Fulfillment (MR)	X		Through Official Payments

SECTION VII

CREDIT & CHARGE CARD PAYMENT SUPPORT REQUIREMENTS

Please present all aspects and details of the proposed fulfillment of the functional, technical, performance and support requirements as delineated in this RFP. Proposals should reference each identified requirement (including paragraph number), explaining if the proposed system/service currently supports the specified requirement. For those specific requirements that are not currently available, please indicate whether or not the function will be available at some later date, indicate when the function will be available.

A. Card Brand Support (MR)

Credit and charge card transaction authorization, routing and settlement is required for all major card brands and for debit cards:

- **American Express**

  American Express Authorization, Capture and Conveyance (routing). Also PIP

- **Discover**

  Discover Card Authorization, Capture and Conveyance

- **MasterCard (credit and debit)**

  MasterCard Authorization, Capture, Processing and Settlement-credit and debit

- **Visa (credit and debit)**

  Visa Authorization, Capture, Processing and Settlement-credit and debit

- **Debit Card (On-line, pinned ATM)**

  On-line (pinned) ATM debit cards - Authorization, Capture, Processing and Settlement

Other Types of Acceptance

- Diner's Club Authorization, Capture and Conveyance or with Paymentech Processing and Settlement through a licensing arrangement with Diner's Club
- JCB (Japan Credit Bureau) Authorization, Capture, Processing and Settlement through a licensing arrangement with JCB.
- Fleet Card Authorization, Capture and in some cases Processing and Settlement-Paymentech's large base of petroleum merchants has led us to develop terminal applications and support for a variety of fleet cards including:
  - Wright Express
  - Voyager
  - MasterCard Fleet
  - VISA Fleet (Future)
  - PH&H
  - Comdata Fleet Services (International Automated)
  - Gascard/Fuelman

OPC can currently provide authorization, routing, and settlement through Paymentech for all major credit card brands and debit cards including American Express, MasterCard, and Discover, and VISA, card association regulations permitting. The company also accepts PIN-less debit cards.

B. Retrievals and Chargebacks

Describe your retrieval and chargeback handling support.

As a merchant, the State agency should do everything possible to ensure your customers are satisfied with your service and that sale transactions are submitted accurately. However, there are instances when a dispute or chargeback occurs. Paymentech takes an active role in working with you to minimize the number of chargebacks you receive and the effect they have on your company. Efficient and successful processing of chargeback transactions involves careful attention to paperwork, prompt action and communication with your Chargeback Specialist (and, in some instances, your customer).

MasterCard and Visa regulations define the rules for chargebacks and representments including the time period to initiate, the reasons and the frequency. In the event that a dispute or chargeback cannot be resolved through normal chargeback processing channels, pre-arbitration and arbitration, then good faith collection efforts can be made on your behalf. Should there be a violation of a MasterCard/Visa rule or regulation that does not have an established chargeback reason code, the compliance chargeback process is also available to you.

Included in each chargeback package is a merchant recourse form, which outlines the nature of the chargeback and the information, required to reverse it. Our chargeback staff continues to work with you until the dispute is resolved under the Card Association rules.

Sequence of Steps

1. Retrievals: Definition – Issuer requesting copy of draft
    a. Merchants are provided with telefax or letter requesting sales media used to fulfill retrieval requests
    b. Fax merchants receive fax confirmation of items received, illegible, and missing value tickets
    c. Images are linked to any subsequent chargeback that may be received through the Chargeback Defense System
    d. Images are stored so no duplicate requests are asked of the merchant
    e. Electronic interface to MasterCom and Visa provides automatic transfer of scanned images back to Issuers
2. Chargebacks: Definition – Disputed transaction
    a. Cardholder disputes charge or Issuer detects a regulation violation by the Merchant or Acquirer
    b. Issuer returns transaction to the Acquirer
    c. Acquirer investigates chargeback and makes every effort to defend the chargeback on behalf of the Merchant and reverse it to the Issuer
    d. If the proper information is not available to defend the chargeback in accordance with Visa/MasterCard regulations the Merchant will be debited
    e. If 'd', the Merchant may have the opportunity to provide information to remedy the debit. The Acquirer will then proceed to reverse the chargeback to the Issuer.
    f. If 'c' or 'e', the issuer has the right to present to the Acquirer a second time if the Cardholder or Issuer continues to dispute the transaction
    g. Cases may be filed with Visa/MasterCard if Acquirer continues to dispute chargeback

Note: All chargebacks are reviewed electronically by an "Expert" rules based system

that is capable of automatically resolving 10 - 12% of all incoming chargebacks. Also, cases are prioritized to minimize financial risk. All case information is permanently stored on optical disk.

When processing chargebacks, OPC follows these procedures.

The issuing bank requires the cardholder to contact them in writing to dispute a credit card transaction. In the event the issuing bank receives a written dispute, the following takes place:

1. The cardholder's issuing bank sends a "retrieval request" for the disputed transaction to Paymentech.
2. Paymentech then forwards the retrieval request to OPC. OPC's chargeback group responds to the retrieval request by providing to the issuing bank all pertinent documentation to substantiate or prove the validity of the charge. In some cases, the chargeback group may also seek the assistance from the State to provide additional information to help support the validity of the charge. In the event a chargeback is necessary, OPC will invoice the State for the total amount due.

- **Indicate whether you support document imaging other than facsimile for transmission and response to retrieval requests.**

Paymentech does support document imaging other than facsimile for transmission through the use of our SE Workstation product, however for agencies that do not used SE Workstation OPC will work with the State to provide document imaging other than facsimile.

- **State your reversal rate (without merchant involvement) in total and by chargeback type over the last twelve months.**

We represent approximately 10-12% of first time chargebacks without any action on your part. Usually these chargebacks include credit transactions that have already been issued, duplicate charges and non-deposited charges. Our investigators represent 30% of chargebacks to issuing banks. Our chargeback service saves you valuable time, money in internal processing costs, and unnecessary fund deductions.

OPC chargebacks for the last twelve months totaled only .00007% of total sales. Reversals and refunds for various reasons, i.e. duplicate payments, totaled .5% of total sales.

- **State the average elapsed time from receipt of a retrieval request to merchant receipt.**

According to Visa and MasterCard Operating Regulations, an acquirer (i.e., Paymentech) has 30 days from the date received to fulfill a retrieval request (AKA request for copy).

Merchants are given until day 16 of the 30-day lifecycle to fulfill ticket retrieval requests. If a request is unfulfilled as of Day 14, we will send a second request via fax, provided that the merchant is set up for fax delivery of their retrieval request notifications.

Once OPC receives a retrieval request, the company works with the client to resolve each issue on an individual basis. OPC receives the retrieval request from Paymentech two to three days after the card association issues it.

- **Describe any special facilities available to effectively support retrieval and chargeback handling that would be advantageous to the State.**

We have two online reporting tools to automate chargebacks, ReSource Online and Moneta. Our automated chargeback reporting system will improve your cash flow because it reflects the chargeback the day we receive it. This means you can represent your chargebacks sooner without having to wait for paper documentation. With online reporting tools you can research your chargeback items sooner, and Moneta stores chargeback information for up to six months.

In addition, SE Workstation, a Windows-based reporting tool, from Paymentech and American Express, provides you with the ability to respond to retrieval requests using a scanner as well as electronic tracking and aging so you don't loose track of retrieval requests and suffer unnecessary chargebacks for non-receipt.

OPC's Financial Client Service Group is responsible for delivering an unequaled quality of service to OPC clients by providing them with a point of contact to report problems and/or to make inquiries regarding company products and services. This group resolves problems related to clients' daily settlements and deposit variances and coordinates and resolves complex reporting issues. The team answers incoming telephone calls, e-mail, fax, or Internet inquiries from clients and logs all problems/resolutions so that recurring problems can be tracked, reported and corrected. Led by the Director, Financial Client Service, this team of nine (9) employees including a Manager, Senior Coordinators, Coordinators, Technical Support and Representatives, is accountable for the following additional duties and tasks:

1. Maintain and develop account relationships with existing OPC major clients by developing a rapport/trust with accounts by responding to client inquiries in a timely manner and with accurate information.
2. Effectively handle client inquiries via incoming calls/letters. Research and correct all incidents to the client's satisfaction.
3. Research client concerns with a sense of urgency by providing immediate follow-up status/resolution.
4. Provide client database and contract maintenance.
5. Establish partnerships with internal departments of facilitate client problem resolution and ensure staff support.

C. Merchant Help Desk

Please describe any Merchant Help Desk services and facilities, including hours of operation, support approaches and service level options. Provide any pertinent performance statistics such as average call response time, number of calls per operator, number of operators, etc.

Customer Service Organizational Structure

Paymentech offers several levels of customer service, to provide outstanding customer support. Paymentech understands that customers have different needs and operate at different times. Paymentech has structured our customer service organization to meet those needs.

Help Desk Customer Service

The Help Desk is based on a 'single call resolution' philosophy and offers telephone support for general inquiries; technical support for POS terminals and PC based software, and troubleshooting expertise. The Help Desk supports Hypercom, Nurit, Omni, Eclipse and Verifone products as well as several PC based software packages. Some features supported within these products are: EBT, Debit, Wireless Processing, Stored Value, and the latest Fraud Control Features. The Help Desk offers technologically advanced service and support 24 hours a day / 7 days a week through fully-redundant load balanced Help Desk sites in Tempe, AZ and Tampa, FL.

The Tampa/Tempe Help Desks are equipped with standard troubleshooting techniques including a knowledge-based system called Inference/CasePoint. This system provides information on troubleshooting error messages: access to quick reference guides, online product bulletins, and training manuals; and access to customer-specific service information maintained in a client information database.

PNS TAMPA/TEMPE HELP DESK STATISTICS

Through July 20, 2001

Service Level Overall	Goal	Feb	Mar	Apr	May	June	July
Abandon Rate	3.00%	1.48%	1.41%	1.42%	1.68%	1.67%	1.36%
ASA (seconds)	30	20	22	22	30	27	24
Service Level	80/30	84.96%	83.91%	83.00%	77.14%	78.59%	79.81%

Client Relations Management

You will be assigned a dedicated client relations manager. A Client Relations Manager (CRM) supports accounts greater than $1 million in annual credit card volume, acting as the point person. They deliver superior service to their account, act as a customer advocate and coordinate all internal activities related to their account.

As the point person, the CRM ensures service quality through tracking, resolution of merchant issues and follow-up communications on all issues (including coordinating conversion with our Conversion Support Group and other special projects). A CRM will make recommendations for improving your service and will keep you abreast of new products and services. In addition, they conduct quality checks of the merchant accounting system to ensure the correct setup of your pricing, etc. and work with you to design and set up reporting.

Customer Service

Paymentech's Customer Service support is provided by First Data Merchant Service (FDMS). The department is available 24 hours a day, 365 days a year and has a team of over 50 individuals dedicated to Paymentech's customers. The FDMS Customer Service group will provide first call resolution to billing inquiries and chargeback issues. The FDMS Customer Service group is expected to meet the same Expected Service Level Requirements as the PNS Merchant Help

Desk. On the key goal of 30 seconds to answer they have experienced:

July -16 seconds
June - 8.97 seconds
May - 9.84 seconds
April - 39.46 seconds
Mar - 22.61 seconds
Feb - 27.62 seconds

Official Payments

OPC's Client Account Managers have been working with various California state agencies since 1996 and have established strong relationships. OPC plans to continue this personalized level of service.

OPC has an extensive technical support staff, and their experience in building and supporting payment systems means that the systems are turnkey and require no day-to-day maintenance on the part of the State of California. All of the company's technical team are fully versed in electronic payment systems and are fully capable of resolving any issues immediately.

OPC prides itself on providing single-call support for systems and software, 24 hours a day, seven days a week. In addition, the company will ensure that the company's technical support staff is available to the State of California to answer any questions; upgrade systems as needed, monitor system security and capacity, and provide all necessary support, without delay.

D. Authorization and Processing

Provide the statistical parameters for your response time for both dial-up and leased lines based on data for the month of December 2000. Express this as a mean in seconds, stated to one decimal place.

Excluding internal processing time, dial time and the printer time of any particular POS device the response time for the Host Capture System for dial up connections was 3.5 seconds, frame relay response time was 1.8 seconds.

Excluding POS time, the dial up response time on our Terminal Capture System was 2.6 seconds while the frame relay response time was 1.5 seconds.

Although the POS device time has been excluded in the above quoted response turnaround times, there are still significant speed variations experienced between the two connections and system types. These differences are for the most part accounted for by the difference in protocols Paymentech uses for dial and frame relay circuits. All dial connections are X.25 protocol while frame relay traffic is TCP/IP protocol.

The average times experienced at the Point-of-Sale is usually 12-20 seconds for dial-up and 3-5 seconds for leased line/frame relay connections.

E. Authorization and Processing During Downtime

Explain your procedures for authorization and processing during downtime and system outages. Indicate any scheduled downtime, periods in terms of duration and frequency.

The Tampa data center is identically replicated in our Salem, New Hampshire data center,

providing a hot site backup in the event of a system disaster. This system is constantly being updated over high capacity T1 communication lines, to ensure the backup site is current within seconds of the primary system. This means there will be no customer downtime for system maintenance/upgrade enhancements, as transaction volume can be routed to the alternate data center, while one system is down for maintenance. This also means that, in the event of a disaster of one data center, all transactions could immediately be routed to the alternate system. Each system is sized, to accommodate 100% of the total transaction volume during system down periods.

Paymentech periodically schedules maintenance work during the early morning hours, but all traffic is automatically re-routed to the alternate site, so there is no downtime experienced by our merchant customers.

Official Payments

The company's technology is state-of-the-art, including Fault Tolerant Industrial hardware, 24 hour/7 day on-site service, and 32 bit architecture (both hardware and software). OPC systems are up 99.9% of the time. In the unlikely event that the systems should go down, numerous back-up systems are always online and ready to go.

OPC's main facility is at its operational location in San Ramon, CA. In the event that this primary site goes out of service for any reason, traffic is automatically routed to the company's backup facility without downtime. This facility sits outside earthquake and flood zones and serves as the company's IVR backup location and contains enough bandwidth to support the busiest day - April 15.

The company's primary Internet site is at a hosting facility. In the event of a failure at that site, traffic is automatically routed through a Local Director to the company's back-up facility in San Ramon. This site too has enough bandwidth to handle up to 10 times the current traffic seen on the company's primary site.

Back up power: The San Ramon facility is the primary site for the Interactive Voice Response (IVR) application. If total power is out, the northern California backup facility becomes the IVR application location. The Digex facility, in San Jose, is the primary site for the Web application. If Digex goes down, the San Ramon facility takes over the Web application. If there is any disruption of power, the Uninterruptible Power Supply (UPS) automatically responds. This external back up provides 36 KVA of power.

Applications failure: Backups are programmed to occur nightly on certain servers, and throughout the day on databases. Full backups take place once per week. Once a week, cartridges containing the most recent full data backup are duplicated and logged. They are stored off-site in a secure vaulting facility.

Hardware failure: The application has six types of servers:

- IVR servers: OPC maintains an IVR server farm, with a normal server load of one to 3P of maximum capacity.
- Transaction database servers: OPC maintains two hot-swappable servers. If one fails, it automatically transfers load to the other. Should both servers go down, the IVR servers become backup transaction servers.

- Client database servers: OPC maintains three distinct servers, each one configured to be a back-up for the others.
- Credit card processing servers: OPC maintains multiple servers. Transfers are not automatic; the Infrastructure Group handles the transfer manually.
- EDI servers: OPC maintains multiple backup servers. Should one fail, the process suspends, shifts to a backup server, and restarts the batch filing process.
- Web cluster servers: OPC maintains multiple servers. Each is hot swappable. Failure of any server redirects the load to other servers.

F. Interactive Voice Response (IVR)(MR)

Describe the features and functions of your IVR service. If this service is outsourced or provided through a third party, please provide the name of your contractor and the size of their portfolio.

Please describe any interface or implementation requirements or compatibility issues associated with implementing your IVR system for use at individual State agencies.

Paymentech will offer IVR services using Official Payments.

OPC has been providing its IVR payment solution to the citizens of California since 1999. In 1999, the FTB and BOE combined saw almost 15,000 transactions with more than $15 million processed. In 2000, these numbers increased significantly with more than 47,000 transactions and more than $75 million processed. California citizens have taken full advantage of this payment option as shown in the growth of number of transactions and dollars processed, which are more than 200% and 400% respectively.

California citizens have taken full advantage of this payment option as shown in the growth of number of transactions and dollars processed.

As OPC systems are currently in use for some California state agencies including BOE, FTB, and EDD, no implementation will be necessary. And, adding additional agencies will take minimal implementation and time.

Features of the company's IVR Payment Center include:

1. Easy access: All citizens with access to a telephone can pay taxes or fees by calling a toll-free number
2. User-friendly IVR interface that allows for easy, accurate data and credit card entry
3. Real-time authorizations: Instant credit card authorizations
4. Confirmation numbers issued to users for record-keeping
5. Customer service: Easy access to answers to support
6. Seamless integration with existing government systems for reporting and settlement
7. Redundant systems: Multiple Enterprise server farms to ensure uptime, data reliability, and backup

The company's IVR payment solution, 1-800-2PAY-TAX, processes credit card and PIN-less debit card payments by phone. This payment solution is easily established to accept payments for taxes and other amounts owed to State agencies and departments.

While the customer/user is on-line, the system links to the credit card processor to validate. When the payment transaction is successfully completed, the OPC system issues the customer/user a receipt number, which is either generated by the company's system or taken from the host as part of the receipting process. The customer/user is notified if the credit card payment procedure cannot be completed for any reason. If the credit card authorization is denied, the system advises the customer/user that the payment was not completed and they need to contact the credit card issuing bank, or use an alternate card.

If a convenience fee is charged, the customer/user is advised of the convenience fee by the payment system. In addition, when the system captures the payment amount and account number, it advises the customer/user of the convenience fee again. The customer/user must confirm the convenience fee in order to proceed with the payment and receive a confirmation number. The customer/user can exit out of the payment session at any time without cost or penalty. Typically, an IVR payment session lasts approximately four (4) minutes.

Sample IVR payment process:

1. Select a Service: User chooses to make a State agency payment.
2. Data Entry: User enters Identification and Payment Information.
3. Data Submission: Verification of previously entered user data. If correct, user submits the information for processing.
4. Data Processing: User holds momentarily while transaction is processed.
5. Confirmation Number: Confirmation number is issued, and user is enabled to complete other payments or end the session. If a transaction is rejected, the customer will have the opportunity to start over by giving a new card number or by returning to the beginning of the transaction.

G. Settlement and Clearing (MR)

Describe your settlement and clearing policies and procedures. Indicate whether these functions are performed internally or outsourced. If outsourced, please provide the name of your contractor and the size of their portfolio.

- **Outline your operating schedule for transmission acceptance by days of week and holiday exceptions to standard days.**

Following is a schedule of the settlement steps for the MasterCard and Visa bankcards. Under our licensing arrangements with Diner's Club and JCB this would also apply to those cards. The settlement schedule for American Express and Discover would be determined by the contractual terms between the State and those card companies. We convey the transaction information to those card companies during Step 2.

Merchant Processing and Payment Schedule

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Monday	Tuesday
MO1								
	TU1	TU2	TU5					
		TU3						
		TU4						
		WE1	WE2	WE5				
			WE3					
			WE4					
			TH1	TH2			TH5	
				TH3				
				TH4				
				FR1	FR2	FR3	FR5	
						FR4		
					SA1	SA2		
						SA3		
						SA4	SA5	
1 - BATCH CLOSED				4 - FRB POST				
2 - FDMS PROCESS				5 - MERCHANT POST				
3 - ACH								

Paymentech 2001 Holiday Schedule

Monday January 1, 2001, New Year's Day
Monday January 15, 2001, Martin Luther King Day
Monday May 28, 2001, Memorial Day
Wednesday July 4, 2001, Independence Day
Monday September 3, 2001, Labor Day
Thursday November 22, 2001, Thanksgiving Day
Tuesday December 25, 2001, Christmas Day
Tuesday January 1, 2002, New Year's Day

- **Indicate your cutoff time (PST) for same-day transmission to the card associations on weekdays and Saturdays.**

  The cutoff for optimum funding is 5:00 AM Eastern Time or 2:00 AM Pacific Time. Transactions not received within 24 hours of the authorization could be "downgraded" to a more expensive interchange category.

  The OPC systems accurately deliver funds in the shortest time frame available. The company's cash management process allows us to carefully monitor the payment transaction, post the funds and deposit them at California's bank of choice within 48 hours for VISA/MasterCard and 72 hours for American Express and Discover Card.

1. Processing the Payment

OPC's systems capture the amount and account number, and advise the consumer of the convenience fee if such a fee is present. The consumer is guided through the data entry necessary to complete the payment process. While the consumer is connected to us via phone or Internet, the company's systems link to the credit card processor to validate and post the transaction. When the payment transaction is complete, the system issues the consumer a receipt number. If the credit card authorization is denied, the systems advise the consumer that the payment did not go through and prompts the user for an alternate card.

