

1. EQUIPMENT & SOFTWARE

Each Authorized User is responsible for defining its equipment and software needs, desired operating objectives, and desired operating environment under this MSA. Authorized Users will work with their designated Contractor to determine the appropriate equipment and software needs to meet their specific business and system requirements. Authorized Users should complete a cost analysis to determine which acquisition method is appropriate for their needs (purchase, lease, or rent). Authorized Users should incorporate these requirements and decisions in the Scope of Work section of their individual Subscription Agreement (STD 213).

When purchasing, leasing, renting, or disposing of equipment, State Authorized Users must adhere to all applicable state laws, regulations, policies, best practices, and purchasing authority requirements, including but not necessarily limited to: California Codes, Code of Regulations, State Administrative Manual, Management Memos, and the State Contracting Manual.

2. GENERAL STATEMENT OF WORK:

Contractor may provide all Point of Sale (POS) equipment and software as needed to implement new or upgrade current system in terms of functionality at the rates provided in Exhibit E.

a. Newly Manufactured Goods

All purchased equipment, including components and accessories, under this MSA shall be newly manufactured equipment. Used or reconditioned equipment is prohibited except as a replacement and only after the one-year warranty period has expired.

b. POS Equipment Implementation Plans

Contractor staff will map, migrate, test and clean-up the essential data required for the POS System to function; complete training of Authorized User's staff; and other tasks necessary for use of the POS System by the Authorized User. The deployment of the POS equipment will include discovery¹, installation, training, testing and certification.

Contractor shall coordinate with Authorized Users to develop an implementation schedule to determine that Authorized Users have all the appropriate supplies, space, and time required for the discovery, installation, training, and testing.

¹ Method used to clearly understand and document the technology, business issues, and resources required to successfully implement all or part of an electronic payment acceptance system.

c. Service Provider Back-end System Software

Contractor must successfully integrate the POS equipment between Authorized User's internal system and their affected locations.

d. POS System Architecture Software Requirements

Contractor shall make necessary modifications, adjustments, and repairs to keep the software operating without abnormal interruptions² to correct latent deficiencies with respect to the software specifications, and in compliance with applicable federal laws and regulations.

- Contractor shall provide software modifications for operation with the infrastructure, for the term of the contract.
- Contractor shall provide new versions of the software to keep the Authorized User abreast of the Contractor's current software product. Complete documentation of all system enhancements or revisions will be provided with new releases of software. Documentation must describe, in a user-friendly manner, what the Authorized User needs to know to understand each level on which the software operates.
- Contractor shall provide modifications and enhancements that (1) will be delivered installed or installable, on the Authorized User's system, (2) must operate without abnormal program interruptions and (3) must provide the functions as required by the specifications and as described by documentation supplied by the Contractor.
- Contractor shall, at no additional cost to the Authorized User, ensure that any new versions or upgrades of Software shall contain all modifications and enhancements that were developed for the Authorized User.

e. Statistics, Reports and Other Outputs

The merchant services POS device's transaction information is available through ClientLine, which is an online financial management reporting solution that creates reports for: Deposit Summary, Transaction Reports, Statements, Adjustments, Chargebacks, and Authorizations.

f. POS Equipment Authentication Software

The Contractor shall provide the Software necessary for authentication and initialization so that the device is recognized by the Authorized User's system. The software must be pre-loaded to the device, allowing the device to initialize to the back end.

² Abnormal ending or termination of a computer program resulting from a computer program error or a machine malfunction.

g. Integrated Front-end POS System Work Stations

- The Contractor shall develop an Integrated Front-end POS System Work Stations and Peripherals plan that documents interchangeability, re-configuration of latest revisions, and delivery requirements for spares.
- All software and equipment shall be configured to the latest revision during the warranty period.
- All equipment and software shall be interchangeable with their corresponding device.

h. POS Replacement Plan

The cost of replacement after the equipment meets the minimum service life shall be borne by the Authorized User under a scheduled replacement plan. The cost of unscheduled replacement of devices during the one-year warranty period shall be borne by the Contractor.

Under the scheduled replacement plan, the Authorized User shall have the option of replacing equipment with an identical unit at the lower of the market price at time of replacement or with a compatible yet more capable unit at the current market price, if such a unit exists.

- ♦ The Contractor shall develop a Scheduled Replacement Plan that documents what equipment gets replaced, when it gets replaced, the logistics of removal and installation, and the required testing.

i. Maintenance and Repair Support

The Contractor must provide maintenance and repair support 24 hours a day, 7 days a week to assist the Authorized User in optimizing its POS equipment. The Contractor shall provide a wide range of services from telephone to on-site support, equipment exchange according to the Authorized User's equipment type, and enable efficient problem resolution with experienced on-site and remote technical support.

The Contractor shall be responsible for all maintenance support activities (repair, replace or preventive maintenance) required for all POS equipment. The contractor shall upgrade any or all POS equipment during the life of the contract as new technology becomes available as requested by the Authorized User.