2. Tracking the Flow of Funds: Electronic Reporting

The company's systems maintain a daily transaction log detailing each payment processed. Overnight, the company's master control system downloads files from both the State's account and the credit card clearing facility for the nightly batch balancing procedure. OPC's systems automatically transmit a "mirror" balanced report to the State each day to ensure that the payments posted are in Automated Clearing House (ACH) processing. The daily report totals can be used by the State for deposit slip information, to compare with their banks' records.

OPC systems also produce a monthly transaction log that outlines the total number of payments processed and the total collected by the company's systems during the period covered by the report. The report is then balanced against bank deposit statements as a final audit check.

3. Monthly Account Reconciliation

The ACH deposits arrive at the company's government clients' banks within 48 hours of payment for VISA/MasterCard and 72 hours for American Express. OPC provides a number of options for monthly account reconciliation. The company will work with the State to establish a system that best meets California's needs.

Technical Notes

OPC systems are certified as a Point-of-Sale Terminal for Interactive Network for Authorizing Credit Transactions (INFACT). This network provides an asynchronous transmission protocol for passing transaction data over switched lines. OPC is an authorized ISO registered with VISA for this processing. Each caller's payment is authorized and posted to his or her credit card account during the interaction with the INFACT network. The funds are routed electronically via the ACH transfer to the government entity's bank.

The IVR and Internet batches are closed at midnight. The batch is then sent to Paymentech who is responsible for the processing and funding.

H. Convenience Fee Collection (MR)

Explain procedures used for collecting, depositing, and accounting for all convenience fees (see Section V, Convenience Fees).

Paymentech intends to use the services of Official Payments for the processing of agencies that wish to assess a convenience fee for credit card acceptance via the Internet or IVR. If the agency is considering the assessment of a convenience fee for in-office transactions that are

collected face-to-face or via the phone or mail, the agency must assess an equal fee for all other payment types. Paymentech can process that convenience fee as a separate transaction or combined with the total credit card sale.

OPC absorbs all costs related to development, implementation, maintenance, telecommunications and all transaction processing fees and costs. Additionally, OPC absorbs all credit card acceptance fees. In return, OPC will assess a convenience fee (in accordance with all Federal, State and Local laws) to those customers/users who pay amounts owed to the State of California through either payment solution.

The customer/user must confirm the convenience fee in order to proceed with the payment and receive a confirmation number. The customer/user can exit out of the payment session at any time without cost or penalty.

OPC processes the convenience fee as a separate transaction in the name of OPC and settles these transactions to the company's own designated settlement institution. This transaction is clearly described on the customer/user's card statement.

OPC processes the payment amount owed to the State of California as a separate transaction in the name of the State. Settlement of these funds will be deposited to the designated State of California ZBA account.

I. Funding Procedures (MR)

- **Frequency**

  Funding occurs within 2 business days for MasterCard and Visa and 3 business days for American Express and Discover. The depository bank determines funds availability.

- **Computation of amount to be transferred**

  Funding will be total net sales (less refunds or credits issued by the agency). The payment amount and the convenience fee are processed separately. Paymentech transfers the payment amount to the client and the convenience fee to OPC.

- **Method of transmission of funds**

  Automated Clearing House settlement

- **Reporting format**

  Paymentech's standard funding reporting is via monthly merchant statements or access to Internet reporting using either Moneta or ReSource Online.

  OPC provides its daily transaction report and flat file format via e-mail in ASCII format.

- **Supporting documentation**

  Agencies that use one of the Paymentech POS terminal, PC software or Electronic Cash Register solutions would have access to a daily batch printout that can be matched up to the settlement. Summary settlement information can be accessed online for 18 months with transaction detail available for 6 months. Paymentech also maintains a daily authorization log that can be accessed using one of our Internet reporting products.

The OPC system maintains a daily transaction log detailing each payment processed. Overnight, the company's master control system downloads files from both the State agencies' accounts and the credit card clearing facility for the nightly batch balancing procedure. The company's systems automatically transmit a "mirror" balanced report to the State each day to ensure that the payments posted are in Automated Clearing House (ACH) processing. The daily report totals can be used by the State and its agencies for deposit slip information, to compare with their banks' records.

OPC systems also produce a monthly transaction log that outlines the total number of payments processed and the total collected by the company's systems during the period covered by the report. The report is then balanced against bank deposit statements as a final audit check.

- **Describe your procedures and timelines for depositing funds into the individual agency ZBAs (see Section V, Card Payment Deposits).**

Paymentech will follow the procedures outlined in our answer to item VII, H for depositing funds into the individual agency ZBA. The timeline is described in the grid in VII, G.

J. Agency Fee Collection (MR)

Indicate your willingness to comply with the State's requirement for monthly invoicing for all fees (including discount fees), and your procedures for ensuring compliance (See Section V, Card Payment Deposits). Describe supporting documentation provided with monthly invoices.

Paymentech, through our back end settlement processor, has the capability to generate a "remit bill invoice" for each merchant account.

K. Reports

Provide a brief but comprehensive review of your reporting procedures and capabilities, with descriptions of the reports, descriptions of report line items and single page examples of each report. The review should include:

- **Standard reports**

Paymentech provides a variety of reporting solutions - to give the State of California participants the data they need in the form they need it. In addition to our comprehensive monthly merchant statements and paper-based reporting packages, Paymentech offers multiple reporting options to complement internal accounting systems and streamline back office operations or assist in chargeback resolutions

Statement Content

The content of the statement is based on the premise of a "two-way" reconciliation. Merchants must reconcile both submitted batches and deposits to terminal or point-of-sale (POS) reports, and reconcile fund transfers to the Client demand deposit account (DDA) statement.

To best facilitate this premise, the statement is based on the funding-transfer date, not the posting date. Thus, the statement provides information on actual deposits to the merchant account during the statement period. Since the statements are generated after final posting, funding, and fee calculation for the statement period, the posted activity should equal the funded

activity. Fees, when immediately released, will fund on the first day of the following month.

We can perform the following billing and statement combinations:

- Calculate Fees daily, collect daily (net) and statement monthly;
- Calculate Fees daily, collect monthly (net) and statement monthly;
- Calculate Fees monthly; collect monthly (net), and statement monthly.
- Calculate Fees monthly, collect monthly (net) and statement weekly or fiscal month end (under development for Fall, 2001 availability)

Statement Period

Statements are generated after settlement, and settlement occurs on the last day of the month. After the deposits of the last day of the month have been processed, the fees that were incurred during the settlement process are calculated. These fees are then posted to a warehouse and are "funded" (e.g., deducted) to the merchant's DDA on the appropriate day of the next statement period.

Thus, fees are calculated on the last day of the month, and appear on the statement in the Financial Advice section as "having been incurred but not yet transferred". This section shows the merchant the fees that they have incurred during the statement period but have not yet (as of the end of the settlement period) been deducted from their checking account. When these fees are transferred from the merchant, they will appear in the Funding Summary under the appropriate financial category, and the detail of the activity will appear in the Financial Detail section of the statement.

Merchant statements are available in hard copy or can be retrieved electronically via Moneta.

OPC's systems maintain a daily transaction log detailing each payment processed. Overnight, the company's master control system downloads files from both the State agencies account and the credit card clearing facility for the nightly batch balancing procedure. The company's systems automatically transmit a "mirror" balanced report to the State each day to ensure that the payments posted are in Automated Clearing House (ACH) processing. The daily report totals can be used by the State and its agencies for deposit slip information, to compare with their banks' records.

OPC systems also produce a monthly transaction log that outlines the total number of payments processed and the total collected by the company's systems during the period covered by the report. The report is then balanced against bank deposit statements as a final audit check.

- Special reporting capabilities

Internet Reporting

Moneta

Moneta is a new, low cost, innovative, Internet-based reporting tool that provides electronic access to a wide variety of merchant bankcard information. The Moneta service has an easy to use web interface that gives the merchant convenient: secure access to all of their bankcard account transactions whenever they need them. You can view the Moneta demo at its Website: http://home.monera-services.com.

Moneta is comprised of three components:

- Payment Services – Contains transaction, deposit, funding, chargeback, retrieval, and statement information.
- Banking Tools and Information – Links to other web sites.
- News and Resources – Information on processing products and services, and general credit card information.

Sales and Funding

- Multiple Day Funding – Funded activity information by date range over the last six months.
- Single Day Funding – Funded activity information on a given day over the last six months.
- Monthly Sales History – Transaction and chargeback/reversal information by card type over the past 3- to 18-month date range.
- Point of Sale Information – Batch deposit information for a given date or date range over the last six months.
- Rejected Transaction List – Rejected transactions and reason codes for a given date over the last six months.
- Cardholder Transaction Inquiry – Transactions for a given card number over the last six months.

Chargebacks

- Chargeback List – Outstanding, reversed, expired chargeback information over the last six months.
- Chargeback Statistics – Statistical analysis of chargeback and reversal information over the last six months.
- Cardholder Chargeback Detail – Chargeback information for a given credit card number over the last six months.

Reports

- Outlet Statement – Online copies of past six months mailed statements.

Media Retrieval

- Media Retrieval List – Outstanding, fulfilled, expired media retrieval requests by date range over the last six months.
- Media Retrieval Statistics – Statistical analysis of media retrieval and chargeback retrieval information over the last six months.

ReSource Online

ReSource Online is Paymentech's proprietary Internet reporting product that, like SE Workstation, was developed for the former merchant accounting system provided by EDS and will be available to our merchants using the new FDMS MerchantStar platform later in 2000. These proprietary products give Paymentech the advantage of offering our merchants considerably more choices in reporting than would be available to any other First Data alliance acquirer. Features that are unique to ReSource Online in comparison to Moneta include:

- Easier to drill down to import detail
- Interchange qualification/downgrade data with graphing capability
- Authorization look-up

SE Workstation

Paymentech was the first processor to offer Bankcard data in conjunction with American Express' SE Workstation product and have over 220 active users. Although originally developed for the EDS merchant accounting platform, Paymentech and FDMS are working on the capability of offering this very popular reporting product on the FDMS merchant accounting system. This enhancement will be available Q2 2000.

The initial SE Workstation release provided:

- financial reporting
- retrieval reporting/submission using a scanner
- electronic retrieval fulfillment

An enhanced version of SE Workstation has now been released. The enhanced version adds chargeback-reporting functionality. SE Workstation chargeback reporting includes dispositioned chargebacks (those processed to the merchant) and represented chargebacks (those reversed back to the issuer by Paymentech on the merchant's behalf). The chargeback data provided through the enhanced version of SEW can be viewed or printed, exported and graphed.

SE Workstation allows American Express and Paymentech merchants to electronically receive and respond to a greater percentage of credit card disputes, replacing a formerly paper and mail intensive process. This will lead to increased back office effectiveness, but also to a reduction in chargebacks

Information can be flexibly displayed using sorting and filtering options. In addition, a customized graphing option enables merchants to analyze trends, track financial data on a location-by-location basis, and break out the American Express and Bankcard volumes. Among the financial data available are payments (deposits) made to the merchant.

Data File Reporting

Merchants that run in-house reconciliation systems and/or have large transaction volumes may need more than what is available in the Internet Reporting to support their reporting needs.

Paymentech Data File Reporting

Listed below are the types of files that can be received from Paymentech.

- Combined Extract File – combination of funding and adjustment detail and transaction data including non-bankcard transaction data and dispositioned chargeback information.
- Exception File – contains retrieval and chargeback data.
- Financial Detail File – listing of all financial transactions including deposits, adjustments, dispositioned chargebacks and fees. This does not include transaction detail
- Transaction Detail File – detailed listing of all transactions by batch total and card type. Includes interchange qualification and downgrade reasons.

Cash Management File

The Cash Management file is provided in a fixed-record length (250 characters) data-file format. The files are available through a Bulletin Board System (BBS) or via transmission. This reporting product would be ideal for merchant's with daily files that are too large to retrieve using Moneta.

The Cash Management file contains the following record types:

- Header Record – Contains processing date, submission date merchant information.
- Deposit Total Record – Contains the net batch total.
- Deposit Product Total Record – Contains net batch totals by card type.
- Deposit Detail Record – Contains transaction level detail.
- Chargeback Record – Contains detail chargeback data.
- Chargeback Reversal Record – Contains detail chargeback reversal data.
- Funding Total Record – Contains total amount funded, DDA and ABA numbers, and funding method.
- Funding Detail Record – Contains detail amounts funded, DDA's, and ABA's.
- Adjustment Fee Record – Contains detail adjustments.
- Retrieval Request Record – Contains detail retrieval requests.
- Trailer Record – Contains total counts and amounts of all record types in the file.

OPC's system can produce or export data for the production of transaction reports as required by the State. OPC will provide reports listing daily detail transactions and daily summary transactions, as the well as similar monthly reports.

- **Level of detail available**

Information can be delivered at multiple levels in a designated hierarchy, depending on the agency's structure and number of locations. Please review hierarchy capabilities in Section V.

The grid below shows type of detail and reporting sources for Paymentech reporting. Web-based reporting (WEB) is available in two types:

- Moneta, the FDMS Internet reporting product - $1.95per month to merchants with

volume up to $5 million annually

- ReSource Online, the proprietary Paymentech Web reporting vehicle-designed for larger merchants-no charge to those processing over $5 million annually.

Data File Reporting is available from FDMS via the Cash Management file and Paymentech through Data File Reporting.

Please note that detail information can be retrieved for up to 6 months and financial summary information for up to 18 months. Using date selection criteria, weekly information can be retrieved. Statements are available electronically on Moneta; weekly statements will be available in the Fourth Quarter of 2001. Transaction detail is also available through the transmission of one of the Data File Reporting files.

	Daily	Weekly	Monthly
Merchant Number	Batch Report/WEB	WEB	WEB/Statement
Statement Time Period	Batch Report/WEB	Available Q 4 2001	WEB/Statement
Purchaser's Card Number	Batch Report/WEB	WEB	WEB
Transaction Date	Batch Report/WEB	WEB	WEB/Statement
Individual Dollar Amount	Batch Report/WEB	WEB	WEB
Gross Sales	Batch Report/WEB	WEB	WEB/Statement
Amount of Discount	If Daily Fee Option	Available Q 4 2001	WEB/Statement
Net Sales / Card Type	Batch Report/WEB	WEB	WEB/Statement
Number of Transactions	Batch Report/ WEB	WEB	WEB/Statement
Total Sales	Batch Report/ WEB	WEB	WEB/Statement
Total Discount	If Daily Option	Available Q 4 2001	WEB/Statement
Net Sales / Adjustments	WEB	WEB	WEB/Statement
Agency Reversal	Batch Report/ WEB	WEB	WEB/Statement
Charge-back	WEB /FAX/Mail	WEB	WEB/Statement
Retrievals	WEB/Fax/Mail	WEB	WEB
Fees / Gross	WEB if daily net	Available Q 4 2001	WEB/Statement
Year-to-date information	WEB	WEB	WEB
Transaction/Reference Number	WEB	WEB	WEB

OPC's report includes an identifier (e.g. customer id #, account #), transaction time, card type, confirmation number, and amount of payment, amount of fee, total amount charged, and a cross-reference number. For taxation agencies the report can also include the type of tax collected and the tax period. OPC currently provides these reports to the California Franchise Tax Board, Board of Equalization, and Employment Development Department.

- **Information about retrieval capabilities**

Paymentech will forward retrieval requests to the agency or Official Payments, when applicable. That information can be delivered via mail, fax or Internet (WEB) reporting, as well as SE Workstation.

OPC offers front-line research, accessible to the State, via the company's customer service department. This is provided as a security measure to protect both State and citizen information.

The Treasurer's Office can obtain information and request transaction details from Official

Payments' Customer Service department. Security and privacy issues do not allow for Treasurer's Office personnel to directly handle customer transaction information.

- **Types of report media used and available (i.e., hard copy, document image, electronic file transmission)**

  Report data is available via mail, fax, Internet or file transmission (Async or Frame), depending on the reporting product. Data from OPC is available through flat file via e-mail and hard copy via e-mail and fax.

- **Access mode (i.e., on-line, real time or PC remote batch)**

  Reporting access is through FTP for data files, Internet access, fax or mail. OPC reports are e-mailed daily, Monday through Friday.

- **Security and access control for both electronic access and hard copy**

  Securing access to hard copy reporting delivered through mail or fax is the responsibility of the receiving agency. Access to all Paymentech electronic reporting is via password. For Official Payments there are three options available to the State. File transfers can be achieved through FTP via VPN to our secured private network. If the agency prefers, files can be picked up from OPC through FTP and it will be up to each Agency to use VPN. These files can also be e-mailed plain text (unencrypted) or encrypted.

L. Customer Service

Summarize your customer service practices and procedures including:

Paymentech Customer Service Mission Statement:

"Our goal is to provide professional single-call resolution to merchant financial issues, with an emphasis on overall merchant education. Every call reflects the Paymentech commitment to superior customer service."

OPC Summary of Customer Service Practices & Procedures

OPC representatives are highly trained in resolving issues with financial transactions. As the company has dealt with a wide range of payment types, on all types of credit cards and payment methods, from citizens of all 50 states, OPC has comprehensive knowledge of taxpayer problems and how to solve them. The company will work with the State of California to ensure that any issues are resolved quickly and comprehensively to the total satisfaction of the State and its citizens.

OPC believes that a key component of the company's success is a commitment to total customer satisfaction. To that end, the company provides customer service support via four methods.

Toll-Free Live Customer Service Representatives. Highly trained OPC representatives will be on hand to answer California's citizens' questions via a toll-free telephone number.

Toll-Free Automated Customer Service Support. Customers can call a toll-free, 24-hour number to access an automated menu of Frequently Asked Questions and their solutions.

Customer Service area of Internet site. Customers with questions may visit the "Frequently

Asked Questions" section of the OPC Internet site.

E-Mail area of Internet site. Customers with questions not directly addressed on the Frequently Asked Questions areas may also e-mail these questions to OPC for handling by a trained customer service representative.

- **Customer services staffing levels by shift**

  Paymentech's customer services staffing includes 145 Paymentech Network Services (PNS) Merchant Help Desk support. FDMS Customer Service staff includes over 50 individuals dedicated to supporting the Paymentech portfolio of merchants. Shift breakdown was not available because it changes based on historical call volume.

  OPC maintains a full-time staff of 10 representatives during normal business hours (5:30 a.m. to 6:00 p.m. PST) managing both telephone and e-mail traffic. During peak tax season, staffing levels are increased fourfold to handle increased traffic and a night shift of four representatives is added. OPC constantly monitors load on the company's customer service systems and calls in additional representatives as necessary to avoid wait times.

- **Anticipated assignment of customer service representatives to individual State agencies**

  The Paymentech Client Relations Manager will be dedicated to the support of the State of California program. She is available for program level issues, and Customer Service support outside the realm of the routine calls that can be handled by either the Help Desk or Customer Service groups.

  All OPC representatives are trained to handle any questions that citizens of any of the company's clients may have. In addition, one client services representative will be assigned to specialize in the concerns of the State's agencies.

- **Hours of operation**

  Following are the hours of operation

  PNS Terminal/PC Support Help Desk and Network Support

  All of our Help Desk and Network Support groups are operational 24x7x365.

  FDMS Customer Service

  The FDMS Customer Service group will provide first call resolution to billing inquiries and chargeback issues. Their hours of operation are 24x7x365.

  Client Relations Manager

  The CRM dedicated to support of the State of California is available 8:00 AM – 5:00 PM Central Time.

  OPC Hours of operation

  Customer service representatives are available according to the following schedule:
  10/1/00-3/31/01 – Monday through Friday, 5:30 a.m. - 6:00 p.m. Pacific Time Zone
  4/1/01-4/8/01 – Seven days per week, 5:30 a.m. - 9:00 p.m. Pacific Time Zone
  4/9/01-4/17/01 – Seven days per week, 24 hours per day

4/18/01-3/31/02 – Monday through Friday, 5:30 a.m. - 6:00 p.m. Pacific Time Zone

- Response time standards by function

Terminal Support Help Desk

The most common help desk question is; "I want to verify that you received my deposit." This is normally a very short call (seconds) if the deposit has been received. Other common questions relate to terminal operation and trouble shooting. Our average talk time for all types of calls is 4 min. 30 sec. We pride ourselves on our record of over 90% single call resolution. Listed below are other common types of inquiries ranked in order of occurrence.

Customer Service

Types of Calls/Issues

- **Maintenance** - Merchant Account Updates (Address/Phone/Banking Info/Tax ID)
- **Batch Information** - Confirmation of Batch receipt/Detail of what makes up batch/Fax or Mail confirmations
- **Reconciliation** - Explanation of unknown debits and/or credits; statement reprints
- **Call Routing** – 3rd Party Referrals, Terminal Support, Pro Active Sales, Bank One, Risk Dept. Chargeback Dept., National and/or Association Account Managers, Supplies Dept., American Express/Discover
- **Equipment** - Explanation of equipment billing. Process adjustments for returned or bought back equipment
- **Add Services** - Submit additional card types (AMEX/Discover), this can also be done through Terminal Support
- **Card Issuing Bank Issues** - Referrals to Card Issuing Banks for address verification or transaction postings
- **Account Retention**- Account Retention; Process closure of account

Our Customer Service Representatives have access to 6 month's of transaction detail and 18 months of summary settlement information on line. We are proud of our record of over 90% "first call" resolution. Issues that require archival research or supervisory participation will take longer but our goal for resolution is not more than 3–5 days. Issues involving deposit funding always take priority.

OPC strives to resolve all customer concerns while the customer is on the line. Average talk time is 2 minutes, 30 seconds.

- Location(s) by function

PNS Terminal/PC Support – Tampa, Fl and Tempe, AZ
FDMS Customer Service – Hagerstown, NJ
Client Relations Management – Dallas, TX

Official Payments - Customer service operations are conducted from the company's fully secured facility in San Ramon, California. with backup provided by the Stamford, CT facility.

- Customer contact schedule

Customer Contact

Once we get beyond the initial agency calling effort and implementation period, typically the

Client Relations Manager would meet with the larger state agencies quarterly or twice per year. This is up to the individual account. We discuss volume, budget, new products, marketing, qualification levels and ways to lower costs.

Citizen Contact

Citizens who request re-contacts with e-mailed digital receipts receive them immediately upon completion of transaction. Government customers are contacted by OPC according to the parameters they dictate at the commencement of the company's service.

- **Redundancy and backup staff by function**

Paymentech Help Desk/Customer Service staffing is geared to support the peak Holiday shopping season and will be more than sufficient to support government functions, particularly at non-Holiday times such as tax season. Client Relations calls are covered by supervisor or associate when the CRM is unavailable.

During peak tax season, backup OPC customer service operations are conducted from the company's fully secured facility in Stamford, CT. All technical systems supporting customer service have been audited and approved by the IRS for maximum reliability and redundancy. These same systems will be provided for the State of California.

- **Problem resolution**

We successfully resolve 98% of all calls while the customer is on the phone. The other 2% are resolved within 24 to 48 hours of the incoming call, or a specific plan is designed to resolve the issue. Escalation for unresolved issues would be to refer the issue to the dedicated CRM and ultimately to the Marketing Representative.

Any problems or inquiries regarding the direct reconciliation of an agency's payment transactions, the transfer to the ZBA or any other payment transactions involving the contractor shall be resolved by OPC within three business days from the date of the original inquiry. Other problems and inquiries will be addressed within one week from the date of the original contact.

- **Average time to answer calls**

Paymentech's Expected Service Level (ESL) for call answer time is 80% of calls within 30 seconds. Both the PNS Help Desk and FDMS Customer Service groups have exceeded that ESL over the past 6 months.

OPC's average answer time during tax season 2001, the company's busiest time of the year, was 20 seconds. Customer service e-mails are answered within 120 minutes of receipt.

M. Training and Implementation Support

The training and support component is of particular importance to the State, as the some of agencies have no experience with card acceptance. Please describe the nature and scope of your training and support capabilities, including any materials or assistance to "market" card acceptance to the State agencies. The State is interested in understanding the level of support that can be expected from introducing the idea of card acceptance to State agencies through implementation and daily operation and support.

There are different approaches that would be taken regarding training of State agency personnel, depending on the sophistication of the POS solution used by the agency.

Point-of-Sale Terminals

Point-of-sale terminal training is handled over the phone by one of our very experienced phone trainers. The time for this training is usually thirty minutes. When time frames are tight, we can conference several locations together for a group phone training session. Easy to follow, laminated Quick Reference Guides are provided for each device installed or for existing equipment receiving a download of Paymentech software.

PC Software

PC Software products are published with a self-directed tutorial designed to assist new users. The PC software vendor's Help Desk as well as the Paymentech Network Services PC Help Desk can assist with questions. User's Guides and installation instructions are provided for all PC software purchased through Paymentech.

Electronic ECR/POS Services

The vendor usually provides training on electronic cash register systems as well as supporting user information.

On-Site Installation and Training

Paymentech's Training Department can provide Train the Trainer and On-site/Installation and Training for larger agencies. This training will cover basic point-of-sale acceptance procedures, fraud prevention, terminal or PC usage, end of day balancing procedures, etc.

The On-site installation service is required for all networked terminal products and PC Hub software. Costs for On-site installation and training will be quoted on a case-by-case basis but is generally charged at $750 per person – one time fee plus $300 per person, per day with a minimum fee of $1,050.

Official Payments Training

OPC provides ongoing help to its clients in terms of developing and expanding their electronic payment programs. In California, various employees at the FTB, BOE, and EDD are already familiar with the company's very simple, user-friendly systems.

OPC has experience in educating the company's clients on all levels of government on the successful use of all types of systems. In addition, the company prides itself on creating systems that are intuitive and easy to use, even for those who are not technically proficient.

OPC will work with the State of California to delineate lines of responsibilities while providing service accountability at all levels. Accordingly, the company's support staff will work closely with State staff to ensure support at all times.

Some training aids are listed below.

a. Technical Architecture Specification.

OPC uses only standard hardware and software tools. The company's systems use fault-tolerant RAID-1 technology hardware with hot-swap drives, fans and power supplies.

All systems run on NT with VB as the development platform.

b. System Administration.

OPC has engineered the company's systems on all levels of government, from the highest federal levels to the smallest municipalities. OPC understands the needs of government and will ensure that technical specifications of the company's system exceed California's requirements.

c. Operators Manual.

OPC has written technical operators manuals for over 1,000 systems, and the IRS, and has a staff dedicated to producing such materials in a comprehensive and technically proficient manner. In addition, with the company's vast experience in the government payments business, the company have encountered and resolved many events and errors, resolutions to which are covered comprehensively in the company's manuals.

d. User Guide.

OPC has created User Guides of the highest quality for more than 900 government clients, and the company will ensure that all details of the system are fully understood by users in the State of California.

e. Training Guide.

OPC has experience in educating the company's clients on all levels of government on the successful use of all types of systems. In addition, the company prides itself on creating systems that are intuitive and easy to use, even for those who are not technically proficient.

Identify the specific individuals who would support the implementation effort and include their areas of expertise and years of experience.

The Paymentech staff members that would participate in the conversion would include the conversion/project manager and members of his team, the Client Relations Manager, who will take over account responsibility once conversion has been completed and the Senior Account Executive, or marketing representative responsible for the sale. Information about these Paymentech individuals is included in Section V on pages 27-29.

Paymentech Conversion Project Management

The purpose of the Paymentech conversion team is to:

- Assist in the installation of the equipment and systems needed to bring a new customer into the Paymentech processing environment
- Monitor the vital functions of the merchant after the initial implementation has been completed.
- Audit the vital functions of the merchant on a regular basis.

Prior to the start of the conversion effort, we will work with the State of California to establish the appropriate hierarchy for reporting, define what reports will be provided, the frequency and delivery method, and identify and assign merchant numbers to all locations.

Official Payments

Steve Johnson, Senior Vice President, Sales – 20+ years experience in credit card payment systems and government payment systems; responsible for overseeing California state programs since 1996.

Pete Catalanello, Vice President, West Coast Sales – 15+ years experience in sales and service of electronic commerce systems; has managed California state programs since 1999.

Claire Mendonca, Regional Account Manager – 20+ years experience in credit card and other electronic payment options; has managed California state programs since 1996, excepting 2000.

Debbie Soleta, Financial Client Service Manager – 15+ years experience in financial systems, accounting, and government payment systems; has worked with California state programs since 1996.

Karen Metcalf, Financial Client Service Manager – 10+ years experience in financial client support; has worked with California state programs since 2000.

N. Implementation Schedule

Provide a timeline that describes how you will establish card acceptance by January 1, 2002, including any key dates that require action by DGS or the State agencies. Include the major tasks associated with implementation and the individuals who will be responsible for these tasks.

Conversion Plan for State of California

Some of the steps and approximate times that need to occur prior to and during conversion include:

ACTIVITY	APPROX. ACTION DATES	RESPONSIBLE PARTIES
Contract Award	Mid September, 2001	Sylvia Dunham, Pete Catalanello assisted by OPC & Paymentech Legal staff.
Targeted Agency Contact	End of September, Early October	Claire Mendonca and other OPC staff, Sylvia Dunham
Receipt of Detailed Agency Information	Early to mid November	Agency staff, Sylvia Dunham, Paymentech conversion staff and OPC.
Agency Reporting Decisions	Early December	Jennifer Henefey, Sylvia Dunham, Paymentech conversion staff
New Equipment/Software Orders	Early December	Sylvia Dunham
POS Phone Training	Mid to End of December	Paymentech Training staff and Agency personnel
New Software Downloads**	End of December, Early January	Paymentech Training staff and Agency personnel
Live Date	January 2, 2002	

Please note that the simultaneous conversion of a large number of sites that require POS terminal downloads is very difficult to achieve on a single live date due to the need to coordinate those downloads with personnel at each site. This is particularly true over a Holiday period. Arrangements may need to be made with current vendors if a few locations are not converted on the precise start date of the new contract.

Our suggestions for Agency participants include someone who completely understands all aspects of credit card processing including chargeback processing, retrievals, settlement, and systems. Also knowledge of the current processes is helpful. This person should be assigned to be the project leader on merchant side, assisted by other team members with responsibility for the retail sales, student registration, operations, back end accounting, sales audit and cash management procedures. Having one contact at each agency will make for a smooth and more efficient conversion.

OPC Conversion Plan

OPC is currently providing its IVR and Internet systems for the California FTB, BOE, and EDD. As such, there would be no implementation time required for these agencies, unless the State chooses to use a new bank/processor. Even so, implementation time would be minimal.

For other agencies and departments, OPC will work closely with the selected bank/processor's timeline to establish card acceptance by January 1, 2002. If OPC is replacing existing IVR or Internet systems, a lead-time of 60 days may be required to bring these systems live.

Please see Exhibit 7 for detailed OPC implementation schedule.

O. Implementation Support

Please discuss what actions may be required by DGS or the State agencies in preparing for conversion to your system from a POS terminal, telecommunications, technical interface or any other standpoint.

Some of the steps that need to occur prior to and during conversion that would need DGS or State agency action include:

- completion of agency enrollment forms as agreed upon by DGS and Paymentech
- receipt of a detailed list of all Point-of-Sales sites that will require unique Merchant Identification Numbers (MID). This list will need to include location information, contact names, POS interface, equipment or software, and the MIDs for all other card types (AmEx/Discover) that are being routed to PNS.
- a thorough understanding of your State hierarchy so that we can sort and deliver reporting information to the Department of General Services and to the agencies as required.
- a pre-conversion planning meeting or conference call with each of the participating agencies to decide which type of reporting fits the needs of accounting and treasury staff.
- ordering of any stand-alone POS terminal equipment or PC software, programming and delivery.
- scheduling of download and training sessions
- assistance with reconcilement once you go "live".

Official Payments

There is no conversion requirement necessary to implement the company's systems. The company's IVR and Internet systems run independently offsite and do not interface with any State of California systems. There will be some programming required to enable agencies to receive the daily flat file report.

P. Fraud and Loss Prevention Support

Describe your support services for fraud and loss prevention.

POS terminals

Paymentech applications will prompt for the key entry of the last 4 digits of the account number that is embossed on the face of the card after it has been swiped through the card reader. This procedure is designed to protect against counterfeit cards that have been re-embossed with a different number. We also recommend training procedures designed to direct employees to hold onto the card until after the sales receipt has been signed and to compare names and signatures before completing the transaction.

Transactions on the Internet

Paymentech requires the support of ***Secure Sockets Layer*** (SSL) protocol. Simply stated, SSL establishes a secure connection between the customer's browser and the merchant's Web store's secure server, encrypting all outgoing and incoming data. The secure environment for SSL is created through the use of public key cryptography. Public key cryptography allows anyone to send an encrypted message to a designated recipient, using what is known as a public key. The recipient then uses a private key to decrypt the message. Therefore, only the designated recipient has the ability to read the message. Merchants are also responsible for implementing "firewall" technologies to protect all data residing on their server.

Transaction receipts

Transaction receipts need to be secured in a manner that prevents them from being perused by unauthorized individuals. All Paymentech POS terminal software meets the new State of California requirement for the truncation of the cardholder number on all printed receipts.

Sales Reports

Sales Reports or Batch or Settlement Reports generated by the POS equipment can be developed with truncated cardholder numbers. The printing of batch reports can be restricted by password. Access to any of Paymentech's electronic reporting can also be password protected.

Fraud Training

Fraud Prevention training tools are published by Visa and MasterCard that can be provided for incorporation into staff training and procedures. MasterCard and Visa have also jointly produced an excellent video "Roadmap to Fraud Awareness" which we can provide to the agency for new employee training and fraud prevention "refreshers".

Paymentech also publishes a quarterly newsletter that is included with the merchant statement. This newsletter covers new product information as well as updates on new technology, fraud control tips, and reducing processing costs.

OPC's experience has shown that fraud is very rare in government transactions. In the company's history of nearly two million transactions, the company had only had one fraudulent attempt, which was caught and rejected by the company's systems as part of the company's credit card verification and authorization process. The identifying information required to make a payment is a significant deterrent to credit card fraud.

Q. American Express and Discover Card Processing (MR)

Describe services available for processing American Express and Discover Card transactions. Please include any requirements or arrangements by DGS or the State agencies that need to be included in American Express or Discover Card transaction processing with your service.

Paymentech can authorize, capture and convey AmEx and Discover Card data to the other card companies for agencies that have signed direct agreements. We also support American Express Plural Interface Processing (PIP). The per transaction fees for merchants not using PIP is quoted in the Pricing Section XI.

State agencies are required to establish services directly with American Express and Discover Card. Once established, OPC will then work directly with American Express and Discover Card to implement card acceptance through the company's systems.

R. System Processing and Response Times

Please indicate levels of system processing, facilities and response times as appropriate for the following:

- **Average authorization response time – expressed in seconds**

  Paymentech average authorization response time - 2.42 seconds (excluding POS equipment speed).

  OPC's average response time is typically two seconds on the company's IVR system and five seconds for the company's Internet system.

- **System reliability – expressed as a percentage of clock time**

  Paymentech system reliability- 100% during 2000.

  OPC systems are up 99.9% of the time or 59.9 minutes per hour.

- **Scheduled downtime – frequency and duration**

  Paymentech scheduled down time- 0%.

  Downtime is infrequent. OPC's systems are down periodically for 30 minutes at midnight (PST) for scheduled maintenance and upgrades.

System redundancy

Paymentech system redundancy – 100%

The OPC Payment Center features the highest level of encryption technology (128-bit SSL, version 3) and a secured private network. OPC operates multiple payment server sites to

ensure complete data redundancy and reliability.

S. Credit/Charge Card Transaction Set (MR)

The State requires support for the full range of credit/charge card transactions. Please indicate your system and terminal support in the table below:

Credit/Charge Card Transaction Set

Levels of Service	Currently Available	Planned Availability	Comments
VII.1 Sales Authorization	X		
VII.2 Credit (returns)	X		
VII.3 Pre-authorization	X		
VII.4 Pre-authorization Cancellation	X		Cancellation of an authorization is at the will of the Issuing Bank with the exception of certain types of authorization reversals as defined by Card Association regulations for specific industries such as hotels.
VII.5 Post Authorization	X		
VII.6 Purchase Cancel	X		Purchases can be cancelled (voided) within the day/batch of activity. Purchase cancellations outside of the same day/batch would require the issuance of a credit.
VII.7 Off-line Purchase	X		Off-line or delayed batch authorization is available using the Hypercom ICE terminal and PC software

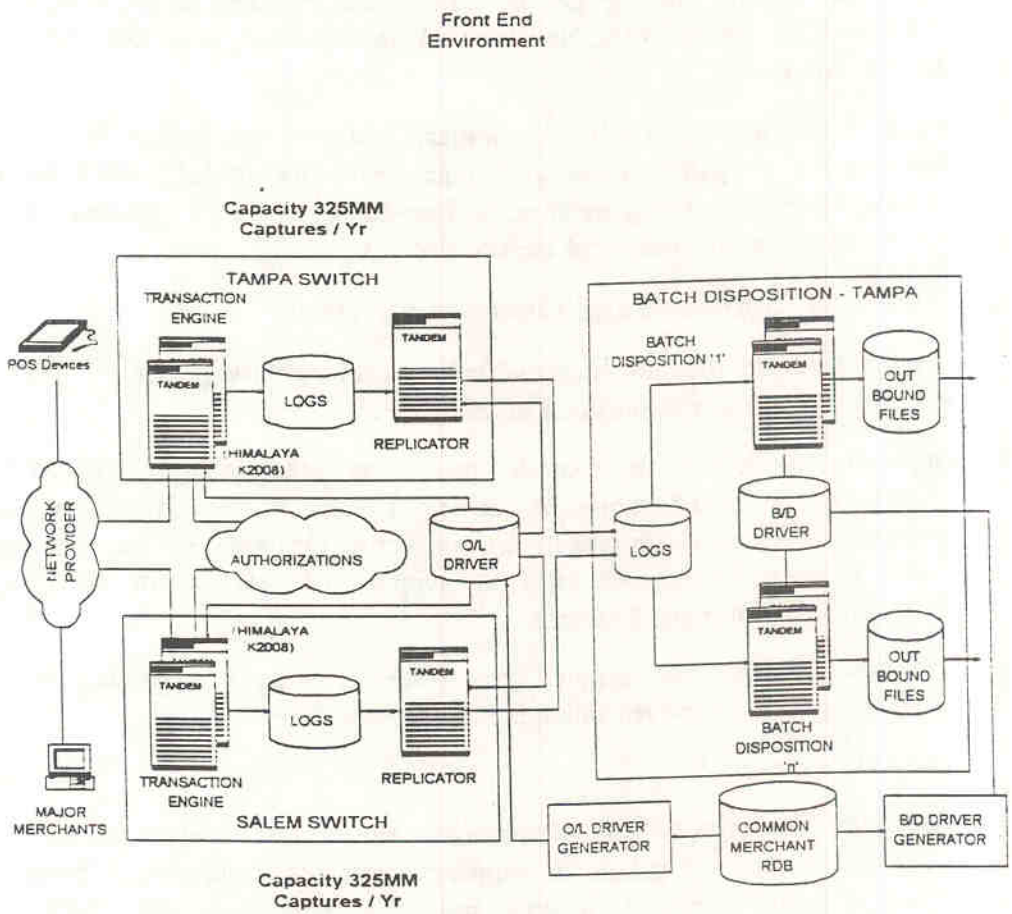
SECTION VIII

TECHNOLOGY & COMMUNICATIONS CAPABILITIES

A. Computer Systems, Facilities and Sites

Please describe your data processing facilities, configurations, and location(s). If there are multiple sites, please explain load allocation and the current capacity loading of each processing facility, and any likely effects on DGS or the State agencies.

All online and batch processing services provided by Paymentech are supported by computer systems manufactured by Tandem Computers, the world's leader in non-stop, fault tolerant architecture. Online systems include Tandem's Himalaya (K2000), with Cyclone processors and Stratus' Continuum 1228 and 1229 processors serving all batch operations. These systems are fully redundant and fault tolerant. The hardware and software environment can be considered state-of-the-art for the transaction processing industry. Paymentech utilizes a load-balanced, multiple data center processing arrangement to ensure the highest possible availability and business continuity. We use two geographically separate data centers and process roughly 50% of our volume at each site. In the event of a disaster that disrupts a processing center, all transaction processing will be moved to the alternate surviving site.



The Tampa data center is identically replicated in our Salem, New Hampshire data center, providing a hot site backup in the event of a system disaster. This system is constantly being updated over high capacity T1 communication lines, to ensure the backup site is current within seconds of the primary system. This means the elimination of customer downtime for system maintenance/upgrade enhancements. While one system is down for maintenance transaction volume can be routed to the alternate data center. This also means in the event of a disaster at

one data center, all transactions could immediately be routed to the alternate system. Each system is sized to accommodate 130% of current transaction volume during system down periods.

Short of catastrophic failure of both independent sites the likely effects upon DGS or the State will be negligible.

Official Payments

All OPC facilities and operations therein are engineered specifically for the government sector and have passed repeated audits by the IRS's Tiger Team for security and stability. The primary facility is located in San Ramon, CA. Backup facilities are located in Northern CA and Stamford, CT. The load-balanced server farms at these facilities can handle several thousand concurrent phone or Web-based transactions. The current system has never exceeded 10% of capacity; OPC doubles the operating environment each time load reaches 40%. Load allocation is built from a flagship enterprise environment with no single point of failure.

All primary facility servers are configured to fail-over to alternate devices, keeping the entire system in production with little or no interruption in service. Should the primary site become inoperable, systems and services are immediately switched to the company's backup site in Northern CA. Servers at the Northern CA backup facility have identical functions to those at the San Ramon site.

Should a disaster impact both the primary facility in San Ramon and the backup facility in Northern the company's corporate headquarters in Stamford, CT serves as the devastation site backup center. All systems are monitored constantly by OPC's Infrastructure Group, which can achieve uptime in minutes for all backup systems

B. Hardware, Software, and Operating Systems

Briefly describe the hardware, software, and operating systems that will be used to support the services as outlined in this RFP.