The Contractor shall have repair policies and procedures in place to prevent illegal activity during the repair process. All parts, equipment, and firmware must be up-to-date and readily available. In addition, only authorized components may be used for the repair.

j. Exchange Services

The contractor will provide exchange support Monday through Friday from 8:00 a.m. through 5:00 p.m. Contractor will ship replacement the same day support call is received and schedule next day delivery to the Authorized User. If call is received after 5:00 p.m., replacement is shipped the following business day.

3. SECURITY STANDARDS:

All equipment and software must meet the following security standards as applicable: PCI Compliance, POS Compliance Security, POS Physical Security, POS Decommissioning Security, and POS Deployment, Repair and Tracking Security.

a. POS Compliance Security

The Contractor shall adhere to applicable PCI standards to ensure the following:

- The POS device has been tested and it is an approved Tamper-Resistant Security Module (TRSM) (approved as a TRSM by the network or PCI standards company).
- The device has been inspected for tampering before the encryption keys are injected.
- At a minimum a DUKPT or Triple DES key that was created under the principles of dual control and split knowledge has been injected into the device before Personal Identification Numbers (PINs) are entered. (Dual Control means that at least two authorized individuals are required to work in partnership to carry out an activity, such as generating, storing, or loading the clear text components of a key. Split Knowledge means that no single individual knows, or has access to, a whole entity, be it all the clear-text components of a key, or the combination of a safe where key components are stored.) Asymmetric cryptography is recommended.
- Each device will have unique keys.

b. POS Physical Security

Contractors shall adhere to security measures to ensure that the POS machine is properly installed, managed, and protected in a way that addresses and manages risks of attacks against it. These security measures manage and protect against theft and illegal modification. These measures shall also protect the cardholder's PIN entry privacy. POS devices should be inventoried and placed in secured, locked and monitored areas during storage, servicing and shipping. Physical security measures can encompass heavy duty "potting" or binding of the device to the logic unit. It can also encompass additional bolting, straps or other measures which would impede the removal of a device once it is operational.

c. POS Deployment, Repair and Tracking Security

The Contractor shall ensure that applicable PCI standards will cover terminal inventory and tracking controls during all phases of its lifecycle:

- the manufacturing phase; while in transit and testing; the key injection process and the installation commissioning process; operation (Authorized User phase); and
- when offline - storage, repair or inactivity periods.

d. POS Decommissioning Security

Both the Contractor and Authorized Users shall have policies and procedures in place to ensure that POS devices due for decommissioning have their cryptographic keys safely removed when the terminal is de-installed and that the device is then “zeroized”. “Zeroized” devices have no remaining encryption keys or data within them. Procedures shall exist and be followed during the physical removal and transportation of the de-installed device to ensure that it cannot be stolen, intercepted or otherwise acquired by fraudsters or criminals.

4. OTHER PROVISIONS:

a. Warranty

The Contractor (not the manufacturer) shall provide a one-year warranty for all equipment/software newly purchased from the Contractor. The Contractor’s sole obligation shall be to repair or replace the defective product during the warranty period at no charge to the Authorized User. Such repair or replacement will be rendered by the Contractor or by one of its authorized repair depots. Cost for shipment of said products to the Contractor shall be paid by the Contractor. The Contractor will then ship the repaired/replaced product to the Authorized User. The Contractor may not at its sole discretion replace the defective product (or any part thereof) with any reconditioned product that the Contractor reasonably determines is substantially equivalent (or superior) in all material respects to the defective product, until the one-year warranty period has expired and such action has been approved by the Authorized User. Repaired or replacement products will be warranted for the remainder of the original one-year warranty period from the date of original retail purchase.

b. Buy Back Program

Upon request, Contractor shall offer the Authorized User large-scale buyback and upgrade options. The Authorized User will return older, marketable equipment for trade in or toward upgrade of older equipment for newer technology.

c. Recycling

Contractor shall offer Authorized Users a recycling disposal program, whereby equipment with no value will be recycled in a manner that complies with the Electronic Waste Recycling Act of 2003, Chapter 8.5, Part 3 of Division 30, commencing with Section 42460 of the Public Resources Code. Contractor shall maintain documentation and provide reasonable access to its records and documents that evidence compliance.

Authorized users must obtain approval for all disposal or recycling of state-owned property from the State and Federal Property Reuse Program Office, Office of Fleet and Asset Management, Department of General Services via the Std. 152, Disposition Code 6. The form can be filled out, submitted and approved on-line at

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the following website www.ofa.dgs.ca.gov/OSPR/. For additional information regarding the process, please refer to the State Administrative Manual Section 3520.

d. Equipment Recall

Contractor will notify Authorized Users if a purchased item is affected by a product recall. Contractor will provide instructions on how to return or replace the equipment.

e. Substitutions

Substitution of deliverables may not be tendered without advance written consent of the Authorized User.

f. Inspection

All deliverables may be subject to final inspection, test and acceptance by the Authorized User at destination, notwithstanding any payment or inspection at source.

g. Damaged and Defective Items

Contractor will provide credit and/or replacement for freight-damaged or defective items at no charge within 48 hours after the Authorized User notification. This also includes incorrect products shipped or an order entry error by the Contractor's customer service representative. The Contractor cannot require the Authorized User to deal directly with the manufacturer. Additionally, the Contractor shall provide the Authorized User with a prepaid and self addressed container suitable for the return of the item.