Approximately 50% of Paymentech's processing activity is performed on Tandem, Himalaya (K2000) servers with Cyclone processors. The major operating system consists of a 100% proprietary version of Compaq's Nonstop Kernel Operating system. Examples of other third party software Paymentech uses in support of this system are Prognosis, Enguard, Extractor/Replicator and Tektonic.

Alternately Paymentech employs Stratus servers using a proprietary version of the VOS operating system for the remaining 50% of processing.

Official Payments

Hardware: The core of OPC's network is the best-of-breed router system, engineered for maximum security and stability in compliance with IRS requirements. Supporting the routers is a line of intrusion-resistant firewalls and a Cisco switching atmosphere. These protect an environment of OPC servers and databases, protected by VLANs.

Server hardware includes multiple tool racks, a front-line farm of fault-tolerant Web and IVR servers, and an application layer to ease front-end system load. All information is stored in a clustered database environment.

Software & Operating Systems: OPC operates within Windows architecture, recognized as the leader in security. In addition, OPC employs a variety of systems including Unix, Linux, DOS, HP, and others to provide solutions for a wide variety of government entities.

OPC IVR and Internet services are operated via proprietary enterprise web/IVR software run on the above systems.

OPC's data backup and recovery process is driven by Veritas NetBackup software. Veritas NetBackup enables management of the storage cartridges, as the well as complete real-time and historical analysis of all backup and recovery operations. Backup is supported by a sophisticated rotational robotics system, reducing human interaction and the possibility for error. Backup data is vaulted in a highly secure Northern CA location.

C. Provisions for Normal Operating Problems

Describe provisions for normal operating problems. Summarize the system and facility redundancy strategy in design and in operation.

The Paymentech Network Service Tampa data center is identically replicated in our Salem, New Hampshire data center, providing a hot site backup in the event of a system disaster. This system is constantly being updated over high capacity T1 communication lines, to ensure the backup site is current within seconds of the primary system. This means the elimination of customer downtime for system maintenance/upgrade enhancements. While one system is down for maintenance transaction volume can be routed to the alternate data center. This also means in the event of a disaster at one data center, all transactions could immediately be routed to the alternate system. Each system is sized to accommodate 130% of current transaction volume during system down periods.

Official Payments

1. **Database Servers**

   a. Transaction Database Servers are set to route to hot backup servers. As an auxiliary backup option, a set of cold servers is maintained and can be installed and brought live within minutes.

   b. Client Database Servers are set to route to hot backup servers. As an auxiliary backup option, a set of cold servers is maintained and can be installed and brought live within minutes.

2. **IVR Servers**

   Official Payments an IVR server farm in the San Ramon facility. The servers can handle a peak capacity of 8,064 simultaneous calls before calls begin rolling to the company's backup facility in Northern CA. As an auxiliary backup, a set of cold servers is maintained and can be installed and brought live within minutes.

3. **Web Servers**

   The Web server system encompasses 10 fault-tolerant Web servers, established in a cluster environment. OPC's cluster environment is a group of independent computers working together as a single system to ensure that the company's payment systems are never down. The group is managed as a single system, and is specifically designed to tolerate component

failures, and to support the addition or removal of components in a manner transparent to users. As an auxiliary backup, a set of cold servers is maintained and can be installed and brought live within minutes.

4. Credit-Card Processing Servers

OPC's multiple credit-card processing servers are set to automatically roll to backup servers, configured on entirely separate circuits to ensure that no single point of failure exists in the system. The servers use a variety of technologies to communicate with processing entities. As an auxiliary backup, a set of cold servers is maintained and can be installed and brought live within minutes.

5. EDI Servers

The EDI server is manned during its daily operation by Senior Engineers, to monitor that data transmission is successfully completed. The EDI server can be replaced with a cold backup server, which can be brought live within minutes. This ensures minimal delay in transmission of data. Data transmission is protected by 3DES encryption, the highest legal encryption level allowed by the U.S. government.

D. Emergency

Describe provisions for back-up and recovery in an emergency situation or in loss of power circumstances. Please address your ability to operate on a sustained basis independent of public sources of electrical power. Summarize the crisis contingency plans for each processing facility.

Paymentech uses a load-balanced, dual data center-processing configuration to assure the highest possible availability and business continuity. We use two geographically separate data centers and process roughly 50% of our volume at each site. In the event of a disaster that disables a processing site, all transaction processing can be moved to the surviving site.

In addition to the interchangeability of each redundant processing site each facility is equipped with a UPS capable of supplying all necessary power for short term, independent operation. Additionally each site can operate fully independent of external power for several days using diesel generators and fuel located on the premises.

All backup power supplies are systematically tested on a weekly basis in order to assure availability for activation.

Official Payments

Hardware Backup

Should the primary site and the primary backup generator both become inoperable, systems and services are immediately switched to the company's backup site in Northern CA. Sprint immediately routes calls to Northern CA when unable to connect to the primary facility, so system users experience no significant transaction delay.

Characteristics of the Northern CA facility include a diesel generator for power back-up; highly protected with fences and secured doors; earthquake-proofing from above and below; and heavy shielding from electro-magnetic radiation. Servers at the Northern CA backup facility have identical functions to those at the San Ramon site.

Software Backup

Should the primary site become inoperable, data must be retrieved from stored cartridges. A complete set of data are stored onsite in a waterproof, padded, fireproof safe for approximately one month, ensuring that the company always has immediate access to a full copy of the latest data backups. Should the data onsite be destroyed, two separate sets of data are maintained outside of those in the San Ramon facility:

1. Northern CA Backup Data. Once weekly, a complete update of data is transferred to the Northern CA facility. This data is immediately available to OPC engineers dispatched to the Northern CA site.

2. Vanguard Vaults Backup Cartridges. Weekly, a complete set of updated data cartridges are shelved at Vanguard Vaults in Elk Grove, CA. Vanguard Vaults is the only vaulting facility in California located outside of both earthquake and flood zones. Vanguard guarantees delivery of these vaulted cartridges to Northern CA within three hours.

Devastation Site: Stamford, CT

Should a disaster impact both the primary facility in San Ramon and the facility in Northern CA, engineers would retrieve vaulted data from Vanguard Vaults, the only vaulting facility in California located outside of both earthquake and flood zones. Engineers would then transport the data to the corporate headquarters in Stamford, CT and begin the process of rebuilding the systems. The Stamford location is equipped with scaled-down servers that can be converted to IVR boxes while the remainder of the facility is stocked with the proper equipment to bring the systems to full capacity.

E. Communications and Network

Summarize the communications and network architecture you use to provide the services listed in this RFP.

Online and batch processing services provided by Paymentech are supported in part by computer systems manufactured by Tandem Computers, the world's leader in non-stop, fault tolerant architecture. System models include Tandem's Himalaya (K2000), with Cyclone processors and Stratus' Continuum 1228 and 1229 processors serving all batch operations. These systems are fully redundant and fault tolerant. The hardware and software environment can be considered state-of-the-art for the transaction processing industry. Paymentech utilizes a load-balanced, multiple data center processing arrangement to ensure the highest possible availability and business continuity. We use two geographically separate data centers and process roughly 50% of our volume at each site.

OPC Network Architecture Design

The design of the network infrastructure consists of powerful routers and switches, building out separate VLANs, which maximize effective routing of traffic among the tiers. The infrastructure includes measures such as a firewall to ensure security. Each tier of each environment has its own separate VLAN. The entire infrastructure operates at 100 Mbps with full duplex for maximum bandwidth. The VLANs are configured to efficiently route using an MSFC card. The MSFC card enables setup of a router on the switch in a logical location, creating a three-level switch and enabling each environment to communicate with the other without unnecessary congestion.

As each tier of the system operates on a separate VLAN, the system is extremely efficient. Each server operates on an independent route as directed by the MSFC. This intra-VLAN routing enables each tier of the system to segregate ports of the router instead of sharing a single VLAN, leading to logical and functional division of traffic and more efficient routing of packets.

Network Architecture Implementation

Building upon this infrastructure, OPC has dropped in a three-tiered system. In this system, the three-tiered environment includes a web server at tier one: an application server at tier two; and a database server at tier three. Each tier sits on a different VLAN as established in the network architecture. Such architecture optimizes the network and increases the probability of high systems availability.

Implemented in the network architecture are the load-balancing and fail over solutions. OPC utilizes Cisco's load-balancing solutions to properly route traffic and minimize congestion on the web server, increasing efficiency and minimizing server downtime. OPC's application server is load-balanced using the Weblogic product. The database server utilizes Microsoft's clustering to give it high availability through automatic fail over.

- **Indicate the communications and network technical support hours of operation (PST).**

  The communications and network technical support hours of operation are 24x7x365. Paymentech's data operations centers are manned by multiple levels of system engineers and operations staff at all times. The engineers and staff that are not on duty are on call via pagers and cell phones while away from the data centers.

  Communications and network technical support are available Monday through Friday, 7:30 a.m. to 6:00 p.m., Pacific Time Zone. The State of California will be provided with a technical contact reachable by pager 24 hours a day in the event of an emergency. The company's Senior Network Engineer and additional technical staff reside 200 yards from the main facility in San Ramon, CA and can be on site in minutes in the event of an emergency.

- **Outline the response time standards supported by your technical operations.**

  The communications and network technical support hours of operation are 24x7x365. Paymentech's data operations centers are manned by multiple levels of system engineers and operations staff at all times. The engineers and staff that are not on duty are on call via pagers and cell phones while away from the data centers.

  OPC's technical operations group strives to resolve problems immediately, with no downtime to the customer. Once problems are identified and interim solutions are in place, the group strives to reach permanent resolution within 24 hours.

- **List the carrier(s) that provide your primary and any secondary telecommunications service.**

  Paymentech uses the services of AT&T, Sprint, MCI, Qwest, Uunet- (Worldcom, MCI, and Compuserv)

  PacBell administers OPC's local lines; Sprint and PacBell administer long-distance lines. Expresstel and Intermedia provide additional redundancy and telecommunications support.

SECTION IX

TERMINAL SUPPORT SERVICES

A. Terminal Installation and Support (MR)

Individual agency terminal requirements may vary; however, all agencies will require complete "turnkey" terminal installation, training and support services. Terminal lease/purchase/rental, installation and support should be included in the bidder's proposal so that a separate contract for terminals is not required.

Please list all POS terminal equipment manufacturers and models that are available and supported.

New Equipment Available	Existing Equipment Supported
Hypercom T7E	VeriFone XL 300
Hypercom T7P with integrated printer	VeriFone Zon Jr XL
Hypercom T77T, T77F, T77S, T7PT	VeriFone Zon Jr. Plus
Hypercom ICE 5500	P 250 Printer
VeriFone Tranz 380	**Discontinued Support**
VeriFone Tranz 330	Taltek Terminals
VeriFone Tranz 460	Omron Terminals
VeriFone Tranz 380x2 - 256k & 552k	Printer 200
Omni 3200 with integrated printer-5 year warranty	Citizen Printer 560/562
TeleCheck Eclipse w/MICR Reader & Scanner	Citizen Printer 3530/3550
Lipman Nurit 3010 (Wireless)	Hypercom S7/S7CR PIN Pad
P 900 Printer	VeriFone PIN Pads 101, 102, 201, 302*
Silent Partner Printer	
Hypercom P7E Printer	*PIN Pads must be upgraded due to
VeriFone PIN Pad 1000	new Visa DUKPT requirements
Hypercom S8 PIN Pad	

B. Terminal Functions

The table below lists a series of POS terminal credit authorization, EDC, and settlement-related functions that facilitate card acceptance. Please indicate whether each of the functions is currently supported through your system and the terminals supported or, if not currently supported, when the function will be supported. Please add any explanatory comments that may be appropriate.

Functions/ Capabilities	Currently Available	Planned Availability	Comments
IX.1 Batch entry of off-line transactions	X		On Hypercom ICE
IX.2 Batch authorizations of off-line transactions	X		On Hypercom ICE
IX.3 Identify (flag) off-line transactions	X		

Functions/ Capabilities	Currently Available	Planned Availability	Comments
IX.4 Include off-line transactions in batch totals	X		
IX.5 Recall transaction by sales receipt	X		Paymentech sequence number
IX.6 Recall transaction by card number	X		
IX.7 Edit entries (or prompt) for required information	X		
IX.8 Scroll transaction log	X		
IX.9 Enter transaction edits/ adjustments	X		
IX.10 Display stored transaction records	X		
IX.11 Display magnetic stripe data for stored transactions	No		Track II mag-stripe data is stored in terminal and at the host, but is not displayed at the terminal for security and fraud prevention reasons
IX.12 Last transaction reprint	X		
IX.13 Pre-programmed alternate telephone numbers	X		
IX.14 Automatic download of terminal data	X		Auto close feature
IX.15 PIN pad support	X		Visa-mandated DUKPT will be live September 1.

Functions/ Capabilities	Currently Available	Planned Availability	Comments
IX.16 Smart card/chip card support	X		Paymentech has supported Visa Smart Debit/Credit (VSDC), Visa's migration plan to convert from mag stripe to chip technology, on our Retail platform since 1999.
IX.17 Data collection and support for preferential card interchange rates	X		Paymentech always submits transactions at the lowest possible qualified rates.

SECTION X

SETTLEMENT & DATA TRANSMISSION SERVICES

The table below lists a series of card payment settlement and data transmission functions that facilitate card acceptance and payment reconciliation and settlement. Please indicate whether each of the functions is currently supported through your system and equipment or, if not currently supported, when the function will be available. Please add any explanatory comments that may be appropriate.

Functions/ Capabilities	Currently Available	Planned Availability Date	Comments
X.1 System calculates totals and summaries	X		All of our class "A" products offer settlement reports that include totals and summaries.
X.2 Support reconciliation of terminal log to paper transactions	X		All of our class "A" products offer batch reports that contain a detail log of transactions that occurred during that particular open batch.
X.3 Multi-point settlement transmissions	X		Our Hypercom, Omni and Tranz products support split dial along with various PC products.
X.4 Host verification of settlement transmissions	X		**Host Capture** products offer a "Batch Released" confirmation along with batch totals and summaries at the time of batch closing. **Terminal Capture** products offer an "OK" number confirmation along with batch totals and summaries at the time of batch closing.
X.5 Host verification of totals	X		All of our Host capture products have the ability to do batch "inquiries" by dialing to the host.
X.6 Summary of sales and credit transactions for payment	X		All products support summary reports that include all sales, refunds and offline transactions.
X.7 Reporting levels and distribution options	X		All of our class "A" products offer settlement reports that include totals and summaries.

SECTION XI

PRICING

The pricing structure in your proposal will apply to any and all State agencies that choose to engage your services. This approach will prevent the need for additional procurements by individual agencies. However, neither the State nor DGS makes any representation that any State agency will choose to engage the services of any particular contractor under the Master Services Agreement to be established as a result of this RFP.

A. Combined Volume Pricing

Under the Master Services Agreement it is anticipated that the transaction volumes and card activity of all agencies that engage the same contractor will be combined to qualify for any volume, discount, or tier based pricing and fees. Please indicate your understanding and agreement to this in your pricing schedule.

Paymentech's pricing is based on an estimate of the aggregate volume we expect to enroll as a participant in the Master Services Agreement.

OPC pricing will be 2.5% of the transaction amount for all tax-based agencies. This is currently the pricing agreement OPC has with the California FTB, BOE, and EDD. Non-tax based transaction convenience fees will be assessed according to OPC Tier 67. Please see Exhibit 8 for Tier 67 pricing.

B. Term Pricing Schedule

Pricing schedules are to cover the three-year period from January 1, 2002 through December 31, 2004 and subsequent extensions, if any, until the expiration of the entire term of the MSA.

Paymentech pricing quoted on the following pages will be in effect for the term of the proposal, with the exception of a potential pass through of industry-wide changes in MasterCard or Visa Interchange and Dues and Assessments.

OPC acknowledges and accepts the Term Pricing Schedule provided increases in pricing are permissible when interchange fees are raised.

C. Service Level Pricing (MR)

Discount rates should be provided for each of the Levels of Service to be made available as outlined in Section VI, Levels of Service.

Paymentech has created a grid based on anticipated interchange qualification levels for each level of service plus any **optional** ancillary fees that might be related to that particular service.

Levels of Service	Expected Interchange Qualification	Rates**	Other Fees - Authorization/Processing Charges based on Average Ticket Size
VI.1 Manual (MR)	Visa Standard MasterCard Standard	2.30% + $.10 2.65% + $.10	(Optional) Paper Batch Deposit Fee - $1.50 per batch (Optional) Paper Processing (per item) - $0.50
VI.2 Authorization only (MR)	Visa Standard MasterCard Standard	2.30% + $.10 2.65% + $.10	(Optional) Paper Batch Deposit Fee - $1.50 per batch (Optional) Paper Processing (per item) - $0.50 Electronic Authorization - Bundled
VI.3 EDC (MR)	**Card Swiped** Visa CPS Retail MasterCard Merit 3	 1.38% + $.05 1.36% + $.10	

Levels of Service	Expected Interchange Qualification	Rates**	Other Fees - Authorization/Processing Charges based on Average Ticket Size
VI.4 Check Authorization Services	SCAN TeleCheck (Guarantee/ECA Rate)	$.25 per item 1.65%	TeleCheck Other Fees Monthly Fee - $5.00 per location Monthly Minimum - $35.00 per location Per Transaction - $0.21 Customer Requested Opr. Call - $1.50 pre call
VI.5 Electronic ECR/POS Interface	Various applicable Interchange rates Optional- Leased Line Circuit Frame Relay Circuit No additional costs if dial connectivity.	TBD $660.00 per month	*Optional Dedicated Circuit Includes:* AT&T Frame Relay circuit (custom engineered 56KB circuit) Local connectivity to AT&T frame access point No installation charges Cisco Router with the added bonus of built in dial backup capability (customer supplies phone line) Network monitoring and troubleshooting from Tampa Next day replacement of router equipment if necessary
VI.6 PC Interface	Various applicable Interchange rates		
VI.7 Plural Interface Processing		No Fee	
VI.8 Mail Order Telephone Order (MOTO) (MR)	**Non Card Swiped** Visa Emerging Mkt. Merit 1 **Tax Agencies** Visa CPS Card Not Present EIRF (if no AVS)	 1.43% + $.05 1.85% + $.10 1.80% + $.10 2.00% + $.10	
VI.9 Internet Processing (MR)	Same as above		See Other Fees for Optional Gateway Services (Non OPC)
VI.10 Debit Card Processing (MR)	Visa Check Card (Offline) All Card Networks Optional (Online)	1.25% + $.10 $0.30	
VI.11 Interactive Voice Response (IVR) Interface (MR)	OPC Convenience Fee Rate	2.5% or Tier 67 Grid	Through Official Payments
VI.12 IVR Support & Fulfillment (MR)	OPC Convenience Fee Rate	2.5% or Tier 67 Grid	Through Official Payments

**Note: Add Dues and Assessments -MasterCard .095% - Visa .084%

D. Bundled Pricing (MR)

Discount rate quotes should be bundled to include all processing-associated costs including, but not limited to, authorization and capture, pass-through costs, the cost of transferring receipts to ZBA, interchange rate of the bank card associations, all related reporting, the cost of bonds, insurance, permit fees, taxes and any costs incidental to providing credit card processing services. The discount rate must reflect all of the vendor's costs to the State for processing services, excluding terminals, and must be inclusive of all transaction types.

- Discount rates must be provided for bankcards (MasterCard and Visa) (MR).

Merchant Discount Fees (Passed Through from Card Associations)

Credit Card Interchange	VISA	MasterCard
CPS Retail (Card Swiped-Settled in 24 hours)	1.38% + $.05	
Merit 3 (Card Swiped-Settled in 24 hours)		1.36% + $.10
Check Card (Card Swiped-Settled in 24 hours)	1.25% + $.10	
CPS Card Not Present – MCC 9311 (requires AVS request)	1.80% + $.10	
Visa CPS Emerging Market – MCC 9211. 9222. 9399	1.43% + $.05	
Commercial Card (T&E or without enhanced data)	2.10% + $.10	
EIRF – MC9311 (Keyed without AVS or delayed settlement)	2.00% + $.10	
Visa Commercial Card Standard	2.35% + $.10	
Visa International Electronic	1.00%	
Visa International Standard	1.44%	
Visa International Commercial Card	1.80%	
Merit I (MO/TO)		1.85% + $.10
Standard	2.30% + $.10	2.65% + $.10
International Electronic		1.37%
International (Standard)		2.10% + $.10
US Corporate Face-to-Face		1.36% + $.10
US Corporate Data Rate I (Keyed)		2.35% + $.10
US Corporate Data Rate II (Keyed) – Level II data		1.75%
US Corporate Data Rate III (Keyed) –Line item detail		1.50%
US Corporate Standard		2.65% + $.10
US Corporate Large Ticket		0.85% + $40.00
International Corporate & Purchasing		2.10%
International Corporate Purchasing – Large Ticket		.75% + $30.00
International Corporate Purchasing Data Rate II		1.55%
Automated Fuel Dispenser (must be certified)	1.50 + $.05	1.80%
Dues and Assessments	**VISA**	**MasterCard**
	0.084%	0.095%

Industry-wide Interchange. Dues and Assessment changes will be passed through at cost, upon thirty days written notice.

Processing Fees by Agency Average Ticket Size (Revised)

0-$30 Per Authorization	$31-$75 Per Authorization	$76-$125 Per Authorization	$126-$300 Settlement	$301 - $500 Settlement	Over $501 Settlement
$0.11	$0.145	$0.22	0.17%	0.155%	0.14%

- **Please verify that your system supports the preferential rate of the bankcard associations and charge card companies.**

Paymentech will automatically submit transactions at the lowest qualified rate. As an example - a Visa Check Card transaction of $7.00 would be submitted at Visa CPS Retail, even though it qualifies for the Check Card rate because the Visa CPS Retail rate results in a lower fee.

Visa Check Card rate is 1.25% + $.10	On a transaction of $7.00 = $.1875
Visa CPS Retail rate is 1.38% + $.05	On a transaction of $7.00 = $.1466

All discount rate quotes are to be applicable to all current and future card acceptance during the term of the initial Master Services Agreement and any extensions.

Industry-wide Interchange, Dues and Assessment changes will be passed through at cost, upon thirty days written notice.

E. Funds Availability Option

Indicate any pricing variations associated with funds availability schedules and the options available to State agencies.

There is no other Funds Availability Option than what is represented in Section VII, G..

OPC charges its convenience fee (see G. Other Costs) as a percentage of transaction or according to our tiered convenience fee schedule, therefore there are no pricing variations associated with funds availability schedules and the options available to State agencies.

F. Terminal Pricing

It is preferred that terminal pricing be separate. If, however, terminal pricing is included in the discount rate, it must be clearly identified as such. Terminal fees should include a description of the available equipment and any options, as well as purchase, rent or lease options. Include any additional fees associated with terminal maintenance and operation including shipping costs, maintenance fees, and any other labor or service fees.

Equipment Lease and Rental will require the execution of a separate agreement with Northern Leasing.

Equipment/PC Software Options

Type of Equipment	Purchase	Rental	Lease-36 Months	Lease-48 Months
Hypercom T7E	$460.00	$35.00	$37.00	$31.00
Hypercom T77T, T77F, T77S, T7PT	$555.00	$35.00	$37.00	$31.00
Hypercom T7P with integrated printer	$540.00	$35.00	$37.00	$31.00

Hypercom ICE 5500	$555.00	$35.00	$37.00	$31.00
VeriFone Tranz 330	$365.00	$35.00	$25.00	$22.00
VeriFone Tranz 380	$450.00	$35.00	$30.00	$26.00
VeriFone Tranz 380 w/P900	$640.00	$35.00	$35.00	$30.00
VeriFone Tranz 380x2 256k	$495.00	$35.00	$31.00	$27.00
Omni 3200 with integrated printer-5 year warranty	$479.00	$35.00	$35.00	$30.00
TeleCheck Eclipse w/MICR reader/scanner	$725.00	$35.00	$40.00	$34.00
Lipman Nurit 3010 (Wireless)	$1,149.00	N/A	$55.00	$45.00
P 900 Printer	$275.00	N/A	$15.00	$13.00
Silent Partner Printer	$259.00	N/A	$14.00	$12.00
Hypercom P7E Printer	$230.00	N/A	$17.00	$15.00
VeriFone PIN Pad 1000	$160.00	N/A	N/A	N/A
Hypercom S8 PIN Pad	$179.00	N/A	N/A	N/A
Auxiliary RS 232 Card Reader (wedge style)	$147.00	N/A	N/A	N/A
Auxiliary AT Port Card Reader (wedge style)	$210.00	N/A	N/A	N/A
Manual Imprinter	$35.00	N/A	N/A	N/A
Terminal Support				
24 Terminal and PC Help Desk Support	No Charge	N/A	N/A	N/A
Equipment Swap and Repair (under warranty)	$35.00	N/A	N/A	N/A
Equipment Swap and Repair (existing not under warranty)	$135.00	N/A	N/A	N/A
Type of Software	**Purchase**	**Rental**	**Lease-36 Months**	**Lease-48 Months**
Tellan/CyberCash				
PC Authorize (Windows or MAC)	$355.00	N/A	N/A	N/A
Each Additional Merchant #	$50.00	N/A	N/A	N/A
PC HUB 2 Pack (Windows or MAC)	$440.00	N/A	N/A	N/A
PC HUB 5 Pack (Windows or MAC)	$615.00	N/A	N/A	N/A
PC HUB 10 Pack (Windows or MAC)	$949.00	N/A	N/A	N/A
Atomic Software	$349.00	N/A	N/A	N/A
Authorizer for Windows (1-4 users)	$349.00	N/A	N/A	N/A
Authorizer for Windows (1-24 users)**	$549.00	N/A	N/A	N/A
Multi Merchant Authorizer for Windows (10)**	$690.00	N/A	N/A	N/A

**Note: These items must be ordered from the software vendor. Paymentech will assist in placing the orders. Other Equipment and Software Options will be added as new products become available

G. Other Costs

All of the bidder's costs to the State should be included in the pricing as outlined above, and must be consistent with the requirements outlined throughout this RFP. If, however, there are pricing issues or options that require further or separate explanation, the bidder should be clear on the price to the State and where such fees are applicable. .

Because of the range of processing options available through Paymentech, it would be impossible to bundle these fees in the merchant discount rates. Please see below for a detailed list of other costs.

Other Fees

Processing Fees	Per Transaction
American Express/Discover Authorization, Capture & Convevance	$0.12
Voice Authorization	**Bundled**
Electronic Address Verification Service	**Bundled**
Voice Address Verification Service	**Bundled**
Chargeback Handling	**Bundled**
ACH Funds Transfer	**Bundled**
Online Debit Fees	$0.30
Optional TouchTone Capture (in addition to regular per item fees)	$0.30 auth/$0.075 settlement
Optional Paper Deposit Fee Per Deposit Batch	$1.50
Optional Paper Process Fee (per item)	$0.50
Optional Check Services	
SCAN Check Verification	$0.275 per check
TeleCheck ECA and/or Guarantee	
ECA/Guarantee Rate	1.65%
Monthly Processing Fee	$5.00 per location
Monthly Minimum	$35.00 per location
Per Transaction	$0.21
Customer Requested Operator Call	$1.50 per call

Optional Miscellaneous Fees-Additional Services	Price
Internet Service Offerings (Non-OPC)	
Atomic iAuthorizer**	
Web Terminal set-up fee	$199.00
Web Terminal monthly fee	$19.95
Per Transaction fee (all services)	$0.09
Pay Button set-up fee	$349.00
Pay Button monthly fee	$19.95
Web Store (25 products) set-up fee	$599.00
Web Store (25 products) monthly fee	$49.95
Developer's Kit set-up fee	$569.00
Developer's Kit monthly fee	$29.95
Cybersource**	
Set-Up Fee	$250.00
Monthly Fee	$50.00
Additional Transaction Fee	$0.15
Verisign**	
Set-Up Fee	TBD
Monthly Fee	TBD
Additional Transaction Fee	TBD
Authorize.net**	
Set-Up Fee	$150.00
Monthly Fee	$30.00
Additional Transaction Fee	$0.08
US Wireless Service	
Set-Up/Activation Fee	$50.00
Monthly Fee	$25.00
Additional Transaction Fee	$0.05

**These products must be purchased directly from the vendor. Prices quoted are approximate, for information only. Other third party products and vendors will be added as they become available.

Paymentech Reporting Options

Standard Monthly Merchant Statements	Bundled
Moneta Online Reporting (Optional)	
Per User, Per Month	$1.95
ReSource Online Reporting (Optional) – for agencies with over $5 million in volume	No Charge
SE Workstation Reporting (Optional) (Combined AmEx and Bankcard Reporting)	
SE Workstation – One Time Set-up Fee	$400.00
Monthly Maintenance Fee (First Year)	$36.00
Monthly Maintenance Fee (After First Year)	$8.00
Cash Management Reporting (Optional)	No Charge
Data File Reporting (Optional)	$150.00 per report type per month

Explanation of Paymentech Pricing and Assumptions

1. Paymentech has structured the pricing so that all transactions are charged at the actual level of MasterCard and Visa qualification or exactly the same rates that have been assessed by the card associations with no mark up or surcharging for downgrades. We are also "passing through" the Dues and Assessments for each transaction.
2. Interchange is refunded on credits/returns but Dues and Assessments are not refunded. In other words, Merchant Discount Percentage Rates are calculated on volume net of refunds and credits. Paymentech per item fees are not refunded.
3. Since there are so many different processing options, levels of interchange qualification and possible acceptance channels, it is impossible for us to provide a "bundled' or totally percentage rate for all fees. Although the pricing structure may seem complicated, we feel this is the fairest way to assess fees and has worked well in other states. Attempts by Paymentech to come up with some bundled average estimate would probably result in higher fess to the agency.
4. The Paymentech fees are charged at a per item rate or percentage basis point rate, depending on the actual or estimated average transaction size of the agency. Actual average transaction history will be reviewed during the first year to determine the accuracy of the original projection. If the average ticket is different from the original estimate and results in a change in the rate, that change will apply going forward. There will be no retroactive adjustment of the fees paid.
5. Payments and convenience fees received from Official Payments Corp. will be charged as two separate transactions. The State will receive a full deposit of the fee or tax. The corresponding Interchange, Dues and Assessments and Paymentech fees will be charged to an account designated by Official Payments. The convenience fee transaction and corresponding charges will be deposited/debited to/from a designated Official Payments account.

Official Payments

OPC absorbs all costs related to development, implementation, maintenance, telecommunications and all transaction processing fees and costs. Additionally, OPC absorbs all credit card acceptance fees. In return, OPC will assess a convenience fee (in accordance with all Federal, State and Local laws) to those customers/users who pay amounts owed to State of California through our IVR or Internet payment solutions. The customer/user must confirm the convenience fee in order to proceed with the payment and receive a confirmation number. The customer/user can exit out of the payment session at any time without cost or penalty.

OPC processes the convenience fee as a separate transaction in the name of Official Payments Corporation and settles these transactions to the company's own designated settlement institution. This transaction is clearly described on the customer/user's card statement.

OPC processes the payment amount owed to the State of California as a separate transaction in the name of the State. Settlement of these funds will be deposited to the designated State of California bank account.

As a result, the company's Internet and IVR payment solutions will be free of charge to the State of California.

OPC pricing will be 2.5% of the transaction amount for all tax-based agencies. This is currently the pricing agreement OPC has with the California FTB, BOE, and EDD. Non-tax based transaction convenience fees will be assessed according to OPC Tier 67. Please see Exhibit 8 for Tier 67 pricing.

Exhibit 8

800-2PAY-TAX

Convenience Fee Schedule -

Non-Tax Payments Only – Tier 67

I - Schedule of Convenience Fees to be Paid by Citizens

Payment Amount		Fees
From	To	
$0.00	$99.99	$3.00
$100.00	$199.99	$6.00
$200.00	$399.99	$11.00
$400.00	$599.99	$16.00
$600.00	$999.99	$25.00
$1,000.00	$1,399.99	$35.00
$1,400.00	$1,999.99	$49.00
$2,000.00	$2,699.99	$68.00
$2,700.00	$3,499.99	$87.00
$3,500.00	$4,399.99	$109.00
$4,400.00	$5,399.99	$133.00
$5,400.00	$6,399.99	$159.00
$6,400.00	$7,399.99	$187.00
$7,400.00	$8,699.99	$218.00
$8,700.00	$10,399.99	$262.00
$10,400.00	$12,999.99	$329.00
$13,000.00	$17,399.99	$437.00
$17,400.00	$20,999.99	$525.00
$21,000.00	$27,999.99	$699.00
$28,000.00	$35,999.99	$899.00
$36,000.00	$44,999.99	$1,125.00
$45,000.00	$54,999.99	$1,375.00
$55,000.00	$65,999.99	$1,649.00
$66,000.00	$76,999.99	$1,925.00
$77,000.00	$87,999.99	$2,199.00
$88,000.00	$99,999.99	$2,499.00

II – Other Fees Payable by Agency

None

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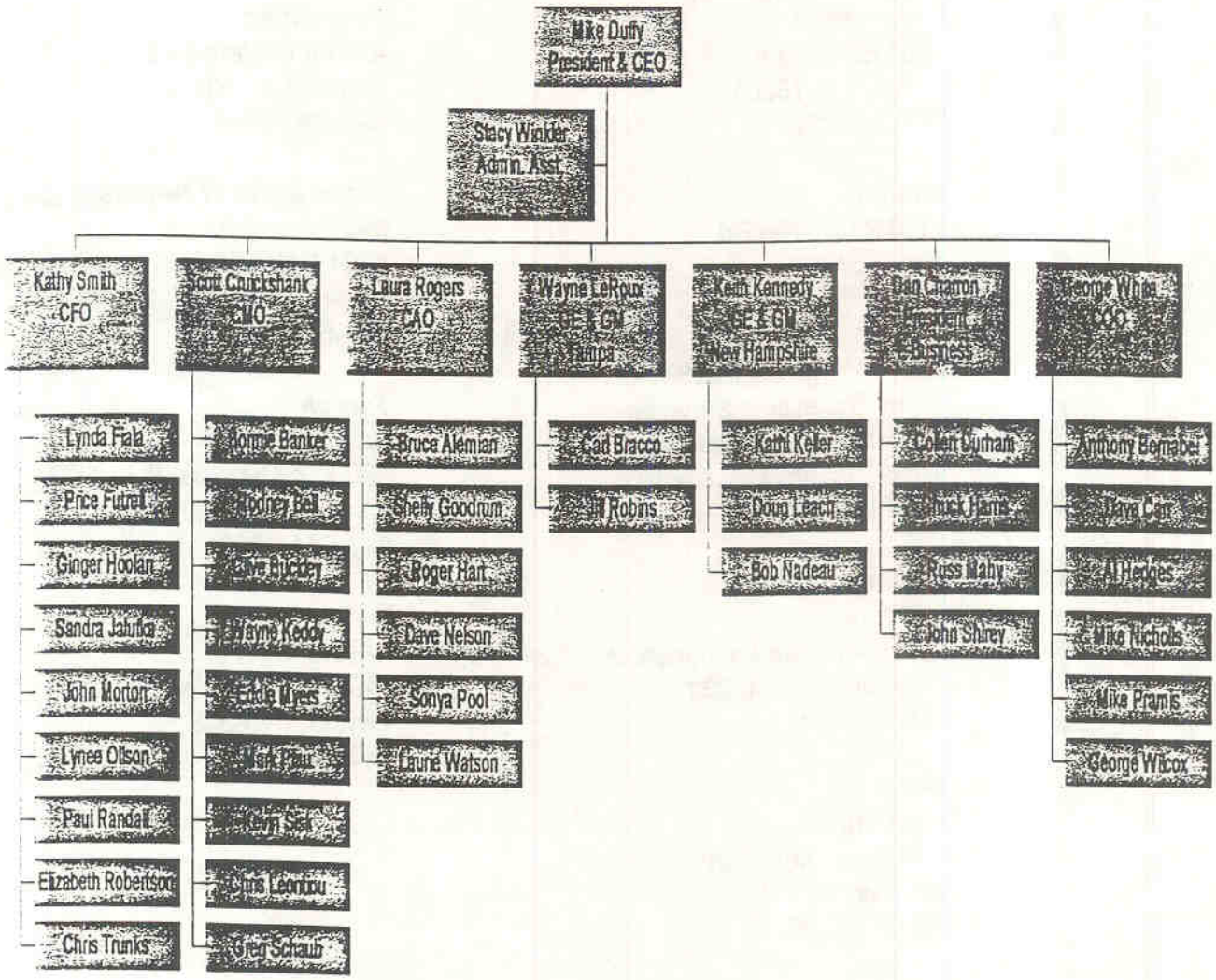
Schedule Fee #67. Rev. 7/2001

Paymentech Organization Chart



See the pages following for breakdown of employees by major site and Executive Management Team reporting structure. Employees that will be involved in the sales, contract completion, implementation and on-going support of the State of California program could fall under the following departments:

Client Implementation Group
Retail Relationship Management & Customer Care
Benchmark Services
Finance/Accounting
Credit/Underwriting
Product Management
Legal
Technology
Technical POS Help Desk
PC Support Help Desk
Business Development

First Data Merchant Services Customer Service Support - 68 employees

Site Address List

Dallas Headquarters
Paymentech
1601 Elm Street
Dallas, TX 75201
214-849-2024

Atlanta
3340 Peachtree Rd
Suite 2675
Atlanta GA 30326

Citrus Heights / PRISM
Prism Processing Services
7777 Greenback Lane #207
Citrus Heights, CA 95610
916-745-7200

Columbus
Paymentech
2400 Corporate Exchange 3rd Floor
Columbus, OH 43231
614-865-3821

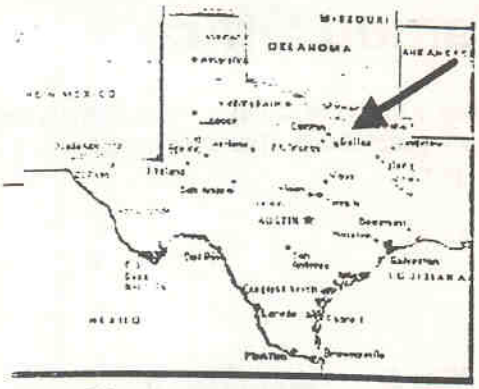
New York
Paymentech
2112 Broadway #305
New York, NY 10023
212-875-4000

Salem
Paymentech
4 Northeastern Blvd.
Salem, NH 03079
603-896-8000

Silver Spring / Merchant Link
Merchant Link
8401 Coleville Rd. Suite 900
Silver Spring, MD 20910
301-562-5000

Tampa
Paymentech
4200 W. Cypress Suite 500
Tampa, FL 33607
813-354-4200

Tempe
Paymentech
1401 S. 52nd Street
Tempe, AZ 85281
480-449-7474



Dallas Headquarters

Paymentech Dallas employs approximately 500 people and is home for the many sales and support functions that are needed to manage our large customer base. Also in Dallas are those departments that support the employees in their work efforts.

Dan Charron *(Atlanta)*

E-Business, Business Development
(2 employees)
Focus on aggregator relationships, portal relationships and business-to-business relationships

E-Business, Product
(2 employees)
Responsible for Internet payment gateway requirements, business-to-business requirements, e-merchant requirements

Scott Cruickshank *(Dallas)*

Client Implementation Group (CIG)
(46 employees)
Responsible for account set-up and implementation

Retail Relationship Management & Customer Care (RRM&CC)
(79 employees)
Responsible for portfolio management

Benchmark Services
(13 employees)
Responsible for accuracy enhancement and on-going merchant product and services support

Marketing
(5 employees)
External marketing and communication initiatives

Proactive Sales
(15 employees)
Outbound telesales and business development

Third Party Management
(38 employees)
Account set-up and portfolio management for support of third party merchant accounts

Laura Rogers *(Dallas)*

Corporate Employee Development
(20 employees)
Responsible for professional development training, product training and computer-based training.

Employee Communications
(3 employees)
Responsible for internal employee communications such as FOCUS, Paymentech Express and Paymentalk

Laura Rogers *(cont'd)*

Employee Resources
(20 employees)
Responsible for recruiting, training and retaining employees.

- **Benefits**
- **Compensation**
- **Recruiting**
- **Generalists**

Quality Service Management
(3 employees)
Develop and implement quality standards and process improvements

Legal
(9 employees)
Paymentech's General Counsel and legal department

Kathy Smith *(Dallas)*

Finance/Accounting
(85 employees)
Financial planning and analysis, merchant accounting, daily reconciliation and settlement

Facilities
(18 employees)
Facilities support, distribution of ingoing & outgoing mail and reception coverage

Payroll
(4 employees)
Responsible for employee payroll

George White *(Salem)*

Credit / Underwriting
(7 employees)
Manage the credit review and decision process for the approval of new merchants

Conversion Teams
(14 employees)
Responsible for moving acquired portfolios onto the Paymentech system.

Petroleum Operations
(10 employees)
Support for the Texaco petroleum relationship

Product Management
(12 employees)
Manage new product design and documentation

Technology
(40 employees)

Technology professionals handling programming, telecom, desktop services, LAN/WAN support, internet and intranet design

Tampa Office

Paymentech Tampa is the home of Paymentech Network Services and the Advanced Product Group. There are approximately 260 employees in this office.

Dan Charron *(Atlanta)*

E-Business, Technology
(22 employees)
Responsible for Internet payment gateway requirements, business-to-business requirements, e-merchant requirements

Scott Cruickshank *(Dallas)*

Third Party Management / Client Services
(16 employees)
Support of third party merchant accounts

Laura Rogers *(Dallas)*

Employee Resources
(3 employees)
Responsible for recruiting and retaining employees.

Corporate Employee Development
(4 employees)
Responsible for Product and Help Desk Training

Quality Service Management
(4 employees)
Develop and implement quality standards and process improvements

Kathy Smith *(Dallas)*

Finance
(17 employees)
Responsible for accounting, billing and settlement for Third Party accounts

Wayne LeRoux *(Tampa)*

Facilities
(3 employees)
Facilities support, distribution of ingoing & outgoing mail and reception coverage

Technical POS Help Desk
(97 employees)
Technical point-of-sale telephone support to merchants and clients

PC Support Help Desk
(10 employees)
Technical support for merchants and clients using PC software

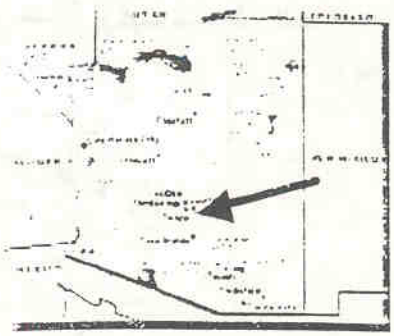
Help Desk Support Services
(8 employees)
Technical systems support for help desk associates

George White *(Salem)*

Product Management
(40 employees)
Responsible for new product design, delivery and support

Tandem Technology
(64 employees)

- **Lead Programming**
- **Long Term Development**
- **POS Terminal Development**
- **GUI/Reporting Development**
- **Software Quality Assurance**
- **Systems Administration**
- **Technical Services**



Tempe Office

Paymentech Tempe employs approximately 70 people and is home to the inbound and outbound telephone sales center(s) and one of two PNS Help Desk sites.

Wayne LeRoux *(Tampa)*

Technical POS Help Desk
(29 employees)
Technical point-of-sale telephone support to merchants and clients.

Laura Rogers *(Dallas)*

Corporate Employee Development
(3 employees)
Responsible for product training and help desk training.

Scott Cruickshank *(Dallas)*

Client Implementation Group (CIG)
(8 employees)
Responsible for account set-up and implementation

Retail Relationship Management & Customer Care (RRM&CC)
(13 employees)
Responsible for portfolio management

Benchmark Services
(4 employees)
Responsible for accuracy enhancement and on-going merchant product and services support

Telesales
(23 employees)
Telesales to inbound referrals from Bank One lines of business and outbound business development efforts.

Silver Spring Office / Merchant Link

Paymentech's Merchant Link office employs approximately 60 people and is home to the support services for merchants utilizing integrated credit card platforms.

George White *(Salem)*

Business Development, Accounting & Administration
(3 employees)
Responsible for new business development, accounting and administration

Merchant Services
(13 employees)
Responsible for new merchant setup

Product Support
(6 employees)
Ongoing product support for Merchant Link-supported integrated platforms

Technical Support
(35 employees)
Ongoing help desk support for merchants using integrated platforms

Laura Rogers *(Dallas)*

Employee Resources
(2 employees)
Responsible for recruiting and retaining employees.

Training
(2 employees)
Responsible for training of the help desk associates

Columbus Office

Paymentech Columbus employs approximately 50 people and is home to Client Implementation Group and Retail Relationship Management and Customer Care Northeast as well as part of the Conversion Team.

Dan Charron *(Atlanta)*

E-Business, Business Development
(3 employees)
Focus on aggregator relationships, portal relationships and business-to-business relationships

E-Business, Product
(1 employee)
Responsible for Internet payment gateway requirements, business-to-business requirements, e-merchant requirements

Scott Cruickshank *(Dallas)*

Client Implementation Group (CIG)
(7 employees)
Responsible for account set-up and implementation

Retail Relationship Management & Customer Care (RRM&CC)
(16 employees)
Responsible for portfolio management

Benchmark Services
(7 employees)
Responsible for accuracy enhancement and on-going merchant product & services support

Kathy Smith *(Dallas)*

Finance
(3 employees)
Prepares reporting and analyses data used for making both routine and significant decisions and setting strategy

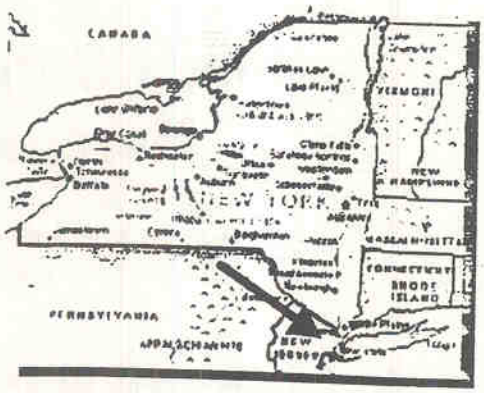
George White *(Salem)*

Credit/Underwriting
(5 employees)
Manage the credit review and decision process for the approval of new merchants

Conversions
(6 employees)
Responsible for moving acquired portfolios onto the Paymentech system

New York Office

Paymentech New York employs approximately 20 people and serves as an extension of the sales and operations headquarters in Dallas. The office handles the large concentration of merchants in the New York metropolitan area and the Northeast.



Scott Cruickshank *(Dallas)*

Client Implementation Group
(5 employees)
Responsible for account set-up and implementation

Retail Relationship Management & Customer Care (RRM&CC)
(12 employees)

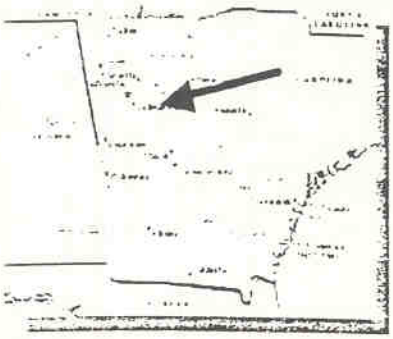
Responsible for portfolio management

Citrus Heights / Prism Office

Prism is a third party processor that concentrates on small to mid-size agent banks and agent referral programs. The entire sales process and all operational support are managed by the Prism staff.

Scott Cruickshank *(Dallas)*

Operations
(21 employees)
Responsible for merchant credit approval, risk reporting, set-up and conversions



Atlanta Office

Paymentech's Atlanta Office is home to 8 of our E-Business employees.

Dan Charron *(Atlanta)*

E-Business, Technology
(3 employees)
Responsible for Internet payment gateway requirements, business-to-business requirements, e-merchant requirements

E-Business, Business Development
(1 employee)
Focus on aggregator relationships, portal relationships and business-to-business relationships

E-Business, E-Strategy
(3 employees)
Responsible for strategic e-business direction and corporate alliances

Business Development

Paymentech's Business Development representatives are located in several offices around the country as indicated below.

Scott Cruickshank *(Dallas)*

Direct Response Sales

Specializing in business development within the Direct Response industry

•East	(6 employees)
•West	(6 employees)
•Canadian	(1 employee)

Third Party Sales

Specializing in business development with Third Party Relationships

•Tampa, FL	(4 employees)

Franchise Sales

Specializing in business development within the existing Bank One Business Client Portfolio

•IL, IN, WI	(13 employees)
•KY, MI, OH, WV	(15 employees)
•TX	(11 employees)
•LA, OK	(7 employees)
•AZ, UT, CO	(9 employees)

Regional Retail Sales

Specializing in business development within the specialty retail, hospitality and restaurant industries

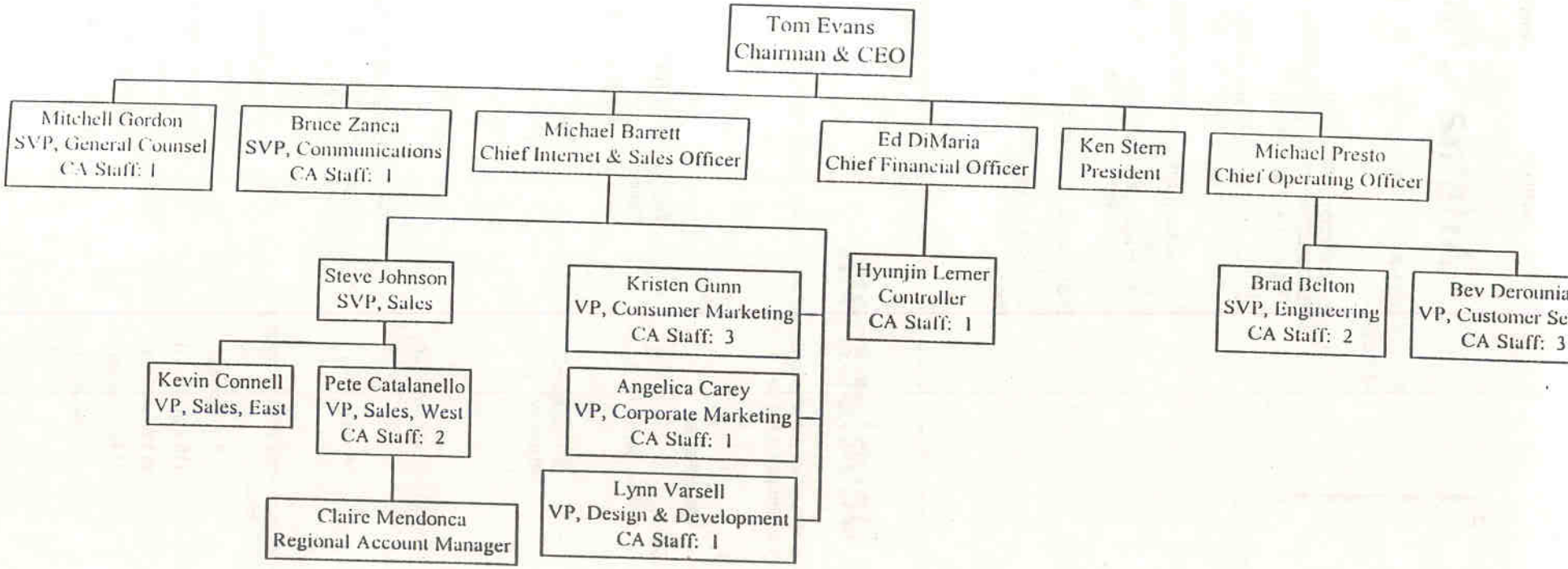
•East	(17 employees)
•West	(18 employees)
•South	(11 employees)

Prism Business Development

Specializing in business development within small to mid-size agent banks

•Western	(7 employees)
•Northeast Region	(2 employees)
•Mid-Atlantic Region	(3 employees)
•Southwest Region	(2 employees)
•Northwest Region	(2 employees)
•Southeast Region	(2 employees)
•Midwest Region	(3 employees)

OFFICIAL PAYM' 'NTS CORPORATION
MANAGEMENT ORGANIZATION CHART
CONFIDENTIAL
August 2001



***CA staff:** total staff assigned to each major business function that relates to State of CA credit card acceptance*

Official Payments State of California Clients

Alameda Berkeley Municipal Court
Alameda County Social Services
Alameda County Treas/Tax Coll. Office
Alameda District Attorney
Alpine County
Alpine Superior Court
Amador County Municipal Court
Amador County Treasurer/Tax Collector
Bakersfield Municipal Court
Berkeley Municipal Court
Berkeley Municipal Court
CA Employment Development Dept.
Calaveras County Tax Collectors
California Board of Equalization
California Franchise Tax Board
City of Big Bear Lake
City of San Francisco
City/County of San Francisco
Coachella Valley Water District
Contra Costa County
Contra Costa County Court Collections
County of Kern
County of Sacramento, Division of Revenue Recovery
County of San Bernardino
Crown Colony Homeowner's Association
El Dorado Superior Court
Enforcement Technology Inc.
Fremont Municipal Court
Fresno County
Hayward Municipal Court
Humboldt County Superior & Municipal Court
Inyo County Treasurer/Tax Collectors Office
Kings County Consolidated Courts
Lassen County Tax Collectors Office
Los Angeles Dept. of Water & Power
Los Angeles Registrar of Voters
Marin County
Mendocino County
Mendocino County Court Collections
Modoc County Treasurer/Tax Collector Office
Monterey County Dept. of Child Support Services
Monterey Tax Collector
Moulton Niguel Water
Monterey Tax Collector
Moulton Niguel Water
Nevada County Treasurer
Oakland City Parking
Oakland Municipal Court
Olivenhain Municipal Water District
Orange County (Central) Judicial District
Orange County (South) Judicial District
Orange County (West) Judicial District
Orange County Social Services
Orange County Superior Court-Fam. Div.
Orange County Treasurer's Office
Placer County Municipal Court
Placer County Superior & Municipal Court
Pleasanton/Dublin Superior Court
Plumas County Consolidated Courts
Riverside County Courts
Sacramento County Property Tax
Sacramento Sheriff's Department
Sacramento Superior & Municipal Court
San Benito County Superior & Municipal Court
San Bernardino County
San Francisco Municipal Court
San Francisco Water Department
San Joaquin Superior Court
San Mateo Taxes
Santa Barbara Municipal Court
Santa Clara County
Shasta County Courts
Sierra County Tax Collector
Siskiyou County Superior Court
Solano County Courts
Sonoma County
Stanislaus County
Stanislaus County Family Support
Sutter County Municipal & Superior Courts
Tehama County Superior Court
Tehama County Tax Collector
Tulare County
Tuolumne County
Valley Center Municipal Water District
Ventura County

CCC201

CERTIFICATION

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective Contractor to the clause(s) listed below. This certification is made under the laws of the State of California.

Contractor/Bidder Firm Name (Printed)	*Federal ID Number*
Paymentech Merchant Services LLC	75-2830829
By (Authorized Signature) Sylvia E Dunham	
Printed Name and Title of Person Signing Sylvia E Dunham, Senior Account Executive	
Date Executed August 6, 2001	*Executed in the County of* Denver, Colorado

CONTRACTOR CERTIFICATION CLAUSES

1. STATEMENT OF COMPLIANCE: Contractor has, unless exempted, complied with the nondiscrimination program requirements. (GC 12990 (a-f) and CCR, Title 2, Section 8103) (Not applicable to public entities.)

2. DRUG-FREE WORKPLACE REQUIREMENTS: Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

b. Establish a Drug-Free Awareness Program to inform employees about:

1) the dangers of drug abuse in the workplace;

2) the person's or organization's policy of maintaining a drug-free workplace;
3) any available counseling, rehabilitation and employee assistance programs; and,
4) penalties that may be imposed upon employees for drug abuse violations.

c. Every employee who works on the proposed Agreement will:

1) receive a copy of the company's drug-free workplace policy statement; and,

2) agree to abide by the terms of the company's statement as a condition of employment on theAgreement.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: (1) the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (GC 8350 et seq.)

3. NATIONAL LABOR RELATIONS BOARD CERTIFICATION: Contractor certifies that no more than one (1) final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a Federal court which orders Contractor to comply with an order of the National Labor Relations Board. (PCC 10296) (Not applicable to public entities.)

4. UNION ORGANIZING Contractor hereby certifies that no request for reimbursement, or payment under this agreement, will seek reimbursement for costs incurred to assist, promote or deter union organizing.

DOING BUSINESS WITH THE STATE OF CALIFORNIA

The following laws apply to persons or entities doing business with the State of California.

1. CONFLICT OF INTEREST: Contractor needs to be aware of the following provisions regarding current or former state employees. If Contractor has any questions on the status of any person rendering services or involved with the Agreement, the awarding agency must be contacted immediately for clarification.

Current State Employees (PCC 10410):

1). No officer or employee shall engage in any employment, activity or enterprise from which the officer or employee receives compensation or has a financial interest and which is sponsored or funded by any state agency, unless the employment, activity or enterprise is required as a condition of regular state employment.

2). No officer or employee shall contract on his or her own behalf as an independent contractor with any state agency to provide goods or services.

Former State Employees (PCC 10411):

1). For the two-year period from the date he or she left state employment, no former state officer or employee may enter into a contract in which he or she engaged in any of the negotiations, transactions, planning, arrangements or any part of the decision-making process relevant to the contract while employed in any capacity by any state agency.

2). For the twelve-month period from the date he or she left state employment, no former state officer

or employee may enter into a contract with any state agency if he or she was employed by that state agency in a policy-making position in the same general subject area as the proposed contract within the 12-month period prior to his or her leaving state service.

If Contractor violates any provisions of above paragraphs, such action by Contractor shall render this Agreement void. (PCC 10420)

Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission, payment for preparatory time and payment for per diem. (PCC 10430 (e))

2. LABOR CODE/WORKERS' COMPENSATION: Contractor needs to be aware of the provisions which require every employer to be insured against liability for Worker's Compensation or to undertake self-insurance in accordance with the provisions, and Contractor affirms to comply with such provisions before commencing the performance of the work of this Agreement. (Labor Code Section 3700)

3. AMERICANS WITH DISABILITIES ACT: Contractor assures the State that it complies with the Americans with Disabilities Act (ADA) of 1990, which prohibits discrimination on the basis of disability, as well as all applicable regulations and guidelines issued pursuant to the ADA. (42 U.S.C. 12101 et seq.)

4. CONTRACTOR NAME CHANGE: An amendment is required to change the Contractor's name as listed on this Agreement. Upon receipt of legal documentation of the name change the State will process the amendment. Payment of invoices presented with a new name cannot be paid prior to approval of said amendment.

5. CORPORATE QUALIFICATIONS TO DO BUSINESS IN CALIFORNIA:

a. When agreements are to be performed in the state by corporations, the contracting agencies will be verifying that the contractor is currently qualified to do business in California in order to ensure that all obligations due to the state are fulfilled.

b. "Doing business" is defined in R&TC Section 23101 as actively engaging in any transaction for the purpose of financial or pecuniary gain or profit. Although there are some statutory exceptions to taxation, rarely will a corporate contractor performing within the state not be subject to the franchise tax.

c. Both domestic and foreign corporations (those incorporated outside of California) must be in good standing in order to be qualified to do business in California. Agencies will determine whether a corporation is in good standing by calling the Office of the Secretary of State.

6. RESOLUTION: A county, city, district, or other local public body must provide the State with a copy of a resolution, order, motion, or ordinance of the local governing body which by law has authority to enter into an agreement, authorizing execution of the agreement.

7. AIR OR WATER POLLUTION VIOLATION: Under the State laws, the Contractor shall not be: (1) in violation of any order or resolution not subject to review promulgated by the State Air Resources Board or an air pollution control district; (2) subject to cease and desist order not subject

to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution.

8. PAYEE DATA RECORD FORM STD. 204: This form must be completed by all contractors that are not another state agency or other government entity.

CCC201

CERTIFICATION

I, the official named below, CERTIFY UNDER PENALTY OF PERJURY that I am duly authorized to legally bind the prospective Contractor to the clause(s) listed below. This certification is made under the laws of the State of California.

Contractor/Bidder Firm Name (Printed)	*Federal ID Number*
Official Payments Corp.	52-2190781
By (Authorized Signature) Michael Barrett	
Printed Name and Title of Person Signing Michael Barrett - Chief Internet & Sales Officer	
Date Executed August 2, 2001	*Executed in the County of* Fairfield, State of CT

CONTRACTOR CERTIFICATION CLAUSES

1. STATEMENT OF COMPLIANCE: Contractor has, unless exempted, complied with the nondiscrimination program requirements. (GC 12990 (a-f) and CCR, Title 2, Section 8103) (Not applicable to public entities.)

2. DRUG-FREE WORKPLACE REQUIREMENTS: Contractor will comply with the requirements of the Drug-Free Workplace Act of 1990 and will provide a drug-free workplace by taking the following actions:

a. Publish a statement notifying employees that unlawful manufacture, distribution, dispensation, possession or use of a controlled substance is prohibited and specifying actions to be taken against employees for violations.

b. Establish a Drug-Free Awareness Program to inform employees about:

1) the dangers of drug abuse in the workplace;

2) the person's or organization's policy of maintaining a drug-free workplace;
3) any available counseling, rehabilitation and employee assistance programs; and,
4) penalties that may be imposed upon employees for drug abuse violations.

c. Every employee who works on the proposed Agreement will:

1) receive a copy of the company's drug-free workplace policy statement; and,

2) agree to abide by the terms of the company's statement as a condition of employment on the Agreement.

Failure to comply with these requirements may result in suspension of payments under the Agreement or termination of the Agreement or both and Contractor may be ineligible for award of any future State agreements if the department determines that any of the following has occurred: (1) the Contractor has made false certification, or violated the certification by failing to carry out the requirements as noted above. (GC 8350 et seq.)

3. NATIONAL LABOR RELATIONS BOARD CERTIFICATION: Contractor certifies that no more than one (1) final unappealable finding of contempt of court by a Federal court has been issued against Contractor within the immediately preceding two-year period because of Contractor's failure to comply with an order of a Federal court which orders Contractor to comply with an order of the National Labor Relations Board. (PCC 10296) (Not applicable to public entities.)

4. UNION ORGANIZING Contractor hereby certifies that no request for reimbursement, or payment under this agreement, will seek reimbursement for costs incurred to assist, promote or deter union organizing.

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Members of boards and commissions are exempt from this section if they do not receive payment other than payment of each meeting of the board or commission. payment for preparatory time and payment for per diem. (PCC 10430 (e))

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8. PAYEE DATA RECORD FORM STD. 204: This form must be completed by all contractors that are not another state agency or other government entity.

SELECT MERCHANT
PAYMENT CARD PROCESSING AGREEMENT

WHEREAS PAYMENTECH, L.P., a Delaware limited partnership, having its principal office at 1601 Elm Street, Dallas, Texas 75201 ("Paymentech," "we", "our" or "us") is a member of Visa and MasterCard and is authorized to process the payment card transactions listed on Schedule A; and

WHEREAS _____ ("Merchant," "you" or "your") wishes to accept payment cards from its customers for the sale or lease of goods or services offered by Merchant;

ACCORDINGLY, in consideration of the mutual promises made and the mutual benefits to be derived from this Merchant Agreement, Paymentech and Merchant agree to the following terms and conditions intending to be legally bound:

1. Merchant's Acceptance of Cards.

1.1 Exclusivity. You will tender to us Sales Data generated from all your Card transactions via electronic data transmission according to our formats and procedures. You will not use the services of any bank, corporation, entity or person other than Paymentech for authorization of Card transactions or for processing Card transactions throughout the term of this Agreement, except for your divisions, products or business lines for which we are not processing. Paymentech acknowledges that Merchant, a state contractor, will be using multiple providers for its credit card services, and that providers other than Paymentech may be used for those divisions, products or business lines for which Paymentech is not processing. ~~specified in the Merchant Application or for which we otherwise agree in writing not to process.~~

1.2 Certain Card Acceptance Policies. You will honor without discrimination valid Cards properly tendered for use. Each sale you make involving a Card must be evidenced by a single Sales Data record completed with the sale date and the sale amount, and other information as required by the Associations or by us. You are not allowed to impose any surcharge or finance charge on the Card transaction or otherwise require the Cardholder to pay the fees payable by you under this Agreement. You are not allowed to set a dollar amount above or below which you refuse to honor otherwise valid Cards. With respect to any transaction for which a Card is not physically presented, such as in any on-line, mail, telephone or pre-authorized transaction, you must (i) have notified us on your application or otherwise in writing of your intention to conduct such transactions and we have agreed to accept them, and (ii) have reasonable procedures in place to ensure that each Card sale is made to a purchaser who actually is the Cardholder or the authorized user of the Card. Notwithstanding the foregoing, you acknowledge that under the Association Rules, you cannot rebut a Chargeback where the Cardholder disputes making the purchase without an electronic record or physical imprint of the Card.

1.3 Operating Guide; Association Rules. You agree to comply with all Association Rules and Operating Guide procedures, as may be applicable to you and in effect from time to time and of which you have been informed, and with such other procedures as we may from time to time prescribe for the creation or transmission of Sales Data. We may modify and supplement the Operating Guide in order to comply with requirements imposed by the Association Rules. You acknowledge that you have received a copy of the Operating Guide at or prior to your execution of this Agreement, and that you can also view the Operating Guide on-line at the Paymentech Internet website.

1.4 Requirements for Sales Data. As to each Sales Data you tender to us for processing, you represent and warrant that, to the best of your knowledge:

(1) The Sales Data represents payment or refund of payment, for the bona fide sale or lease of the goods, services or both, which you have provided in the ordinary course of your business, and the Sales Data is not submitted on behalf of a third party.

(2) The Sales Data does not involve any element of credit for any purpose other than payment for a current transaction (including payment of a previously-dishonored check) and, except in the case of approved installment or pre-payment plans, the goods have been shipped or services actually rendered to the Cardholder;

(3) The Sales Data is free from any material alteration not authorized by the Cardholder.

(4) Neither you nor your employee has advanced any cash to the Cardholder or to yourself or to any of your representatives, agents or employees in connection with the Card transaction, nor have you accepted payment for effecting credits to a Cardholder's account.

(5) To the best of your knowledge, the goods described in each Sales Data are your sole property and you are free to sell them.

(6) You have made no representations or agreements for the issuance of refunds except as it states in your return/cancellation policy, which has been previously submitted to us in writing as provided in Section 3.

(7) You have no knowledge or notice of information that would lead you to believe that the enforceability or collectibility of the subject Sales Data is in any manner impaired, and the transaction is in compliance with all applicable laws, ordinances, and regulations; and you have originated the Sales Data in compliance with this Agreement and the Association Rules.

(8) For a Card sale where the Cardholder pays in installments or on a deferred payment plan, a Sales Data record has been prepared separately for each installment transaction or deferred payment on the date(s) the Cardholder agreed to be charged. All installments and deferred payments, whether or not they have been submitted to us for processing, shall be deemed to be a part of the original Card sale.

2. Authorizations.

2.1 Obtaining Authorizations. You are required to obtain authorization/approval codes for all Card transactions by contacting the center designated by Paymentech. Under certain circumstances and only if we have agreed in advance, we will make authorization/approval code requests on your behalf, if you have not otherwise provided an authorization/approval code. You acknowledge that authorization/approval code of a Card transaction indicates only that credit is available for the Card transaction at the time the authorization is given, and it does not constitute a representation from us or from the Cardholder's issuing bank that a particular Card transaction is in fact a valid or undisputed transaction entered into by the actual Cardholder or an authorized user of the Card.

2.2 Lack of Authorization. We reserve the right to refuse to process any Sales Data presented by you (i) unless a proper authorization/approval code is recorded, (ii) if we reasonably determine that the Sales Data is or will become uncollectible from the Cardholder to which the transaction would otherwise be charged, or (iii) if we determine that the Sales Data was prepared in violation of any provision of this Agreement.

3. Refunds and Adjustments.

3.1 Disclosure of Refund Policy. You are required to maintain a fair policy with regard to the return/cancellation of merchandise or services and adjustment of Card sales. You are required to disclose to us on your application your return/cancellation policy. Your return/cancellation policy must be disclosed to your customers.

3.2 Changes to Policy. Any change in your return/cancellation policy must be submitted in writing to us not less than 14 days prior to any change. We reserve the right to refuse to process any Sales Data made subject to a revised return/cancellation of which we have not been notified in advance.

3.3 Procedure for Refunds/Adjustments. If you allow a price adjustment, return of merchandise or cancellation of services in connection with a Card sale, you will prepare and deliver to us Sales Data reflecting such refund or adjustment within 3 days of receiving the customer's request for such refund/adjustment. The amount of the refund/adjustment cannot exceed the amount shown as the total on the original Sales Data except by the exact amount required to reimburse the Cardholder for postage that the Cardholder paid to return merchandise. You are not allowed to accept cash or any other payment or consideration from a customer in return for preparing a refund to be deposited to the Cardholder's account nor to give cash refunds to a Cardholder in connection with a Card sale, unless required by law.

4. Settlement.

4.1 Submission of Sales Data. You are required to transmit your Sales Data to us on the next business day immediately following the day that such Sales Data is originated. Unless otherwise indicated ~~on Schedule A~~ in the pricing terms of this Agreement, you will be solely responsible for all communication expenses required to accomplish the transmission of Sales Data.

4.2 Merchant's Bank Account. In order to receive funds from Paymentech, you must maintain a bank account at a bank that is a member of the Automated Clearing House ("ACH") system and the Federal Reserve wire system. You agree not to close your designated bank account without giving us at least five (5) days' prior written notice and substituting another bank account. You are solely liable for all fees and costs associated with your bank account and for all overdrafts. You authorize Paymentech to initiate electronic credit and debit entries and adjustments to your bank account at any time without respect to the source of any monies in the bank account. This authority will remain in full force and effect until we notify your bank that all monies due from you under this Agreement have been paid in full. We will not be liable for any delays in receipt of funds or errors in bank account entries caused by third parties, including but not limited to delays or errors by the Associations or your bank.

4.3 Travel and Entertainment Cards. You cannot submit any T&E Card transaction for processing by Paymentech unless you have in effect a valid agreement with the respective T&E Card company. For the T&E Card transactions designated on Schedule A, upon transmission of such Sales Data by you, we will forward the Sales Data to the appropriate T&E Card company. Except to the extent that we may provide funds settlement services for JCB or Diners Club/Carte Blanche transactions, payment of the proceeds due you will be governed by whatever agreement you have with that T&E Card company, and we do not bear any responsibility for their performance. If your agreement with a T&E Card company requires the T&E Card company's consent for us to perform the services contemplated by our Agreement, you are responsible for obtaining that consent.

4.4 Transfer of Settlement Funds. For all other Card transactions, immediately upon our receipt of your Sales Data, we will process your Sales Data to facilitate the funds transfer between the various Associations and you for Card sales. After we receive credit for such Sales Data, we will provide provisional credit to your bank account for the proceeds. The proceeds payable to you shall be equal to the amounts received by us in respect of your Sales Data minus the sum of the following: all fees, charges and discounts set forth in Schedule A, all adjustments and Chargebacks, all equipment charges (if any), all Cardholder refunds and adjustments, all Reserve Account amounts, and any fees, charges, fines, assessments, penalties, or other liabilities that may be imposed from time to time by the Associations, all of which amounts are due and payable at the time the related services are rendered to you or the related Chargebacks or other fees or adjustments are received from the Associations, Alternatively, at our option, we may debit your bank account for such amounts when they become due and payable and increase the proceeds payable to you accordingly.

4.5 Negative Amounts. To the extent Sales Data does not represent sufficient credits or the bank account does not have a sufficient balance to pay amounts due from under this Agreement, we may pursue one or more of the following options: (i) demand and receive immediate payment for such amounts; (ii) debit your bank account for the amount of the negative balance; (iii) withhold your settlement payments until all amounts are paid, (iv) delay presentation of your refunds until you make a payment to us of a sufficient amount to cover the negative balance; and (v) pursue any remedies we may have at law or in equity. Furthermore, if the amount represented by your Sales Data in any day is negative due to refunds/customer credits being submitted by you in excess of your sales, you are required to provide us with sufficient funds prior to the submission of the Sales Data so as to prevent the occurrence of a negative balance.

4.6 Delinquency/Merchant Fraud. If (i) there is a material, adverse change in your financial condition or your payment record with creditors, or if you are in material default of this Agreement; or (ii) if you adversely change your billing practice in relation to shipment of merchandise or fulfillment of service or change refund procedures currently in place, and you fail to notify us in advance, or (iii) you are receiving excessive Chargebacks (as defined in Section 7.2 below) (iv) you significantly alter the nature of your business or product lines or (v) if we have reasonable grounds to believe that we may be liable to third parties for the provisional credit extended to you or that you may be liable to your Card sale customers, we may temporarily suspend payments to you during our investigation of the issue and/or designate an amount of funds that we must maintain in order to protect us against the risk of existing or anticipated Chargebacks and to satisfy your other obligations under this Agreement (the "Reserve Account"), which may be funded in the same manner as provided for negative balances in Section 4.5; provided, however, that to the extent that any Reserve Account is required to be funded in the manner set forth in Section 4.5(i) (i.e., funds to be deposited by Merchant into the Reserve Account upon Paymentech's request) , the requirement of Merchant to make such deposit shall be subject to Merchant's availability of budgeted funds and any California State Budget Act limitations that may exist. The Reserve Account will contain sufficient funds to cover any unbilled processing costs plus our estimated exposure based on reasonable criteria for Chargebacks, returns and unshipped merchandise and/or unfulfilled services. We may (but are not required to) apply funds in the Reserve Account toward, and may set off any funds that would otherwise be payable to the Merchant against, the satisfaction of any amounts which are or become due from Merchant pursuant to this Agreement. The Reserve Account will not bear interest, and you will have no right or interest in the funds in the Reserve Account; provided that upon satisfaction of all of your obligations under this Agreement, we will pay to you any funds then remaining in the Reserve Account. Any funds in the Reserve Account may be commingled with other funds, and need not be maintained in a separate account. Effective upon our establishment of a Reserve Account, you irrevocably grant to us a security interest in any and all funds, together with the proceeds thereof, that may at any time be in our possession and would otherwise be payable to you pursuant to the terms of this Agreement. You agree to execute and deliver to us such instruments and documents that we may reasonably request to perfect and confirm the security interest and right of setoff set forth in this Agreement. Merchant's obligations and Paymentech's rights under this Section 4.6 survive termination of this Agreement.

5. Accounting. We will supply a detailed statement reflecting the activity for your Merchant account(s). We will not be responsible for any error that you do not bring to our attention within ninety days from date of such statement.

6. Retrieval Requests.

6.1 Records. You are required by the Associations to store original documentation of each transaction for at least six months from the date of the respective transaction, and to retain copies of all such data for at least 18 months from the date of the respective transaction. You are not allowed to charge a fee for the creation or storage of such copies. We may, at our discretion, require you to deliver copies of Sales Data to us rather than storing it.

6.2 Response to Retrieval Requests. We will send you any Retrieval Request that we cannot satisfy with the information we have on file concerning any Card sale. In response, you must provide us in writing by certified or overnight mail or by confirmed fax (or by other means as agreed by Paymentech) the resolution of your investigation of such Retrieval Request and include legible copies of any documentation required by the Retrieval Request within seven business days after we send it to you (or such shorter time as the Association Rules may require and of which we notify you). Once we receive your response, we will take the appropriate steps in a timely manner to reduce the probability of the Cardholder's bank sending an unjustified Chargeback. You acknowledge that your failure to fulfill a Retrieval Request in accordance with Association Rules may result in an irreversible Chargeback.

7. Chargebacks.

7.1 Chargeback Reasons. You may receive a Chargeback from a Cardholder or Card issuer for a number of reasons under the Association Rules. The following are some of the most common reasons for Chargebacks:

(1) Your failure to issue a refund to a Cardholder upon the return or non-delivery of goods or services.
(2) An authorization/approval code was required and not obtained.
(3) The Sales Data is prepared incorrectly or fraudulently.
(4) We did not receive your response to a Retrieval Request within seven business days or any shorter time period required by the Association Rules.
(5) The Cardholder disputes the Card sale or the signature on the sale documentation, or claims that the sale is subject to a set-off, defense or counterclaim.
(6) The Cardholder refuses to make payment for a Card sale because in the Cardholder's good faith opinion, a claim or complaint has not been resolved, or has been resolved by you but in an unsatisfactory manner.
(7) The Card was not actually presented at the time of the sale or you failed to obtain an electronic record or a physical imprint of the Card, and the Cardholder denies making the purchase. The Merchant acknowledges that, under these circumstances, the fact that an authorization/approval code was obtained does not mean that a particular Card transaction is in fact a valid or undisputed transaction entered into by the actual Cardholder or an authorized user of the Card.

7.2 Excessive Chargebacks. If we determine that you are receiving an excessive amount of Chargebacks, in addition to our other remedies under this Agreement we may take the following actions: (1) review your internal procedures relating to acceptance of Cards and notify you of new procedures you should adopt (at your sole discretion) in order to avoid future Chargebacks; (2) notify you of a new rate we will charge you to process your Chargebacks; or (3) collect from you (pursuant to Section 4.6) an amount reasonably determined by us to be sufficient to cover anticipated Chargebacks and related fees and fines; or (4) terminate the Agreement with written notice of termination. For purposes of this Agreement, an excessive number of Chargebacks means one Chargeback per 100 Sales Data records or the total dollar amount of Chargebacks is greater than or equal to three percent of the total dollar amount of Sales Data for any 30-day period. The foregoing percentages are subject to change in accordance with the Association Rules. You also agree to pay any and all Association fees and fines assessed against you or against Paymentech relating to your violation of the Agreement, the Operating Guide or the Association Rules with respect to your transactions or with respect to excessive Chargebacks under this Section.

7.3 Claims of Cardholder Customers. You have full liability if any Sales Data for which we have given your bank account provisional credit is the subject of a Chargeback. Subsequently, you are allowed to resubmit applicable Sales Data for a second presentation, but only in accordance with Association Rules. To the extent that we have paid or may be called upon to pay a Chargeback or refund/adjustment for or on the account of a Cardholder and you do not reimburse us as provided in this Agreement, then for the purpose of our obtaining reimbursement of such sums paid or anticipated to be paid, we have all of the rights and remedies of such Cardholder under applicable federal, state or local law and you authorize us to assert any and all such claims in our own name for and on behalf of any such Cardholder customer individually or all such Cardholder customers as a class.

8. Advertising. Wherever you accept Cards, you will inform the public of the Cards that you honor. However, you may not indicate that any of the Associations endorses your goods or services.

9. Fees.

9.1 Schedule A. You agree to pay us for our services as set forth in ~~Schedule A in accordance with~~ this Agreement. Unless otherwise expressly stated in ~~Schedule A~~this Agreement, such pricing is based on all transactions qualifying under the Association Rules for the lowest Association interchange rates. For Sales Data that does not qualify for the lowest interchange rates, the standard Association interchange rate will apply, which may be higher for non-qualifying transactions than the qualifying rate shown ~~on Schedule A~~.

~~**9.2 Price Changes.** You acknowledge that your pricing is based on your representation as to your volume of Card transactions, method of processing, type of business, and interchange qualification criteria as represented in your Application and Schedule A. To the extent your actual volumes, method, type and criteria differ from this information, we may modify the pricing on Schedule A with thirty days' prior written notice. In addition, by giving written notice to you we may change our fees, charges and discounts resulting from (i) changes in Association fees (such as interchange, assessments and other charges) or (ii) changes in pricing by any third party provider of a product or service used by you. Such new prices will be applicable to you as of the effective date established by the Association or third party provider, or as of any later date specified in our notice to you.~~

10. Termination.

~~**10.1 Term.** This agreement takes effect on the date it is executed by Paymentech and has an initial term expiring three years from that date. Unless otherwise terminated by either party as provided in this Agreement, the Agreement will automatically extend for successive one-year terms. Either party may give notice of non-renewal of this Agreement in writing no more than 90 days and no less than 30 days prior to any expiration date. Also, we may terminate the Agreement if an Association notifies us that it is unwilling to continue accepting your Sales Data.~~

10.2 Termination for Cause. If our services provided under this Agreement fail to conform to generally accepted standards for such services in the Card processing industry then your sole remedy for such failure shall be that upon notice from you specifying the failure of performance, we will rectify such failure of performance. If we do not rectify our failure of performance within thirty days after receipt of notification, then you may terminate this Agreement upon thirty days' written notice to us. If you terminate the Agreement prior to the expiration of the term other than as set forth above, in order to compensate us for our lost revenue, you agree to pay as liquidated damages an amount calculated by multiplying the average monthly fees (net of Association interchange, assessments and fines) from the prior six months by the number of months remaining in the contract term. Such amount will be funded, to the extent possible, according to the same methods for collecting amounts due under Section 4.5 of this Agreement. We may terminate this Agreement at any time upon written notice to you as a result of any of the following events: (i) any noncompliance with this Agreement, the Association Rules or the Operating Procedures, which is not cured within thirty days of our notice to you; except that no cure period is allowed for termination based on Merchant fraud or failure to fund a Reserve Account, and except as otherwise provided in this Agreement; (ii) any voluntary or involuntary bankruptcy or insolvency proceeding involving Merchant; (iii) Paymentech deems Merchant to be financially insecure, (iv) Merchant or any person owning or controlling Merchant's business is or becomes listed in the MATCH file (Member Alert to Control High-Risk Merchants) maintained by Visa and MasterCard or any Association notifies us that it is no longer willing to accept your Sales Data, or (v) for a period of more than 60 consecutive days, you do not transmit Sales Data to us.

10.3 Termination For Merchant's Convenience. You may terminate this Agreement for your convenience prior to the expiration of the original or any renewal term by giving ~~ninety~~ sixty days' written notice of termination to Paymentech. ~~[If you terminate the Agreement pursuant to this Section during the first six months of the initial term of this Agreement, you agree to pay as liquidated damages to compensate us for costs incurred in setup of your account, an amount equal to $.], in order to compensate us for our lost revenue, you agree to pay as liquidated damages an amount calculated by multiplying the average monthly fees (net of Association interchange, assessments and fines) from the prior six months by the number of months remaining in the contract term. Such amount will be funded, to the extent possible, according to the same methods for collecting amounts due under Section 4.5 of this Agreement.~~

~~**10.3 Account Activity After Termination.** Termination does not affect either party's respective rights and obligations under this Agreement as to Sales Data submitted before termination. If you submit Sales Data to us after the date of termination for which you have given us notice, we may, at our discretion, process such Sales Data in accordance with the terms of this Agreement. Upon notice of any termination of this Agreement, we may notify you of the estimated aggregate dollar amount of Chargebacks and other obligations and liabilities that we reasonably anticipate subsequent to termination, and you agree to immediately deposit such amount, or we may withhold such amounts from your credits, in order to establish a Reserve Account pursuant to and governed by the terms and conditions of Section 4.6.~~

~~**11. Indemnification.** The indemnity provided under this Section 11 shall survive the termination of this Agreement.~~

~~**11.1 Paymentech.** We agree to indemnify you and your affiliates, officers, directors, employees, and agents from any losses, liabilities, and damages of any and every kind (including, without limitation, your costs, expenses and reasonable attorneys' fees) arising out of any Cardholder complaint or Chargeback related to (i) any failure by us to properly safeguard the Cardholder's account information or (ii) our failure to deliver funds processed by us in accordance with Section 4.4 which relate to payments due from us for Sales Data, or (iii) any voluntary or involuntary bankruptcy or insolvency proceeding by or against us. This indemnification does not apply to any claim or complaint relating to your failure to resolve a payment dispute concerning merchandise or services sold by you. The indemnification provided for in this Section 11.1 is subject to Section 14.~~

~~**11.2 Merchant.** You agree to indemnify Paymentech, the Associations, its affiliates, officers, directors, employees, and agents from any from any losses, liabilities, and damages of any and every kind (including, without limitation, our costs, expenses and reasonable attorneys' fees) arising out of any claim, complaint, or Chargeback (i) made or claimed by a Cardholder with respect to any Sales Data submitted by you or (ii) caused by your noncompliance with this Agreement or the Association Rules, including any breach of a representation or warranty made by you, or (iii) any voluntary or involuntary bankruptcy or insolvency proceeding by or against you. The indemnification provided for in this Section does not apply to any claim or complaint to the extent it is caused by Paymentech's own negligence or willful misconduct. The indemnification provided for in this Section 11.2 is subject to Section 14.~~

12. No Disclosure of Cardholder Information. We will exercise reasonable care to prevent disclosure or use of Card information, other than as permitted under the Association Rules. You will exercise reasonable care to prevent disclosure of Card information, other than to your agents and contractors for the purpose of assisting you in completing a Card transaction, or to the applicable Association, or as specifically required by law. Each party will store all media containing Card numbers in an area limited to selected personnel and prior to either party discarding any material containing Cardholder information, the party will destroy it in a manner rendering the Card account numbers unreadable. If at any time either party determines that Card account number information has been compromised, such party will notify the other party immediately and assist in providing notification to the proper parties as we deem necessary.

13. Information About Merchant's Business.

13.1 Additional Financial Information. To the extent not available from public sources, you agree to furnish us within five days of our request (i) your most recently prepared financial statements and credit information or (ii) if applicable, your three most recent filings with the SEC.

13.2 Other Information. With prior notice and during your normal business hours, our duly authorized representatives may visit your business premises and may examine only that part of your books and records that pertain to your Sales Data and Card sales. You agree to provide us at least thirty days' prior written notice of your intent to change your product line or services, or your trade name, or the manner in which you accept Cards. If we determine such a change is material to our relationship with you, we may refuse to process Sales Data made pursuant to the change. You agree to provide us with prompt written notice if you are the subject of any voluntary or involuntary bankruptcy or insolvency petition or proceeding.

14. Disclaimer; Limitation of Damages. Subject to Section 5, we will, at our own expense, correct any data in which (and to the extent that) errors have been caused by us, or by malfunctions of our Intellectual Property or machines. Notwithstanding anything to the contrary in this Agreement (including, without limitation, Paymentech's indemnification obligations contained in the Master Services Agreement), uUnder no circumstances will Paymentech's financial responsibility for Paymentech's failure of performance under this Agreement exceed the total fees paid to us under this Agreement (net of Association interchange, assessments and fines) for the six months prior to the time the liability arose; provided, however, that this limitation of damages shall not apply with respect to any gross negligence, willful misconduct or reckless actions of Paymentech or its employees. EXCEPT AS OTHERWISE PROVIDED FOR IN THIS AGREEMENT, IN NO EVENT WILL EITHER PARTY, ITS RESPECTIVE EMPLOYEES OR AFFILIATES, BE LIABLE FOR SPECIAL, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES. WHILE BOTH PARTIES ACKNOWLEDGE THAT THIS IS AN AGREEMENT FOR SERVICES TO WHICH THE UNIFORM COMMERCIAL CODE DOES NOT APPLY, PAYMENTECH HEREBY DISCLAIMS ANY AND ALL WARRANTIES WITH RESPECT TO THE SERVICES, PRODUCTS AND EQUIPMENT PROVIDED HEREUNDER, WHETHER EXPRESS, IMPLIED, STATUTORY OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE.

15. Intellectual Property.

15.1 License. We retain all ownership and copyright interest in and to any and all Intellectual Property, computer programs, related documentation, technology, know how and processes developed by us and provided in connection with this Agreement (collectively, the "Intellectual Property"), and we grant you a non-exclusive license to use the

Intellectual Property for the limited purpose of performing under this Agreement. Unless otherwise provided in a separate agreement between you and us, any Intellectual Property or machinery provided by us but not developed by Paymentech, is being licensed or purchased by you directly from the manufacturer or developer of such machinery or Intellectual Property. You acknowledge that the license granted herein is limited to your own use exclusively and that you do not have the right to sub-license any of the Intellectual Property in either their original or modified form. You agree that you will not reverse-engineer, disassemble or decompile the Intellectual Property. Merchant shall not give any third party, except Merchant's employees, access to the Intellectual Property without our prior written consent. Merchant's obligations under this Section 15.1 shall survive the termination of this Agreement.

15.2 Infringement Warranty. We represent and warrant that your use of the Intellectual Property as contemplated by this Agreement does not violate any copyright, patent, trade secret, or trademarks of any person. We will defend (or settle) at our own expense any and all claims that the above items infringe a trademark, copyright, trade secret, or patent, if you give us prompt notice of any such claim or lawsuit against you relating to the Intellectual Property. If your use of the Intellectual Property is prevented by any legal process, we will procure for you the right to continue to use the Intellectual Property, or modify the Intellectual Property so that it is no longer infringing, or replace the Intellectual Property with non-infringing Intellectual Property of equal or superior functional capability.

16.Miscellaneous.

16.1.Taxes. To the extent permitted by law, y~~Y~~ou agree to pay any taxes imposed on the sale or lease of Intellectual Property or services contemplated by this Agreement during the term of this Agreement and you authorize us to increase the amount of your payment to reflect any and all assessments or increases in the sales, use, occupational, property, lease or other taxes imposed on such sale or lease of services or Intellectual Property; provided, however, that Paymentech will provide you with written notice prior to passing through the costs associated with any taxes which may become payable under this Agreement.

16.2 Application and Credit Check. All statements made on your Application for this Agreement are true as of the date of your execution of this Agreement. Your signature on this Agreement authorizes us to perform any credit check deemed necessary of Merchant and its principals and guarantors.

16.3 Section Headings. The section headings of this Agreement are for convenience only and do not define, limit or describe the scope or intent of this Agreement.

16.4 Assignment. We cannot assign this Agreement without your prior written consent, except that we may assign this Agreement to a Visa and MasterCard member qualified to perform our obligations under this Agreement. You cannot assign or transfer your rights or delegate your responsibilities under this Agreement without our prior written consent.

16.5 Parties. This Agreement binds you and us and our respective heirs, representatives, successors (including those by merger and acquisition) and permitted assigns. You represent and warrant that your execution of and performance under this Agreement (i) in no way breaches, contravenes, violates or in any manner conflicts with any of your other legal obligations, including, without limitation, your corporate charter or similar document or any agreement between you and any third party; and (ii) has been duly authorized by all necessary action and does not require any consent or other action by or in respect of any third party and that the person signing this Agreement on your behalf is duly authorized to do so. In providing services to you, we will not be acting in the capacity of your agent, partner, or joint venturer, and we are acting as an independent contractor. Each party agrees that the other party may publicly disclose, through press releases or otherwise, the existence of the business relationship that is the subject of this Agreement. Any such disclosure may identify the parties by name but shall not, without the prior written consent of the non-disclosing party, include any of the terms of this Agreement.

16.6 Severability. Should any provision of this Agreement be determined to be invalid or unenforceable under any law, rule or regulation, such determination will not affect the validity or enforceability of any other provision of this Agreement.

16.7 Waivers. No term or condition of this Agreement may be waived unless both parties sign a written waiver.

16.8 Entire Agreement. The Association Rules (to the extent you have been notified thereof in writing), Operating Guide, and all schedules, and attachments to this Agreement are made a part of this Agreement for all purposes. This Agreement represents the entire understanding between Merchant and Paymentech with respect to the matters contained herein. ~~This Agreement shall prevail over the terms of any agreement governing the bank account.~~

16.9 Notices. Except as otherwise provided in this Agreement, all notices must be given in writing and either hand delivered, faxed, or mailed first class, postage prepaid (and deemed to be delivered when mailed) to the addresses set forth below or to such other address as either party may from time to time specify to the other party in writing.

~~**16.10 Governing Law; Waiver of Jury Trial.** This Agreement will be governed by and construed in accordance with the laws of the State of Texas without reference to conflict of law provisions. Any action, proceeding, litigation or mediation relating to or arising from this Agreement must be brought by Merchant against Paymentech exclusively in Dallas County, Dallas, Texas, and by Paymentech against Merchant in the county and state of Merchant's principal office, as indicated below. THE PARTIES HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVE ANY RIGHTS EITHER OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, ARISING OUT OF, OR IN CONNECTION WITH THIS AGREEMENT.~~

16.11 Attorneys' Fees. In any action to enforce ~~your~~ obligations under this Agreement, ~~you~~ each party will be liable for ~~all~~ its own~~of our~~ costs, expenses and ~~reasonable~~ attorney's fees incurred in connection with such action.

16.12 Force Majeure. Neither party will be liable for delays in processing or other nonperformance caused by such events as fires, telecommunications or utility or power failures, equipment failures, labor strife, riots, war, nonperformance of our vendors or suppliers, acts of God, or other causes over which the respective party has no reasonable control, except that nothing in this Section 16.12 will affect or excuse your liabilities and obligations for Chargebacks, refunds or unfulfilled products and services.

17. Definitions.

17.1 Application is your statement of the characteristics of your account that you have submitted to us to induce us to enter into this Agreement with you and that has induced us to process your Card transactions under the terms and conditions of this Agreement

17.2 Association is a group of Card issuer banks that facilitates the use of payment cards, such as the systems operated by MasterCard International, Inc. and Visa, Inc. Association Rules are the bylaws, rules, and regulations, as they exist from time to time, of the Associations.

17.3 Card is both the plastic card or other evidence of the account and the account number, issued by a Card issuer to the Cardholder, either of which you accept from your customers as payment for their purchases from you, such as a MasterCard, Visa or JCB Card or such other payment card as we may hereafter agree.

17.4 Cardholder is the person to whom the Card is issued and who is entitled to use the Card.

17.5 Chargeback is a reversal of a Card sale you previously presented pursuant to Association Rules.

17.6 Retrieval Request is a request for information by a Cardholder or Card issuer relating to a claim or complaint concerning a Card sale you have made.

17.7 Sales Data is the evidence and electronic record of a sale or lease transaction representing payment by use of a Card or of a refund/credit to a Cardholder.

17.8 T&E Card is a travel and entertainment Card issued by American Express, Novus/Discover, Carte Blanche, Diner's Club, or such other T&E Card for which we may agree to accept submissions in the future.

Agreed and Accepted by:

MERCHANT LEGAL NAME

By

Print Name and Title

Date

Address

City, State Zip

Agreed and Accepted by:

PAYMENTECH, L.P.

By: PTI General Partner, LLC, its general partner

By

Print Name

Title

REVISION 01/02

To Be Completed By Paymentech, L.P.

Your Merchant Agreement Contract Number is: _____

Your Merchant Processing Identification Number Will Be Provided At Time of Processing Set Up

MULTIPLE ENTITIESS ADDENDUM
TO PAYMENTECH MERCHANT AGREEMENT

This Multiple Entities Addendum ("Multiple Entities Addendum") is entered into between Paymentech. LLC ("Company") and the entities listed on the attached Exhibit 1 ("Exhibit 1"). This Multiple Entities Addendum relates to that certain Credit Card Processing Services Agreement between Paymentech and _____, dated _____ ("Merchant Agreement"). This Multiple Entities Addendum is made a part of the Merchant Agreement. Except as otherwise provided, all capitalized terms shall have the same meaning as set forth in the Merchant Agreement.

1. **Parties to Merchant Agreement.** Each entity listed on Exhibit 1 will be known as the "Merchant" under the Merchant Agreement. Each Merchant is aware of its obligations and responsibilities as such, including any applicable Rules and Operating Procedures. By signing below, the Merchant requests Paymentech provide a Merchant Credit Card Processing Account for each entity listed on Exhibit 1 in accordance with the terms set forth in the Merchant Agreement. Accordingly, the Merchant agrees to all the terms and conditions of the Merchant Agreement as a party thereof and hereby confirms the representations and warranties made by Merchant in the Merchant Agreement and hereby promises to pay all amounts as outlined in the Merchant Agreement. In addition, the Merchant agrees that Paymentech may initiate credit and debit entries against each Merchant's bank account designated below by ACH or otherwise in accordance with the terms of the Merchant Agreement.

2. **Authority.** The person signing this Addendum represents and warrants that
   (a) he or she is an officer or authorized signatory of each Merchant as listed the attached Exhibit 1.
   (b) The execution and delivery of the Merchant Agreement and this Addendum by officer (i) are within officer's powers, (ii) have been duly authorized by all necessary action, and (iii) do not require any consent or other action by or in respect of any third party.

3. **Additions to Exhibit 1.** The parties acknowledge and agree that no additions to Exhibit 1 can be made without first securing the prior written consent of Paymentech . Such request must be made in writing at least thirty (30) days prior to processing and submitted to Paymentech with the following information: merchant name, merchant address, DDA #, any additional setup information, type of company, state of incorporation, officer title, and any required financial information. Paymentech will not unreasonably withhold consent to any proposed addition Merchant may make.

Effective as of this _____ day of _____, 199___.

_____
Officer Name

By:_____

Title:_____

PAYMENTECH, LLC

By:_____

Title:_____

EXHIBIT 1

MERCHANTS:

(1)
Merchant Name: Merchant Address: DDA# ADDITIONAL SETUP INFORMATION

CIRCLE ONE
Corporation
Limited Partnership
General Partnership
LLC
Sole Proprietorship

organized under the laws of the State of _____

Officer Title: _____
Tax I.D. Number _____

PAYMENTECH MERCHANT ACCOUNT NUMBER:

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(2)
Merchant Name: Merchant Address: DDA# ADDITIONAL SETUP INFORMATION

CIRCLE ONE
Corporation
Limited Partnership
General Partnership
LLC
Sole Proprietorship

organized under the laws of the State of _____

Officer Title: _____
Tax I.D. Number _____

PAYMENTECH MERCHANT ACCOUNT NUMBER:

STATE OF CALIFORNIA

PAYEE DATA RECORD

(Required in lieu of IRS W-9 when doing business with the State of California)

STD. 204 (REV. 2-99)

NOTE: Governmental entities, federal, state, and local (including school districts) are not required to submit this form.

SECTION 1 must be completed by the requesting state agency before forwarding to the payee

1

PLEASE RETURN TO:

DEPARTMENT/OFFICE: Dept of General Svcs | Fleet Admin's.

STREET ADDRESS: 802 Q Street

CITY, STATE, ZIP CODE: Sacramento, CA 95814

TELEPHONE NUMBER: 916-[illegible]322-9017

PURPOSE: Information contained in this form will be used by state agencies to prepare information Returns (Form 1099) and for withholding on payments to nonresident payees. Prompt return of this fully completed form will prevent delays when processing payments.

(See Privacy Statement on reverse)

2

PAYEE'S BUSINESS NAME: Paymentech Merchant Services LLC

SOLE PROPRIETOR–ENTER OWNER'S FULL NAME HERE *(Last, First, M.I.)*

MAILING ADDRESS *(Number and Street or P. O. Box Number)*: 1601 Elm St

(City, State and Zip Code): Dallas, TX 75201

3

PAYEE ENTITY TYPE

CHECK ONE BOX ONLY

- ☐ **MEDICAL CORPORATION** *(Including dentistry, podiatry, psychotherapy, optometry, chiropractic, etc.)*
- ☐ **EXEMPT CORPORATION** *(Nonprofit)*
- ☒ **ALL OTHER CORPORATIONS**
- ☐ **PARTNERSHIP**
- ☐ **ESTATE OR TRUST**
- ☐ **INDIVIDUAL/SOLE PROPRIETOR**

NOTE: State and local governmental entities, including school districts are not required to submit this form.

4

PAYEE'S TAXPAYER I.D. NUMBER

SOCIAL SECURITY NUMBER REQUIRED FOR INDIVIDUAL/SOLE PROPRIETOR BY AUTHORITY OF THE REVENUE AND TAXATION CODE SECTION 18646 *(See reverse)*

FEDERAL EMPLOYERS IDENTIFICATION NUMBER (FEIN): 75-2830829

IF PAYEE ENTITY TYPE IS A CORPORATION, PARTNERSHIP, ESTATE OR TRUST, ENTER FEIN

SOCIAL SECURITY NUMBER: - -

IF PAYEE ENTITY TYPE IS INDIVIDUAL/SOLE PROPRIETOR, ENTER SSAN

NOTE: Payment will not be processed without an accompanying taxpayer I.D. number.

5

PAYEE RESIDENCY STATUS

CHECK APPROPRIATE BOX(ES)

- ☒ California Resident - Qualified to do business in CA or a permanent place of business in CA
- ☐ Nonresident *(See Reverse)* Payments to nonresidents for services may be subject to state withholding
  - ☐ WAIVER OF STATE WITHHOLDING FROM FRANCHISE TAX BOARD ATTACHED
  - ☐ SERVICES PERFORMED OUTSIDE OF CALIFORNIA

NOTE:
a. An estate is a resident if decedent was a California resident at time of death.
b. A trust is a resident if at least one trustee is a California resident. *(See reverse)*

6

CERTIFYING SIGNATURE

I hereby certify under penalty of perjury that the information provided on this document is true and correct. If my residency status should change, I will promptly inform you.

AUTHORIZED PAYEE REPRESENTATIVE'S NAME *(Type or Print)*: Sylvia Dunham

TITLE: Senior Account Executive

SIGNATURE: Sylvia E Dunham

DATE: 8/6/01

TELEPHONE NUMBER: 303-399-6985

204PRT FRP

ARE YOU A RESIDENT OR A NONRESIDENT?

Each corporation, individual sole proprietor, partnership, estate or trust doing business with the State of California must indicate their residency status along with their taxpayer identification number.

A **corporation** will be considered a "resident" if it has a permanent place of business in California. The corporation has a permanent place of business in California if it is organized and existing under the laws of this state or, if a foreign corporation has qualified to transact intrastate business. A corporation that has not qualified to transact intrastate business (e.g., a corporation engaged exclusively in interstate commerce) will be considered as having a permanent place of business in this state only if it maintains a permanent office in this state that is permanently staffed by its employees.

For **individuals/sole proprietors**, the term "resident" includes every individual who is in California for other than a temporary or transitory purpose and any individual domiciled in California who is absent for a temporary or transitory purpose. Generally, an individual who comes to California for a purpose which will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident.

For withholding purposes, a **partnership** is considered a resident partnership if it has a permanent place of business in California. An estate is considered a California estate if the decedent was a California resident at the time of death and a trust is considered a California trust if at least one trustee is a California resident.

More information on residency status can be obtained by calling the Franchise Tax Board at the numbers listed below:

From within the United States, call.....1-800-852-5711
From outside the United States, call.....1-916-845-6500
For hearing impaired with TDD, call....1-800-822-6268

ARE YOU SUBJECT TO NONRESIDENT WITHHOLDING?

Payments made to nonresident payees, including corporations, individuals, partnerships, estates and trusts, are subject to withholding. Nonresident payees performing services in California or receiving rent, lease or royalty payments from property (real or personal) located in California will have 7% of their total payments withheld for state income taxes. However, no withholding is required if total payments to the payee are $1500 or less for the calendar year.

A nonresident payee may request that income taxes be withheld at a lower rate or waived by sending a completed form FTB 588 to the address below. A waiver will generally be granted when a payee has a history of filing California returns and making timely estimated payments. If the payee activity is carried on outside of California or partially outside of California, a waiver or reduced withholding rate may be granted. For more information, contact:

Franchise Tax Board
Nonresident Withholding Section
Attention: State Agency Withholding Coordinator
P.O. Box 651 Sacramento, CA 95812-0651
Telephone: (916) 845-4900
FAX: (916) 845-4831

If a reduced rate of withholding or waiver has been authorized by the Franchise Tax Board, attach a copy to this form.

PRIVACY STATEMENT

Section 7(b) of the Privacy Act of 1974 (Public Law 93-5791) requires that any federal, state, or local governmental agency which requests an individual to disclose his social security account number shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it.

The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State must provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646 to facilitate tax compliance enforcement activities and to facilitate the preparation of Form 1099 and other information returns as required by the Internal Revenue Code, Section 6109(a). The TIN for individual and sole proprietorships is the Social Security Number (SSN).

It is mandatory to furnish the information requested. Federal law requires that payments for which the requested information is not provided be subject to a 31% withholding and state law imposes noncompliance penalties of up to $20,000.

You have the right to access records containing your personal information, such as your SSN. To exercise that right, please contact the business services unit or the accounts payable unit of the state agency(ies) with which you transact that business.

Please call the Department of Finance, Fiscal Systems and Consulting Unit at (916) 324-0385 if you have any questions regarding this Privacy Statement. Questions related to residency or withholding should be referred to the telephone numbers listed above. All other questions should be referred to the requesting agency listed in Section I.